

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

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

	Note	Individual Quarter		Cumulative Quarter	
		3-months period ended 30-Sep-15 RM'000	30-Sep-14 RM'000	9-months period ended 30-Sep-15 RM'000	30-Sep-14 RM'000
Continuing operations					
Revenue		43,021	56,701	143,277	193,614
Cost of sales		(42,958)	(50,507)	(142,675)	(174,274)
Gross profit		63	6,194	602	19,340
Other operating income		2,032	514	1,901	2,509
Distribution expenses		(1,092)	(1,657)	(3,704)	(4,628)
Administrative expenses		(3,228)	(3,797)	(10,832)	(12,092)
Other operating expenses		(1,704)	(151)	(1,774)	(321)
Results from operating activities		(3,929)	1,103	(13,807)	4,808
Finance costs		(2,822)	(2,421)	(8,122)	(7,234)
Operating loss	1	(6,751)	(1,318)	(21,929)	(2,426)
Share of profit/(loss) of equity accounted associates, net of tax		(58)	1,457	(133)	947
Profit / (loss) before tax		(6,809)	139	(22,062)	(1,479)
Income tax income / (expense)		-	172	(12)	64
Profit / (loss) from continuing operations		(6,809)	311	(22,074)	(1,415)
Other comprehensive expenses, net of tax					
Profit / (loss) on available-for-sale financial assets		(11)	1	(12)	(10)
Total comprehensive income /(expense) for the period		(6,820)	312	(22,086)	(1,425)
Profit/(Loss) for the period attributable to:					
Owners of the Company		(5,445)	1,255	(18,462)	229
Non-controlling interests		(1,364)	(944)	(3,612)	(1,644)
Profit /(Loss) for the period		(6,809)	311	(22,074)	(1,415)
Total comprehensive income / (expense) attributable to:					
Owners of the Company		(5,456)	1,256	(18,474)	219
Non-controlling interests		(1,364)	(944)	(3,612)	(1,644)
Total comprehensive income / (expense) for the period		(6,820)	312	(22,086)	(1,425)
Basic profit / (loss) per ordinary share (sen)		(3.99)	1.03	(13.53)	0.18
Diluted earnings per ordinary share (sen)		(3.99)	0.88	(13.53)	0.21

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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(Incorporated in Malaysia)

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

Note:	Individual Quarter		Cumulative Quarter	
	30-Sep-15	30-Sep-14	30-Sep-15	30-Sep-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	630	630
- Depreciation on property, plant and equipment	2,367	1,769	7,179	6,967
- Realized loss on foreign exchange	1,039	419	2,668	719
- Impairment loss on property, plant and equipment	1,773	-	1,773	-
- Interest expense	2,822	2,508	8,122	7,266
After crediting:				
- Gain on disposal of plant and equipment	2,078	139	2,078	703
- Realised gain on foreign exchange	529	-	1,243	-
- Interest income	154	44	187	207

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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(Incorporated in Malaysia)

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

	30-Sep-15 RM'000	Audited 31-Dec-14 RM'000
Assets		
Property, plant and equipment	156,340	160,858
Investment properties	625	631
Investment in associates	6,011	5,827
Other investments	2,171	2,183
Deferred tax assets	150	150
Total non-current assets	165,297	169,649
Inventories	41,848	65,129
Trade and other receivables	47,514	57,501
Current tax assets	424	658
Fixed deposits with licensed banks	3,559	4,944
Cash and cash equivalents	5,019	5,904
Total current assets	98,364	134,136
Total assets	263,661	303,785
Equity		
Share capital	77,552	60,989
Reserves	(46,474)	(12,464)
Total equity attributable to owners of the Company	31,078	48,525
Non-controlling interests	11,173	14,785
Total equity	42,251	63,310
Liabilities		
Loans and borrowings	40,774	42,788
Deferred tax liabilities	7,143	7,155
Total non-current liabilities	47,917	49,943
Loans and borrowings	107,704	120,306
Trade and other payables	65,782	70,220
Current tax liabilities	7	6
Total current liabilities	173,493	190,532
Total liabilities	221,410	240,475
Total equity and liabilities	263,661	303,785

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 in Malaysia)

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

	----- Attributable to owners of the Company -----						9-months period ended		
	----- Non-distributable -----			Distributable			Total	Non-controlling interest	Total Equity
	Share capital	Share premium	Reverse acquisition reserve	Fair value	Capital reserve	Retained earning			
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	-	-	-	(10)	-	-	(10)	-	(10)
Loss for the period	-	-	-	-	-	229	229	(1,644)	(1,415)
Total comprehensive expense for the period	-	-	-	(10)	-	229	219	(1,644)	(1,425)
Operating profit / (loss)									
- Conversion of ICULS	9,071	1,451	-	-	(10,125)	-	397	-	397
At 30 September 2014	60,989	2,373	(53,300)	(66)	17,083	38,527	65,606	15,977	81,583
At 1 January 2015	60,989	2,373	(53,300)	(68)	16,896	21,635	48,525	14,785	63,310
Other comprehensive expense for the period									
- Fair value of available-for-sale financial assets	-	-	-	(12)	-	-	(12)	-	(12)
Loss for the period	-	-	-	-	-	(18,462)	(18,462)	(3,612)	(22,074)
Total comprehensive expense for the period	-	-	-	(12)	-	(18,462)	(18,474)	(3,612)	(22,086)
- Conversion of ICULS	16,563	277	-	-	(15,813)	-	1,027	-	1,027
At 30 September 2015	77,552	2,650	(53,300)	(80)	1,083	3,173	31,078	11,173	42,251

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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(Incorporated in Malaysia)

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

	Note	9 months period to 30-Sep-15 RM'000	9 months period to 30-Sep-14 RM'000
Cash flows from operating activities			
Loss before tax		(22,063)	(1,479)
Adjustments for:			
Depreciation on property, plant and equipment		7,216	6,972
Dividend income		(3)	258
Gain on disposal of plant and equipment		(3,851)	703
Interest expense		8,122	7,266
Interest income		(187)	(207)
Impairment loss on property, plant and equipment		1,773	
Share of (gain) / loss of equity accounted associates		133	(947)
Operating profit / (loss) before working capital changes		(8,860)	12,566
Changes in working capital:			
Inventories		23,282	14,157
Trade and other receivables		10,807	(2,876)
Trade and other payables		(4,438)	2,839
Cash generated from operations		20,791	26,686
Interest paid		-	(595)
Income taxes refund / (paid)		209	610
Net cash from operating activities		21,000	26,701
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(671)	(3,216)
Dividend received		3	(258)
Interest received		187	207
Subscription of additional interest in an associate		(317)	-
Proceeds from disposal of property, plant and equipment		-	3,426
Net cash inflow on disposal of a subsidiary	C	302	-
Withdraw (placement) of pledge fixed deposits		2,498	(133)
Net cash from investing activities		2,002	26
Cash flows from financing activities			
Interest paid		(8,122)	(7,266)
Repayment of short term borrowings, net		(10,019)	(13,066)
Repayment down of term loans		(1,874)	(1,923)
Payment of finance lease liabilities		(2,683)	(3,035)
Net cash used in financing activities		(22,698)	(25,290)
Net decrease in cash and cash equivalents		304	1,437
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	(3,293)	(4,200)

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 September 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 RM0.76 million (2014: RM 5.8 million) of which RM 0.09 million (2014: RM 3.2 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:

	9 months period to 30-Sep-15 RM'000	9 months period to 30-Sep-14 RM'000
Cash and bank balances	1,119	1,282
Bank overdrafts	<u>(4,412)</u>	<u>(5,482)</u>
Cash and cash equivalents	<u><u>(3,293)</u></u>	<u><u>(4,200)</u></u>

C. Disposal of a subsidiary

The disposal which was completed on 30th September 2015 had the following effect on the financial position of the Group:

	RM'000
Property, plant and machinery	232
Trade and others payables	<u>(302)</u>
Net liabilities relieved	(70)
Gain on disposal of investmnet in a subsidiary	<u>372</u>
Consideration received, satisfied in cash	<u><u>302</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 and 2011-2013 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 2018

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

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

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.

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 2015		Cumulative quarter to date ended 30 September 2015	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
<u>Segment revenue</u>				
Malaysia	31,832	43,133	111,448	163,184
Asia (excluding Malaysia)	1,925	2,346	7,189	7,225
United States of America	1,644	1,956	5,073	5,134
South America	1,243	7,560	8,472	14,218
Europe	6,377	1,706	11,095	3,853
	<u>43,021</u>	<u>56,701</u>	<u>143,277</u>	<u>193,614</u>

A9. Property, plant and equipment

During the financial period end 30 September 2015, the Group has additions of property, plant and equipment of RM0.76 million of which RM0.09 million was acquired by mean of finance lease arrangement.

A10. Material events during the reporting period

On 30 September 2015, the Group (TGG") entered into an agreement with Nixin Steel Sdn Bhd to dispose off all its 100% equity interest in TG Oriental Steel Sdn Bhd ("TGO") representing 5,000,000 ordinary shares of RM1 each for a total cash consideration of RM302,142 and TGO ceased to be a subsidiary of TGG. There is a gain on disposal of RM0.37 million.

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

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

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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-Sep-15 RM'000
Contracted but not provided for in the financial statements	
- Investment in an associate - PIBI	<u>1,540</u>

A14 Significant related party transactions

	Current Quarter 30-Sep-15 RM'000	Cumulative Period to Date 30-Sep-15 RM'000
a) Transactions with associates:		
- Sales	409	994
- Purchases	12,048	38,427
- Rental income	<u>505</u>	<u>1,178</u>
b) Transactions with directors		
- Rental expense	12	36
- Interest expense	<u>17</u>	<u>57</u>
c) Transactions with related party		
- Loan from related party	-	285
- Interest expense	8	23
- Rental expense	<u>15</u>	<u>45</u>

A15 Change in Financial Year End

On 30 November 2015, the Company announced an immediate change in financial year end from 31 December to 31 May.

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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 September 2015, the Group achieved total revenue of RM 143.28 million. This represents a decrease by RM 50.34 million or 26.0% as compared to the revenue of RM 193.61 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 22.06 million for the financial period ended 30 September 2015 compared to the loss before tax of RM 1.48 million in the same period of 2014. This is mainly attributable by margin erosion caused by lower selling price, unfavourable foreign exchange loss due depreciation of Ringgit Malaysia against US Dollar and impairment of plant and machinery.

B2. Variation of results against preceding quarter

During the quarter under review, the Group's revenue was RM 43.02 million, increased by RM 1.61 million or 3.90% as compared to the revenue of RM 41.41 million for the preceding quarter ("Q2 2015"). The increase in revenue was mainly due to increase in export sales

The Group registered a loss before tax of RM 6.81 million compared to a loss before tax of RM 8.43 million for preceding quarter ("Q2 2015"). The decrease in losses mainly due to gain on disposal of a subsidiary.

B3. Current year prospects

The local steel industry is unlikely to turnaround in the current year. Prices remain low and there is continued supply of low-priced steel products from China. As supply continues to outstrip demand, margin remains very low and competitive.

The remaining months of the current financial year for the Group remains very tough and challenging. The Group continues to take steps to reduce unproductive operations and the dispose 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-Sep-15 RM'000	Cumulative Period to Date 30-Sep-15 RM'000
Current tax expense	58	133
Deferred tax expenses	-	-
	<u>58</u>	<u>133</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-Sep-15 RM'000
Quoted shares in Malaysia	<u>117</u>	<u>117</u>

B7. Loan and borrowings

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	4,412	757	5,169
- Trade line	83,487	15,330	98,817
- Term loans	1,353	-	1,353
- Finance lease liabilities	2,365	-	2,365
	<u>91,617</u>	<u>16,087</u>	<u>107,704</u>
Non-current			
- Term loans	35,854	-	35,854
- Finance lease liabilities	4,920	-	4,920
	<u>40,774</u>	<u>-</u>	<u>40,774</u>
Total	<u>132,391</u>	<u>16,087</u>	<u>148,478</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 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-Sep-15	Cumulative Period to Date 30-Sep-15
Loss attributable to ordinary shareholders (RM'000)	(5,445)	(18,462)
Weighted average number of ordinary share ('000)	<u>136,489</u>	<u>136,489</u>
Basic loss per ordinary share (in sen)	<u>(3.99)</u>	<u>(13.53)</u>

b) Diluted earnings per ordinary share

	Current Quarter 30-Sep-15	Cumulative Period to Date 30-Sep-15
Diluted earnings per ordinary share (in sen)	<u>(3.99)</u>	<u>(13.53)</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-Sep-15 RM'000	As at 31-Dec-14 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	47,378	60,338
- Unrealized	<u>(7,143)</u>	<u>(7,721)</u>
	40,235	52,617
Total share of accumulated (losses)/profit from associates:		
- Realized	(6,376)	(6,376)
- Unrealized	<u>(4,482)</u>	<u>(4,482)</u>
	29,377	41,759
Consolidation adjustments	<u>(26,203)</u>	<u>(20,123)</u>
Total retained earnings	<u>3,173</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.