

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 November 2016

	Individual period Current year quarter 30-Nov-16 RM'000	Cumulative period Current year to date 30-Nov-16 RM'000
Continuing operations	Note	
Revenue	24,918	49,777
Cost of sales	<u>(25,178)</u>	<u>(48,560)</u>
Gross profit / (loss)	(260)	1,217
Distribution costs	(893)	(1,858)
Administrative expenses	(2,308)	(4,649)
Other operating expenses	(67)	(113)
Other operating income	<u>905</u>	<u>23,964</u>
Results from operating activities	(2,623)	18,561
Finance costs	<u>(1,837)</u>	<u>(4,343)</u>
Operating profit / (loss)	1 (4,460)	14,218
Share of profit of equity accounted associates, net of tax	<u>13</u>	<u>167</u>
Profit/(loss) before tax	(4,447)	14,385
Income tax expense	<u>-</u>	<u>(22)</u>
Profit/(loss) from continuing operations	(4,447)	14,363
Other comprehensive income, net of tax		
Profit on available-for-sale financial assets	-	19
Total comprehensive income/(expense) for the period	<u>(4,447)</u>	<u>14,382</u>
Profit/(loss) for the period attributable to:		
Owners of the Company	(3,416)	16,177
Non-controlling interests	<u>(1,030)</u>	<u>(1,814)</u>
Profit/(loss) for the period	<u>(4,447)</u>	<u>14,363</u>
Total comprehensive income/(expense) attributable to:		
Owners of the Company	(3,416)	16,196
Non-controlling interests	<u>(1,814)</u>	<u>(1,814)</u>
Total comprehensive income/(expense) for the period	<u>(4,447)</u>	<u>14,382</u>
Basic profit/(loss) per ordinary share (sen)	<u>(2.20)</u>	<u>10.43</u>
Diluted profit/(loss) per ordinary share (sen)	<u>(2.20)</u>	<u>10.43</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.

* There is no comparative figure with the preceding year six month ended 30 November 2016 due to change in financial year end from 31 December 2015 to 31 May 2016.

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(Incorporated in Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 30 November 2016 (continued)

	Individual period Current year quarter 30-Nov-16 RM'000	Cumulative period Current year to date 30-Nov-16 RM'000
Note:		
1. Operating profit is arrived at:		
After charging:		
- Impairment loss on trade & other receivables	210	420
- Depreciation on property, plant and equipment	1,837	3,546
- Realized loss on foreign exchange	107	155
- Interest expense	1,660	4,166
After crediting:		
- Gain on disposal of plant and equipment	1,677	24,271
- Realised gain on foreign exchange	(193)	122
- Bad debts recovered	6	12
- Dividend income	-	8
- Interest income	21	26

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

* There is no comparative figure with the preceding year six month ended 30 November 2016 due to change in financial year end from 31 December 2015 to 31 May 2016.

TATT GIAP GROUP BERHAD

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(Incorporated in Malaysia)

Unaudited condensed consolidated statement of financial position As at 30 November 2016

	30-Nov-16 RM'000	Audited 31-May-16 RM'000
Assets		
Property, plant and equipment	135,167	154,507
Investment in associates	4,435	4,268
Other investments	2,076	2,225
Trade and other receivables	2,876	2,876
Total non-current assets	<u>144,554</u>	<u>163,876</u>
Inventories	14,450	21,145
Trade and other receivables	21,009	30,103
Current tax assets	(110)	102
Assets classified as held for sales	15,377	21,368
Fixed deposits with licensed banks	-	1,455
Cash and cash equivalents	7,876	4,974
Total current assets	<u>58,602</u>	<u>79,147</u>
Total assets	<u>203,156</u>	<u>243,023</u>
Equity		
Share capital	77,552	77,552
Reserves	(36,498)	(52,685)
Total equity attributable to owners of the Company	<u>41,054</u>	<u>24,867</u>
Non-controlling interests	12,522	14,327
Total equity	<u>53,576</u>	<u>39,194</u>
Liabilities		
Loans and borrowings	29,030	31,810
Deferred tax liabilities	7,571	12,737
Total non-current liabilities	<u>36,601</u>	<u>44,547</u>
Loans and borrowings	80,608	106,795
Trade and other payables	32,371	52,062
Current tax liabilities	-	425
Total current liabilities	<u>112,979</u>	<u>159,282</u>
Total liabilities	<u>149,580</u>	<u>203,829</u>
Total equity and liabilities	<u>203,156</u>	<u>243,023</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.

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Unaudited condensed consolidated statement of changes in equity for financial period ended 30 November 2016

	----- Attributable to owners of the Company -----						Total	Non-controlling interest	Total Equity	
	Share capital	ICULS - equity portion	Share premium	Reverse acquisition reserve	Fair value	Revaluation Reserve				Distributable Retained earning / (losses)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2015	60,989	16,896	2,373	(53,300)	(68)	-	21,635	48,525	14,784	63,309
Fair value of available-for sale financial assets	-	-	-	-	21	-	-	21	21	42
Revaluation of property, plant and equipment	-	-	-	-	-	23,579	-	23,579	4,365	27,944
Total comprehensive income for the period	-	-	-	-	21	23,579	-	23,600	4,386	27,986
Loss for the period	-	-	-	-	-	-	(47,212)	(47,212)	(4,843)	(52,055)
Total comprehensive income / (expense) for the period	-	-	-	-	21	23,579	(47,212)	(23,612)	(457)	(24,069)
Transaction with owners of the Company - Conversion of ICULS	16,563	(16,896)	2,650	-	-	-	(2,363)	(46)	-	(46)
At 31 May 2016	77,552	-	5,023	(53,300)	(47)	23,579	(27,940)	24,867	14,327	39,194
At 1st June 2016	77,552	-	5,023	(53,300)	(47)	23,579	(27,940)	24,867	14,327	39,194
Fair value of available-for-sale financial assets	-	-	-	-	-	-	10	10	9	19
Profit for the period	-	-	-	-	-	-	16,177	16,177	(1,814)	14,363
Total comprehensive income / (expense) for the period	-	-	-	-	-	-	16,187	16,187	(1,805)	14,382
At 30 November 2016	77,552	-	5,023	(53,300)	(47)	23,579	(11,753)	41,054	12,522	53,576

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 November 2016

	Note	6 months periods to 30-Nov-16 RM'000	17 months period to 31-May-16 (Audited) RM'000
Cash flows from operating activities			
Profit / (loss) before tax		14,385	(51,433)
Adjustments for:			
Depreciation on property, plant and equipment		3,546	14,612
Depreciation on investment property			7
Impairment loss on plant and machinery		-	2,500
Interest expenses		4,166	15,357
Interest income		(26)	(591)
Gain on disposal of plant and machinery		(24,271)	(1,034)
Gain on disposal of investment property		-	(76)
Gain on disposal of in a subsidiary		-	(70)
Dividend income		(8)	(3)
Share of loss of equity accounted associates, net of tax		(167)	1,282
Operating profit/(loss) before working capital changes:		<u>(2,375)</u>	<u>(19,449)</u>
Changes in working capital:			
Inventories		6,695	43,984
Trade and other receivables		9,095	24,521
Trade and other payables		<u>(21,608)</u>	<u>(17,864)</u>
Cash (used)/generated from operations		<u>(8,193)</u>	<u>31,192</u>
Income taxes refund / (paid)		<u>(235)</u>	<u>352</u>
Net cash (used) / from operating activities		<u>(8,428)</u>	<u>31,544</u>
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	-	(581)
Dividend received		8	3
Interest received		26	591
Subscription of additional interest in an associate		-	(949)
Proceeds from disposal of plant and equipment		1,826	4,243
Proceeds from disposal of investment property		-	700
Proceeds from disposal of other investment		149	-
Proceeds from disposal of assets classified as held for sale		41,000	-
Net cash from investing activities		<u>43,009</u>	<u>4,007</u>
Cash flows from financing activities			
Interest paid		(4,166)	(15,698)
Repayment of short term borrowings, net		(25,891)	(16,946)
Repayment down of term loans		(761)	(3,073)
Withdrawal of pledged short term deposits		1,455	4,039
Payment of finance lease liabilities		(1,346)	(5,919)
Net cash used in financing activities		<u>(30,709)</u>	<u>(37,597)</u>
Net increase/(decrease) in cash and cash equivalents		3,872	(2,046)
Cash and cash equivalents as at beginning of financial period		(5,643)	(3,597)
Cash and cash equivalents as at end of financial period	B	<u>(1,771)</u>	<u>(5,643)</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.

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Unaudited condensed consolidated statement of cash flows for the period ended 30 November 2016 (continued)

Notes:

A. Acquisition of property, plant and equipment

No additional property, plant and equipment was acquired during the financial period ended 30 November 2016.

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-Nov-16 RM'000	17 months period to 31-May-16 RM'000
Cash and bank balances	3,916	1,015
Bank overdrafts	<u>(5,687)</u>	<u>(6,658)</u>
Cash and cash equivalents	<u><u>(1,771)</u></u>	<u><u>(5,643)</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.

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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, other than property land and building which have been prepared on valuation basis.

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 17 months financial period ended 31 May 2016. 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 17 month financial months ended 31 May 2016.

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 January 2016

MFRS 14	Regulatory Deferral Accounts
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 116 & MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116 & MFRS 141	Agriculture: Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)

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

Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses

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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 2018

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

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

January 2019

MFRS 16	Leases
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MFRSs, Interpretations and amendments effective for a date yet to be confirmed

Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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 17 months financial period ended 31 May 2016 was not qualified.

A3. Seasonality or cyclical factors

The business operations 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 except those disclosed in note A10.

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.

A7. Dividend paid

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

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Notes to the condensed consolidated interim financial statements

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 segments on a monthly basis.

Geographical segment

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

Geographical information

	Individual period	Cumulative period
	Current year quarter 30-Nov-16 RM'000	Current year to date 30-Nov-16 RM'000
<u>Segment revenue</u>		
Malaysia	14,924	34,015
Asia (excluding Malaysia)	1,435	2,949
United States of America	1,107	2,966
South America	1,181	1,681
Europe	<u>6,271</u>	<u>8,166</u>
	<u>24,918</u>	<u>49,777</u>

A9. Property, plant and equipment

No additional property, plant and equipment was acquired during the financial period ended 30 November 2016.

A10. Material events during the reporting period

On 31 December 2015, TGG entered into an sale and purchase agreement with CSC Steel Sdn Bhd ("CSCM") and Tatt Giap Steel Centre Sdn Bhd ("TGSC") to dispose of leasehold industrial land and buildings at No. 1617 Lorong Perusahaan Maju 6, Prai Industrial Estate IV, 13600 Prai, Penang to CSCM for a total disposal consideration of RM41,000,000. On 29 August 2016, the Company announced the completion of this disposal and reported a total gain of RM22.59 million on disposal.

On 27 July 2016, Tatt Giap Hardware Sdn Bhd ("TGH"), a wholly own subsidiary company of TGG entered into an sale and purchase agreement with Tan Chong Ekspres Auto Servis Sdn Bhd ("TCE") to dispose of all the piece of leasehold land held under issue document of title number 167366 PT-, Mukim Damansara, Dearah Petaling, Negeri Selangor Darul Ehsan together with a single storey detached warehouse and a double storey office building erected thereon for RM15.5 million. On 14th December 2016, this disposal was approved by the shareholders at an extraordinary general meeting. The asset has been classified as asset held for sale under current assets pending completion.

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Notes to the condensed consolidated interim financial statements

A11 Changes in composition of the Group for the financial period ended 30 November 2016

There is 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-Nov-16 RM'000
Contracted but not provided for in the financial statements	
- Investment in an associate - PIBI	<u>1,850</u>

A14 Significant related party transactions

	Current period 30-Nov-16 RM'000	Cumulative period 30-Nov-16 RM'000
a) Substantial shareholders of a subsidiary		
- Sales	145,332	325,662
- Purchases	(6,193,192)	(12,500,662)
- Interest expense	(57,533)	(481,171)
- Management fee	(15,000)	(55,000)
- Rental expense	<u>(25,352)</u>	<u>(25,352)</u>
b) Associates		
- Sales	113,500	206,134
- Purchases	(454,998)	(1,224,415)
- Interest expense	-	(68,680)
- Rental Income	-	622,675
- Management fee	<u>187,121</u>	<u>313,311</u>
c) Directors & persons connected to Directors		
- Purchases	(120,643)	(215,522)
- Interest expense	(25,542)	(53,635)
- Rental expense	(57,362)	(121,362)
- Rental income	296,255	302,418
- Management fee income	540,000	570,000
- Sales of investment property	-	180,000
- Loan from Director	644,090	644,090

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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 November 2016, the Group achieved total revenue of RM 49.78 million and reported a total profit before tax of RM14.39 millions. The profit mainly contributed by gain on disposal of assets. There is no comparative figure with the preceeding year six month ended 30 November 2015 due to change in financial year end from 31 December 2015 to 31 May 2016.

B2. Variation of results against preceding quarter

For the current quarter under review, the Group achieved total revenue of RM 24.92 million and loss before tax of RM 4.45 million as compared to total revenue of RM 24.86 million and profit before tax of RM18.83 million in the immediate preceding quarter ended 30 November 2016. The different is due to the capital gain in preceeding quarter ended 30 November 2016

B3. Current year prospects

Overall steel industry environment remains challenging. The operating environment is expected to remain tough in the current financial year and sales for the Group's in local market remain challenging. Nevertheless, the Group continues to take steps to dispose assets and improve the cash flows.

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-Nov-16 RM'000	Cumulative Period to Date 30-Nov-16 RM'000
Current tax expense	-	22
Deferred tax expenses	-	-
	<u>-</u>	<u>22</u>

B6. Quoted investments

	Carrying Amount RM'000	Market value as at 30-Nov-16 RM'000
Quoted shares in Malaysia	<u>18</u>	<u>18</u>

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Notes to the condensed consolidated interim financial statements

B7. Loan and borrowings

The Group's loans and borrowings as at 31 August 2016 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	5,687	-	5,687
- Trade line	65,500	-	65,500
- Term loans	6,995	-	6,995
- Finance lease liabilities	<u>2,426</u>	<u>-</u>	<u>2,426</u>
	<u>80,608</u>	<u>-</u>	<u>80,608</u>
Non-current			
- Term loans	28,753	-	28,753
- Finance lease liabilities	<u>277</u>	<u>-</u>	<u>277</u>
	<u>29,030</u>	<u>-</u>	<u>29,030</u>
Total	<u>109,638</u>	<u>-</u>	<u>109,638</u>

The above borrowings are denominated in Ringgit Malaysia.

Breach of loan covenant

A subsidiary of the Group has a secured term loan and trade financing that amounts to RM10,521,325 (31.05.2016: RM12,035,753). The term loan and trade financing contain a debt covenant stating that the subsidiary's total liabilities cannot exceed three (3) times of its tangible net worth. As at reporting date, the subsidiary was unable to meet the covenant condition due to its negative shareholders' funds position. Consequently, the entire term loan has been classified as current liability and the management is currently taking step to make good the breach.

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 November 2016

B10. Profit per share

a) Basic earning per ordinary share	Current Quarter 1 June 2016 to 30-Nov-16	Cumulative 1 June 2016 to 30-Nov-16
Profit attributable to ordinary shareholders (RM'000)	(3,416)	16,177
Weighted average number of ordinary share ('000)	<u>155,103</u>	<u>155,103</u>
Basic earning per ordinary share (in sen)	<u>(2.20)</u>	<u>10.43</u>
b) Diluted earnings per ordinary share	Current Quarter 1 June 2016 to 30-Nov-16	Cumulative 1 June 2016 to 30-Nov-16
Diluted earnings per ordinary share (in sen)	<u>(2.20)</u>	<u>10.43</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-Nov-16 RM'000	As at 31-May-16 RM'000
Total retained earnings of the Company and its subsidiaries:		
- Realized	(42,377)	(47,023)
- Unrealized	<u>(2,322)</u>	<u>(7,317)</u>
	(44,699)	(54,340)
Total share of accumulated (losses)/profit from associates:		
- Realized	(9,035)	(9,201)
- Unrealized	<u>(2,939)</u>	<u>(2,939)</u>
	(56,673)	(66,480)
Consolidation adjustments	<u>44,928</u>	<u>38,548</u>
Total retained earnings	<u><u>(11,745)</u></u>	<u><u>(27,932)</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.