

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated IN Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 September 2013

	Note	Individual Quarter		Cumulative Quarter	
		3 months period ended 30-Sep-13 RM'000	30-Sep-12 RM'000	9 months period ended 30-Sep-13 RM'000	30-Sep-12 RM'000
Continuing operations					
Revenue		59,155	78,210	175,581	226,226
Cost of sales		(56,814)	(77,339)	(168,715)	(218,208)
Gross profit		2,341	871	6,866	8,018
Other operating income		4	196	2,730	503
Distribution expenses		(1,287)	(2,015)	(3,787)	(5,401)
Administrative expenses		(4,670)	(4,756)	(12,915)	(12,275)
Other operating expenses		-	-	(47)	-
Results from operating activities		(3,612)	(5,704)	(7,153)	(9,155)
Finance costs		(2,288)	(3,043)	(7,365)	(7,800)
Operating loss	1	(5,900)	(8,747)	(14,518)	(16,955)
Share of loss of equity accounted associates, net of tax		(271)	(2,970)	(2,620)	(7,226)
Loss before tax		(6,171)	(11,717)	(17,138)	(24,181)
Income tax expense		446	(871)	30	(1,062)
Loss for the period		(5,725)	(12,588)	(17,108)	(25,243)
Other comprehensive income, net of tax					
Gain/ (loss) on available-for-sale financial assets		5	(11)	12	(19)
Total comprehensive expense for the period		(5,720)	(12,599)	(17,096)	(25,262)
Loss for the period attributable to:					
Owners of the Company		(5,638)	(11,861)	(16,931)	(24,335)
Non-controlling interests		88	(727)	176	(908)
Loss for the period		(5,725)	(12,588)	(17,108)	(25,243)
Total comprehensive expense attributable to:					
Owners of the Company		(5,633)	(11,872)	(16,919)	(24,354)
Non-controlling interests		88	(727)	176	(908)
Total comprehensive expense for the period		(5,720)	(12,599)	(17,096)	(25,262)
Basic loss per ordinary share (sen)		(5.53)	(11.10)	(16.60)	(23.86)
Diluted earnings per ordinary share (sen)		N/A	N/A	N/A	N/A

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated IN Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 September 2013 (continued)

Individual Quarter		Cumulative Quarter	
3 months period ended		6 months period ended	
30-Sep-13	30-Sep-12	30-Sep-13	30-Sep-12
RM'000	RM'000	RM'000	RM'000

Note:

1. Operating loss is arrived at:

After charging:

- Impairment loss on trade receivables	210	210	630	630
- Depreciation on property, plant and equipment	3,705	2,036	8,797	4,742
- Realized loss on foreign exchange	109	441	291	738
- Loss on disposal of plant and equipment	-	-	-	1
- Interest expense	2,621	2,538	7,365	7,800

After crediting:

- Gain on disposal of assets held for sale	-	14	2,457	-
- Realised gain on foreign exchange	(155)	(28)	(155)	(28)
- Interest income	272	(177)	(4)	(187)

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of financial position as at 30 September 2013

	30-Sep-13 RM'000	Audited 31-Dec-12 RM'000
Assets		
Property, plant and equipment	159,730	158,091
Investment properties	640	646
Investment in associates	5,805	7,474
Other investments	144	135
Total non-current assets	<u>166,319</u>	<u>166,346</u>
Inventories	101,338	107,537
Trade and other receivables	66,787	74,380
Current tax assets	3,655	1,560
Cash and cash equivalents	11,775	10,775
	<u>183,555</u>	<u>194,252</u>
Assets classified as held for sale	2,489	4,862
Total current assets	<u>186,044</u>	<u>199,114</u>
Total assets	<u><u>352,363</u></u>	<u><u>365,460</u></u>
Equity		
Share capital	51,000	51,000
Reserves	25,408	41,426
Total equity attributable to owners of the Company	<u>76,408</u>	<u>92,426</u>
Non-controlling interests	18,076	580
Total equity	<u>94,484</u>	<u>93,006</u>
Liabilities		
Loans and borrowings	49,072	48,281
Deferred tax liabilities	6,539	6,460
Total non-current liabilities	<u>55,611</u>	<u>54,741</u>
Loans and borrowings	142,916	147,346
Trade and other payables	57,770	67,472
Current tax liabilities	1,582	33
	<u>202,268</u>	<u>214,851</u>
Liabilities classified as held for sale	-	2,862
Total current liabilities	<u>202,268</u>	<u>217,713</u>
Total liabilities	<u>257,879</u>	<u>272,454</u>
Total equity and liabilities	<u><u>352,363</u></u>	<u><u>365,460</u></u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of changes in equity for the period ended 30 September 2013

	----- Attributable to owners of the Company -----						Total	Non- controlling interests	Total Equity
	----- Non-distributable -----			Distributable					
	Share capital	Share premium	Reverse acquisition reserve	Fair value reserve	Capital reserve	Retained earnings			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2012 (restated)	51,000	774	(53,300)	(47)	28,182	96,916	123,525	-	123,525
Other comprehensive income/ (expense) for the period									
- Fair value of available-for-sale financial assets	-	-	-	(19)	-	-	(19)	-	(19)
Loss for the period	-	-	-	-	-	(24,335)	(24,335)	(908)	(25,243)
Total comprehensive expense for the period	-	-	-	(19)	-	(24,335)	(24,354)	(908)	(25,262)
Acquisition of a subsidiary	-	-	-	-	-	-	-	1,574	1,574
At 30 September 2012	51,000	774	(53,300)	(66)	28,182	72,581	99,171	666	99,837
At 1 January 2013	51,000	774	(53,300)	(64)	28,182	65,834	92,426	580	93,006
Other comprehensive expense for the period									
- Fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	12	-	(16,931)	(16,919)	(176)	(17,095)
Total comprehensive expense for the period	-	-	-	12	-	(16,931)	(16,919)	(176)	(17,095)
Disposal of a subsidiary	-	-	-	-	-	-	-	(580)	(580)
Dilution of subsidiary	-	-	-	-	-	901	901	18,252	19,153
At 30 September 2013	51,000	774	(53,300)	(52)	28,182	49,804	76,408	18,076	94,484

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of cash flows for the period ended 30 September 2013

	Note	9 months period to 30-Sep-13 RM'000	9 months period to 30-Sep-12 RM'000
Cash flows from operating activities			
Loss before tax		(17,138)	(24,181)
Adjustments for:			
Depreciation on property, plant and equipment		8,797	4,742
Loss on disposal of plant and equipment		-	(13)
Dividend income		(7)	(7)
Interest income		(4)	(187)
Gain on disposal of assets held for sale		(2,457)	-
Interest expense		7,365	7,800
Share of loss of equity accounted associates		2,620	7,226
Operating loss before working capital changes		(824)	(4,620)
Changes in working capital:			
Inventories		6,198	15,407
Trade and other receivables		7,594	(9,896)
Trade and other payables		(7,028)	11,916
Cash generated from operations		5,940	12,807
Interest paid		(616)	-
Income taxes paid		(437)	(1,045)
Net cash from operating activities		4,887	11,762
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(11,745)	(22,147)
Dividend received		7	7
Interest received		(326)	187
Subscription of additional interest in an associate		(951)	-
Net cash inflow on acquisition of a subsidiary		-	334
Proceeds from disposal of assets classified as held for sales		21,233	318
Net cash from / (used in) investing activities		8,218	(21,301)
Cash flows from financing activities			
Interest paid		(7,259)	(8,066)
Placement of pledged fixed deposits		(123)	(126)
(Repayment)/ Drawdown of short term borrowings, net		(4,755)	9,092
Drawdown of term loans		2,822	19,369
Repayment of term loans		(1,238)	(10,529)
Payment of finance lease liabilities		(3,639)	(1,819)
Net cash from / (used in) financing activities		(14,192)	7,921
Net decrease in cash and cash equivalents		(1,087)	(1,618)
Cash and cash equivalents as at beginning of financial period		(3,437)	(995)
Cash and cash equivalents as at end of financial period	B	(4,524)	(2,613)

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of cash flows for the period ended 30 September 2013 (continued)

Notes:

A. Acquisition of property, plant and equipment

During the period, the Group acquired property, plant and equipment with an aggregate cost of RM11.74 million (2012: RM22.15 million) of which RM1.3 million (2012: RM7.12 million) was acquired by means of term loan and finance lease arrangements.

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following amounts:

	9 months period to 30-Sep-13 RM'000	9 months period to 30-Sep-12 RM'000
Cash and bank balances	2,034	1,759
Bank overdrafts	<u>(6,558)</u>	<u>(4,372)</u>
Cash and cash equivalents	<u><u>(4,524)</u></u>	<u><u>(2,613)</u></u>

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A. EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARD 134 (MFRS 134): INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The condensed consolidated interim financial statements have been prepared on the historical cost basis, unless otherwise stated.

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2012. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2012.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2013.

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investment in Associates and Joint Ventures (2011)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A1. Basis of preparation (cont'd)

The adoption of the above standards and amendments are not expected to have any material financial impact to the current and prior periods financial statements of the Group.

The following revised MFRSs and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

Amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

A2. Auditor's report on preceding annual financial statements

The auditor's report on the audited annual financial statements for the year ended 31 December 2012 was not qualified.

A3. Seasonality or cyclical factors

The business operation of the Group is not subject to seasonal or cyclical factors.

A4. Exceptional and extraordinary items

There were no items affecting assets, liabilities, equity, net income or cash flows that are exceptional or extraordinary due to their nature, size or incidence affecting the interim financial report.

A5. Changes in estimates

There were no changes in estimates that had a material effect on the current quarter and period to date results.

A6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debts and equity securities during the current quarter.

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(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A7. Dividend paid

There was no dividend paid by the Company in the current quarter and the period to date.

A8. Segmental information

The Group only has one reportable segment which is principally confined to the manufacturing and trading of stainless steel pipes, tubes and bars, electro-galvanized steel, perforated metal products and other ferrous and non-ferrous metal products. The Group's Executive Chairman (the chief operating decision maker) reviews internal management reports on the reportable segment on a monthly basis.

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers.

Geographical information

	Current quarter ended 30 September 2013		Cumulative quarter to date ended 30 September 2013	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<u>Segment revenue</u>				
Malaysia	57,151	67,938	162,519	201,028
Asia (excluding Malaysia)	1,746	893	5,737	5,646
United States of America	42	9,379	5,833	19,219
Europe	216	-	1,492	333
	<u>59,155</u>	<u>78,210</u>	<u>175,581</u>	<u>226,226</u>

A9. Property, plant and equipment

During the current period, the Group has addition of property, plant and equipments of RM11.74 million.

A10. Significant events during the financial period

- a) At an Extraordinary General Meeting held on 28 March 2013, the Company's shareholders approved the Proposed Disposal for the disposal of 49% equity interests representing 19,600,000 ordinary shares of RM1.00 each in Tatt Giap Steel Centre Sdn. Bhd. to CSGT International Corporation, CSC Steel Holdings Berhad and Hanwa Co. Ltd. for a total cash consideration of RM20,033,160 of which RM2,003,316 (being the 10% deposit) has been collected in Financial Year 2012 and the transaction has been completed 26 April 2013 and TGSC is now a 51% subsidiary of TGGB.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A10. Significant events during the financial period (cont'd)

- b) On 31 December 2012, the Group ("TGG") entered into an agreement with KC Prima Sdn. Bhd. to dispose off all its 60% equity interest in Buminox Sdn. Bhd. ("Buminox") representing 2,400,000 ordinary shares of RM1 each for a total cash consideration of RM1.2 million.
Upon completion of the Proposed Disposal on 14 January 2013, Buminox ceased to be a subsidiary of TGG.
- c) On 8 May 2013, the Company participated in a private limited liability company under the name of Shinsei Superinox Industry Pte Ltd ("SSI") of 25% equity interest. SSI was formalized in the Republic of Singapore with an issued and paid up share capital of SGD 100.
The 25% share of subscriber share cost of SGD 25 is financed by cash in TGG. The equity Investment is for investment holding with the ultimate aim of setting up a manufacturing concern for an array of stainless steel fittings products.

A11. Changes in composition of the Group

Except as disclosed in Note A10, there have been no changes in Group's composition.

A12. Contingent liabilities

There were no material contingent liabilities or contingent assets to be disclosed as at the date of this report.

A13. Capital commitment

	Cumulative Period to Date 30-Sep-13 RM'000
Contracted but not provided for in the financial statements :	
- Property, plant and equipment	3,679
- Investment in associated - SSI	1,814
	<u>5,493</u>

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(732294-W)

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Notes to the condensed consolidated interim financial statements

A14 Significant related party transactions

	Current Quarter 30-Sep-13 RM'000	Cumulative Period to Date 30-Sep-13 RM'000
a) Transactions with associates:		
- Sales	1,124	2,162
- Purchases	25,387	47,991
- Rental income	264	633
- Interest expenses	11	19
- Loan	-	1,092
b) Transactions with directors		
- Rental expenses	12	36
- Professional fee	-	321
- Interest expenses	6	12
- Loan	100	661

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

For the period ended 30 September 2013, the Group achieved a total revenue of RM175.58 million. This represents a decreased by RM50.65 million or 22% as compared to the revenue of RM226.23 million for the corresponding period of year 2012. This is mainly due to decrease in sales volume and deterioration in stainless steel price.

The Group incurred a loss before tax of RM17.14 million for the period ended 30 September 2013 compared with loss before tax of RM24.18 million in the same period of 2012. This is mainly due to reduce in share of losses in associate, NEG from RM7.23 million to RM2.60 million.

B2. Variation of results against preceding quarter

During the period under review, the Group's revenue was RM59.16 million, decreased by RM0.55 million or 1% as compare to the revenue of RM59.70 million for the preceding quarter of 2013 ("Q2 2013"). The decrease in revenue is mainly due to decrease in steel prices.

The Group registered a loss before tax of RM6.12 million compared to a loss before tax of RM6.68 million for preceding quarter of 2013 ("Q2 2013"). The losses was mainly due to continue dropped in international steel price and relocation expenses incurred for shifting Superinox Pipe Industry Sdn. Bhd. ("SPI") plant.

B3. Current year prospects

In view of the uncertainties surrounding the recovery of the global economy and the pressure of rising costs, the Group's performance for the financial year is expected to remain challenging.

B4. Variance between actual profit and forecast profit

The Group has not issued any profit forecast or profit guarantee.

B5. Income tax expense

	Current Quarter 30-Sep-13 RM'000	Cumulative Period to Date 30-Sep-13 RM'000
Current tax expense	(446)	30
Deferred tax income	-	-
	<u>(446)</u>	<u>30</u>

The effective tax rate for the Group for the period under review was higher than the statutory income tax rate of 25% mainly due to certain subsidiaries and an associate within the Group experienced losses during the current quarter.

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(732294-W)

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Notes to the condensed consolidated interim financial statements

B6. Quoted investments

	Carrying Amount RM'000	Market value as at 30-Sep-13 RM'000
Quoted shares in Malaysia	<u>144</u>	<u>144</u>

B7. Loan and borrowings

The Group's loans and borrowings as at 30 September 2013 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	5,587	971	6,558
- Trade line	102,413	28,922	131,335
- Term loans	1,353	-	1,353
- ICULS	-	583	583
- Finance lease liabilities	<u>3,087</u>	<u>-</u>	<u>3,087</u>
	<u>112,440</u>	<u>30,476</u>	<u>142,916</u>
Non-current			
- Term loans	39,348	-	39,348
- ICULS	-	1,074	1,074
- Finance lease liabilities	<u>8,650</u>	<u>-</u>	<u>8,650</u>
	<u>47,998</u>	<u>1,074</u>	<u>49,072</u>
Total	<u>160,438</u>	<u>31,550</u>	<u>191,988</u>

The above borrowings are denominated in Ringgit Malaysia.

B8. Material litigation

The Group is not engaged in any material litigation for the current financial period.

B9. Proposed dividend

The Board does not recommend any dividend for the current quarter ended 30 September 2013.

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(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

B10. Loss per share

a) Basic loss per ordinary share

	Current Quarter 30-Sep-13	Cumulative Period to Date 30-Sep-13
Loss attributable to ordinary shareholders (RM'000)	(5,638)	(16,931)
Weighted average number of ordinary share ('000)	<u>102,000</u>	<u>102,000</u>
Basic loss per ordinary share (in sen)	<u>(5.53)</u>	<u>(16.60)</u>

b) Diluted earnings per ordinary share

	Current Quarter 30-Sep-13	Cumulative Period to Date 30-Sep-13
Loss attributable to ordinary shareholders (basic) (RM'000)	(5,638)	(16,919)
Interest expense on ICULS, net of tax (RM'000)	122	122
Loss attributable to ordinary shareholders (diluted) (RM'000)	<u>(5,516)</u>	<u>(16,797)</u>
Weighted average number of ordinary shares (basic) ('000)	102,000	102,000
Effect of conversion of ICULS ('000)	53,103	53,103
Weighted average number of ordinary shares (diluted) ('000)	<u>155,103</u>	<u>155,103</u>
Diluted earnings per ordinary share (in sen)	<u>-</u>	<u>-</u>

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Notes to the condensed consolidated interim financial statements

B11. Realized and unrealized profits or losses

The breakdown of retained earnings of the Group as at the reporting date, into realized and unrealized profits or losses, pursuant to directive, are as follows:

	As at 30-Sep-13 RM'000	As at 31-Dec-12 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	91,499	94,031
- Unrealized	<u>(6,538)</u>	<u>(6,459)</u>
	84,961	87,572
Total share of accumulated (losses)/profit from associates:		
- Realized	<u>(10,051)</u>	<u>(9,212)</u>
	74,910	78,360
Consolidation adjustments	<u>(25,118)</u>	<u>(12,526)</u>
Total retained earnings	<u><u>49,792</u></u>	<u><u>65,834</u></u>

B12. Authorization for issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board.