

# TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

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

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year-to-date	Preceding year corresponding period
	31-Aug-18 RM'000	31-Aug-17 RM'000	31-Aug-18 RM'000	31-Aug-17 RM'000
<b>Continuing operations</b>	<b>Note</b>			
Revenue	5,014	21,924	5,014	21,924
Cost of sales	(5,225)	(21,190)	(5,225)	(21,190)
<b>Gross profit / (loss)</b>	(211)	734	(211)	734
Distribution costs	(134)	(995)	(134)	(995)
Administrative expenses	(952)	(1,336)	(952)	(1,336)
Other operating expenses	(686)	(254)	(686)	(254)
Other operating income	221	916	221	916
<b>Results from operating activities</b>	(1,762)	(935)	(1,762)	(935)
Finance costs	(982)	(1,572)	(982)	(1,572)
<b>Operating loss</b>	1 (2,744)	(2,507)	(2,744)	(2,507)
Share of profit/(loss) of equity accounted associates, net of tax	(265)	529	(265)	529
<b>Loss before tax</b>	(3,009)	(1,978)	(3,009)	(1,978)
Income tax expenses	-	-	-	-
<b>Loss for the period</b>	(3,009)	(1,978)	(3,009)	(1,978)
<b>Other comprehensive income, net of tax</b>				
Profit on available-for-sale financial assets	-	-	-	-
<b>Total comprehensive expense for the period</b>	(3,009)	(1,978)	(3,009)	(1,978)
<b>Loss for the period attributable to:</b>				
Owners of the Company	(3,009)	(975)	(3,009)	(975)
Non-controlling interests	-	(1,003)	-	(1,003)
<b>Loss for the period</b>	(3,009)	(1,978)	(3,009)	(1,978)
<b>Total comprehensive attributable to:</b>				
Owners of the Company	(3,009)	(975)	(3,009)	(975)
Non-controlling interests	-	(1,003)	-	(1,003)
<b>Total comprehensive expense for the period</b>	(3,009)	(1,978)	(3,009)	(1,978)
<b>Loss per ordinary share (sen)</b>	(1.76)	(0.63)	(1.76)	(0.63)

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

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(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

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

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year-to-date	Preceding year corresponding period
<b>Note:</b>	<b>31-Aug-18</b>	<b>31-Aug-17</b>	<b>31-Aug-18</b>	<b>31-Aug-17</b>
<b>1. Operating loss is arrived at:</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
After charging:				
- Depreciation on property, plant and equipment	299	1,335	299	1,335
- Impairment loss on trade & other receivables	-	210	-	210
- Interest expense	982	1,572	982	1,572
- Realized loss on foreign exchange	34	100	34	100
After crediting:				
- Dividend income	1	113	1	113
- Interest income	-	2	-	2
- Realised gain on foreign exchange	31	111	31	111

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# TATT GIAP GROUP BERHAD

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(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Unaudited condensed consolidated statement of financial position as at 31 August 2018

	As at 31-Aug-18 RM'000	Audited as at 31-May-18 RM'000
<b>Assets</b>		
Property, plant and equipment	54,825	55,124
Investment in associates	5,711	5,977
Other investments	3,057	3,057
<b>Total non-current assets</b>	<b>63,593</b>	<b>64,158</b>
Inventories	1,056	1,641
Trade and other receivables	1,383	5,926
Current tax assets	8	7
Assets classified as held for sale	3,700	14,155
Cash and cash equivalents	756	3,896
<b>Total current assets</b>	<b>6,903</b>	<b>25,625</b>
<b>Total assets</b>	<b>70,496</b>	<b>89,783</b>
<b>Equity</b>		
Share capital	24,681	84,681
Reserves	(5,787)	(62,778)
<b>Total equity attributable to owners of the Company</b>	<b>18,894</b>	<b>21,903</b>
Non-controlling interests	6,000	6,000
<b>Total equity</b>	<b>24,894</b>	<b>27,903</b>
<b>Liabilities</b>		
Loans and borrowings	20,986	21,245
Other Payables	8,585	4,586
Deferred tax liabilities	1,956	1,956
<b>Total non-current liabilities</b>	<b>31,527</b>	<b>27,787</b>
Loans and borrowings	12,448	26,742
Trade and other payables	1,611	7,315
Current tax liabilities	17	36
<b>Total current liabilities</b>	<b>14,076</b>	<b>34,093</b>
<b>Total liabilities</b>	<b>45,603</b>	<b>61,880</b>
<b>Total equity and liabilities</b>	<b>70,497</b>	<b>89,783</b>
Net assets per share attributable to owners of the Company (sen)	11.07	12.84

#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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(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Unaudited condensed consolidated statement of changes in equity for the financial period ended 31 August 2018

	----- <i>Attributable to owners of the Company</i> -----						Total	Non-controlling interest	Total Equity
	Share capital	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
<b>At 1 June 2017</b>	82,575	-	(53,300)	(27)	21,115	(28,475)	21,887	11,693	33,580
Profit for the period	-	-	-	-	-	(975)	(975)	(1,002)	(1,977)
<b>Total comprehensive income /(expense) for the period</b>	-	-	-	-	-	(975)	(975)	(1,002)	(1,977)
<b>At 31 August 2017</b>	<b>82,575</b>	-	<b>(53,300)</b>	<b>(27)</b>	<b>21,115</b>	<b>(29,450)</b>	<b>20,912</b>	<b>10,691</b>	<b>31,603</b>
<b>At 1st June 2018</b>	84,681	-	(53,300)	-	16,571	(26,048)	21,903	6,000	27,903
Loss for the period	-	-	-	-	-	(3,009)	(3,009)	-	(3,009)
<b>Total comprehensive income /(expense) for the period</b>	-	-	-	-	-	(3,009)	(3,009)	-	(3,009)
<b>Capital reduction</b>	(60,000)	-	-	-	-	60,000	-	-	-
<b>At 31 August 2018</b>	<b>24,681</b>	-	<b>(53,300)</b>	-	<b>16,571</b>	<b>30,943</b>	<b>18,894</b>	<b>6,000</b>	<b>24,894</b>

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(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Unaudited condensed consolidated statement of cash flows for the financial period ended 31 August 2018

	Note	3 months period to 31-Aug-18 RM'000	12 months period to 31-May-18 (Audited) RM'000
<b>Cash flows from operating activities</b>			
Loss before tax		(3,009)	(10,615)
Adjustments for:			
Depreciation on property, plant and equipment		299	3,742
Write off of plant and equipments			1,574
Impairment loss on:			
- property, plant and equipment		-	4,734
Interest expense		982	5,648
Interest income		(1)	(116)
Loss / (Gain) on disposal of:			
- plant and equipment		-	147
- investment in subsidiay		-	(3,080)
Reversal of impairment loss on			
- other investment		-	(1,001)
Dividend income		1	(1)
Remeasurement gain on retained interest in a subsidiary carried as other investment		-	(940)
Share of (profit)/loss of equity accounted associates, net of tax		265	257
<b>Operating profit/(loss) before working capital changes</b>		<b>(1,463)</b>	<b>349</b>
<b>Changes in working capital:</b>			
Inventories		586	(17,720)
Trade and other receivables		4,543	(9,168)
Trade and other payables		(5,676)	24,020
<b>Cash used from operations</b>		<b>(2,010)</b>	<b>(2,519)</b>
Income taxes paid		(20)	(237)
<b>Net cash used in operating activities</b>		<b>(2,030)</b>	<b>(2,756)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	A	-	(608)
Proceeds from disposal of:			
- property, plant and equipment		-	8,706
- assets classified as held for sale		10,800	-
Interest received		1	116
Dividends received		(1)	1
Net cash inflow on disposal of subsidiaries	B	-	4,581
<b>Net cash from investing activities</b>		<b>10,800</b>	<b>12,796</b>

#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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(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Unaudited condensed consolidated statement of cash flows for the financial period ended 31 August 2018 (continued)

	Note	3 months periods to 31-Aug-18  RM'000	12 months periods to 31-May-18 (Audited) RM'000
<b>Cash flows from financing activities</b>			
Advances from / (Repayment to) a Director		3,999	(5,540)
Interest paid		(983)	(5,648)
Proceeds from:			
- Issuance of ordinary shares		-	2,106
- Issuance of redeemable convertible preference shares by a subsidiary		-	6,000
Repayment of term loans		(2,362)	(2,255)
Repayment of other borrowings, net		-	(26,249)
Repayment of finance lease liabilities		(14)	(615)
Uplift of /(Placement) pledged short-term deposits		3,537	(108)
<b>Net cash used in financing activities</b>		<u>4,177</u>	<u>(32,309)</u>
Net increase/(decrease) in cash and cash equivalents		12,947	(22,269)
Cash and cash equivalents as at beginning of financial period		(22,683)	(414)
<b>Cash and cash equivalents as at end of financial period</b>	<b>C</b>	<u><u>(9,736)</u></u>	<u><u>(22,683)</u></u>

#### Notes:

##### A. Acquisition of property, plant and equipment

During the financial period ended 31 August 2018, no additional property, plant and equipment was acquired by the Group.

##### B. Disposal of subsidiaries

On 31 July 2017, the Company entered into a Share Sale Agreement to dispose 41% of its equity interest in Tatt Giap Steel Centre Sdn Bhd ("TGSC") for a total cash consideration of RM12,300,000.

On 1 August 2017, the Company entered into a Share Sale Agreement to dispose its entire interest in TGMI Industries Sdn Bhd ("TGMI") for a total cash consideration of RM1.

#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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(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Unaudited condensed consolidated statement of cash flows for the financial period ended 31 August 2018 (continued)

The disposal of TGMI and TGSC, which were completed on 1 August 2017 and 23 February 2018 respectively, had the following effects on the financial position of the Group:

	TGMI RM'000	TGSC RM'000	Total RM'000
Property, plant and equipment	-	40,542	40,542
Inventories	-	22,970	22,970
Cash and cash equivalents	23	7,696	7,719
Trade and other receivables	44	31,674	31,718
Current tax assets	-	7	7
Loans and borrowings	-	(32,795)	(32,795)
Deferred tax liabilities	-	(2,743)	(2,743)
Trade and other payables	(245)	(45,824)	(46,069)
Non-controlling interest	-	(10,094)	(10,094)
Net (liabilities)/assets relieved	(178)	11,434	11,256
Fair value of interest retained	-	(2,036)	(2,036)
Gain on disposals of subsidiaries	178	2,902	3,080
Consideration received, satisfied in cash	0	12,300	12,300
Cash and cash equivalents disposed of	(23)	(7,696)	(7,719)
Net cash (outflow)/inflow	(23)	4,604	4,581

#### C. Cash and cash equivalents

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

	3 months period to 31-Aug-18 RM'000	12 months period to 31-May-18 RM'000
Cash and bank balances	756	359
Bank overdrafts	(10,492)	(23,042)
Cash and cash equivalents	(9,736)	(22,683)

#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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(732294-W)

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## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 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 2018. 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 2018.

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
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



# TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

## **Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018**

### **A1. Basis of preparation (continued)**

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 Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations, where applicable, in the respective financial years when the above accounting standards, amendments and interpretations become effective.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

#### **(i) MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on identification and satisfaction of performance obligations. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to the customer, moving from the transfer of risks and rewards.

The Group intends to apply MFRS 15 using the cumulative effect transition approach. Based on initial assessment performed, the Group which is primarily involved in trading and distribution of a wide range of steel products does not expect the application of MFRS 15 to have a significant impact on its consolidated financial statement.

The Group has proposed to diversify its principal activities into construction, property development and property investment amongst other proposal. As those proposals have yet to be fully effected, the Group will assess the impact, if any that MFRS 15 may have on the proposed activities when they are effected.

#### **(ii) MFRS 9, Financial Instruments**

# TATT GIAP GROUP BERHAD

(732294-W)

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## **Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018**

MFRS 9, replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and hedge accounting.

In the implementation of MFRS 9, the Group has established cross-functional team to manage the implementation of MFRS 9 which includes undertaking impact assessment, guidelines and training program to ensure readiness and smooth implementation of MFRS 9.

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. In respects of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an expected credit loss ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

Based on initial assessment performed, the Group does not expect the application of MFRS 9 to have a significant impact on its consolidated financial statements.

### **(iii) MFRS 16, Leases**

MFRS 16 replaces the guidance of MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases - Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

### **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 2018 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.

### **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 by the Company during the current quarter.

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(732294-W)

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## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### 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 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-Aug-18	31-Aug-17	31-Aug-18	31-Aug-17
Segment revenue	RM'000	RM'000	RM'000	RM'000
Malaysia	775	8,530	775	8,530
Asia (excluding Malaysia)	1,932	387	1,932	387
United States of America	-	386	-	386
South America	232	4,347	232	4,347
Europe	2,076	6,464	2,076	6,464
	5,015	20,114	5,015	20,114

### A9. Property, plant and equipment

During the financial period ended 31 August 2018, there was no additional property, plant and equipment acquired by the Group.

### A10. Material events during the reporting period

(a) On 8 June 2018, a wholly-owned subsidiary, Superinox Pipe Industry Sdn Bhd ("SPI") disposed of certain of its plant and equipment for a total cash consideration of RM4.0 million. To-date, the Group has received non-refundable deposits of RM0.83 million. The disposal is not expected to result in any material gain or loss in the Group for the financial year ending 31 May 2019.

(b) On 20 July 2018, the High Court granted an order confirming the share capital reduction of the Company ("Court Order"). The Court Order was lodged with the Registrar of Companies on 26 July 2018, following which the share capital reduction became effective and is deemed completed. Pursuant to the share capital reduction, the issued and paid-up share capital of the Company was reduced from RM84,681,031 comprising of 170,613,402 ordinary shares to RM24,681,031 comprising of 170,613,402 ordinary shares.

# TATT GIAP GROUP BERHAD

(732294-W)

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## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

- (c) On 3 August 2018, the shareholders of the Company via an Extraordinary General Meeting convened, approved the disposal of a freehold land, warehouse and building by Tatt Giap Hardware Sdn Bhd, a wholly-owned subsidiary of the Company for a total cash consideration of RM10.8 million. The disposal is not expected to result in any material gain or loss to the Group in financial year ending 31 May 2019.

### **A11. Subsequent event**

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 Group Berhad ("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. As mentioned in Note A10(b) above, the Proposed Share Capital Reduction was completed on 26 July 2018. On 22 October 2018, the Company announced that it has resolved to fix the issue price of the ICPS at RM0.06 per ICPS and the exercise price of the Warrants at RM0.12 per Warrant.

### **A12. Changes in composition of the Group for the financial period ended 31 August 2018**

Except as disclosed in Notes A10 (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 RM33.43 million were utilised at the end of the reporting quarter.

### **A14. Capital commitment**

Contracted but not provided for in the financial statements

Year-to-date

31-Aug-18

RM'000

NIL

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(732294-W)

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## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### A15. Significant related party transactions

	Current period 31-Aug-18 RM'000	Year-to-date 31-Aug-18 RM'000
- Directors & persons connected to Directors		
- Management fee	(9)	(9)
- Rental expense	(32)	(32)
- Rental income	170	170
- Loan from Director	3,006	3,006

### PART 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 2018, the Group reported revenue of RM5.01 million, a RM16.91 million or 77.1% drop from RM21.92 million reported during the preceding year corresponding quarter. The drop in revenue was mainly due to the deconsolidation of the financial results of TGSC upon conclusion of the Company's disposal of 41% equity interest in TGSC and also a drop in local and export sales. The Group recorded a higher loss before tax ("LBT") of RM3.01 million as compared to a LBT of RM1.98 million over the preceding year corresponding quarter.

#### B2. Variation of results against preceding quarter

	This quarter	Preceding quarter
Revenue (RM'000)	5,014	5,233
LBT (RM'000)	(3,009)	(5,534)

The Group reported revenue of RM5.01 million and LBT of RM3.01 million during the quarter under review as compared to revenue of RM5.23 million and LBT of RM5.53 million reported in the immediate preceding quarter ended 31 May 2018. The decrease in revenue was due to a drop in domestic sales. The higher LBT in the immediate preceding quarter was due to write-off of property, plant and equipment of a subsidiary company and expenses incurred in relation to various corporate exercises afore-mentioned.

#### B3. Current year prospects

Business environment in the steel industry remains challenging. The Group will continue to pursue other business or sources of revenue that will generate positive returns to the Group. In this respect, the Group is in advanced stage of negotiations to procure potential contracts.

#### B4. Variance between actual profit and forecast profit

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

# TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### B5. Income tax expense

	Current Quarter	Year-to-date
	31-Aug-18	31-Aug-18
	RM'000	RM'000
Over provision of tax in previous year	-	-
Deferred tax income	-	-
	<u>-</u>	<u>-</u>

### B6. Quoted investments

	Carrying Amount	Market value as at
		31-Aug-18
	RM'000	RM'000
Quoted shares in Malaysia	20	23
	<u>20</u>	<u>23</u>

### B7. Loan and borrowings

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

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Current:			
- Bank overdraft	10,492	-	10,492
- Term loans	1,807	-	1,807
- Finance lease liabilities	149	-	149
	<u>12,448</u>	<u>-</u>	<u>12,448</u>
Non-current			
- Term loans	20,986	-	20,986
- Finance lease liabilities	-	-	-
	<u>20,986</u>	<u>-</u>	<u>20,986</u>
Total	<u>33,434</u>	<u>-</u>	<u>33,434</u>

The above borrowings are denominated in Ringgit Malaysia.

# TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

## Interim Report On Consolidated Results For The First Financial Quarter Ended 31 August 2018

### Breach of loan covenant

A subsidiary of the Group has bank overdraft / trade financing facilities totalling RM10,492,360 as at 31 August 2018. The bank overdraft / trade financing facilities contained a debt covenant which require the subsidiary's net tangible assets to be not lower than the net tangible assets as stated in the financier's Letter of Offer dated 23 December 2016. As at reporting date, the subsidiary was still unable to meet the debt covenant condition. The financier has agreed to restructure the bank overdraft / trade financing facilities for the subsidiary.

### **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 August 2018.

### **B10. Earnings per Ordinary Share ("EPS")**

#### **Basic EPS**

	<b>Current Quarter</b>	<b>Year-to-date</b>
	<b>31-Aug-18</b>	<b>31-Aug-18</b>
Loss attributable to ordinary shareholders (RM'000)	(3,009)	(3,009)
Weighted average number of ordinary share ('000)	170,613	170,613
	<hr/>	<hr/>
Basic loss per ordinary share (in sen)	(1.76)	(1.76)

### **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 29 October 2018.