

DYNACIATE GROUP BERHAD (732294-W)

(Incorporated in Malaysia)

(Formerly known as Tatt Giap Group Berhad)

CONDENSED INTERIM FINANCIAL STATEMENT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 28 FEBRUARY 2019**

	As at 28-Feb-19 Unaudited RM'000	As at 31-May-18 Audited RM'000
Assets		
Non-current assets		
Property, plant and equipment	54,311	55,124
Investment in associates	4,826	5,977
Other investments	2,056	3,057
Total non-current assets	<u>61,193</u>	<u>64,158</u>
Current assets		
Inventories	1,052	1,641
Trade and other receivables	10,388	5,926
Current tax assets	11	7
Assets classified as held for sale	3,795	14,155
Cash and cash equivalents	31,594	3,896
Total current assets	<u>46,840</u>	<u>25,625</u>
Total assets	<u><u>108,033</u></u>	<u><u>89,783</u></u>
Equity		
Share capital	49,464	84,681
Reserves	11,645	(62,778)
Total equity attributable to owners of the Company	<u>61,109</u>	<u>21,903</u>
Non-controlling interests	6,000	6,000
Total equity	<u>67,109</u>	<u>27,903</u>
Liabilities		
Non-current liabilities		
Loans and borrowings	17,309	21,245
Other Payables	-	4,586
Deferred tax liabilities	1,956	1,956
Total non-current liabilities	<u>19,265</u>	<u>27,787</u>
Current liabilities		
Loans and borrowings	7,191	26,742
Trade and other payables	14,468	7,315
Current tax liabilities	-	36
Total current liabilities	<u>21,659</u>	<u>34,093</u>
Total liabilities	<u>40,924</u>	<u>61,880</u>
Total equity and liabilities	<u><u>108,033</u></u>	<u><u>89,783</u></u>
Net assets per ordinary share attributable to owners of the Company (sen)	16.20	12.84

The unaudited Condensed Consolidated Statement of financial position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 with the accompanying explanatory notes attached to the financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

	Individual period		Cumulative period	
	Current year quarter 28-Feb-19 RM'000	Preceding year corresponding quarter 28-Feb-18 RM'000	Current year- to-date 28-Feb-19 RM'000	Preceding year corresponding period 28-Feb-18 RM'000
Revenue	14,703	22,476	25,144	62,061
Cost of sales	(13,746)	(20,281)	(24,267)	(60,374)
Gross profit	957	2,195	877	1,687
Distribution costs	(98)	(896)	(589)	(2,419)
Administrative expenses	(2,241)	(1,523)	(3,916)	(5,107)
Other operating expenses	(387)	(1,556)	(2,271)	(1,963)
Other operating income	601	4,708	2,118	7,861
Finance costs	(488)	(1,726)	(2,168)	(5,300)
Share of (loss)/profit of equity accounted associates, net of tax	(393)	(1,104)	(1,061)	77
(Loss)/Profit before taxation	(2,049)	98	(7,010)	(5,164)
Income tax expense	(4)	1,500	(1)	1,500
(Loss)/Profit after taxation/Total comprehensive (expenses)/income	(2,053)	1,598	(7,011)	(3,664)
(Loss)/Profit after taxation attributable to:				
Owners of the Company	(2,053)	1,404	(7,011)	(2,065)
Non-controlling interests	-	194	-	(1,599)
	(2,053)	1,598	(7,011)	(3,664)
Total comprehensive (expenses)/ income attributable to:				
Owners of the Company	(2,053)	1,404	(7,011)	(2,065)
Non-controlling interests	-	194	-	(1,599)
	(2,053)	1,598	(7,011)	(3,664)
(Loss)/Earnings per ordinary share (sen):				
Basic	(0.73)	0.88	(3.36)	(1.29)
Diluted	(0.73)	N/A	(3.36)	N/A

The unaudited Condensed Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 with the accompanying explanatory notes attached to the financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019

	----- Attributable to owners of the Company -----							Total	Non-controlling interest	Total Equity	
	----- Non-distributable -----				Distributable						
	Share capital	Irredeemable Convertible Preference Shares ("ICPS")	Capital Reserve	Reverse Acquisition Reserve	Fair value Reserve	Revaluation Reserve	Warrant Reserve	(Accumulated losses)/ Retained profits			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 June 2018	84,681	-	-	(53,300)	-	16,571	-	(26,049)	21,903	6,000	27,903
Loss for the year representing total comprehensive expenses for the period	-	-	-	-	-	-	-	(7,011)	(7,011)	-	(7,011)
Transactions with owners of the Company											
- Share capital reduction	(60,000)	-	-	-	-	-	-	60,000	-	-	-
- Rights issue of ICPS with warrants	-	26,923	-	-	-	-	14,024	-	40,947	-	40,947
- Issuance of shares pursuant to conversion of ICPS	24,559	(12,830)	(6,683)	-	-	-	-	-	5,046	-	5,046
- Issuance of shares pursuant to exercise of warrants	224	-	306	-	-	-	(306)	-	224	-	224
	(35,217)	14,093	(6,377)	-	-	-	13,718	60,000	46,217	-	46,217
At 28 February 2019	49,464	14,093	(6,377)	(53,300)	-	16,571	13,718	26,940	61,109	6,000	67,109
At 1 June 2017	82,575	-	-	(53,300)	(27)	22,682	-	(28,475)	23,455	11,693	35,148
Loss for the year representing total comprehensive expense for the period	-	-	-	-	-	-	-	(2,065)	(2,065)	(1,599)	(3,664)
Transactions with owners of the Company											
- Issuance of ordinary shares	2,106	-	-	-	-	-	-	-	2,106	-	2,106
- Issuance of redeemable convertible preference shares by a subsidiary	-	-	-	-	-	-	-	-	-	6,000	6,000
	2,106	-	-	-	-	-	-	-	2,106	-	8,106
Change in ownership interests in subsidiaries	-	-	-	-	9	(4,545)	-	5,035	499	(10,094)	(9,595)
At 28 February 2018	84,681	-	-	(53,300)	(18)	18,137	-	(25,505)	23,995	-	29,995

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 with the accompanying explanatory notes attached to the financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019**

	Note	Current Period-To-Date Ended 28-Feb-19 RM'000	Preceding Year Corresponding Period Ended 28-Feb-18 RM'000
Cash flows from operating activities			
Loss before tax		(7,010)	(5,164)
Adjustments for:			
Depreciation on property, plant and equipment		829	3,250
Impairment loss on property, plant and equipment		-	1,500
Interest expense		2,168	5,300
Dividend income		(2)	(113)
(Gain)/Loss on disposal of:			
- property, plant and equipment		(8)	511
- investment in subsidiaries		(987)	(3,854)
- other investments		1	-
Interest income		(83)	(1)
Share of loss of equity accounted associates, net of tax		1,151	(10)
Operating (loss)/profit before working capital changes		(3,941)	1,419
Changes in working capital:			
Decrease/(Increase) in inventories		590	(17,746)
Increase in trade and other receivables		(4,463)	(17,018)
Increase in trade and other payables		10,143	32,272
Cash generated from/(used in) from operations		2,329	(1,073)
Income taxes paid		(23)	(238)
Net cash from/(used in) operating activities		2,306	(1,311)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(17)	(243)
Proceeds from disposal of:			
- assets classified as held for sale		10,800	5,800
- property, plant and equipment		8	3,000
- other investments		1,000	-
Interest received		83	1
Dividends received		2	113
Net cash (outflow)/inflow on disposal of subsidiaries	A	(2,086)	4,604
Net cash from investing activities		9,790	13,275
Cash flows from financing activities			
Repayment of loan to Director		(4,586)	(7,045)
Interest paid		(2,169)	(5,300)
Proceeds from:			
- Issuance of RCPS by a subsidiary		-	6,000
- Right issues of ICPS with warrants		40,947	-
- Issuance of shares pursuant to conversion of ICPS		5,046	-
- Issuance of shares pursuant to exercise of warrants		224	-
Repayment of term loans		(7,328)	(1,781)
Repayment of other borrowings, net		-	(4,826)
Repayment of finance lease liabilities		(14)	(873)
Uplift/(Placement) of pledged short-term deposits		3,537	-
Net cash from/(used in) financing activities		35,657	(13,825)
Net increase/(decrease) in cash and cash equivalents		47,753	(1,861)
Cash and cash equivalents as at beginning of financial period		(22,683)	(415)
Cash and cash equivalents as at end of financial period		25,070	(2,276)
Cash and cash equivalents comprise of:-			
Cash and bank balances		2,789	758
Short term deposits with licensed banks		28,805	-
Bank overdrafts		(6,524)	(3,034)
Cash and cash equivalents		25,070	(2,276)

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 May 2018 with the accompanying explanatory notes attached to the financial statements.

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CONDENSED INTERIM FINANCIAL STATEMENT**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 28 FEBRUARY 2019 (CONT'D)****Notes:****A. 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 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	67	31,674	31,741
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	(155)	11,434	11,279
Fair value of interest retained	-	(2,036)	(2,036)
Gain on disposals of subsidiaries	178	2,902	3,080
Consideration received, satisfied in cash	23	12,300	12,323
Cash and cash equivalents disposed of	(23)	(7,696)	(7,719)
Net cash inflow	-	4,604	4,604

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.

	FI RM'000	SI RM'000	Total RM'000
Cash and cash equivalents	2	2,084	2,086
Current tax liabilities	-	(17)	(17)
Trade and other payables	(14)	(3,042)	(3,056)
Net liabilities 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	(2)	(2,084)	(2,086)

Total cash consideration received is RM2.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019

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 in Malaysia and with IAS34, Interim Financial Reporting 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 are accounting standards, interpretations and amendments of MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group.

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 Settlements
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
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MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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 plans 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 does 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.

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 except as mentioned below:

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019

A1. Basis of preparation (continued)

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 is 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 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

On 3 January 2019, the Company announced that the Rights Issue of Irredeemable Convertible Preference Shares ("ICPS") with Warrants was completed with the listing of 682,453,608 ICPS together with 85,306,696 Warrants on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The total number of new ordinary shares ("Dynaciate Shares") issued during the quarter under review is as follows:-

- (a) A total of 84,097,900 Dynaciate Shares were issued and allotted on the following dates pursuant to the conversion of 84,097,900 ICPS by virtue of 1 ICPS and payment of RM0.06 in cash for 1 new Dynaciate Share.

Allotment Date	No. of ICPS	No. of Dynaciate Shares
10.01.2019	794,900	794,900
11.01.2019	550,000	550,000
14.01.2019	1,010,000	1,010,000
15.01.2019	3,077,000	3,077,000
16.01.2019	300,000	300,000
17.01.2019	6,105,000	6,105,000
18.01.2019	1,950,000	1,950,000
22.01.2019	100,000	100,000
23.01.2019	100,000	100,000
25.01.2019	406,000	406,000
30.01.2019	10,500,000	10,500,000
11.02.2019	34,000,000	34,000,000
13.02.2019	25,205,000	25,205,000
Total	84,097,900	84,097,900

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019**A6. Debt and equity securities (Cont'd)**

- (b) A total of 120,560,899 Dynaciate Shares were issued and allotted on the following dates pursuant to the conversion of 241,121,798 ICPS by virtue of 2 ICPS into 1 new Dynaciate Share.

Allotment Date	No. of ICPS	No. of Dynaciate Shares
10.01.2019	1,270,000	635,000
11.01.2019	100,654,000	50,327,000
14.01.2019	9,780,000	4,890,000
15.01.2019	9,966,800	4,983,400
16.01.2019	10,503,500	5,251,750
17.01.2019	2,850,000	1,425,000
18.01.2019	15,742,900	7,871,450
22.01.2019	28,330,000	14,165,000
23.01.2019	10,360,000	5,180,000
24.01.2019	7,430,000	3,715,000
25.01.2019	19,025,488	9,512,744
28.01.2019	10,414,000	5,207,000
30.01.2019	6,191,000	3,095,500
11.02.2019	600,000	300,000
12.02.2019	754,500	377,250
13.02.2019	899,600	449,800
18.02.2019	5,050,000	2,525,000
21.02.2019	500,000	250,000
26.02.2019	300,000	150,000
27.02.2019	500,010	250,005
Total	241,121,798	120,560,899

- (c) A total of 1,865,000 Dynaciate Shares were issued and allotted on the following dates pursuant to the exercise of 1,865,000 warrants at a price of 12 sen for 1 new Dynaciate Share.

Allotment Date	No. of Warrants	No. of Dynaciate Shares
11.01.2019	25,000	25,000
14.01.2019	35,000	35,000
15.01.2019	220,000	220,000
16.01.2019	410,000	410,000
17.01.2019	690,000	690,000
18.01.2019	65,000	65,000
22.01.2019	350,000	350,000
25.01.2019	70,000	70,000
Total	1,865,000	1,865,000

Save for the above, there were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities since the last annual reporting date.

A7. Dividend paid

No dividend was paid by the Company in the current quarter and the period-to-date.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019**A8. Segmental information**

The Group is principally engaged in the business segments of :

i) Steel Division - Manufacturing, trading of stainless steel pipes, tubes and bars, electro-galvanized steel, perforated metal products and other ferrous and non-ferrous metal products

ii) Construction Division - Civil, main mechanical, architectural, piping pre-fabrication and installation works.

The Group operates principally in Malaysia.

	<u>Investment Holding</u>	<u>Steel</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
Financial period ended 28.2.2019				
External revenue	-	11,970	13,174	25,144
Results				
(Loss)/Profit before following adjustments:-	(2,302)	(2,205)	401	(4,106)
Bad debts recovered	-	3	-	3
Dividend income	-	2	-	2
Interest income	58	3	22	83
Gain on disposal of plant and equipment	-	8	-	8
Gain on disposal of subsidiaries	987	-	-	987
Realised gain on foreign exchange	-	72	-	72
Depreciation of property, plant and equipment	-	(292)	(537)	(829)
Loss on disposal of other investments	(1)	-	-	(1)
Share of results in associates	(1,027)	(34)	-	(1,061)
	(2,285)	(2,443)	(114)	(4,842)
Finance costs				(2,168)
Taxation				(1)
Loss after taxation				<u>(7,011)</u>
As at 28.2.2019				
Assets				
Segment assets	26,256	9,567	72,199	108,022
Unallocated assets				<u>11</u>
Consolidated total assets				<u>108,033</u>
Liabilities				
Segment liabilities	584	11,001	27,383	38,968
Unallocated liabilities				<u>1,956</u>
Consolidated total liabilities				<u>40,924</u>

During the preceding corresponding year-to-date ended 28.2.2018, the Group only has one reportable segment which was principally confined to the manufacturing and trading of various steel products which include stainless steel pipes, tubes and bars, electro-galvanized steel, perforated metal products and other ferrous and non-ferrous metal products. Therefore business segment information has not been prepared as the Group's revenue, operating profits, assets employed, liabilities, capital expenditures, depreciation and non-cash expenses are combined into one business segment.

Revenue analysed by geographical location of customers are as follows:-

	Current year- to-date ended 28.2.2019 RM'000	Preceding year- to-date ended 28.2.2018 RM'000
Malaysia	15,713	36,442
Asia (excluding Malaysia)	4,356	2,228
United States of America	-	2,544
South America	232	4,319
Europe	4,843	16,528
	<u>25,144</u>	<u>62,061</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019

A9. Material events subsequent to the end of the interim period

On 17 April 2019, the Board has resolved to change the financial year end of the Company from 31 May to 30 November with immediate effect. Thus, the next set of audited financial statements will be made up from 1 June 2018 to 30 November 2019 covering a period of eighteen (18) months. Thereafter, the financial year end of the Company shall end on 30 November for each subsequent year.

On 22 March 2019, the Company obtained its shareholders' approval for the Proposed variation on the utilisation of the proceeds raised from the Right Issue of ICPS. The revised utilisation of proceeds was set out in the circular to the shareholders of the Company dated 7 March 2019.

Save for the above and those disclosed in Note B8, there were no material events subsequent to the end of the current quarter up to 17 April 2019, being the last practicable date from the date of the issue of this report ("LPD") that are expected to have an operational or financial impact on the Group.

A10. Changes in composition of the Group for the financial period ended 28 February 2019

On 14 November 2018, the Company dispose of its entire 100% equity interest in FI and SI for a total cash consideration of RM2 to TG Oriental Steel Sdn. Bhd.. Upon completion of the disposal on same date, FI and SI ceased to be subsidiaries of the Company.

Except as disclosed above, there were no other changes in the composition of the Group.

A11. Contingent liabilities

The Company has issued corporate guarantees to banks and financial institutions for borrowings granted to certain subsidiaries of which RM24.39 million were utilised at the end of the reporting quarter.

A12. Capital commitment

There were no capital commitment approved and contracted for during the current quarter ended 28.2.2019.

A13. Significant related party transactions

	Current period 28-Feb-19 RM'000	Year-to-date 28-Feb-19 RM'000
- Management fee paid/payable to related parties	(30)	(93)
- Rental expense paid/payable to related parties	(18)	(67)
- Rental income received/receivable from related parties	174	518
- Progress billings issued to related parties	<u>8,077</u>	<u>8,077</u>

A14. Changes in fair value of financial assets and liabilities, transfers and classification

There have been no significant changes in the business or economic circumstances that could affect the fair value of the Group's financial assets and financial liabilities in the current financial period under review.

A15. Fair value of financial instruments

Other than those disclosed below, the fair values of the financial assets and financial liabilities maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments. The fair values are determined by discounting rates equal to the current market interest rate plus appropriate credit rating, where necessary.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
As at 28.2.2019										
Financial assets										
Other investments	20	-	2,036	2,056	-	-	-	-	2,056	2,056
Financial liabilities										
Term loans	-	-	-	-	-	-	(17,866)	(17,866)	(17,866)	(17,866)
Finance lease liabilities	-	-	-	-	-	-	(110)	(110)	(110)	(110)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,976)</u>	<u>(17,976)</u>	<u>(17,976)</u>	<u>(17,976)</u>

The fair values above are for disclosure purposes and have been determined by the relevant cash flows using interest rates for similar instruments ranging from 4.02% to 8.60% (28.2.2018 - 4.02% to 8.60%) per annum at the end of the reporting period.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019
PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD
B1. Review of performance

	Individual Quarter				Cumulative Period			
	28.2.2019	28.2.2018	Changes		28.2.2019	28.2.2018	Changes	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue								
- Investment holding	-	-	-	-	-	-	-	-
- Steel	2,953	22,476	(19,523)	(86.86)	11,970	62,061	(50,091)	(80.71)
- Construction	11,750	-	11,750	-	13,174	-	13,174	-
	14,703	22,476	(7,773)	(34.58)	25,144	62,061	(36,917)	(59.49)
(Loss)/Profit before taxation								
- Investment holding	(1,449)	275	(1,724)	(626.91)	(2,285)	5,628	(7,913)	(140.60)
- Steel	(590)	(177)	(413)	(233.33)	(3,459)	(10,792)	7,333	67.95
- Construction	(10)	-	(10)	-	(1,266)	-	(1,266)	-
	(2,049)	98	(2,147)	(2,190.82)	(7,010)	(5,164)	(1,846)	(35.75)

The Group's revenue in the current quarter reduced by RM7.77 million, representing a decrease of 35% as compared to the corresponding quarter ended 28.2.2018. The decrease was mainly due to the drop in revenue from steel segment and offset against the revenue from construction segment. In line with the Group's diversification initiatives, higher revenue was recorded as reflected in the construction segment during the current quarter.

On the year-to-date basis, the Group posted revenue of RM25.14 million, a RM36.92 million or 59% drop from RM62.06 million reported during the preceding year corresponding period. The drop in revenue was 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 also the decrease in local and export sales under steel segment.

For the current quarter under review, the Group's loss before taxation increased by RM2.15 million compared to the corresponding quarter ended 28.2.2018. The higher losses was mainly due to loss recorded in investment holding segment and steel segment. The loss before taxation of investment holding segment was higher than the corresponding quarter ended 28.2.2018 was mainly due to corporate exercise expenses incurred for the Rights Issue of ICPS with Warrants exercise. The loss before taxation of the steel segment was higher than the corresponding quarter ended 28.2.2018 mainly due to decrease in revenue which was unable to cover the operating costs in the current quarter.

The Group's cumulative period loss before taxation increased by RM1.85 million as compared to the preceding corresponding financial period ended 28.2.18. The higher losses were mainly due to higher corporate exercise expenses posted for the Rights Issue of ICPS with Warrants exercise offset with one off gain from the disposal of loss making subsidiaries from steel segment. Meanwhile, losses in construction segment were mainly due to revenue generated from sales which was not sufficient to cover all its operating and finance costs incurred.

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B2. Variation of results against preceding quarter

	Current	Immediate	Changes	
	quarter ended 28.2.2019 RM'000	preceding quarter ended 30.11.2018 RM'000	RM'000	%
Revenue				
- Investment holding	-	-	-	-
- Steel	2,953	4,004	(1,051)	(26.25)
- Construction	11,750	1,423	10,327	725.72
	14,703	5,427	9,276	170.92
(Loss)/Profit before taxation				
- Investment holding	(1,449)	(117)	(1,332)	(1,138.46)
- Steel	(590)	(1,307)	717	54.86
- Construction	(10)	(527)	517	98.10
	(2,049)	(1,951)	(98)	5.02

The Group reported revenue of RM14.70 million and loss before tax of RM2.05 million during the quarter under review as compared to revenue of RM5.43 million and loss before tax of RM1.95 million reported in the immediate preceding quarter ended 30 November 2018. The increase in revenue was due to recognition of project sales on construction and the increase in loss before tax mainly due to expenses incurred for the Rights Issue of ICPS with Warrants exercise.

B3. Current year prospects

With the recent shareholders approval for variation to the utilisation of proceeds from the Rights Issue of ICPS and Warrants coupled with the active progression from the construction segment, the Group is confident of generating positive results moving forward.

B4. Variance between actual profit and forecast profit

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

B5. Notes to the statement of profit or loss and other comprehensive income

	Current year quarter ended 28-Feb-19 RM'000	Current year-to- date ended 28-Feb-19 RM'000
- Interest income	83	83
- Other income	508	1,687
- Interest expense	488	2,168
- Amortisation	N/A	N/A
- Depreciation of investment properties	N/A	N/A
- Depreciation of property, plant and equipment	318	829
- Impairment loss on other receivables	N/A	N/A
- Inventories written down	N/A	N/A
- Reversal of inventories written down	N/A	N/A
- Deposits written off	N/A	N/A
- Property, plant and equipment written off	N/A	N/A
- Waiver of debts owing by a contract customer	N/A	N/A
- Gain on disposal of plant and equipment	8	8
- Realised gain on foreign exchange	2	72
- Unrealised loss on foreign exchange	N/A	N/A
- Waiver of debts owing to payables	-	268
- Gain or loss on derivatives	N/A	N/A
- Exceptional items	N/A	N/A

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019
B6. Income tax expense

	Current Quarter 28-Feb-19 RM'000	Year-to-date 28-Feb-19 RM'000
Income tax expense	(4)	(1)
Deferred tax income	-	-
	<u>(4)</u>	<u>(1)</u>

B7. Quoted investments

	Carrying Amount 28-Feb-19 RM'000	Market value as at 28-Feb-19 RM'000
Quoted shares in Malaysia	20	20

B8. Corporate proposals

Dynaciate Group Berhad ("the Company") had on 3 January 2019 completed a rights issue of 682,453,608 ICPS together with 85,306,696 free detachable warrants and raised total gross proceeds of RM40.95 million to be utilised in the manner set out in the circular to the shareholders of the Company dated 8 May 2018, as approved by the shareholders of the Company at the extraordinary general meeting on 31 May 2018.

On 4 February 2019, the Company announced its intention to vary the utilization of the proceeds raised from the rights issue of ICPS and Warrants ("Proposed Variation").

On 22 March 2019, the Company obtained its shareholders' approval for the Proposed Variation. The revised utilisation of proceeds was set out in the circular to the shareholders of the Company dated 7 March 2019.

There was no other corporate proposal pending for completion as at the date of this report.

B9. Utilisation of proceeds

Rights issue of ICPS with warrants

The Rights issue of ICPS with warrants was completed with the listing of 682,453,608 ICPS together with 85,306,696 warrants on the Main Market of Bursa Securities on 3 January 2019 and the details of the utilisation of proceeds raised from the rights issue as at 28 February 2019 are disclosed in the table below:-

Description	Original utilisation of proceeds RM'000	Actual utilisation as at 28.2.2019 RM'000	Balance of proceeds unutilised RM'000	Original timeframe for Utilisation	Deviation RM'000	%	Explanation
Funding for property development project	28,747	-	28,747	Within 36 months	28,747	100%	#
Repayment of borrowings	7,000	5,432	1,568	Within 3 months	1,568	22%	^
Working capital	3,600	3,733 *	(133)	Within 24 months	(133)	-4%	
Estimated expenses for corporate exercises	1,600	1,467 *	133	Immediate	133	8%	
	40,947	10,632	30,315				

Notes:-

* The actual expenses for the corporate exercises were lower than the estimated expenses for the said corporate exercises. Hence, the surplus amount of approximately RM0.13 million has been allocated to working capital and all of which has been fully utilised as at 28.2.2019.

On 22 March 2019, the Company had obtained its shareholders' approval on the Proposed Variation to re-allocate the balance of RM28.75 million initially earmarked for the property development project to be utilised as additional funding for borrowings repayment of RM8.00 million and funding for sub contract works for Dynaciate SPI Sdn Bhd of RM20.75 million. The revised timeframe for the utilisation of the balance of RM28.75 million is between 3 to 12 months.

^ Pending Utilisation

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENT FOR THE THIRD FINANCIAL QUARTER ENDED 28 FEBRUARY 2019
B10. Group's borrowings

The Group's borrowings as at 28 February 2019 are as follows:

	Secured RM'000
Current:	
- Bank overdraft	6,524
- Term loans	608
- Finance lease liabilities	59
	<u>7,191</u>
Non-current	
- Term loans	17,257
- Finance lease liabilities	52
	<u>17,309</u>
Total	<u><u>24,500</u></u>

The above borrowings are denominated in Ringgit Malaysia.

Note

A subsidiary of the Group has bank facilities totalling RM6.5 million as at 28 February 2019. 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.

B11. Material litigation

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

B12. Proposed dividend

The Board does not recommend any dividend for the current quarter ended 28 February 2019.

B13. (Loss)/Earnings per share**(i) Basic (loss)/earnings per share**

The basic loss per share of the Group is calculated by dividing the loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period.

	Individual Quarter		Cumulative Period	
	Current year quarter ended 28-Feb-19	Preceding year corresponding quarter ended 28-Feb-18	Current year-todate ended 28-Feb-19	Preceding year corresponding period ended 28-Feb-18
(Loss)/Profit attributable to Owners of the Company (RM'000)	(2,053)	1,404	(7,011)	(2,065)
Weighted average number ordinary shares ('000)	279,359	160,217	208,566	160,217
Basic (loss)/earnings per share (sen)	(0.73)	0.88	(3.36)	(1.29)

(ii) Diluted (loss)/earnings per share

The diluted loss per share of the Group is calculated by dividing the loss attributable to Owners of the Company by the weighted average number of ordinary shares in issue during the reporting period. The weighted average number of ordinary shares has been adjusted to assume full conversion of ICPS and exercise of Warrants.

The diluted loss per share of the Group were not presented as the diluted loss per share is equal to the basic loss per share as there is anti-dilutive effect arising from the assumed conversion of the ICPS and exercise of Warrants.