

BURSA LINK TEMPLATES

Financial Results

Part A1: QUARTERLY REPORT

| | |
|--|-----------------------|
| - Quarterly report for the financial period ended: | 31-Aug-17 |
| - Quarter: | Q1 |
| - Financial Year End: | 31-May-18 |
| - The figure : | have not been audited |

Part A2: SUMMARY OF KEY FINANCIAL INFORMATION

Summary of Key Financial Information for the financial period ended

| | 31-Aug-17 | | | |
|---|------------------------------|---|------------------------------------|--|
| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
| | Current year Quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding period |
| | 31-Aug-17 RM'000 | RM'000 | 31-Aug-17 RM'000 | RM'000 |
| 1 Revenue | 21,924 | 24,859 | 21,924 | 24,859 |
| 2 (Loss)/profit before tax | (1,978) | 18,831 | (1,978) | 18,831 |
| 3 (Loss)/profit for the period | (1,978) | 18,809 | (1,978) | 18,809 |
| 4 (Loss)/profit attributable to ordinary equity holders of the parent | (975) | 19,593 | (975) | 19,593 |
| 5 Basic (loss)/earnings per share (sen) | (0.63) | 12.63 | (0.63) | 12.63 |
| 6 Proposed/Declared dividend per share (sen) | | | | |
| | As at end of current quarter | | As at preceding financial year end | |
| 7 Net assets per share(RM) | | 0.127 | | 0.133 |

PART A3: ADDITIONAL INFORMATION

| | 31-Aug-17 | | | |
|---------------------------|-------------------------|---|----------------------------|--|
| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
| | Current year Quarter | Preceding year corresponding quarter | Current year to date | Preceding year corresponding period |
| | 31-Aug-17 RM'000 | 0 RM'000 | 31-Aug-17 RM'000 | 0 RM'000 |
| 1. Gross interest income | 2 | 5 | 2 | 5 |
| 2. Gross interest expense | 1,572 | 2,506 | 1,572 | 2,506 |

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 31 August 2017

| | Individual period Current year quarter 31-Aug-17 RM'000 | Individual period Preceding year to quarter 31-Aug-16 RM'000 | Cumulative period Current year to date 31-Aug-17 RM'000 | Individual period Preceding year to date 31-Aug-16 RM'000 |
|--|--|---|--|--|
| Continuing operations | | | | |
| Revenue | 21,924 | 24,859 | 21,924 | 24,859 |
| Cost of sales | (21,190) | (23,382) | (21,190) | (23,382) |
| Gross profit | <u>734</u> | <u>1,477</u> | <u>734</u> | <u>1,477</u> |
| Distribution costs | (995) | (965) | (995) | (965) |
| Administrative expenses | (1,336) | (2,342) | (1,336) | (2,342) |
| Other operating expenses | (254) | (46) | (254) | (46) |
| Other operating income | 916 | 23,060 | 916 | 23,060 |
| Results from operating activities | <u>(935)</u> | <u>21,184</u> | <u>(935)</u> | <u>21,184</u> |
| Finance costs | (1,572) | (2,506) | (1,572) | (2,506) |
| Operating profit / (loss) | <u>(2,507)</u> | <u>18,678</u> | <u>(2,507)</u> | <u>18,678</u> |
| Share of profit of equity accounted associates, net of tax | 529 | 153 | 529 | 153 |
| Profit/(loss) before tax | <u>(1,978)</u> | <u>18,831</u> | <u>(1,978)</u> | <u>18,831</u> |
| Income tax expense | - | (22) | - | (22) |
| Profit/(loss) from continuing operations | <u>(1,978)</u> | <u>18,809</u> | <u>(1,978)</u> | <u>18,809</u> |
| Other comprehensive income, net of tax | | | | |
| Profit on available-for-sale financial assets | - | 19 | - | 19 |
| Total comprehensive income/(expense) for the period | <u>(1,978)</u> | <u>18,828</u> | <u>(1,978)</u> | <u>18,828</u> |
| Profit/(loss) for the period attributable to: | | | | |
| Owners of the Company | (975) | 19,593 | (975) | 19,593 |
| Non-controlling interests | (1,003) | (784) | (1,003) | (784) |
| Profit/(loss) for the period | <u>(1,978)</u> | <u>18,809</u> | <u>(1,978)</u> | <u>18,809</u> |
| Total comprehensive income/(expense) attributable to: | | | | |
| Owners of the Company | (975) | 19,612 | (975) | 19,612 |
| Non-controlling interests | (1,003) | (784) | (1,003) | (784) |
| Total comprehensive income/(expense) for the period | <u>(1,978)</u> | <u>18,828</u> | <u>(1,978)</u> | <u>18,828</u> |
| Basic profit/(loss) per ordinary share (sen) | <u>(0.63)</u> | <u>12.63</u> | <u>(0.63)</u> | <u>12.63</u> |
| Diluted profit/(loss) per ordinary share (sen) | <u>(0.63)</u> | <u>12.63</u> | <u>(0.63)</u> | <u>12.63</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 in Malaysia)

Unaudited condensed consolidated statement of comprehensive income for the period ended 31 August 2017 (continued)

| | Individual period Current year quarter 31-Aug-17 RM'000 | Individual period Preceding year to quarter 31-Aug-16 RM'000 | Cumulative period Current year to date 31-Aug-17 RM'000 | Individual period Preceding year to date 31-Aug-16 RM'000 |
|---|--|---|--|--|
| Note: | | | | |
| 1. Operating profit is arrived at: | | | | |
| After charging: | | | | |
| - Impairment loss on trade & other receivables | 210 | 210 | 210 | 210 |
| - Depreciation on property, plant and equipment | 1,335 | 1,708 | 1,335 | 1,708 |
| - Realized loss on foreign exchange | 100 | 47 | 100 | 47 |
| - Interest expense | 1,572 | 2,506 | 1,572 | 2,506 |
| After crediting: | | | | |
| - Gain on disposal of plant and equipment | - | 22,594 | - | 22,594 |
| - Realised gain on foreign exchange | 111 | 315 | 111 | 315 |
| - Bad debts recovered | - | 6 | - | 6 |
| - Dividend income | 113 | 8 | 113 | 8 |
| - Interest income | 2 | 5 | 2 | 5 |

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 for the period ended 31 August 2017

| | 31-Aug-17 RM'000 | Audited 31-May-17 RM'000 |
|---|---------------------|--------------------------------|
| Assets | | |
| Property, plant and equipment | 107,202 | 123,166 |
| Investment in associates | 6,763 | 6,234 |
| Other investments | 20 | 20 |
| Total non-current assets | <u>113,985</u> | <u>129,420</u> |
| Inventories | 10,312 | 6,892 |
| Trade and other receivables | 20,746 | 28,476 |
| Current tax assets | - | 227 |
| Assets classified as held for sales | 14,633 | - |
| Cash and cash equivalents | 8,993 | 8,383 |
| Total current assets | <u>54,684</u> | <u>43,978</u> |
| Total assets | <u>168,669</u> | <u>173,398</u> |
| Equity | | |
| Share capital | 82,575 | 82,575 |
| Reserves | (61,663) | (60,688) |
| Total equity attributable to owners of the Company | <u>20,912</u> | <u>21,887</u> |
| Non-controlling interests | 10,691 | 11,693 |
| Total equity | <u>31,603</u> | <u>33,580</u> |
| Liabilities | | |
| Loans and borrowings | 21,559 | 23,334 |
| Other Payables | 11,326 | 10,126 |
| Deferred tax liabilities | 6,133 | 6,133 |
| Total non-current liabilities | <u>39,018</u> | <u>39,593</u> |
| Loans and borrowings | 68,418 | 68,894 |
| Trade and other payables | 27,604 | 29,363 |
| Current tax liabilities | 2,026 | 1,968 |
| Total current liabilities | <u>98,048</u> | <u>100,225</u> |
| Total liabilities | <u>137,066</u> | <u>139,818</u> |
| Total equity and liabilities | <u>168,669</u> | <u>173,398</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 31 August 2017

| | Attributable to owners of the Company | | | | | Non-controlling interest | Total Equity | | | |
|--|---------------------------------------|------------------------|---------------|-----------------|-------------|--------------------------|-----------------------------|---------------|--------------------------|---------------|
| | Non-distributable | | Distributable | | | | | | | |
| | Share capital | ICULS - equity portion | Share premium | 31-May-17 | Fair value | Revaluation Reserve | Retained earning / (losses) | Total | Non-controlling interest | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 June 2016 | 77,552 | - | 5,023 | (53,300) | (47) | 23,578 | (27,931) | 24,875 | 14,327 | 39,202 |
| Fair value of available-for sale financial assets | - | - | - | - | - | - | 10 | 10 | - | 9 |
| Profit for the period | - | - | - | - | - | - | 19,593 | 19,593 | (784) | 18,809 |
| Total comprehensive income / (expense) for the period | - | - | - | - | - | - | 19,603 | 19,603 | (775) | 18,828 |
| At 31 August 2017 | 77,552 | - | 5,023 | (53,300) | (47) | 23,578 | (8,328) | 44,478 | 13,552 | 58,030 |
| At 1st June 2017 | 82,575 | - | - | (53,300) | (27) | 21,115 | (28,475) | 21,887 | 11,693 | 33,580 |
| Loss for the period | - | - | - | - | - | - | (975) | (975) | (1,002) | (1,977) |
| Total comprehensive income / (expense) for the period | - | - | - | - | - | - | (975) | (975) | (1,002) | (1,977) |
| At 31 August 2017 | 82,575 | - | - | (53,300) | (27) | 21,115 | (29,450) | 20,912 | 10,691 | 31,603 |

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 31 August 2017

| | 3 months periods to 31-Aug-17 | 12 months periods to 31-May-17 (Audited) |
|---|-------------------------------------|---|
| Note | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Loss before tax | | |
| Adjustments for: | (1,978) | (10,697) |
| Depreciation on property, plant and equipment | | |
| Impairment loss on: | 1,335 | 3,917 |
| - plant and equipment | | |
| - other investment | - | 11,021 |
| Interest expense | - | 2,056 |
| Interest income | 1,572 | 8,305 |
| Gain on disposal of: | (2) | (295) |
| - plant and equipment | | |
| - assets classified as held for sale | - | (416) |
| - other investment | - | (16,235) |
| Dividend income | - | (28) |
| Share of (profit)/loss of equity accounted associates, net of tax | (529) | (1,965) |
| Operating profit/(loss) before working capital changes | <u>398</u> | <u>(4,346)</u> |
| Changes in working capital: | | |
| Inventories | | |
| Trade and other receivables | (3,420) | 14,253 |
| Trade and other payables | 7,730 | 4,504 |
| | (1,848) | (22,691) |
| Cash (used)/generated from operations | <u>2,860</u> | <u>(8,280)</u> |
| Income taxes refund / (paid) | 285 | (150) |
| Net cash (used) / from operating activities | <u>3,145</u> | <u>(8,430)</u> |
| Cash flows from investing activities | | |
| Acquisition of property, plant and equipment | | |
| Proceeds from disposal of: | (4) | (3) |
| - property, plant and equipment | | |
| - other investments | - | 16,455 |
| - assets classified as held for sale | - | 216 |
| Net cash inflow on disposal of a subsidiary | - | 37,969 |
| Interest received | - | - |
| Dividends received | 2 | 295 |
| | - | 9 |
| Net cash from investing activities | <u>(2)</u> | <u>54,941</u> |
| Cash flows from financing activities | | |
| Advances from a Director | | |
| Interest paid | 1,289 | 10,126 |
| Repayment of term loans | (1,572) | (8,305) |
| Repayment of other borrowings, net | (443) | (8,972) |
| Repayment of finance lease liabilities | (2,021) | (33,144) |
| Uplift of pledged short-term deposits | (316) | (2,973) |
| | - | 1,985 |
| Net cash used in financing activities | <u>(3,063)</u> | <u>(41,283)</u> |
| Net increase/(decrease) in cash and cash equivalents | 80 | 5,228 |
| Cash and cash equivalents as at beginning of financial period | (415) | (5,643) |
| Cash and cash equivalents as at end of financial period | <u>(335)</u> | <u>(415)</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)

Unaudited condensed consolidated statement of cash flows for the period ended 31 August 2017 (continued)

Notes:

A. Acquisition of property, plant and equipment

During the financial period ended 31 August 2017, the Group has additional of property, plant and equipment fo RM 4k.

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 31-Aug-17 RM'000 | 12 months period to 31-May-17 RM'000 |
|---------------------------|--|---|
| Cash and bank balances | 5,564 | 4,955 |
| Bank overdrafts | (5,899) | (5,370) |
| Cash and cash equivalents | <u>(335)</u> | <u>(415)</u> |

C Disposal of a subsidiary

The disposal which was completed on 2nd August 2017 had the following effect on the financial position of the Group

| | RM |
|--|------------------|
| Trade and receivable | 44,391 |
| Cash & cash equivalent | 22,570 |
| Trade and other payables | (245,040) |
| Net liabilities relieved | <u>(178,079)</u> |
| Gain on disposal of investment in a subsidiary | 178,080 |
| Consideration received, satisfied in cash | <u>1</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, 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 financial year ended 31 May 2017. 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 May 2017.

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 2017

| | |
|------------------------|--|
| Amendments to MFRS 12 | Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standard 2014-2016 Cycle) |
| Amendments to MFRS 107 | Statement of Cash Flows - Disclosure Initiative |
| Amendments to MFRS 112 | Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses |

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

| | |
|---------------------------|--|
| MFRS 9 | Financial Instruments (2014) |
| MFRS 15 | Revenue from Contracts with Customers |
| Clarifications to MFRS 15 | Revenue from Contracts with Customers |
| IC Interpretation 22 | Foreign Currency Transactions and Advance Consideration |
| Amendments to MFRS 1 | First-time Adoption of Malaysian Financial Reporting Standards (Annual improvements to MFRS Standards 1014-2016 Cycle) |
| Amendments to MFRS 2 | Classification and Measurement of Share-based Payment Transactions |
| Amendments to MFRS 4 | Insurance Contracts- Applying MFRS 9 Financial Insurance Contracts- Applying MFRS 9 Financial |
| Amendments to MFRS 128 | Investment in Associates and Joint Ventures (Annual Improvement to MFRS Standards 2014-2016 Cycle) |
| Amendments to MFRS 140 | Investment Property - Transfer of Investment Property |

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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 2019

MFRS 16

Leases

IC Interpretation 23

Uncertainty over Income Tax Treatments

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17

Insurance contracts

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 financial year ended 31 May 2017 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 | Individual period | Cumulative period | Cumulative period |
|---------------------------|---|---|---|---|
| | Current year quarter 31-Aug-17 RM'000 | Current year quarter 31-Aug-16 RM'000 | Current year to date 31-Aug-17 RM'000 | Current year to date 31-Aug-16 RM'000 |
| <u>Segment revenue</u> | | | | |
| Malaysia | 10,456 | 19,091 | 10,456 | 19,091 |
| Asia (excluding Malaysia) | 387 | 1,514 | 387 | 1,514 |
| United States of America | 298 | 1,859 | 298 | 1,859 |
| South America | 4,319 | 500 | 4,319 | 500 |
| Europe | 6,464 | 1,895 | 6,464 | 1,895 |
| | <u>21,924</u> | <u>24,859</u> | <u>21,924</u> | <u>24,859</u> |

A9. Property, plant and equipment

During the financial period ended 31 August 2017, the Group has additional of property, plant and equipment for RM 4k.

A10. Material events during the reporting period

- a) On 31 July 2017, the Company entered into a Share Sale and Purchase Agreement ("SSPA") with Hanwa Co. Ltd., a substantial shareholder of Tatt Giap Steel Centre Sdn. Bhd. ("TGSC"), a 51% - owned subsidiary of the Company to dispose of 41% of its equity interests representing 16,400,000 ordinary shares in TGSC for a total cash consideration of RM12,300,000. The completion of the SSPA is subject to fulfilment of conditions precedent in the SSPA. Upon completion of the disposal, TGSC will cease to be a subsidiary of the Company. The Group is expected to recognise a gain of RM3.8 million in financial year ending 31 May 2018 on the said disposal.
- b) On 1 August 2017, the Company entered into a SSPA to dispose of its entire equity interests in a subsidiary, TGMI Industries Sdn. Bhd. for a cash consideration of RM1. The Group is expected to recognise a gain of RM178,080 in financial year ending 31 May 2018 on the said disposal. TGMI cease to be a subsidiary of the Company.

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Notes to the condensed consolidated interim financial statements

- c) On 25 August 2017, a wholly-owned subsidiary, Superinox Max Fittings Industry Sdn. Bhd. ("SMFI") entered into several Sale and Purchase Agreements ("SPA") to dispose of its plant and equipment for a total consideration of RM1.6 million

A11 Subsequent event after the reporting period

- a) On 25 September 2017, a wholly-owned subsidiary, Superinox Max Fittings Industry Sdn. Bhd. ("SMFI") entered into several Sale and Purchase Agreements ("SPA") to dispose of its plant and equipment for a total consideration of RM0.8 million
- b) On 28 September 2017, the Company announced to undertake a proposed private placement of up to 10% of the total number of issued shares of the Company at an issue price to be determined.
- c) On 29 September 2017, a wholly-owned subsidiary, Superinox Pipe Industry Sdn. Bhd. ("SPI") entered into several SPAs to dispose of its plant and equipment for a total cash consideration of RM12.3 million. The Group has received a non-refundable deposits of RM3.3 million upon signing of these SPAs. The Group is expected to recognise a gain of RM4.5 million upon completion of the said disposal in financial year ending 31 May 2018.

A12 Changes in composition of the Group for the financial period ended 31 August 2017

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

A13 Contingent liabilities

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

A14 Capital commitment

| | Cumulative Period to Date 31-Aug-17 RM'000 |
|---|---|
| Contracted but not provided for in the financial statements | |
| - Investment in an associate - PIBI | <u>1,879</u> |

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Notes to the condensed consolidated interim financial statements

A15 Significant related party transactions

| | Current period 31-Aug-17 RM'000 | Cumulative period 31-Aug-17 RM'000 |
|---|--|---|
| a) Substantial shareholders of a subsidiary | | |
| - Purchases | (8,552) | (8,552) |
| - Interest expense | (14) | (14) |
| - Management fee | (5) | (5) |
| - Rental expense | (23) | (23) |
| | <u>(8,604)</u> | <u>(8,604)</u> |
| b) Associates | | |
| - Sales | 4 | 4 |
| - Purchases | 476 | (476) |
| - Management fee | 99 | 99 |
| | <u>579</u> | <u>(277)</u> |
| c) Directors & persons connected to Directors | | |
| - Purchases | (60) | (60) |
| - Interest expense | (58) | (58) |
| - Rental expense | (29) | (29) |
| - Rental income | 79 | 79 |
| - Loan from Director | 1,289 | 1,289 |
| | <u>1,221</u> | <u>1,221</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 31 August 2017, the Group achieved total revenue of RM 21.92 million which dropped by RM2.94 million or 11.8% as compared to FYP 31 August 2016. The decrease in revenue was mainly to drop in domestic market sales. The Group recorded a loss before tax of RM1.98 million as compared to a profit before tax of RM18.83 million in FYP 31 August 2016, it was due to one-off gain on disposal of assets classified as held for sale of RM16.23 million arising from disposal of land with factory building.

B2. Variation of results against preceding quarter

For the current quarter under review, the Group achieved total revenue of RM 21.92 million and loss before tax of RM 1.98 million as compared to total revenue of RM 17.87 million and loss before tax of RM 15.22 million in the immediate preceding quarter ended 31 May 2017. The increase in revenue mainly due to increase in export sales and decrease in loss before tax, it was due to impairment loss of RM11.02 million on plant and machinery and RM2.06 million on other investment in preceding quarter ended 31 May 2017.

B3. Current year prospects

Moving forward, global steel prices are expected to rebound following initiatives by the Chinese government to curb overcapacity by introducing structural reforms to its steel industry. Locally, domestic demand for steel products is expected to be supported by the continued growth in the Malaysian manufacturing sector which grew by 6.0% in the 2nd quarter of 2017 (1Q 2017: 5.6%) (Source: Department of Statistics Malaysia). As most of the Group's customers are those in the manufacturing industries, particularly in the electrical and electronic, automotive and other industrial products segments, this is expected to augur well for the prospects of the Group's steel businesses.

However, the Group can only benefit from the abovementioned external factors if it can first overcome the internal challenges faced by its business operations. These include the clearing out of legacy inventories, high finance costs and shortage of working capital funds. As such, the Group's business turnaround plan, which includes cost-cutting initiatives, asset disposals and fund raising exercise to replenish working capital funds via the Proposed Private Placement as well as repay bank borrowings, is designed to address these issues and put the Group back into a stronger footing.

Apart from the above, the Board is also actively planning other structural measures to improve the Group's financial condition. The Board is in the midst of contemplating other corporate exercises which may include the following:-

- (i) capital reduction to reduce the accumulated losses of the Company;
- (ii) venture into property development by developing its existing land; and
- (iii) fund raising exercise, which may include rights issue, to raise funds for (ii) above.

B4. Variance between actual profit and forecast profit

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

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Notes to the condensed consolidated interim financial statements

B5. Income tax expense

| | Current Quarter 31-Aug-17 RM'000 | Cumulative Period to Date 31-Aug-17 RM'000 |
|---------------------|--|---|
| Current tax expense | - | - |
| Deferred tax income | - | - |
| | <u>-</u> | <u>-</u> |

B6. Quoted investments

| | Carrying Amount RM'000 | Market value as at 31-Aug-17 RM'000 |
|---------------------------|------------------------------|---|
| Quoted shares in Malaysia | <u>20</u> | <u>20</u> |

B7. Loan and borrowings

The Group's loans and borrowings as at 31 August 2017 are as follows:

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|-----------------------------|-------------------|---------------------|-----------------|
| Current: | | | |
| - Bank overdraft | 5,899 | - | 5,899 |
| - Trade line | 56,725 | - | 56,725 |
| - Term loans | 5,083 | - | 5,083 |
| - Finance lease liabilities | 711 | - | 711 |
| | <u>68,418</u> | <u>-</u> | <u>68,418</u> |
| Non-current | | | |
| - Term loans | 21,510 | - | 21,510 |
| - Finance lease liabilities | 49 | - | 49 |
| | <u>21,559</u> | <u>-</u> | <u>21,559</u> |
| Total | <u>89,977</u> | <u>-</u> | <u>89,977</u> |

The above borrowings are denominated in Ringgit Malaysia.

Breach of loan covenant

Three (3) subsidiaries of the Group has a secured term loan and trade financing that amounts to RM55,734,060. The term loan and trade financing contain a debt covenant stating that the subsidiary's net tangible assets should not below the amount of tangible assets stated in the Letter of Offer dated 23 December 2016. As at reporting date, 3 subsidiaries was unable to meet the covenant condition as all the 3 subsidiaries net tangible assets fall below the amount stated in the letter of offer. Consequently, the entire term loan amount of RM3,350,277 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 31 August 2017.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Notes to the condensed consolidated interim financial statements

B10. Loss per share

| a) Basic earning per ordinary share | Current Quarter 1 June 2017 to 31-Aug-17 | Cumulative 1 June 2017 to 31-Aug-17 |
|---|--|---|
| Loss attributable to ordinary shareholders (RM'000) | (975) | (975) |
| Weighted average number of ordinary share ('000) | <u>155,103</u> | <u>155,103</u> |
| Basic loss per ordinary share (in sen) | <u>(0.63)</u> | <u>(0.63)</u> |
| | | |
| b) Diluted loss per ordinary share | Current Quarter 1 June 2017 to 31-Aug-17 | Cumulative 1 June 2017 to 31-Aug-17 |
| Diluted loss per ordinary share (in sen) | <u>(0.63)</u> | <u>(0.63)</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 31-Aug-17 RM'000 | As at 31-May-17 RM'000 |
|--|------------------------------|------------------------------|
| Total retained earnings of the Company and its subsidiaries: | | |
| - Realized | (113,306) | (109,565) |
| - Unrealized | <u>(12,170)</u> | <u>(11,947)</u> |
| | (125,475) | (121,512) |
| Total share of accumulated (losses)/profit from associates: | | |
| - Realized | (7,340) | (7,869) |
| - Unrealized | <u>(2,305)</u> | <u>(2,306)</u> |
| | (135,121) | (131,687) |
| Consolidation adjustments | <u>105,671</u> | <u>103,212</u> |
| Total retained earnings | <u>(29,450)</u> | <u>(28,475)</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.