

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of comprehensive income for the quarter ended 31 May 2018

| | Note | Individual period | | Cumulative period | |
|---|----------|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | | Current year quarter | Preceding year corresponding quarter | Current year-to-date | Preceding year corresponding period |
| | | 31-May-18 | 31-May-17 | 31-May-18 | 31-May-17 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Continuing operations | | | | | |
| Revenue | | 5,233 | 17,866 | 67,998 | 84,349 |
| Cost of sales | | (4,712) | (19,703) | (65,907) | (83,789) |
| Gross profit / (loss) | | 521 | (1,837) | 2,091 | 560 |
| Distribution costs | | (132) | (132) | (2,551) | (1,635) |
| Administrative expenses | | (769) | (2,448) | (5,876) | (10,088) |
| Other operating expenses | | (4,281) | (14,551) | (6,244) | (13,836) |
| Other operating income | | (1,185) | (71) | 7,660 | 20,643 |
| Results from operating activities | | (5,846) | (19,039) | (4,920) | (4,356) |
| Finance costs | | 533 | (1,972) | (5,633) | (8,305) |
| Operating loss | 1 | (5,313) | (21,011) | (10,553) | (12,661) |
| Share of profit/(loss) of equity accounted associates, net of tax | | (221) | 930 | (145) | 1,965 |
| Loss before tax | | (5,534) | (20,081) | (10,698) | (10,696) |
| Income tax income | | 1,409 | 4,710 | 2,909 | 5,036 |
| Loss for the period | | (4,125) | (15,371) | (7,789) | (5,660) |
| Other comprehensive income, net of tax | | | | | |
| Profit on available-for-sale financial assets | | - | - | - | 39 |
| Total comprehensive expense for the period | | (4,125) | (15,371) | (7,789) | (5,621) |
| Loss for the period attributable to: | | | | | |
| Owners of the Company | | (4,127) | (15,444) | (6,190) | (3,007) |
| Non-controlling interests | | - | 73 | (1,599) | (2,653) |
| Loss for the period | | (4,127) | (15,371) | (7,789) | (5,660) |
| Total comprehensive attributable to: | | | | | |
| Owners of the Company | | (4,127) | (15,444) | (6,190) | (2,987) |
| Non-controlling interests | | - | 73 | (1,599) | (2,634) |
| Total comprehensive expense for the period | | (4,127) | (15,371) | (7,789) | (5,621) |
| Loss per ordinary share (sen) | | (2.53) | (9.96) | (3.80) | (1.94) |

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)

Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of comprehensive income for the quarter ended 31 May 2018 (continued)

| | Individual period | | Cumulative period | |
|---|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | Current year quarter | Preceding year corresponding quarter | Current year-to-date | Preceding year corresponding period |
| Note: | 31-May-18 | 31-May-17 | 31-May-18 | 31-May-17 |
| 1. Operating loss is arrived at: | RM'000 | RM'000 | RM'000 | RM'000 |
| After charging: | | | | |
| - Depreciation on property, plant and equipment | 427 | 655 | 3,677 | 5,886 |
| - Impairment loss on trade & other receivables | - | (986) | 450 | (356) |
| - Impairment on plant and machinery | 673 | 10,095 | 2,173 | 10,095 |
| - Impairment on asset held for sale | 3,792 | - | 3,792 | - |
| - Inventories written down | - | - | - | - |
| - Realized loss on foreign exchange | (1,160) | 781 | (984) | 1,295 |
| - Interest expense | 1,119 | 1,972 | 6,419 | 8,305 |
| - Loss on disposal of property, plant and equipment | 1,084 | 7,904 | 574 | - |
| After crediting: | | | | |
| - Gain on disposal of subsidiary | 178 | - | 4,032 | - |
| - Gain on disposal of other investment | - | 28 | - | 28 |
| - Gain on disposal of asset held for sale | - | - | - | 16,234 |
| - Realised gain on foreign exchange | 548 | 878 | 1,367 | 1,048 |
| - Bad debts recovered | - | 6 | - | 24 |
| - Dividend income | - | - | 113 | 9 |
| - Interest income | 266 | 295 | 267 | 321 |
| - Reversal of impairment on other investment | (2,173) | - | (2,173) | - |

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)

Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of financial position as at 31 May 2018

| | As at 31-May-18 RM'000 | Audited as at 31-May-17 RM'000 |
|--|------------------------------|--------------------------------------|
| Assets | | |
| Property, plant and equipment | 55,124 | 123,166 |
| Investment in associates | 5,977 | 6,234 |
| Other investments | 3,057 | 20 |
| Total non-current assets | 64,158 | 129,420 |
| Inventories | 981 | 6,892 |
| Trade and other receivables | 4,454 | 28,476 |
| Current tax assets | 4 | 227 |
| Assets classified as held for sale | 14,500 | - |
| Cash and cash equivalents | 3,938 | 8,383 |
| Total current assets | 23,877 | 43,978 |
| Total assets | 88,035 | 173,398 |
| Equity | | |
| Share capital | 84,681 | 82,575 |
| Reserves | (62,867) | (60,688) |
| Total equity attributable to owners of the Company | 21,814 | 21,887 |
| Non-controlling interests | 6,000 | 11,693 |
| Total equity | 27,814 | 33,580 |
| Liabilities | | |
| Loans and borrowings | 21,193 | 23,334 |
| Other Payables | 4,586 | 10,126 |
| Deferred tax liabilities | 1,956 | 6,133 |
| Total non-current liabilities | 27,735 | 39,593 |
| Loans and borrowings | 26,794 | 68,894 |
| Trade and other payables | 5,652 | 29,363 |
| Current tax liabilities | 40 | 1,968 |
| Total current liabilities | 32,486 | 100,225 |
| Total liabilities | 60,221 | 139,818 |
| Total equity and liabilities | 88,035 | 173,398 |
| Net assets per share attributable to owners of the Company (sen) | 12.79 | 14.11 |

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(Incorporated in Malaysia)

Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of changes in equity for the financial year ended 31 May 2018

| | ----- <i>Attributable to owners of the Company</i> ----- | | | | | | Total | Non-controlling interest | Total Equity |
|--|--|---------------|-----------------------------|----------------------------------|---------------------|-----------------------------|---------------|--------------------------|---------------|
| | ----- <i>Non-distributable</i> ----- | | | ----- <i>Distributable</i> ----- | | | | | |
| | Share capital | Share premium | Reverse Acquisition Reserve | Fair value | Revaluation Reserve | Retained earning / (losses) | | | |
| | 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) | 23,579 | (27,932) | 24,875 | 14,327 | 39,202 |
| Fair value of available-for sale financial assets | - | - | - | 20 | - | - | 20 | 19 | 39 |
| Profit for the period | - | - | - | - | - | (3,007) | (3,007) | (2,653) | (5,660) |
| Total comprehensive income /(expense) for the period | - | - | - | 20 | - | (3,007) | (2,987) | (2,634) | (5,622) |
| Transfer in accordance with Section 618(2) of the Company Act,2016 | 5,023 | (5,023) | - | - | - | - | - | - | - |
| Realisation of revaluation surplus on disposal of properties | - | - | - | - | (2,464) | 2,464 | - | - | - |
| At 31 May 2017 | 82,575 | - | (53,300) | (27) | 21,115 | (28,475) | 21,888 | 11,693 | 33,581 |
| At 1st June 2017 | 82,575 | - | (53,300) | (27) | 21,115 | (28,475) | 21,888 | 11,693 | 33,581 |
| Loss for the period | - | - | - | - | - | (6,190) | (6,190) | (1,599) | (7,789) |
| Total comprehensive income /(expense) for the period | - | - | - | - | - | (6,190) | (6,190) | (1,599) | (7,789) |
| Issue of share capital - private placement | 2,106 | - | - | - | - | - | 2,106 | - | 2,106 |
| Issue of redeemable convertible preference share | - | - | - | - | - | - | - | 6,000 | 6,000 |
| Disposal of subsidiary | - | - | - | 27 | (4,543) | 8,526 | 4,010 | (10,094) | (6,084) |
| At 31 May 2018 | 84,681 | - | (53,300) | - | 16,572 | (26,139) | 21,814 | 6,000 | 27,814 |

#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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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of cash flows for the financial year ended 31 May 2018

| | Note | 12 months period to 31-May-18 RM'000 | 12 months period to 31-May-17 (Audited) RM'000 |
|---|------|---|--|
| Cash flows from operating activities | | | |
| Loss before tax | | (10,699) | (10,697) |
| Adjustments for: | | | |
| Depreciation on property, plant and equipment | | 3,677 | 3,917 |
| Impairment loss on: | | | |
| - plant and equipment | | 2,173 | 11,021 |
| - other investment | | - | 2,056 |
| - assets classified as held for sale | | 3,792 | - |
| Reversal of impairment on other investment | | (1,001) | - |
| Remeasurement on other investment | | (940) | - |
| Interest expense | | 5,986 | 8,305 |
| Interest income | | (267) | (295) |
| Loss / (Gain) on disposal of: | | | |
| - plant and equipment | | 574 | (416) |
| - disposal of subsidiary | | (4,032) | - |
| - assets classified as held for sale | | - | (16,235) |
| - other investment | | - | (28) |
| Dividend income | | (1) | (9) |
| Share of (profit)/loss of equity accounted associates, net of tax | | 257 | (1,965) |
| Operating profit/(loss) before working capital changes | | <u>(481)</u> | <u>(4,346)</u> |
| Changes in working capital: | | | |
| Inventories | | (16,900) | 14,253 |
| Trade and other receivables | | (10,328) | 4,504 |
| Trade and other payables | | 30,316 | (22,691) |
| Cash used from operations | | <u>2,607</u> | <u>(8,280)</u> |
| Income taxes paid | | (1,661) | (150) |
| Net cash used in operating activities | | <u>946</u> | <u>(8,430)</u> |
| Cash flows from investing activities | | | |
| Acquisition of property, plant and equipment | A | (303) | (3) |
| Increase in other investment | | (1,096) | - |
| Proceeds from disposal of: | | | |
| - property, plant and equipment | | 3,572 | 16,455 |
| - other investments | | - | 216 |
| - assets classified as held for sale | | 5,800 | 37,969 |
| Private Placement | | 2,106 | - |
| Issue of Preference Share | | 6,000 | - |
| Net cash inflow on disposal of a subsidiary | B | 1,127 | - |
| Interest received | | 267 | 295 |
| Dividends received | | 1 | 9 |
| Net cash from investing activities | | <u>17,474</u> | <u>54,941</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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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

Unaudited condensed consolidated statement of cash flows for the financial year ended 31 May 2018 (continued)

| | Note | 12 months periods to 31-May-18 RM'000 | 12 months periods to 31-May-17 (Audited) RM'000 |
|--|----------|--|---|
| Cash flows from financing activities | | | |
| Advances from / (Repayment) a Director | | (5,540) | 10,126 |
| Interest paid | | (5,986) | (8,305) |
| Repayment of term loans | | (2,255) | (8,972) |
| Repayment of other borrowings, net | | (5,850) | (33,144) |
| Repayment of finance lease liabilities | | (914) | (2,973) |
| Uplift of pledged short-term deposits | | - | 1,985 |
| Net cash used in financing activities | | <u>(20,545)</u> | <u>(41,283)</u> |
| Net increase/(decrease) in cash and cash equivalents | | (2,125) | 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 | C | <u><u>(2,540)</u></u> | <u><u>(415)</u></u> |

Notes:

A. Acquisition of property, plant and equipment

During the financial year ended 31 May 2018, the Group acquired additional property, plant and equipment amounting to approximately RM 243,324.

B. Disposal of subsidiaries

1) Disposal of TGMI Industries Sdn Bhd

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 | <u>(245,040)</u> |
| Net liabilities relieved | (178,079) |
| Gain on disposal of investment in a subsidiary | <u>178,080</u> |
| Consideration received, satisfied in cash | <u>1</u> |

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Unaudited condensed consolidated statement of cash flows for the financial year ended 31 May 2018 (continued)

2) Disposal of Tatt Giap Steel Centre Sdn Bhd

The disposal, which was completed on 23 February 2018 upon fulfilment of all conditions precedent under the Share Sale and Purchase Agreement, had the following effect on the financial position of the Group

| | RM'000 |
|--|---------------------|
| Property, plant and equipment | 36,297 |
| Inventories | 22,811 |
| Trade and other receivables | 31,139 |
| Current tax assets | 7 |
| Cash & cash equivalents | 7,696 |
| Deferred tax liabilities | (2,743) |
| Trade and other payables | (45,289) |
| Loans and borrowings | <u>(32,795)</u> |
| | 17,123 |
| Non-controlling interest | <u>(10,094)</u> |
| | 7,029 |
| Cost of investment accounted as investment in associate | (5,588) |
| Share of post-acquisition reserve accounted under investment | 11,236 |
| Gain on disposal of investment in subsidiary | <u>(3,854)</u> |
| Consideration received, satisfied in cash | 8,823 |
| Cash and cash equivalents disposed off | <u>(7,696)</u> |
| Net cash inflows | <u><u>1,127</u></u> |

C. Cash and cash equivalents

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

| | | |
|---------------------------|-----------------------|---------------------|
| Cash and bank balances | 401 | 4,955 |
| Bank overdrafts | <u>(2,941)</u> | <u>(5,370)</u> |
| Cash and cash equivalents | <u><u>(2,540)</u></u> | <u><u>(415)</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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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

PART 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 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 |

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 |

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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

A1. Basis of preparation (continued)

| | |
|------------------------|---|
| Amendments to MFRS 3 | Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle) |
| Amendments to MFRS 9 | Financial Instruments - Prepayment Features with Negative Compensation |
| Amendments to MFRS 11 | Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle) # |
| Amendments to MFRS 112 | Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle) |
| Amendments to MFRS 119 | Employee Benefits (Plan Amendments, Curtailment or Settlement) |
| Amendments to MFRS 123 | Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle) |
| Amendments to MFRS 128 | Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures |

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. Auditors' 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.

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A6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debts and equity securities by the Company 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.

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 | Preceding year corresponding quarter | Current year-to-date | Preceding year corresponding period |
| | 31-May-18 | 31-May-17 | 31-May-18 | 31-May-17 |
| <u>Segment revenue</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| Malaysia | 3,107 | 9,207 | 38,777 | 55,452 |
| Asia (excluding Malaysia) | 308 | 1,129 | 2,535 | 6,708 |
| United States of America | 743 | 51 | 3,473 | 3,547 |
| South America | 483 | 376 | 6,171 | 3,018 |
| Europe | 592 | 3,068 | 17,041 | 15,623 |
| | <u>5,233</u> | <u>13,831</u> | <u>67,997</u> | <u>84,348</u> |

A9. Property, plant and equipment

During the financial period ended 31 May 2018, the Group acquired additional property, plant and equipment amounting to approximately RM 243,324.00

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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

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. to dispose of 41% of its equity interest representing 16,400,000 ordinary shares in Tatt Giap Steel Centre (“TGSC”) for a total cash consideration of RM12,300,000. On 23 February 2018, the shareholders of the Company approved the disposal and TGSC has ceased to be a subsidiary of the Company. The Company retains only a 10% equity interest in TGSC. The Company recognised a gain of about RM3.85 million arising from the disposal, reversal of deferred tax liabilities at Group level of RM1.42 million and a remeasurement gain of RM0.96 million on the balance of 10% investment in TGSC.
- (b)** On 1 August 2017, the Company entered into a SSPA to dispose of its entire 100% equity interest in TGM I Industries Sdn. Bhd. (“TGM I”) for a cash consideration of RM1. Upon completion of the disposal on 2 August 2018, TGM I ceased to be a subsidiary of the Company. The Group has recognised a gain on disposal of RM178,080.
- (c)** On 25 August 2017 and 25 September 2017, a wholly-owned subsidiary, Superinox Max Fittings Industry Sdn. Bhd. entered into several Sale and Purchase Agreements (“SPAs”) to dispose several of its plant and equipment for a total consideration of RM2.4 million. The disposal is completed and the Group has recognised a loss amounting to RM452,000.
- (d)** On 28 September 2017, the Company announced a proposed private placement of up to 10% of the total number of issued shares of the Company. The private placement exercise was completed on 30 November 2017 following the listing of 15,510,000 new ordinary shares which were issued at RM0.1358 per ordinary share to raise RM2,106,258.
- (e)** On 29 September 2017, a wholly-owned subsidiary, Superinox Pipe Industry Sdn. Bhd. has entered into 2 SPAs to dispose of some of its plant and equipment for a total cash consideration of RM12.3 million. The first SPA was completed with the sale of plant and equipment for RM5.8 million and the Group recognised a gain on disposal of RM2.15 million. The second SPA to dispose of plant and machinery for RM6.5 million was terminated.
- (f)** On 27 February 2018, a wholly-owned subsidiary, Tatt Giap Hardware Sdn Bhd entered into a SPA with Fenley Group Trading Sdn Bhd to dispose all that pieces of land known as Lot No.679, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang and held under Geran Mukim No.261 together with a single storey warehouse erected thereon and bearing assessment address No.1237, Jalan Bagan Lallang, 13400 Butterworth, Penang and Lot No.681, Mukim 16, Daerah Seberang Perai Utara, Negeri Pulau Pinang and held under Geran Mukim No.262 together with three(3) units of 2 ½ storey terrace shop office annexed to a single storey warehouse erected thereon and bearing assessment address No.1067, 1068 & 1069, Jalan Bagan Lallang, Penang, for a total consideration of RM10.8 million. The disposal is subject to the approval of the shareholders of the Company at an extraordinary general meeting (“EGM”) of the Company to be held on 3rd August 2018. The disposal is estimated to result in a loss of RM0.82 million at Group level, which loss has been provided for in the previous financial quarter.

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Interim Report On Consolidated Results For The Fourth Financial Quarter Ended 31 May 2018

(g) Material events during the reporting period (continues...)

On 2 April 2018, the Company announced that the Company proposes to undertake the following:

- i) Proposed reduction of the Company's share capital pursuant to Section 116 of the Companies Act 2016 ("Proposed Share Capital Reduction").
- ii) Proposed diversification of the business of the Group into construction, property development and property investment
- iii) Proposed renounceable rights issue of up to 682,453,608 new irredeemable convertible preference shares in Tatt Giap ("ICPS") together with up to 85,306,701 free detachable warrants in the Company ("Warrants") on the basis of 8 ICPS together with 1 free Warrant for every 2 existing Shares held by the entitled shareholders of the Company on a rights entitlement date to be determined later; and
- iv) Proposed amendments to the Constitution / Memorandum and Articles of Association of the Company

The approval of Bursa Malaysia Securities Berhad was obtained on 2 May 2018 for the admission to the Official List and the initial listing and quotation of the ICPS and Warrants; and listing and quotation of the new shares in the Company to be issued pursuant to the conversion of the ICPS and exercise of the Warrants. Shareholders' approval for the above proposals was obtained on 31 May 2018. On 20 July 2018, the High Court granted an order confirming the Proposed Share Capital Reduction ("Court Order"). The sealed Court Order was then lodged with the Registrar of Companies on 26 July 2018, following which the Proposed Share Capital Reduction became effective and is deemed completed.

A11. Subsequent event

As disclosed in Note 10(g) above, following the lodgement of the sealed Court Order with the Registrar of Companies on 26 July 2018, the Proposed Share Capital Reduction has become effective. Accordingly, the share capital of the Company has been reduced from RM84,681,031 to RM24,681,031.

A12. Changes in composition of the Group for the financial period ended 31 May 2018

Except as disclosed in Notes A10(a) and (b) above, there were no other changes in the composition of the Group.

A13. Contingent liabilities

The Company has issued corporate guarantees to banks and financial institutions for borrowings granted to certain subsidiaries of which RM47.99 million were utilised at the end of the reporting quarter.

A14. Capital commitment

| | Year-to-date |
|---|--------------|
| | 31-May-18 |
| | RM'000 |
| Contracted but not provided for in the financial statements | |
| - Investment in an associate - PT Indo Bestinox Industri | 1,727 |
| | <u>1,727</u> |

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A15. Significant related party transactions

| | Current period 31-May-18 RM'000 | Year-to-date 31-May-18 RM'000 |
|--|---------------------------------------|-------------------------------------|
| (a) Substantial shareholders of a subsidiary | | |
| - Purchases | - | (39,540) |
| - Interest expense | - | (304) |
| - Management fee | - | (5) |
| - Rental expense | - | (38) |
| - Corporate guarantee fee | - | 90 |
| | <hr/> <hr/> | <hr/> <hr/> |
| (b) Associates | | |
| - Sales | - | 224 |
| - Purchases | - | (584) |
| (c) Directors & persons connected to Directors | | |
| - Purchases | (1) | (693) |
| - Interest expense | - | (58) |
| - Rental expense | - | (39) |
| - Rental income | 3 | 373 |
| - Personal guarantee fee | - | (227) |
| - Loan from Director | - | 2,689 |
| - Professional fee | - | (377) |

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PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of performance

For the financial year ended 31 May 2018, the Group reported revenue of RM67.99 million, a RM16.35 million or 19.4% drop from RM84.35 million reported during the preceding financial year. The drop in revenue was mainly due to lower domestic market sales. The Group recorded a loss before tax ("LBT") of RM10.70 million as compared to a similar LBT of RM10.70 million over the preceding financial year.

B2. Variation of results against preceding quarter

| | This quarter | Preceding quarter |
|----------------------|--------------|-------------------|
| Revenue (RM'000) | 5,233 | 23,180 |
| PBT / (LBT) (RM'000) | (5,535) | 98 |

The Group reported revenue of RM5.23 million and LBT of RM5.54 million during the quarter under review as compared to revenue of RM23.18 million and PBT of RM0.01 million reported in the immediate preceding quarter ended 28 February 2018. The decrease in revenue was due to the deconsolidation of the financial results of TGSC after the Company's disposal of 41% equity interest in TGSC as stated in Note A10(a) above. The LBT for the quarter under review was mainly due to write off of property, plant and equipment of a subsidiary company and expenses incurred in relation to the corporate exercises stated in Note A10(g) above.

B3. Current year prospects

Given the challenging business environment in the local steel industry as well as its competitive landscape, it is the Group's intention to slowly divert its attention and resources away from its existing steel business into the property business or such other business that will be able to generate positive returns to the Group.

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 | Year-to-date |
|--|-----------------|--------------|
| | 31-May-18 | 31-May-18 |
| | RM'000 | RM'000 |
| Over provision of tax in previous year | (1,474) | 26 |
| Deferred tax income | 1,459 | 2,883 |
| | <u>(15)</u> | <u>2,909</u> |

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B6. Quoted investments

| | Carrying Amount | Market value as at |
|---------------------------|-----------------|--------------------|
| | | 31-May-18 |
| | RM'000 | RM'000 |
| Quoted shares in Malaysia | 26 | 26 |

B7. Loan and borrowings

The Group's loans and borrowings as at 31 May 2018 are as follows:

| | Secured | Unsecured | Total |
|-----------------------------|---------------|-----------|---------------|
| | RM'000 | RM'000 | RM'000 |
| Current: | | | |
| - Bank overdraft | 2,941 | - | 2,941 |
| - Trade line | 20,101 | - | 20,101 |
| - Term loans | 3,599 | - | 3,599 |
| - Finance lease liabilities | 153 | - | 153 |
| | <u>26,794</u> | <u>-</u> | <u>26,794</u> |
| Non-current | | | |
| - Term loans | 21,182 | - | 21,182 |
| - Finance lease liabilities | 11 | - | 11 |
| | <u>21,193</u> | <u>-</u> | <u>21,193</u> |
| Total | <u>47,987</u> | <u>-</u> | <u>47,987</u> |

The above borrowings are denominated in Ringgit Malaysia.

Breach of loan covenant

Two (2) subsidiaries of the Group have secured term loan and trade financing facility that totalling RM24,911,836. The term loan and trade financing facility contained a debt covenant which require each subsidiary's net tangible assets to be not lower than the net tangible assets as stated in the financier's Letters of Offer dated 23 December 2016. As at reporting date, the two (2) subsidiaries were still unable to meet the debt covenant condition. The management is in negotiation with the financier to restructure the term loan and trade financing facility for one (1) of the subsidiaries. In addition, the entire term loan of the other subsidiary amounting to RM1,869,492 has been classified as current liability.

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B8. Material litigation

The Group was not engaged in any material litigation during the current financial quarter.

B9. Proposed dividend

The Board does not recommend any dividend for the current quarter ended 31 May 2018.

B10. Earnings per Ordinary Share ("EPS")

Basic EPS

| | Current Quarter | Year-to-date |
|---|------------------------|---------------------|
| | 31-May-18 | 31-May-18 |
| Loss attributable to ordinary shareholders (RM'000) | (4,127) | (6,190) |
| Weighted average number of ordinary share ('000) | 162,837 | 162,837 |
| | <hr/> | <hr/> |
| Basic loss per ordinary share (in sen) | (2.53) | (3.80) |

B11. Authorization for issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board on 27 July 2018.