

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated ohm Malaysia)

Unaudited condensed consolidated statement of profit and loss and other comprehensive income for the period ended 30 June 2014

	Note	Individual Quarter		Cumulative Quarter	
		30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
		RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue		73,895	59,700	136,913	116,426
Cost of sales		(66,540)	(56,879)	(123,767)	(111,901)
Gross profit		<u>7,355</u>	<u>2,821</u>	<u>13,146</u>	<u>4,525</u>
Other operating income		1,322	(26)	1,995	2,726
Distribution expenses		(1,564)	(1,330)	(2,971)	(2,499)
Administrative expenses		(4,166)	(4,168)	(8,295)	(8,245)
Other operating expenses		(154)	(40)	(170)	(47)
Results from operating activities		<u>2,793</u>	<u>(2,743)</u>	<u>3,705</u>	<u>(3,540)</u>
Finance costs		(2,368)	(2,613)	(4,813)	(5,077)
Operating profit / (loss)	1	<u>425</u>	<u>(5,356)</u>	<u>(1,108)</u>	<u>(8,617)</u>
Share of loss of equity accounted associates, net of tax		(174)	(1,321)	(510)	(2,349)
Profit / (loss) before tax		<u>251</u>	<u>(6,677)</u>	<u>(1,618)</u>	<u>(10,966)</u>
Income tax expense		(50)	(67)	(108)	(416)
Profit / (loss) for the period		<u>201</u>	<u>(6,744)</u>	<u>(1,726)</u>	<u>(11,382)</u>
Other comprehensive income / (expenses), net of tax					
Gain / (loss) on available-for-sale financial assets		(11)	7	(11)	7
Total comprehensive income / (expense) for the period		<u>190</u>	<u>(6,737)</u>	<u>(1,737)</u>	<u>(11,375)</u>
Profit / (loss) for the period attributable to:					
Owners of the Company		490	(6,658)	(1,026)	(11,294)
Non-controlling interests		(289)	(88)	(700)	(88)
Profit / (loss) for the period		<u>201</u>	<u>(6,744)</u>	<u>(1,726)</u>	<u>(11,382)</u>
Total comprehensive income / (expense) attributable to:					
Owners of the Company		479	(6,651)	(1,037)	(11,287)
Non-controlling interests		(289)	(88)	(700)	(88)
Total comprehensive income / (expense) for the period		<u>190</u>	<u>(6,737)</u>	<u>(1,737)</u>	<u>(11,375)</u>
Basic earning / (loss) per ordinary share (sen)		<u>0.47</u>	<u>(6.53)</u>	<u>(0.99)</u>	<u>(11.07)</u>
Diluted earnings per ordinary share (sen)		<u>0.39</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

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 ohm Malaysia)

Unaudited condensed consolidated statement of profit and loss and other comprehensive income for the period ended 30 June 2014 (continued)

Note:	Individual Quarter		Cumulative Quarter	
	3-months period ended	3-months period ended	6-months period ended	6-months period ended
1. Operating profit / (loss) is arrived at:	30-Jun-14	30-Jun-13	30-Jun-14	30-Jun-13
	RM'000	RM'000	RM'000	RM'000
After charging:				
- Impairment loss on trade receivables	210	210	420	420
- Depreciation on property, plant and equipment	2,967	2,071	5,198	5,092
- Realized loss on foreign exchange	132	135	300	182
- Interest expense	2,282	2,281	4,758	4,744
After crediting:			-	
- Gain on disposal of plant and equipment	427	-	564	-
- Gain on disposal of assets held for sale	-	-	-	2,457
- Interest income	90	68	163	(276)

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 June 2014

	30-Jun-14 RM'000	Audited 31-Dec-13 RM'000
Assets		
Property, plant and equipment	163,992	163,673
Investment properties	635	638
Investment in associates	5,637	6,017
Other investments	160	171
Deferred tax assets	51	51
Total non-current assets	<u>170,475</u>	<u>170,550</u>
Inventories	71,842	85,844
Trade and other receivables	78,208	63,215
Current tax assets	766	1,804
Cash and cash equivalents	11,193	11,229
	<u>162,009</u>	<u>162,092</u>
Assets classified as held for sale	-	2,963
Total current assets	<u>162,009</u>	<u>165,055</u>
Total assets	<u><u>332,484</u></u>	<u><u>335,605</u></u>
Equity		
Share capital	51,918	51,918
Reserves	12,035	13,072
Total equity attributable to owners of the Company	<u>63,953</u>	<u>64,990</u>
Non-controlling interests	16,921	17,621
Total equity	<u>80,874</u>	<u>82,611</u>
Liabilities		
Loans and borrowings	47,884	46,540
Deferred tax liabilities	6,831	6,831
Total non-current liabilities	<u>54,715</u>	<u>53,371</u>
Loans and borrowings	128,161	140,430
Trade and other payables	68,482	59,067
Current tax liabilities	252	126
Total current liabilities	<u>196,895</u>	<u>199,623</u>
Total liabilities	<u>251,610</u>	<u>252,994</u>
Total equity and liabilities	<u><u>332,484</u></u>	<u><u>335,605</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 June 2014

	----- 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 2013	51,000	774	(53,300)	(64)	28,182	65,834	92,426	580	93,006
Other comprehensive income/ (expense) for the period									
- Fair value of available-for-sale financial assets	-	-	-	-	-	-	-	-	-
Loss for the period	-	-	-	-	-	(1,927)	(1,927)	-	(1,927)
Total comprehensive expense for the period	-	-	-	-	-	(1,927)	(1,927)	-	(1,927)
Acquisition of a subsidiary	-	-	-	-	-	-	-	(580)	(580)
At 30 June 2013	<u>51,000</u>	<u>774</u>	<u>(53,300)</u>	<u>(64)</u>	<u>28,182</u>	<u>63,907</u>	<u>90,499</u>	<u>-</u>	<u>90,499</u>
At 1 January 2014	51,918	922	(53,300)	(56)	27,208	38,298	64,990	17,621	82,611
Other comprehensive expense for the period									
- Fair value of available-for-sale financial assets	-	-	-	(11)	-	-	(11)	-	(11)
Loss for the period	-	-	-	-	-	(1,026)	(1,026)	(700)	(1,726)
Total comprehensive expense for the period	-	-	-	(11)	-	(1,026)	(1,037)	(700)	(1,737)
At 30 June 2014	<u>51,918</u>	<u>922</u>	<u>(53,300)</u>	<u>(67)</u>	<u>27,208</u>	<u>37,272</u>	<u>63,953</u>	<u>16,921</u>	<u>80,874</u>

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 June 2014

	Note	6 months period to 30-Jun-14 RM'000	6 months period to 30-Jun-13 RM'000
Cash flows from operating activities			
Loss before tax from		(1,618)	(10,966)
Adjustments for:			
Depreciation on property, plant and equipment		4,536	5,090
Gain on disposal of plant and equipment		564	-
Dividend income		250	-
Interest income		(163)	276
Gain on disposal of assets held for sale		-	(2,457)
Interest expense		4,758	4,744
Share of loss of equity accounted associates		380	2,349
Operating (loss)/ profit before working capital changes		8,707	(964)
Changes in working capital:			
Inventories		14,001	5,569
Trade and other receivables		(14,508)	7,608
Trade and other payables		9,415	(23,267)
Cash generated from operations		17,615	(11,054)
Interest paid		(595)	(616)
Income taxes refund / (paid)		1,055	(408)
Net cash from operating activities		18,075	(12,078)
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(2,290)	(12,036)
Dividend received		(250)	-
Interest received		163	(276)
Proceeds from disposal of property, plant and equipment		3,415	-
Proceeds from disposal of assets classified as held for sales		-	21,233
Net cash generated / (used) in investing activities		1,038	8,921
Cash flows from financing activities			
Interest paid		(4,758)	(4,697)
Placement of pledged fixed deposits		(18)	(114)
(Repayment)/ Drawdown of short term borrowings, net		(10,867)	4,765
Drawdown of term loans		-	2,976
Repayment of term loans		(1,084)	(722)
Payment of finance lease liabilities		(2,094)	(1,692)
Net cash (used in)/ from financing activities		(18,821)	516
Net increase / (decrease) in cash and cash equivalents		292	(2,641)
Cash and cash equivalents as at beginning of financial period		(5,637)	(3,437)
Cash and cash equivalents as at end of financial period	B	(5,345)	(6,078)

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 June 2014 (continued)

Notes:

A. Acquisition of property, plant and equipment

During the period, the Group acquired property, plant and equipment with an aggregate cost of RM4.9 million (2013: RM12.0 million) of which RM2.6 million (2013: RM9.6 million) was acquired by means of finance lease arrangements.

B. Cash and cash equivalents

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

	3 months period to 30-Jun-14 RM'000	3 months period to 30-Jun-13 RM'000
Cash and bank balances	1,226	503
Bank overdrafts	<u>(6,571)</u>	<u>(6,581)</u>
Cash and cash equivalents	<u><u>(5,345)</u></u>	<u><u>(6,078)</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 2013. 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 2013.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 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
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount disclosures for Non-Financial Assets

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.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A1. Basis of preparation (continued)

Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011-2013 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation

MFRSs Interpretations and amendments effective for a date yet to be confirmed

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
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 other than MFRS 9, Financial Instruments which the Group is currently assessing the financial impact.

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 2013 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.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

A6. Debt and equity securities

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

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 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 June		Cumulative quarter to date ended 30 June	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<u>Segment revenue</u>				
Malaysia	62,665	53,944	120,050	105,368
Asia (excluding Malaysia)	2,787	1,154	4,879	3,991
United States of America	1,422	4,507	3,179	5,791
Brazil	5,273	-	6,658	-
Europe	1,748	95	2,148	1,276
	<u>73,895</u>	<u>59,700</u>	<u>136,913</u>	<u>116,426</u>

A9. Property, plant and equipment

During the current quarter, the Group has addition property, plant and equipment of RM4.9 million.

A10. Material events subsequent to the end of the reporting period

On 4 July 2014, there is a conversion of RM1,174,385 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") to 2,024,801 Ordinary Shares by ICULS holders.

On 17 July 2014, there is a conversion of RM9,347,800 ICLUS to 16,116,896 ordinary shares by ICULS holder. Latest issued and paid up share capital after this conversion is 121,977,697 shares at par value of RM0.50 per share.

A11 Changes in composition of the Group for the six months ended 30 June 2014

There are no changes to the composition of the Group since the last financial year.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

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-Jun-14 RM'000
Contracted but not provided for in the financial statements	
- Property, plant and equipment	<u>220</u>

A14 Significant related party transactions

	Current Quarter 30-Jun-14 RM'000	Cumulative Period to Date 30-Jun-14 RM'000
a) Transactions with associates:		
- Sales	446	994
- Purchases	21,851	41,809
- Rental income	<u>244</u>	<u>488</u>
b) Transactions with directors		
- Rental expenses	12	24
- Loan from director	1,242	1,242
- Interest expenses	27	45
- Professional fee	<u>64</u>	<u>93</u>
c) Transactions with related party		
- Loan from related party	300	300
- Interest expenses	<u>11</u>	<u>22</u>

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 June 2014, the Group achieved total revenue of RM136.91 million. This represents an increase of RM20.49 million or 17.60% as compared to RM116.43 million reported in the preceding year corresponding period. This is mainly due to increase in sales volume.

The Group reported a loss before tax of RM1.62 million for the period ended 30 June 2014 compared with loss before tax of RM10.97 million in the same period of 2013. The improvement is mainly due to stability of steel price as well as the increase in sales volume.

B2. Variation of results against preceding quarter

During the period under review, the Group's revenue was RM73.90 million, increased by RM10.88 million or 17.26% as compared to the revenue of RM63.12 million in the preceding quarter ("Q1 2014"). The increase in revenue is mainly due to increase in sales volume.

The Group registered a profit before tax of RM0.25 million in current quarter compared to a loss before tax of RM1.87 million in Q1 2014 due mainly to increase in sales volume and stability of steel price since Q1 2014.

B3. Current year prospects

The overall prospects for the steel industry is expected to improve in 2014, with global economy on gradual recovery mode and activities picking up in automotive and construction industries. Demand for steel is expected to grow in the coming years as emerging economies move towards urbanization and industrialization, which in turn, would be major driver for the huge demand for steel.

The World Steel Association forecasted continued recovery in steel demand in 2014 and projects global steel usage to increase by 3.3% in 2014.

With the recovery in the global steel demand, improving nickel price anticipated from Q2 2014 which is also expected to perk up the stainless steel prices, the management foresees a recovery to kick in by second half of 2014. Moving forward, the Group would focus on production efficiencies, strengthening core production processes and execute cost control measures so as to stay competitive in the industry.

B4. Variance between actual profit and forecast profit

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

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

B5. Income tax expense

	Current Quarter 30-Jun-14 RM'000	Cumulative Period to Date 30-Jun-14 RM'000
Current tax expense	50	108
Deferred tax income	-	-
	<u>50</u>	<u>108</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.

B6. Quoted investments

	Carrying Amount RM'000	Market value as at 30-Jun-14 RM'000
Quoted shares in Malaysia	<u>160</u>	<u>160</u>

B7. Loan and borrowings

The Group's loans and borrowings as at 30 June 2014 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	5,695	875	6,570
- Trade line	97,617	19,128	116,745
- Term loans	1,343	-	1,343
- ICULS	-	563	563
- Finance lease liabilities	2,940	-	2,940
	<u>107,595</u>	<u>20,566</u>	<u>128,161</u>
Non-current			
- Term loans	38,367	-	38,367
- ICULS	-	481	481
- Finance lease liabilities	9,037	-	9,037
	<u>47,404</u>	<u>481</u>	<u>47,885</u>
Total	<u>154,999</u>	<u>21,047</u>	<u>176,046</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.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

B9. Proposed dividend

The Board does not recommend any dividend for the current quarter ended 30 June 2014.

B10. Earning per share

a) Basic earning / (loss) per ordinary share

	Current Quarter 30-Jun-14	Cumulative Period to Date 30-Jun-14
Profit / (Loss) attributable to ordinary shareholders (RM'000)	490	(1,026)
Weighted average number of ordinary share ('000)	<u>103,836</u>	<u>103,836</u>
Basic earning / (loss) per ordinary share (in sen)	<u>0.47</u>	<u>(0.99)</u>

b) Diluted earnings per ordinary share

	Current Quarter 30-Jun-14	Cumulative Period to Date 30-Jun-14
Profit / (Loss) attributable to ordinary shareholders (basic) (RM'000)	490	(1,037)
Interest expense on ICULS, net of tax (RM'000)	109	109
Profit / (Loss) attributable to ordinary shareholders (diluted) (RM'000)	<u>599</u>	<u>(928)</u>
Weighted average number of ordinary shares (basic) ('000)	103,836	103,836
Effect of conversion of ICULS ('000)	51,267	51,267
Weighted average number of ordinary shares (diluted) ('000)	<u>155,103</u>	<u>155,103</u>
Diluted earnings per ordinary share (in sen)	<u>0.39</u>	<u>N/A</u>

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

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-Jun-14 RM'000	As at 31-Dec-13 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	77,154	78,768
- Unrealized	<u>(6,487)</u>	<u>(6,949)</u>
	70,667	71,819
Total share of accumulated (losses)/profit from associates:		
- Realized	<u>(11,999)</u>	<u>(11,619)</u>
	58,668	60,200
Consolidation adjustments	<u>(21,396)</u>	<u>(21,902)</u>
Total retained earnings	<u><u>37,272</u></u>	<u><u>38,298</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.