

DYNACIATE GROUP BERHAD
(Company No. 732294-W)
(Formerly known as Tatt Giap Group Berhad)

CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MAY 2019

	As at 31.05.2019 Unaudited RM'000	As at 31.05.2018 Audited RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	58,040	55,124
Investment in associates	4,826	5,977
Other investments	2,056	3,057
	64,922	64,158
Current assets		
Inventories	623	1,641
Trade and other receivables	43,666	5,926
Current tax assets	-	7
Assets classified as held for sale	95	14,155
Cash and cash equivalents	4,346	3,896
	48,730	25,625
TOTAL ASSETS	113,652	89,783
EQUITY AND LIABILITIES		
Equity		
Share capital	61,800	84,681
Reserves	4,002	(62,778)
Total equity attributable to owners of the Company	65,802	21,903
Non-controlling interests	6,000	6,000
Total equity	71,802	27,903
Non-current liabilities		
Loans and borrowings	7,466	21,245
Other Payables	-	4,586
Deferred tax liabilities	1,956	1,956
	9,422	27,787
Current liabilities		
Loans and borrowings	7,015	26,742
Trade and other payables	25,413	7,315
Current tax liabilities	-	36
	32,428	34,093
TOTAL LIABILITIES	41,850	61,880
TOTAL EQUITY AND LIABILITIES	113,652	89,783
Net assets per ordinary share attributable to owners of the Company (sen)	13.69	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.

DYNACIATE GROUP BERHAD (732294-W)

(Company No. 732294-W)

(Formerly known as Tatt Giap Group Berhad)

**CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2019**

	Individual period		Cumulative period	
	Current year- quarter-ended 31.05.2019 RM'000	Preceding year corresponding quarter ended 31.05.2018 RM'000	Current year- to-date 31.05.2019 RM'000	Preceding year corresponding period ended 31.05.2018 RM'000
Revenue	22,065	5,233	47,210	62,367
Cost of sales	(22,297)	(4,712)	(46,564)	(60,136)
Gross (loss)/profit	(232)	521	646	2,231
Distribution costs	3	(132)	(586)	(2,212)
Administrative expenses	(1,645)	(769)	(5,561)	(6,730)
Other operating expenses	-	(4,281)	(2,271)	(6,542)
Other operating income	830	533	2,948	8,430
Finance costs	(371)	(1,185)	(2,539)	(5,648)
Share of (loss)/profit of equity accounted associates, net of tax	-	(221)	(1,061)	(144)
(Loss)/Profit before taxation	(1,415)	(5,534)	(8,424)	(10,615)
Income tax expense	-	1,409	(1)	2,916
(Loss)/Profit after taxation/Total comprehensive (expenses)/income	(1,415)	(4,125)	(8,425)	(7,699)
(Loss)/Profit after taxation attributable to:				
Owners of the Company	(1,415)	(4,125)	(8,425)	(6,100)
Non-controlling interests	-	-	-	(1,599)
	(1,415)	(4,125)	(8,425)	(7,699)
Total comprehensive (expenses)/ income attributable to:				
Owners of the Company	(1,415)	(4,125)	(8,425)	(6,100)
Non-controlling interests	-	-	-	(1,599)
	(1,415)	(4,125)	(8,425)	(7,699)
(Loss)/Earnings per ordinary share (sen):				
Basic	(0.30)	(2.53)	(3.09)	(3.91)
Diluted	(0.30)	N/A	(3.09)	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 31 MAY 2019

	----- Attributable to owners of the Company -----										
	----- Non-distributable -----				Distributable						
	Share capital RM'000	Irredeemable Convertible Preference Shares ("ICPS") RM'000	Capital Reserve RM'000	Reverse Acquisition Reserve RM'000	Fair value Reserve RM'000	Revaluation Reserve RM'000	Warrant Reserve RM'000	(Accumulated losses)/ Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total Equity 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	-	-	-	-	-	-	-	(8,425)	(8,425)	-	(8,425)
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	36,895	(16,925)	(8,817)	-	-	-	-	-	11,153	-	11,153
- Issuance of shares pursuant to exercise of warrants	224	-	306	-	-	-	(306)	-	224	-	224
	(22,881)	9,998	(8,511)	-	-	-	13,718	60,000	52,324	-	52,324
At 31 May 2019	61,800	9,998	(8,511)	(53,300)	-	16,571	13,718	25,526	65,802	6,000	71,802
At 1 June 2017	82,575	-	-	(53,300)	(27)	21,115	-	(28,475)	21,888	11,693	33,581
Loss for the year representing total comprehensive expense for the period	-	-	-	-	-	-	-	(6,100)	(6,100)	(1,599)	(7,699)
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	6,000	8,106
Change in ownership interests in subsidiaries	-	-	-	-	27	(4,544)	-	8,526	4,009	(10,094)	(6,085)
At 31 May 2018	84,681	-	-	(53,300)	-	16,571	-	(26,049)	21,903	6,000	27,903

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.

DYNACIATE GROUP BERHAD
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CONDENSED INTERIM FINANCIAL STATEMENT
UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 MAY 2019

Note	Current Period-To- Date Ended 31.05.2019 RM'000	Preceding Year Corresponding Period Ended 31.05.2018 RM'000
Cash flows from operating activities		
Loss before tax	(8,424)	(10,615)
Adjustments for:		
Depreciation on property, plant and equipment	1,223	3,742
Plant and equipment written off	-	1,574
Impairment loss on property, plant and equipment	-	4,734
Interest expense	2,539	5,648
Dividend income	(2)	(1)
(Gain)/Loss on disposal of:		
- assets held for sales	(432)	-
- property, plant and equipment	(12)	146
- investment in subsidiaries	(987)	(3,080)
- other investments	1	-
Interest income	(146)	(115)
Reversal of impairment loss on other investments	-	(1,001)
Remeasurement gain on retained interests in a subsidiary carried as other investments	-	(940)
Share of loss of equity accounted associates, net of tax	1,151	257
Operating (loss)/profit before working capital changes	(5,089)	349
Changes in working capital:		
Decrease/(Increase) in inventories	1,019	(17,719)
Increase in trade and other receivables	(37,740)	(9,168)
Increase in trade and other payables	21,087	24,020
Cash generated from/(used in) from operations	(20,723)	(2,518)
Income taxes paid	(12)	(237)
Net cash from/(used in) operating activities	(20,735)	(2,755)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(4,141)	(607)
Proceeds from disposal of:		
- assets classified as held for sale	14,932	-
- property, plant and equipment	13	8,706
- other investments	1,000	-
Interest received	146	115
Dividends received	2	1
Net cash (outflow)/inflow on disposal of subsidiaries	(2,086)	4,581
Net cash from investing activities	9,866	12,796
Cash flows from financing activities		
Repayment of loan to Director	(4,586)	(5,540)
Interest paid	(2,540)	(5,648)
Proceeds from:		
- Issuance of RCPS by a subsidiary	-	6,000
- Issuance of ordinary shares	-	2,106
- Right issues of ICPS with warrants	40,947	-
- Issuance of shares pursuant to conversion of ICPS	11,153	-
- Issuance of shares pursuant to exercise of warrants	224	-
Repayment of term loans	(17,098)	(2,255)
Repayment of other borrowings, net	-	(26,249)
Repayment of finance lease liabilities	(87)	(615)
Uplift/(Placement) of pledged short-term deposits	3,537	(108)
Net cash from/(used in) financing activities	31,550	(32,309)
Net increase/(decrease) in cash and cash equivalents	20,681	(22,268)
Cash and cash equivalents as at beginning of financial period	(22,683)	(415)
Cash and cash equivalents as at end of financial period	(2,002)	(22,683)
Cash and cash equivalents comprise of:-		
Cash and bank balances	4,145	359
Short term deposits with licensed banks	201	-
Bank overdrafts	(6,348)	(23,042)
Cash and cash equivalents	(2,002)	(22,683)

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 31 MAY 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	TGSC	Total
	RM'000	RM'000	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	-	12,300	12,300
Cash and cash equivalents disposed of	(23)	(7,696)	(7,719)
Net cash 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.

	FI	SI	Total
	RM'000	RM'000	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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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019

PART A: SELECTED EXPLANATORY NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“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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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019

A1. Basis of preparation (Cont'd)

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:

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. Qualification of financial statements

The auditor's report on the audited financial statements for the financial year ended 31 May 2018 was not qualified.

A3. Seasonal and 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 accounting estimates

There were no changes in estimates that had a material effect on the current quarter and period-to-date results.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**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 101,793,600 Dynaciate Shares were issued and allotted on the following dates pursuant to the conversion of 101,793,600 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
05.03.2019	19,500,000	19,500,000
12.03.2019	12,500,000	12,500,000
19.03.2019	35,021,600	35,021,600
26.03.2019	6,690,000	6,690,000
09.04.2019	28,082,000	28,082,000
Total	101,793,600	101,793,600

- (b) A total of 1,006,995 Dynaciate Shares were issued and allotted on the following dates pursuant to the conversion of 2,013,990 ICPS by virtue of 2 ICPS into 1 new Dynaciate Share.

Allotment date	No. of ICPS	No. of Dynaciate Shares
01.03.2019	500,000	250,000
05.03.2019	1,500,000	750,000
12.03.2019	13,990	6,995
Total	2,013,990	1,006,995

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 under review.

A8. Segmental information

The Group is principally engaged in the business segments of:

- (a) 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; and
- (b) Construction Division - Civil, main mechanical, architectural, piping pre-fabrication and installation works.

The Group operates principally in Malaysia.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**A8. Segmental information (Cont'd)**

	<u>Investment</u>			
	<u>Holding</u>	<u>Steel</u>	<u>Construction</u>	<u>The Group</u>
	RM'000	RM'000	RM'000	RM'000
Financial period ended 31.5.2019				
External revenue	-	14,022	33,188	47,210
Results				
(Loss)/Profit before following adjustments: -	(2,602)	(3,268)	605	(5,265)
Bad debts recovered	-	3	-	3
Dividend income	-	2	-	2
Interest income	112	3	31	146
Gain on disposal of assets classified as held for sales	-	-	432	432
Gain on disposal of plant and equipment	-	12	-	12
Gain on disposal of subsidiaries	987	-	-	987
Realised (loss)/gain on foreign exchange	(2)	84	-	82
Depreciation of property, plant and equipment	-	(368)	(854)	(1,222)
Loss on disposal of other investments	(1)	-	-	(1)
Share of results in associates	(1,027)	(34)	-	(1,061)
	(2,533)	(3,566)	161	(5,885)
Finance costs				(2,539)
Taxation				(1)
Loss after taxation				(8,425)
As at 31.5.2019				
<u>Assets</u>				
Segment assets	613	16,934	96,105	113,652
Unallocated assets				-
Consolidated total assets				113,652
<u>Liabilities</u>				
Segment liabilities	664	15,924	23,306	39,894
Unallocated liabilities				1,956
Consolidated total liabilities				41,850

During the preceding corresponding year-to-date ended 31.5.2018, 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-galvanised 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.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**A8. Segmental information (Cont'd)**

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

	Current year- to-date ended 31.5.2019 RM'000	Preceding year- to-date ended 31.5.2018 RM'000
Malaysia	36,844	34,494
Asia (excluding Malaysia)	4,793	1,687
United States of America	-	5,344
South America	232	4,379
Europe	5,341	16,463
	<u>47,210</u>	<u>62,367</u>

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

On 14 Jun 2019, the Company disposed of its entire 10% equity interest in representing 4,000,000 ordinary shares held in Hanwa Steel Centre (M) Sdn. Bhd. (formerly known as Tatt Giap Steel Centre Sdn. Bhd.) ("HSCM") for a total cash consideration of RM1,849,632 to Hanwa Co. Ltd.. Upon completion of the disposal on same date, the Company will no longer have any interest in HSCM.

Except as disclosed above, there were no other material events subsequent to the end of the interim period under review.

A10. Changes in composition of the Group for the financial period ended 31 May 2019

On 14 November 2018, the Company disposed of its entire 100% equity interest 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 RM14.57 million were utilised at the end of the reporting quarter.

A12. Capital commitment

There was no capital commitment approved and contracted for during the current quarter ended 31 May 2019.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**A13. Related party transactions**

	Current year- quarter-ended 31 May 19 RM'000	Current year- to-date ended 31 May 2019 RM'000
Management fee paid/payable to related parties	(7)	(110)
Rental expense paid/payable to related parties	(396)	(463)
Professional fees paid/payable to related parties	(65)	(65)
Rental income received/receivable from related parties	174	692
Progress billings issued to related parties	29,085	37,161
	<u>28,791</u>	<u>37,215</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	Carrying Amount
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total		
As at 31.5.2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>										
Other investments	20	-	2,036	2,056	-	-	-	-	2,056	2,056
<u>Financial liabilities</u>										
Term loans	-	-	-	-	-	-	(8,056)	(8,056)	(8,056)	(8,056)
Finance lease liabilities	-	-	-	-	-	-	(77)	(77)	(77)	(77)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,133)</u>	<u>(8,133)</u>	<u>(8,133)</u>	<u>(8,133)</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% (31.5.2018 - 4.02% to 8.60%) per annum at the end of the reporting period.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**PART B: OTHER INFORMATION REQUIRED BY BURSA MALAYSIA SECURITIES BERHAD MAIN MARKET LISTING REQUIREMENTS****B1. Review of performance**

	Individual Quarter				Cumulative Period			
	31.5.2019 RM'000	31.5.2018 RM'000	Changes RM'000	%	31.5.2019 RM'000	31.5.2018 RM'000	Changes RM'000	%
Revenue								
- Investment holding	-	-	-	-	-	-	-	-
- Steel	2,052	5,233	(3,181)	(61)	14,022	62,367	(48,345)	(78)
- Construction	20,013	-	20,013	-	33,188	-	33,188	-
	22,065	5,233	16,832	322	47,210	62,367	(15,157)	(24)
(Loss)/Profit before taxation								
- Investment holding	(250)	1,506	(1,756)	(117)	(2,569)	7,135	(9,704)	(136)
- Steel	(1,302)	(7,040)	5,738	82	(4,724)	(17,750)	13,026	73
- Construction	137	-	137	-	(1,131)	-	(1,131)	-
	(1,415)	(5,534)	4,119	(74)	(8,424)	(10,615)	2,191	21

The Group's revenue has improved by RM16.83 million during the current quarter as compared to the preceding year corresponding quarter ended 31.5.2018. The higher revenue was mainly contributed from construction segment and offset against the decrease of revenue from the steel segment. Revenue from construction segment has recorded RM20.01 million during the current quarter under review which represented approximately 91% of the quarter total group revenue. However, the Group posted a gross loss of RM0.23 million during the current quarter ended 31.5.2019 as compared to a gross profit of RM0.52 million in the preceding year corresponding quarter ended 31.5.2018. The current quarter gross loss was contributed by steel segment mainly due to the downsizing of steel operation and high upkeep of factory cost has been incurred during the quarter.

On the year-to-date basis, the Group recorded revenue of RM47.21 million, representing approximately 24% drop from the preceding year corresponding period. The decline in revenue was due to deconsolidation of the financial results of HSCM upon conclusion of the Company's disposal of 41% equity interest in HSCM on 23 February 2018, and also the significant decrease in local and export sales under steel segment.

For the current quarter under review, the Group's loss before taxation posted at RM1.41 million as compared to a loss before taxation of RM5.53 million. The lower losses were mainly due to the decrease of operating costs resulted from the downsizing of the steel segment's operations and offset against the increase of loss before taxation from the investment holding segment.

The Group's loss before taxation for the current financial period ended 31.5.2019 decreased by RM2.19 million as compared to the preceding corresponding financial period ended 31.5.18. It was mainly due to the lower losses recorded in steel segment resulted from the downsizing of operations. However, there was higher losses recorded by the investment holding segment which due to higher corporate exercise expenses posted for the Rights Issue of ICPS with Warrants exercise. 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, such as depreciation and finance cost from non-core assets.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**B2. Variation of results against preceding quarter**

	Current- quarter-ended 31.5.2019 RM'000	Immediate preceding quarter ended 28.2.2019 RM'000	Changes	
			RM'000	%
Revenue				
- Investment holding	-	-	-	-
- Steel	2,052	2,953	(901)	(31)
- Construction	20,013	11,750	8,263	70
	22,065	14,703	7,362	50
(Loss)/Profit before taxation				
- Investment holding	(250)	(1,449)	1,199	83
- Steel	(1,302)	(590)	(712)	(121)
- Construction	137	(10)	147	1,470
	(1,415)	(2,049)	634	(31)

The Group reported revenue of RM22.06 million and loss before tax of RM1.41 million during the current quarter under review as compared to revenue of RM14.70 million and loss before tax of RM2.05 million for the immediate preceding quarter ended 28.2.2019. The higher revenue posted in the current quarter was due to better performance in construction segment. The decrease in loss before tax mainly due to lesser corporate expenses incurred by the investment holding segment and offset against the higher losses from steel segment.

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. Income tax expense

	Current year- quarter-ended 31 May 19 RM'000	Current year-to- date ended 31 May 19 RM'000
Income tax expense	-	(1)

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**B6. Notes to the statement of profit or loss and other comprehensive income**

	Current year- quarter-ended 31-May-19 RM'000	Current year-to- date ended 31-May-19 RM'000
Interest income	63	146
Other income	752	2,439
Interest expense	371	2,539
Amortisation	<i>N/A</i>	<i>N/A</i>
Depreciation of investment properties	<i>N/A</i>	<i>N/A</i>
Depreciation of property, plant and equipment	394	1,223
Impairment loss on other receivables	<i>N/A</i>	<i>N/A</i>
Inventories written down	<i>N/A</i>	<i>N/A</i>
Reversal of inventories written down	<i>N/A</i>	<i>N/A</i>
Deposits written off	<i>N/A</i>	<i>N/A</i>
Property, plant and equipment written off	<i>N/A</i>	<i>N/A</i>
Waiver of debts owing by a contract customer	<i>N/A</i>	<i>N/A</i>
Gain on disposal of plant and equipment	4	12
Realised gain on foreign exchange	11	83
Unrealised loss on foreign exchange	<i>N/A</i>	<i>N/A</i>
Waiver of debts owing to payables	-	268
Gain or loss on derivatives	<i>N/A</i>	<i>N/A</i>
Exceptional items	<i>N/A</i>	<i>N/A</i>

B7. 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.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**B8. 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 31 May 2019 are disclosed in the table below:-

Description	Original utilization of proceeds	Revised utilization of proceeds	Actual utilization as at 31 May 2019	Timeframe for utilisation	Deviation		Remarks
	RM'000	RM'000	RM'000		RM'000	%	
Funding for sub contract works	-	20,747#	19,313	Within 12 months	1,434	7	^
Funding for property development projects	28,747	-	-		-	-	
Repayment of borrowings	7,000	15,000#	15,000		-	-	
Working capital	3,600	3,733	3,733		-	-	
Estimated expenses for corporate exercises	1,600	1,467	1,467		-	-	
	40,947	40,947	40,947		1,434	7	

Notes:-

- 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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	Carrying amount as at 31 May 2019 RM'000	Market value as at 31 May 2019 RM'000
Quoted shares in Malaysia	20	20

B10. Group's borrowings

The Group's borrowings as at 31 May 2019 are as follows:

	Current Secured RM'000	Non-Current Secured RM'000	Total RM'000
Term loans	608	7,448	8,056
Hire Purchases	59	18	77
Bank overdraft	6,438	-	6,438
Total	7,105	7,466	14,571

The above borrowings are denominated in Ringgit Malaysia.

A subsidiary of the Group has bank facilities totalling RM6.4 million as at 31 May 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 31 May 2019.

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NOTE TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 MAY 2019**B13. Earnings per ordinary share****(a) Basic**

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	Preceding	Current	Preceding
	year-	year	year-	year
	quarter-	corresponding	quarter-	corresponding
	ended	quarter	ended	period
	ended	ended	ended	ended
	31-May-19	31-May-18	31-May-19	31-May-18
Loss attributable to owners of the Company (RM'000)	(1,415)	(4,125)	(8,425)	(6,100)
Weighted average number ordinary shares ('000)	470,475	162,837	273,009	156,194
Basic loss per share (sen)	(0.30)	(2.53)	(3.09)	(3.91)

(b) Diluted

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.

B14. Change in financial year end

On 17 April 2019, the Company announced an immediate change in financial year end from 31 May to 30 November.