

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated ohm Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 June 2015

	Note	Individual Quarter		Cumulative Quarter	
		3-months period ended 30-Jun-15 RM'000	30-Jun-14 RM'000	6-months period ended 30-Jun-15 RM'000	30-Jun-14 RM'000
Continuing operations					
Revenue		41,409	73,895	100,256	136,913
Cost of sales		(42,539)	(66,540)	(99,717)	(123,767)
Gross profit / (gross loss)		(1,130)	7,355	539	13,146
Other operating income		100	1,322	(131)	1,995
Distribution expenses		(992)	(1,564)	(2,612)	(2,971)
Administrative expenses		(3,571)	(4,166)	(7,604)	(8,295)
Other operating expenses		(26)	(154)	(70)	(170)
Results from operating activities		(5,619)	2,793	(9,878)	3,705
Finance costs		(2,787)	(2,368)	(5,300)	(4,813)
Operating profit / (loss)	1	(8,406)	425	(15,178)	(1,108)
Share of profit/(loss) of equity accounted associates, net of tax		(19)	(174)	(76)	(510)
Loss before tax		(8,425)	251	(15,254)	(1,618)
Income tax expenses		-	(50)	(12)	(108)
(Loss)/Profit from continuing operations		(8,425)	201	(15,266)	(1,726)
Other comprehensive expenses, net of tax					
Loss on available-for-sale financial assets		-	(11)	(1)	(11)
Total comprehensive expense for the period		(8,425)	190	(15,267)	(1,737)
Loss for the period attributable to:					
Owners of the Company		(7,512)	(1,516)	(13,018)	(1,516)
Non-controlling interests		(912)	(411)	(2,248)	(411)
Loss for the period		(8,425)	201	(15,266)	(1,726)
Total comprehensive expense attributable to:					
Owners of the Company		(7,512)	479	(13,019)	(1,037)
Non-controlling interests		(912)	(411)	(2,248)	(700)
Total comprehensive expense for the period		(8,425)	190	(15,267)	(1,737)
Basic loss per ordinary share (sen)		(6.22)	(4.55)	(10.79)	(4.55)
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.

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(Incorporated ohm Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 June 2015 (continued)

Note:	Individual Quarter		Cumulative Quarter	
	30-Jun-15	30-Jun-14	30-Jun-15	30-Jun-14
1. Operating loss is arrived at:	RM'000	RM'000	RM'000	RM'000
After charging:				
- Impairment loss on trade & other receivables	210	210	420	420
- Depreciation on property, plant and equipment	2,404	2,967	4,812	5,198
- Realized loss on foreign exchange	697	132	1,629	300
- Interest expense	2,786	2,282	5,300	4,758
After crediting:				
- Gain on disposal of plant and equipment	-	427	-	564
- Realised gain on foreign exchange	133	-	714	-
- Interest income	5	90	34	163

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

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Unaudited condensed consolidated statement of financial position for the period ended 30 June 2015

	30-Jun-15 RM'000	Audited 31-Dec-14 RM'000
Assets		
Property, plant and equipment	156,226	160,858
Investment properties	627	631
Investment in associates	6,056	5,827
Other investments	2,182	2,183
Deferred tax assets	150	150
Total non-current assets	<u>165,241</u>	<u>169,649</u>
Inventories	48,226	65,129
Trade and other receivables	53,238	57,501
Current tax assets	1,642	658
Fixed deposits with licensed banks	4,151	4,944
Cash and cash equivalents	5,234	5,904
Total current assets	<u>112,491</u>	<u>134,136</u>
Total assets	<u><u>277,732</u></u>	<u><u>303,785</u></u>
Equity		
Share capital	77,552	60,989
Reserves	(42,402)	(12,464)
Total equity attributable to owners of the Company	<u>35,150</u>	<u>48,525</u>
Non-controlling interests	12,537	14,785
Total equity	<u>47,687</u>	<u>63,310</u>
Liabilities		
Loans and borrowings	41,932	42,788
Deferred tax liabilities	7,154	7,155
Total non-current liabilities	<u>49,086</u>	<u>49,943</u>
Loans and borrowings	111,138	120,306
Trade and other payables	68,400	70,220
Current tax liabilities	1,421	6
Total current liabilities	<u>180,959</u>	<u>190,532</u>
Total liabilities	<u>230,045</u>	<u>240,475</u>
Total equity and liabilities	<u><u>277,732</u></u>	<u><u>303,785</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

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(Incorporated ohm Malaysia)

Unaudited condensed consolidated statement of changes in equity for the period ended 30 June 2015

	----- Attributable to owners of the Company -----						12-months period ended		
	----- Non-distributable -----			Distributable			Non-controlling interest	Total Equity	
	Share capital	Share premium	Reverse acquisition reserve	Fair value	Capital reserve	Retained earning			Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2014	51,918	922	(53,300)	(56)	27,208	38,298	64,990	17,621	82,611
Gross profit / (gross loss)									
- 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>
At 1 January 2015	60,989	2,373	(53,300)	(68)	16,896	37,272	64,162	14,785	78,947
Other comprehensive expense for the period									
- Fair value of available-for-sale financial assets	-	-	-	-	-	1	1	-	1
Loss for the period	-	-	-	-	-	(13,019)	(13,019)	(2,248)	(15,267)
Total comprehensive expense for the period	-	-	-	-	-	(13,018)	(13,018)	(2,248)	(15,266)
- Conversion of ICULS	16,563	(37)	-	-	(16,896)	(15,624)	(15,994)	-	(15,994)
At 30 June 2015	<u>77,552</u>	<u>2,336</u>	<u>(53,300)</u>	<u>(68)</u>	<u>-</u>	<u>8,630</u>	<u>35,150</u>	<u>12,537</u>	<u>47,687</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

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Unaudited condensed consolidated statement of cash flows for the period ended 30 June 2015

	Note	6 months period to 30-Jun-15 RM'000	6 months period to 30-Jun-14 RM'000
Cash flows from operating activities			
Loss before tax		(15,253)	(1,618)
Adjustments for:			
Depreciation on property, plant and equipment		4,812	4,536
Gain on disposal of plant and equipment		-	564
Dividend income		-	250
Interest income		(34)	(163)
Interest expense		5,300	4,758
Share of (gain) / loss of equity accounted associates		76	380
Operating profit / (loss) before working capital changes		(5,099)	8,707
Changes in working capital:			
Inventories		16,903	14,001
Trade and other receivables		4,339	(14,508)
Trade and other payables		(5,220)	9,415
Cash generated from operations		10,923	17,615
Interest paid		-	(595)
Income taxes refund / (paid)		417	1,055
Net cash from operating activities		11,340	18,075
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(241)	(2,290)
Dividend received		-	(250)
Interest received		34	163
Proceeds from disposal of property, plant and equipment		-	3,415
Withdraw (placement) of pledge fixed deposits		3,119	(18)
Net cash from investing activities		2,912	1,020
Cash flows from financing activities			
Interest paid		(5,300)	(4,758)
Repayment of short term borrowings, net		(7,924)	(10,867)
Drawdown of term loans		-	-
Repayment down of term loans		(1,264)	(1,084)
Drawdown of finance lease		-	-
Payment of finance lease liabilities		(1,670)	(2,094)
Net cash used in financing activities		(16,158)	(18,803)
Net decrease in cash and cash equivalents		(1,906)	292
Cash and cash equivalents as at beginning of financial period		(3,597)	(5,637)
Cash and cash equivalents as at end of financial period	B	(5,503)	(5,345)

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

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Unaudited condensed consolidated statement of cash flows for the period ended 30 June 2015 (continued)

Notes:

A. Acquisition of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM0.24 million (2014: RM4.9 million) of which RM 0.0 million (2014: RM2.6 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:

	6 months period to 30-Jun-15 RM'000	6 months period to 30-Jun-14 RM'000
Cash and bank balances	1,955	1,226
Bank overdrafts	<u>(7,458)</u>	<u>(6,571)</u>
Cash and cash equivalents	<u><u>(5,503)</u></u>	<u><u>(5,345)</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

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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 2014. 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 2014.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2015.

Amendments to MFRS 3	First-time Adoption of Malaysian Financial Reporting Standards
Amendments to MFRS 8	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 13	Operating Segments (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 116	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)
Amendments to MFRS 119	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 124	Defined Benefit Plans: Employee Contributions
Amendments to MFRS 138	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)
Amendments to MFRS 140	Intangible Assets (Annual Improvements 2010-2012 Cycle)
	Investment Property (Annual Improvements 2011-2013 Cycle)

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.

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Notes to the condensed consolidated interim financial statements

A1. Basis of preparation (continued)

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

Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 10 & MFRS 128	Sale or Contribution of Assets between an investor and its Associate or Joint Venture
Amendments to MFRS 10, MFRS 12 & MFRS 128	Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 101	Disclosures Initiative
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 119	Defined Benefit Plans: Employee Contribution (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS 127	Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)

MFRSs Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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MFRSs Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9	Financial Instruments (IFRS 9 as issued by IASB in July 2014)
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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 and also MFRS 15, Revenue from Contracts with Customers 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 2014 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.

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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 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 June 2015		Cumulative quarter to date ended 30 June 2015	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Segment revenue</u>				
Malaysia	35,059	57,385	79,616	120,050
Asia (excluding Malaysia)	1,726	2,092	5,264	4,879
United States of America	943	1,756	3,429	3,179
South America	635	1,385	7,229	6,658
Europe	3,046	400	4,718	2,148
	<u>41,409</u>	<u>63,018</u>	<u>100,256</u>	<u>136,913</u>

A9. Property, plant and equipment

During the financial period end 30 June 2015, the Group has additions of property, plant and equipment of RM0.24 million.

A10. Material events during the reporting period

On 12 May 2015, there was a conversion of RM1,273,500 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") to 2,195,689 ordinary shares by ICULS holders.

On 5 June 2015, there was a conversion of RM17,939,409 Irredeemable Convertible Unsecured Loan Stocks ("ICULS") to 30,930,016 ordinary shares by ICULS holders. Latest issued and paid up share capital after this conversion is 155,103,402 ordinary shares at par value of RM0.50 per share.

A11 Changes in composition of the Group for the financial period ended 30 June 2015

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

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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-15 RM'000
Contracted but not provided for in the financial statements	
- Investment in an associate - PIBI	<u><u>1,680</u></u>

A14 Significant related party transactions

	Current Quarter 30-Jun-15 RM'000	Cumulative Period to Date 30-Jun-15 RM'000
a) Transactions with associates:		
- Sales	297	585
- Purchases	19,567	35,504
- Rental income	<u>336</u>	<u>673</u>
b) Transactions with directors		
- Rental expense	12	24
- Interest expense	<u>19</u>	<u>40</u>
c) Transactions with related party		
- Loan from related party	285	285
- Interest expense	7	15
- Rental expense	<u>15</u>	<u>30</u>

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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 financial period ended 30 June 2015, the Group achieved total revenue of RM 100.26 million. This represents a decrease by RM 36.66 million or 26.8% as compared to the revenue of RM 136.91 million for the corresponding period of year 2014. The decrease in sales was mainly due to weak local demand and keen competition in domestic market.

The Group incurred a loss before tax of RM 15.25 million for the financial period ended 30 June 2015 compared to the loss before tax of RM 1.62 million in the same period of 2014. This is mainly due to decrease in sales and drop in steel price in current quarter resulted unabsorbed operation and manufacturing cost, and depreciation of Ringgit Malaysia against US Dollar.

B2. Variation of results against preceding quarter

During the quarter under review, the Group's revenue was RM 41.41 million, decreased by RM 16.66 million or 28.7% as compared to the revenue of RM 58.07 million for the preceding quarter ("Q1 2015"). The decrease in revenue was mainly due to weak local demand.

The Group registered a loss before tax of RM 8.42 million compared to a loss before tax of RM 6.80 million for preceding quarter ("Q1 2015"). The increase in losses mainly due decrease in sales revenue resulted unabsorbed operation and manufacturing costs.

B3. Current year prospects

The local steel industry is unlikely mainly due to low prices, lack of economies of scale and continued supply of low-priced steel products from China. As supply continues to outstrip demand, the local market remain weak.

The Group is facing another challenging and tough year, the Group have taken steps to reduce unproductive operations and all assets.

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-Jun-15 RM'000	Cumulative Period to Date 30-Jun-15 RM'000
Current tax expense	19	56
Deferred tax expenses	-	-
	<u>19</u>	<u>56</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 within the Group experienced losses during the current quarter and year to date.

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Notes to the condensed consolidated interim financial statements

B6. Quoted investments

	Carrying Amount RM'000	Market value as at 30-Jun-15 RM'000
Quoted shares in Malaysia	<u>128</u>	<u>128</u>

B7. Loan and borrowings

The Group's loans and borrowings as at 30 June 2015 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	6,418	-	6,418
- Trade line	88,855	11,771	100,626
- Term loans	1,344	-	1,344
- ICULS	-	-	-
- Finance lease liabilities	<u>2,750</u>	<u>-</u>	<u>2,750</u>
	<u>99,367</u>	<u>11,771</u>	<u>111,138</u>
Non-current			
- Term loans	36,473	-	36,473
- Finance lease liabilities	<u>5,459</u>	<u>-</u>	<u>5,459</u>
	<u>41,932</u>	<u>-</u>	<u>41,932</u>
Total	<u>141,299</u>	<u>11,771</u>	<u>153,070</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 31 March 2015.

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Notes to the condensed consolidated interim financial statements

B10. Loss per share

a) Basic loss per ordinary share

	Current Quarter 30-Jun-15	Cumulative Period to Date 30-Jun-15
Loss attributable to ordinary shareholders (RM'000)	(7,512)	(13,018)
Weighted average number of ordinary share ('000)	<u>120,685</u>	<u>120,685</u>
Basic loss per ordinary share (in sen)	<u>(6.22)</u>	<u>(10.79)</u>

b) Diluted earnings per ordinary share

	Current Quarter 30-Jun-15	Cumulative Period to Date 30-Jun-15
Diluted earnings per ordinary share (in sen)	<u>N/A</u>	<u>N/A</u>

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-15 RM'000	As at 31-Dec-14 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	49,129	60,338
- Unrealized	<u>(7,154)</u>	<u>(7,721)</u>
	41,975	52,617
Total share of accumulated (losses)/profit from associates:		
- Realized	(6,376)	(6,376)
- Unrealized	<u>(4,482)</u>	<u>(4,482)</u>
	31,116	41,759
Consolidation adjustments	<u>(22,486)</u>	<u>(20,123)</u>
Total retained earnings	<u>8,630</u>	<u>21,636</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.