

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of comprehensive income for the quarter ended 30 November 2018

	Note	Individual period		Cumulative period	
		Current year quarter	Preceding year corresponding quarter	Current year-to-date	Preceding year corresponding period
		30-Nov-18 RM'000	30-Nov-17 RM'000	30-Nov-18 RM'000	30-Nov-17 RM'000
Continuing operations					
Revenue		5,427	17,661	10,441	39,585
Cost of sales		(5,296)	(18,902)	(10,521)	(40,092)
Gross profit / (loss)		131	(1,241)	(80)	(507)
Distribution costs		(357)	(527)	(491)	(1,522)
Administrative expenses		(723)	(2,251)	(1,676)	(3,587)
Other operating expenses		(1,198)	(153)	(1,883)	(407)
Other operating income		1,297	2,238	1,517	3,154
Results from operating activities		(850)	(1,934)	(2,613)	(2,869)
Finance costs		(698)	(2,002)	(1,680)	(3,574)
Operating loss	1	(1,548)	(3,936)	(4,293)	(6,443)
Share of profit/(loss) of equity accounted associates, net of tax		(403)	651	(667)	1,181
Loss before tax		(1,951)	(3,285)	(4,960)	(5,262)
Income tax income		4	-	4	-
Total comprehensive expense for the period		(1,947)	(3,285)	(4,956)	(5,262)
Loss for the period attributable to:					
Owners of the Company		(1,947)	(2,494)	(4,956)	(3,469)
Non-controlling interests		-	(791)	-	(1,793)
Loss for the period		(1,947)	(3,285)	(4,956)	(5,262)
Total comprehensive expenses attributable to:					
Owners of the Company		(1,947)	(2,494)	(4,956)	(3,469)
Non-controlling interests		-	(791)	-	(1,793)
Total comprehensive expense for the period		(1,947)	(3,285)	(4,956)	(5,262)
Loss per ordinary share (sen)		(1.14)	(1.61)	(2.90)	(2.24)

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 Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of comprehensive income for the quarter ended 30 November 2018 (continued)

	Individual period		Cumulative period	
	Current year quarter	Preceding year corresponding quarter	Current year- to-date	Preceding year corresponding period
	30-Nov-18	30-Nov-17	30-Nov-18	30-Nov-17
	RM'000	RM'000	RM'000	RM'000
Note:				
1. Operating loss is arrived at:				
After charging:				
- Depreciation on property, plant and equipment	212	1,032	511	3,742
- Impairment loss on trade & other receivables	-	90	-	300
- Interest expense	698	2,002	1,680	3,574
- Realized loss on foreign exchange	59	51	92	151
- Loss on disposal of other investments	1	-	1	-
After crediting:				
- Dividend income	90	-	91	113
- Interest income	-	4	-	6
- Realised gain on foreign exchange	131	452	163	563
- Gain on disposal of plant and equipment	-	297	-	297
- Gain on disposal of subsidiaries	987	-	987	-

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

TATT GIAP GROUP BERHAD

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(Incorporated in Malaysia)

Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of financial position as at 30 November 2018

	As at 30-Nov-18 RM'000	Audited as at 31-May-18 RM'000
Assets		
Property, plant and equipment	54,621	55,124
Investment in associates	5,219	5,977
Other investments	2,056	3,057
Total non-current assets	61,896	64,158
Inventories	658	1,641
Trade and other receivables	2,697	5,926
Current tax assets	10	7
Assets classified as held for sale	3,700	14,155
Cash and cash equivalents	829	3,896
Total current assets	7,894	25,625
Total assets	69,790	89,783
Equity		
Share capital	24,681	84,681
Reserves	(7,734)	(62,778)
Total equity attributable to owners of the Company	16,947	21,903
Non-controlling interests	6,000	6,000
Total equity	22,947	27,903
Liabilities		
Loans and borrowings	20,958	21,245
Other Payables	8,185	4,586
Deferred tax liabilities	1,956	1,956
Total non-current liabilities	31,099	27,787
Loans and borrowings	8,628	26,742
Trade and other payables	7,116	7,315
Current tax liabilities	-	36
Total current liabilities	15,744	34,093
Total liabilities	46,843	61,880
Total equity and liabilities	69,790	89,783
Net assets per share attributable to owners of the Company (sen)	9.93	12.84

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of changes in equity for the financial period ended 30 November 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 2017	82,575	-	(53,300)	(27)	21,115	(26,929)	23,434	11,693	35,127
Loss for the period	-	-	-	-	-	(3,469)	(3,469)	(1,792)	(5,261)
Total comprehensive income /(expense) for the period	-	-	-	-	-	(3,469)	(3,469)	(1,792)	(5,261)
Issued of share capital - private placement	2,106	-	-	-	-	-	2,106	-	2,106
Issued of preference redeemable convertible share	-	-	-	-	-	-	-	6,000	6,000
At 30 November 2017	84,681	-	(53,300)	(27)	21,115	(30,398)	22,071	15,901	37,972
At 1st June 2018	84,681	-	(53,300)	-	16,571	(26,048)	21,903	6,000	27,903
Loss for the period	-	-	-	-	-	(4,956)	(4,956)	-	(4,956)
Total comprehensive income /(expense) for the period	-	-	-	-	-	(4,956)	(4,956)	-	(4,956)
Share Capital reduction	(60,000)	-	-	-	-	60,000	-	-	-
At 30 November 2018	24,681	-	(53,300)	-	16,571	28,996	16,947	6,000	22,947

#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.

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of cash flows for the financial period ended 30 November 2018

	Note	6 months period to 30-Nov-18 RM'000	12 months period to 31-May-18 (Audited) RM'000
Cash flows from operating activities			
Loss before tax		(4,960)	(10,615)
Adjustments for:			
Depreciation on property, plant and equipment		511	3,742
Write off of plant and equipments		-	1,574
Impairment loss on:			
- property, plant and equipment		-	4,734
Interest expense		1,680	5,648
Interest income		-	(116)
Loss / (Gain) on disposal of:			
- plant and equipment		-	147
- investment in subsidiary		(987)	(3,080)
- other investments		1	-
Reversal of impairment loss on			
- other investment		-	(1,001)
Dividend income		(91)	(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		667	257
Operating profit/(loss) before working capital changes		(3,179)	349
Changes in working capital:			
Inventories		984	(17,720)
Trade and other receivables		3,228	(9,168)
Trade and other payables		2,886	24,020
Cash generated / (used) from operations		3,919	(2,519)
Income taxes paid		(18)	(237)
Net cash generated / (used) in operating activities		3,901	(2,756)
Cash flows from investing activities			
Acquisition of property, plant and equipment	A	(8)	(608)
Proceeds from disposal of:			
- property, plant and equipment		-	8,706
- assets classified as held for sale		10,800	-
- other investments		1,000	-
Interest received		-	116
Dividends received		181	1
Net cash inflow on disposal of a subsidiary	B	(2,086)	4,581
Net cash from investing activities		9,887	12,796

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of cash flows for the financial period ended 30 November 2018 (continued)

	Note	6 months periods to 30-Nov-18 RM'000	12 months periods to 31-May-18 (Audited) RM'000
Cash flows from financing activities			
Loan from /(Repayment to) Director		3,599	(5,540)
Interest paid		(1,681)	(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		(2,417)	(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)
Net cash used in financing activities		3,024	(32,309)
Net increase/(decrease) in cash and cash equivalents		16,812	(22,269)
Cash and cash equivalents as at beginning of financial period		(22,683)	(414)
Cash and cash equivalents as at end of financial period	C	(5,871)	(22,683)

Notes:

A. Acquisition of property, plant and equipment

During the financial period ended 30 November 2018, the Group acquired RM8,000 additional property, plant and equipment been acquired.

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 disposals 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

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

Unaudited condensed consolidated statement of cash flows for the financial period ended 30 November 2018 (continued)

	TGMI RM'000	TGSC RM'000	Total RM'000
Fair value of interest retained	-	(2,036)	(2,036)
Gain on disposals of subsidiaries	178	2,902	3,080
Consideration received, satisfied in cash	-	12,300	12,300
Cash and cash equivalents disposed of	(23)	(7,696)	(7,719)
Net cash (outflow)/inflow	(23)	4,604	4,581

On 14 November 2018, the Company dispose of its entire 100% equity interest in Formosa Industries Sdn. Bhd. ("FI") and Superinox International Sdn. Bhd. ("SI") for a total nominal cash consideration of RM2.00

	FI RM'000	SI RM'000	Total RM'000
Cash and cash equivalents	2	2,084	2,086
Trade and other receivables	-	-	-
Current tax liabilities	-	(17)	(17)
Trade and other payables	(14)	(3,042)	(3,056)
Net (liabilities)/assets relieved	(12)	(975)	(987)
Gain on disposals of subsidiaries	12	975	987
Consideration received, satisfied in cash *	-	-	-
Cash and cash equivalents disposed of	(2)	(2,084)	(2,086)
Net cash (outflow)/inflow	(2)	(2,084)	(2,086)

* Total cash consideration received is RM2.

C. Cash and cash equivalents

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

	6 months period to 30-Nov-18 RM'000	12 months period to 31-May-18 RM'000
Cash and bank balances	829	359
Bank overdrafts	(6,700)	(23,042)
Cash and cash equivalents	(5,871)	(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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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 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)
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 2014-2016 Cycle)
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Insurance Contracts- Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts)
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
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

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

A1. Basis of preparation (continued)

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 9, Financial Instruments

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 respect 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.

(ii) 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.

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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 financial period ended 30.11.2018

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 financial period ended 30.11.2018.

A8. Segmental information

The Group is principally engaged in the business segments of :

- i)* Construction - Civil, main mechanical, architectural, piping pre-fabrication and installation works.
- ii)* Steel - Manufacturing, trading of stainless steel pipes, tubes and bars, electro-galvanized steel, perforated metal products and other ferrous and non-ferrous metal products
- iii)* Others - Investment holding

Geographical segment revenue

	Individual period Current year quarter 30-Nov-18 RM'000	Individual period Preceding year corresponding quarter 30-Nov-17 RM'000	Cumulative period Current year-to- date 30-Nov-18 RM'000	Cumulative period Preceding year corresponding period 30-Nov-17 RM'000
Construction - accrued revenue				
Local	1,423	-	1,423	-
Steel				
Local	1,013	10,584	1,860	20,974
Overseas	2,991	8,828	7,158	20,412
Others	-	-	-	-
Elimination	-	(1,751)	-	(1,801)
	5,427	17,661	10,441	39,585

	Individual period Current year quarter 30-Nov-18 RM'000	Individual period Preceding year corresponding quarter 30-Nov-17 RM'000	Cumulative period Current year-to- date 30-Nov-18 RM'000	Cumulative period Preceding year corresponding period 30-Nov-17 RM'000
Segmental Profit				
Profit/(Loss) before tax:				
Construction	(527)	-	(527)	-
Steel	(1,307)	(4,920)	(3,762)	(7,441)
Others	2,406	(545)	2,117	(865)
Share of results of associate	(402)	652	(667)	1,181
Eliminations	(2,121)	1,528	(2,121)	1,863
Loss before taxation	(1,951)	(3,285)	(4,960)	(5,262)

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Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

A9. Property, plant and equipment

During the financial period ended 30 November 2018, the Group acquired additional property, plant and equipment amounting to RM8,000.

A10. Material events during the reporting period

(a) On 8 June 2018, a wholly-owned subsidiary, Dynaciate SPI Sdn Bhd (formerly known as Superinox Pipe Industry Sdn Bhd) ("DSPI") entered into a Sale and Purchase Agreement to dispose of certain of its plant and equipment for a total cash consideration of RM4.0 million. The disposal is not expected to result in any material gain or loss to 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 170,613,402 ordinary shares to RM24,681,031 comprising 170,613,402 ordinary shares.

(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 for the financial year ending 31 May 2019.

(d) 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 Company Act 2016 ;
- 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 ("Rights Issue of ICPS with Warrants");
- iv) Proposed amendments to the Constitution / Memorandum and Articles of Association of the Company, collectively referred to as "Corporate Exercises".

The Corporate Exercises were fully completed following the listing and quotation of 682,453,608 ICPS and 85,306,696 Warrants on the Main Market of Bursa Securities pursuant to the Rights Issue of ICPS with Warrants.

(e) On 31 October 2018, DSPI received four (4) Letters of Awards from Dynaciate Engineering Sdn. Bhd. ("DESB") to undertake various sub-contracting works for a total amount of RM67,005,234.52

(f) On 14 November 2018, the Company dispose of its entire 100% equity interest in Formosa Industries Sdn. Bhd. ("FI") and Superinox International Sdn. Bhd. ("SI") for a total cash consideration of RM2.00 to TG Oriental Steel Sdn. Bhd. Upon completion of the disposal on same date, FI and SI ceased to be subsidiaries of the Company. The disposal is expected to result in a gain of RM0.99 million for the financial year ending 31 May 2019.

(g) On 14 November 2018, the Company dispose of its entire 720,000 ordinary shares or 8% equity interest in Shinsei Holdings Ptd Ltd, for a consideration of RM1.0 million. The disposal is not expected to result in any material gain or loss to the Group in the financial year ending 31 May 2019

(h) On 21 November 2018, the Board of Directors ("Board") of Tatt Giap Group Berhad announced that the Company is proposing to change its name from "Tatt Giap Group Berhad" to "Dynaciate Group Berhad" ("Proposed Change of Name"). The Proposed Change of Name is subject to the approval of the shareholders of the Company at an Extraordinary General Meeting to be convened on 14 February 2019.

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A11. Subsequent event

On 3 December 2018, DSPI received two (2) Letters of Awards from Dynaciate Fabricators Sdn. Bhd. ("DFSB"), a wholly-owned subsidiary of DESB. to undertake various sub-contracting works for a total amount of RM10,574,836.95.

A12. Changes in composition of the Group for the financial period ended 30 November 2018

Except as disclosed in Notes A10 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 RM29.59 million were utilised at the end of the reporting quarter.

A14. Capital commitment

	Year-to-date
	30-Nov-18
	RM'000
Contracted but not provided for in the financial statements	NIL

A15. Significant related party transactions

	Current period	Year-to-date
	30-Nov-18	30-Nov-18
	RM'000	RM'000
- Directors & persons connected to Directors		
- Management fee	(31)	(63)
- Rental expense	(32)	(49)
- Rental income	174	344

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 30 November 2018, the Group reported revenue of RM10.44 million, a RM29.14 million or 73.6% drop from the RM39.59 million reported during the preceding year corresponding period. The drop in revenue was mainly due to deconsolidation of the financial results of Tatt Giap Steel Centre Sdn Bhd ("TGSC") upon conclusion of the Company's disposal of 41% equity interest in TGSC on 23 February 2018, and the drop in local and export sales under steel segment. The Group recorded a lower loss before tax ("LBT") of RM4.96 million as compared to a LBT of RM5.26 million over the preceding year corresponding period.

TATT GIAP GROUP BERHAD

(732294-W)

(Incorporated in Malaysia)

Interim Report On Consolidated Results For The Second Financial Quarter Ended 30 Nov 2018

B2. Variation of results against preceding quarter

	This quarter	Preceding quarter
Revenue (RM'000)	5,427	5,014
LBT (RM'000)	(1,951)	(3,009)

The Group reported revenue of RM5.43 million and LBT of RM1.95 million during the quarter under review as compared to revenue of RM5.01 million and LBT of RM3.01 million reported in the immediate preceding quarter ended 31 August 2018. The increase in revenue was due to recognition of project sales on construction segment and the decrease in LBT was mainly due to the gain on disposal of two subsidiary companies.

B3. Current year prospects

In line with the Group's diversification initiatives, the Group has started to venture into the construction segment following its acceptance of six (6) Letters of Awards to undertake various sub-contracting works for a total contract sum of RM77.6 million. With this new diversification initiative and the recently completed Rights Issue of ICPS with Warrants, the Group is cautiously optimistic to deliver more favourable results moving forward.

B4. Variance between actual profit and forecast profit

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

B5. Income tax expense

	Current Quarter 30-Nov-18 RM'000	Year-to-date 30-Nov-18 RM'000
Tax Income	4	4
Deferred tax income	-	-
	<u>4</u>	<u>4</u>

B6. Quoted investments

	Carrying Amount RM'000	Market value as at 30-Nov-18 RM'000
Quoted shares in Malaysia	<u>20</u>	<u>22</u>

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B7. Loan and borrowings

The Group's loans and borrowings as at 30 November 2018 are as follows:

	Secured RM'000	Unsecured RM'000	Total RM'000
Current:			
- Bank overdraft	6,700	-	6,700
- Term loans	1,794	-	1,794
- Finance lease liabilities	134	-	134
	<hr/> 8,628	<hr/> -	<hr/> 8,628
Non-current			
- Term loans	20,958	-	20,958
	<hr/> 20,958	<hr/> -	<hr/> 20,958
Total	<hr/> 29,586	<hr/> -	<hr/> 29,586

The above borrowings are denominated in Ringgit Malaysia.

Breach of loan covenant

A subsidiary of the Group has bank overdraft/trade financing facilities totalling RM6.7 million as at 30 November 2018. The banking facilities contained a debt covenant which requires the subsidiary's net tangible assets to be not lower than the amount 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. Notwithstanding this, the financier has agreed to restructure the said banking facilities and the subsidiary is currently servicing the repayment of the banking facilities.

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 30 November 2018.

B10. Earnings per Ordinary Share ("EPS")

Basic EPS

	Current Quarter 30-Nov-18	Year-to-date 30-Nov-18
Loss attributable to ordinary shareholders (RM'000)	(1,947)	(4,956)
Weighted average number of ordinary share ('000)	170,613	170,613
Basic loss per ordinary share (sen)	(1.14)	(2.90)

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 28 January 2019.