

KINSTEEL BHD (210470-M)
(Incorporated in Malaysia)



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND PERIOD ENDED 30 JUNE 2015**

KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2015

| | Unaudited | | Unaudited | Audited |
|---|-----------------------|-------------------|-------------------|-------------------|
| | 3 months ended | | 12 months | 18 months |
| | 30.06.2015 | 30.06.2014 | ended | Ended |
| | RM'000 | RM'000 | 30.06.2015 | 30.06.2014 |
| | | | RM'000 | RM'000 |
| Revenue | 61,387 | N/A | 413,466 | 1,803,848 |
| Operating expenditure | (70,281) | N/A | (506,791) | (2,696,851) |
| Other income | 4,047 | N/A | 14,190 | 138,564 |
| Gain on disposal of share in subsidiary | 7,886 | N/A | 151,101 | - |
| Share of loss of associate | | N/A | (8,750) | |
| Impairment on plant and machinery | (602) | N/A | (6,240) | (250,113) |
| Impairment of amount due from Associate | 18,055 | N/A | (26,562) | |
| Finance costs | (50,762) | N/A | (123,940) | (243,821) |
| Profit / (Loss) before taxation | (30,270) | - | (93,526) | (1,248,373) |
| Taxation | 1,412 | N/A | 1,374 | (110,838) |
| Profit / (Loss) after taxation | (28,858) | N/A | (92,152) | (1,359,211) |
| Other Comprehensive Income/(expenses) | | | | |
| Surplus on valuation of property, plant and machinery | - | N/A | 170,862 | 317,044 |
| Less: deferred tax | - | N/A | (42,716) | (60,544) |
| | (28,858) | N/A | 35,994 | (1,102,711) |
| Profit/(Loss) after taxation | | | | |
| Equity holders of the parent | (17,647) | N/A | 7,001 | (546,814) |
| Non-controlling interest | (11,211) | N/A | (99,153) | (812,397) |
| | (28,858) | N/A | (92,152) | (1,359,211) |
| Total comprehensive income/(expenses) attributable to: | | | | |
| Equity holders of the parent | (17,647) | N/A | 72,355 | (426,028) |
| Non-controlling interest | (11,211) | N/A | (36,361) | (676,683) |
| | (28,858) | - | 35,994 | (1,102,711) |
| Profit / (Loss) per share (Note 25) | | | | |
| : | | | | |
| - Basic EPS (sen) | (1.69) | N/A | 0.67 | (52.50) |

The financial year end of the Company has been changed from 31 December to 30 June to cover the 18-month period from 1 January 2013 to 30 June 2014 and thereafter, to end on 30 June each year. Accordingly, there are no comparative figures to be presented in this Condensed Consolidated Statement of Comprehensive Income.

KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

| | Unaudited | Audited |
|--|-------------------------|-------------------------|
| | As at | As at |
| | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 1,122,666 | 2,343,433 |
| Investment in security (associated) | 63,000 | - |
| | <u>1,185,666</u> | <u>2,343,433</u> |
| Current assets | | |
| Inventories | 128,763 | 311,161 |
| Receivables | 188,097 | 94,374 |
| Tax recoverable | 930 | 768 |
| Cash and bank balances | 3,442 | 16,829 |
| | <u>321,232</u> | <u>423,132</u> |
| TOTAL ASSETS | <u><u>1,506,898</u></u> | <u><u>2,766,565</u></u> |
| EQUITY AND LIABILITIES | | |
| Share capital | 209,872 | 209,872 |
| Redeemable Convertible Unsecured Loas Stocks (RCULS) | - | 261 |
| Share premium | 30,493 | 30,493 |
| Treasury shares | (4,153) | (4,153) |
| Accumulated Losses | (239,113) | (246,114) |
| Reserves | 143,846 | 120,786 |
| Equity attributable to owners of the parent | 140,945 | 111,145 |
| Non-controlling interest | 301,231 | (177,903) |
| Total equity | <u>442,176</u> | <u>(66,758)</u> |
| Non-current liabilities | | |
| Payables | - | 311,242 |
| Deferred taxation | 66,243 | 62,946 |
| Loan and borrowings (Note 21) | 27 | 111,039 |
| | <u>66,270</u> | <u>485,227</u> |
| Current liabilities | | |
| Trade and other payables | 201,640 | 511,343 |
| Overdrafts and short term borrowings (Note 21) | 796,812 | 1,836,753 |
| | <u>998,452</u> | <u>2,348,096</u> |
| Total liabilities | <u>1,064,722</u> | <u>2,833,323</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>1,506,898</u></u> | <u><u>2,766,565</u></u> |
| Net (liabilities)/assets per share attributable to equity holders of the parent (sen) | <u>42.45</u> | <u>(6.41)</u> |

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.

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(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2015

| | Attributable to Equity Holders of the Company | | | | | | | | |
|--|---|--------------------|------------------|--------------------------|------------|--|----------------|--------------------------------|------------------|
| | Non-distributable | | | | | Distributable | | | |
| | Share Capital | Treasury Shares | Share Premium | Fair Value Reserve | RCULS | Retained Earnings/ (Accumulated losses) | Total | Non controlling Interest | Total Equity |
| RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM,000 | RM,000 | RM'000 | |
| Balance at 1.07.2014 | 209,872 | (4,153) | 30,493 | 120,786 | 261 | (246,114) | 111,145 | (177,903) | (66,758) |
| Loss after taxation for the financial period | - | - | - | - | - | 7,001 | 7,001 | (99,153) | (92,152) |
| Comprehensive income/(expenses) for the period | | | | | | | | | |
| - Revaluation | - | - | - | 65,355 | - | - | 65,355 | 62,792 | 128,147 |
| - Loss on disposal of subsidiary | - | - | - | - | - | - | - | 586,474 | 586,474 |
| Disposal of subsidiary | - | - | - | (42,295) | (261) | - | (42,556) | (70,979) | (113,535) |
| Balance at 30.06.2015 | 209,872 | (4,153) | 30,493 | 143,846 | 0 | (239,113) | 140,945 | 301,231 | 442,176 |
| Balance at 01.01.2013 | 209,872 | (4,153) | 30,493 | - | 261 | 300,700 | 537,173 | 498,780 | 1,035,953 |
| Loss after taxation for the financial period | - | - | - | - | - | (546,814) | (546,814) | (812,397) | (1,359,211) |
| Comprehensive income/(expenses) for the financial period | | | | | | | | | |
| -Revaluation of property | - | - | - | 120,786 | - | - | 120,786 | 135,714 | 256,500 |
| Total comprehensive income/(expenses) for the financial period | - | - | - | 120,786 | - | (546,814) | (462,028) | (676,683) | (1,102,711) |
| Balance at 30.06.2014 | 209,872 | (4,153) | 30,493 | 120,786 | 261 | (246,114) | 111,145 | (177,903) | (66,758) |

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2015**

| | Unaudited 12 months ended 30.06.2015 RM'000 | Audited 18 months ended 30.06.2014 RM'000 |
|--|--|--|
| Cash Flows From/(For) Operating Activities | | |
| Profit / (Loss) before taxation | (93,526) | (1,248,373) |
| Adjustments for non-cash flow : | | |
| Allowance for impairment losses on property, plant and equipment | 7,684 | 250,113 |
| Allowance for impairment losses on receivables | 5,392 | 44,758 |
| Allowance for impairment losses on intangible assets | - | 1,293 |
| Allowance for impairment losses on investment in securities | 31,500 | - |
| Depreciation of property, plant and equipment | 28,207 | 164,201 |
| Inventories written down | - | 119,626 |
| Imputed interest income | - | (126,390) |
| Fixed assets written off | - | 1,067 |
| Gain on disposal of plant and equipment | - | (15) |
| Gain on disposal of share in subsidiaries | (151,101) | - |
| Unrealized loss on foreign exchange | 379 | (197) |
| Interest income | (26,359) | (23,665) |
| Interest expense | 70,332 | 243,537 |
| Operating (loss)/profit before working capital changes | (127,492) | (574,045) |
| Decrease/(increase) in inventories | 182,398 | 912,875 |
| Decrease/(increase) in receivables | (41,937) | 109,790 |
| (Decrease)/increase in payables | 23,196 | (261,248) |
| Changes in working capital | 36,165 | 187,372 |
| Interest paid | (67,446) | (107,609) |
| Interest received | 26,359 | 23,665 |
| Income tax paid | (329) | (325) |
| Net cash from/(for) operating activities | (5,251) | 103,103 |
| Cash Flows For Investing Activities | | |
| Purchase of property, plant and equipment | (730) | (153,161) |
| Proceeds from disposal of share | 1,820 | - |
| Proceeds from disposal of property, plant and equipment | - | 37 |
| Net cash for investing activities | 1,090 | (153,124) |
| Cash Flows From Financing Activities | | |
| Deposit pledged for bank borrowings withdrawn | | 5,255 |
| Net (repayment) / Drawdown of bankers' acceptance | (1,500) | (102,792) |
| Proceeds/(Repayment) of loans | (6,897) | 91,577 |
| Repayment of hire purchase obligations | (48) | (9,120) |
| (Repayment to)/Advances from related companies | - | (216) |
| Repayment of Murabahah Medium Term Notes | - | (10,000) |

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| | | |
|--|-------------------|------------------------|
| Advances from /(Repayment to) related parties | - | (31,865) |
| Net cash from financing activities | <u>(8,445)</u> | <u>(54,925)</u> |
| Net decrease in cash and cash equivalents | (12,606) | (104,946) |
| Effects of foreign exchange rate changes | - | 353 |
| Cash and cash equivalents at beginning of period | <u>(84,990)</u> | <u>19,603</u> |
| | <u>(97,596)</u> | <u>(84,990)</u> |
| | Unaudited | Audited |
| | 12 months | 18 months ended |
| | ended | 30.06.2014 |
| | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 |
| Composition of cash and cash equivalents | | |
| Fixed deposits with financial institution | - | 5,195 |
| Cash and bank balances | 3,442 | 1,285 |
| Deposits in DSRA / FSRA account | - | 10,964 |
| Bank overdrafts | <u>(101,038)</u> | <u>(102,434)</u> |
| Cash and cash equivalents at end of period | <u>(97,596)</u> | <u>(84,990)</u> |

The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2014 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE QUARTER ENDED 30 JUNE 2015

PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

1. Basis of reporting preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of Financial Reporting Standards 134 (FRS134): “Interim Financial Reporting” and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statement should be read in conjunction with the audited financial statements for the financial period ended 30 June 2014. 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 period ended 30 June 2014.

The financial statements of the Group does not include any adjustments and classifications relating to the recorded assets and liabilities that may be necessary if the Group is unable to continue as going concern.

The appropriateness of preparing the financial statements of the Group on a going concern basis is dependent upon the successful and timely formulation and implementation of a regularization plan, the successful negotiation and settlement of the Group’s bank borrowings and the continuing financial support from shareholders, creditors and lenders.

Should the going concern basis of preparing the financial statements to be no longer appropriate, adjustments would have be made to reduce the value of all assets to their estimated realizable values, and to provide further estimated liabilities that may arise, and to reclassify all non-current assets and non-current liabilities as current assets and current liabilities respectively.

The significant accounting policies adopted are in consistent with those of the audited financial statements for the financial period ended 30 June 2014 except for the adoption of the following new Amendments to FRSs and Interpretations for the current financial year ending 30 June 2015:-

| MFRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|----------------|
| Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities | 1 January 2014 |
| Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets | 1 January 2014 |

The adoption of the above standards, amendments and interpretation will have no material impact on the financial statements of the Group.

The following MFRSs, Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:-

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| MFRSs and IC Interpretations (Including The Consequential Amendments) | Effective Date |
|---|-------------------------|
| MFRS 9 (2009) Financial Instruments MFRS 9 (2010) Financial Instruments MFRS 9 Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 and MFRS 139) Amendments to MFRS 9 and MFRS 7: Mandatory Effective Date of MFRS 9 and Transition Disclosures | To be announced by MASB |
| MFRS 14 Regulatory Deferral Accounts | 1 January 2016 |
| MFRS 15 Revenue from Contracts with Customers | 1 January 2017 |
| Amendments to MFRS 11 : Accounting for Acquisitions of Interests in Joint Operations | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation | 1 January 2016 |
| Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants | 1 January 2016 |

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

The above accounting standards and interpretations (including the consequential amendments) are not relevant to the Group operations except as follows:-

- (i) MFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Subsequently, this MFRS 9 was amended in year 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition (known as MFRS 9 (2010)). Generally, MFRS 9 replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 divides all financial assets into 2 categories those measured at amortised cost and those measured at fair value, based on the entity's business model for managing its financial assets and the contractual cash flow characteristics of the instruments. For financial liabilities, the standard retains most of the MFRS 139 requirement. An entity choosing to measure a financial liability at fair value will present the portion of the change in its fair value due to changes in the entity's own credit risk in other comprehensive income rather than within profit or loss. There will be no material financial impact on the financial statements of the Group upon its initial application.
- (ii) MFRS 15 establishes a single comprehensive model for revenue recognition and will supersede the current revenue recognition guidance and other related interpretations when it becomes effective. Under MFRS 15, an entity shall recognize revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customers. In addition, extensive disclosures are required by MFRS 15. Based on the preliminary assessment, there will be no material financial impact on the financial statements of the Group upon its initial application.

2. Auditors' report

The auditor expressed that the audit evidence obtained is sufficient and appropriate to provide a basis for auditor's qualified audit opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2014 and of the financial performance and cash flows for the financial period then ended in accordance with appropriate accounting standards.

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3. Seasonal or cyclical factors

The business operation of the Group is generally affected by the demand in construction sector, commodities market condition and correlated to the global economy, as well as the fourth quarter and first quarter festive seasons.

4. Items of unusual nature and amount

There were no unusual items affecting assets, liabilities, equity, net income or cash flow of the Group during the current quarter and financial period.

5. Material changes in estimates

There were no changes in the estimates of amount relating to the prior financial period that have a material effect in the current quarter under review.

6. Debt and equity securities

There have been no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial year.

7. Dividends paid

No dividend was paid during the financial year.

8. Segmental information

Segmental information is not provided as the Group's primary business segment is principally engaged in the manufacturing and trading of steel related products and its operation is principally located in Malaysia.

9. Valuation of property, plant and equipment

The Group has adopted revaluation model for its property comprising land, buildings during the previous financial period ended 30 June 2014. The Group also adopted revaluation model for plant and machinery during the first quarter as at 30 September 2014.

Property, included land and building, plant and machinery are reported at valuation, which is based on valuations performed by independent professional valuers.

Property, plant and machinery are stated at revalued amount less accumulated depreciation and impairment losses, if any.

Freehold land is stated at valuation less impairment losses recognized after the date of the revaluation. Freehold land is not depreciated.

Freehold and leasehold land, buildings, plant and machinery are revalued periodically, at least once in every 5 years. Surplus arising from the revaluation are recognized in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surplus, are recognized in profit or loss.

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10. Capital commitments

There were no material capital commitments approved and contracted for as at 30th June 2015.

11. Subsequent event

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

12. Changes in the Composition of the Group

On 31 December 2014, Kinsteel has announced that the Company has reduced its shareholdings in a subsidiary company, Perwaja Holdings Berhad (“PHB”) from 209,100,000 to 175,000,000 ordinary shares; representing 31.25% of the total issued and paid-up share capital of PHB by disposal of 34,100,000 ordinary shares in the market from 19 December 2014 to 30 December 2014 for a total cash consideration of RM1,819,687.60 only.

In line with the reduction of Kinsteel’ shareholding in PHB, eight (8) members of the Board of PHB (who are also Directors / Alternate Director of Kinsteel as at 30 December 2014) have resigned from their respective position in PHB with effect from 31 December 2014.

Both events of reduced shareholdings in PHB and the resignations of the PHB Directors were announced on 31 December 2014. Following the reduction of shareholding and change of board member, Kinsteel ceased to have management control of PHB with effect from 31 December 2014. Hence, PHB will cease to be a subsidiary and shall remain as an associate company of Kinsteel with effect from 31 December 2014.

Investment in associate are measured in the Company’ statement of financial position at cost less any impairment losses. The cost of the investment includes transaction costs.

The Group’ share of post-acquisition profit less losses of associated company is included in the consolidated income statement and the Group’s interest in the associated company is stated at cost plus the Group’ share of post-acquisition retained profits or accumulated losses and reserves.

13. Contingent Liabilities and Contingent Assets

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

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

14. Review of performance of the Company and its principal subsidiaries

For the current quarter under review, the Group reported a revenue of RM61.387 million and a loss before tax of RM30.27million. The financial year end of the Company has been changed from 31 December to 30 June to cover the 18-month period from 1 January 2013 to 30 June 2014 and thereafter, to end on 30 June each year. Accordingly, there are no corresponding quarter for the preceding year.

The Group posted a loss before taxation of RM30,27 million for the current quarter ended 30.06.2015, mainly due to higher operating expenses attributed by lower production volume and depressed selling price of its products.

15. Material changes in the current quarter results compared to the results of the immediate preceding quarter

The Group recorded a loss before tax of RM30,27 million as compared to the preceding quarter's loss before taxation of RM11.432 million. This loss is derived from the increased of financial cost.

16. Prospects for the financial period ending 30 September 2015

The uncertainty and slowdown of global and local economic scenario has significant challenge to the business especially on property and construction sector which serves the primarily demand for steel products. The influx of imported steel products has depressed selling price of local manufactured steel products. We expect the steel market to improve in the following financial year if the relevant authorities impose various measures to curb the imports of steel products.

17. Variance between Actual Profit and Forecast Profit

The Group did not issue any profit forecast in a public document during the current financial period.

18. Taxation

The Group's effective tax rate for the current quarter and financial period is higher than the prevailing statutory tax rate of 25%, mainly due to non-recognition of deferred tax assets arising from tax losses in the current quarter and financial period.

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19. Loss Before Taxation

Included in the loss before taxation are the following items:

| | Current quarter | | Cumulative quarter | |
|--|-----------------|------------|--------------------|-----------------|
| | 3 months ended | | 12 months ended | 18 months ended |
| | 30.06.2015 | 31.12.2013 | 30.06.2015 | 30.06.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Auditor's remuneration | - | N/A | - | 506 |
| Loss on disposal of share in subsidiary | - | N/A | 151,101 | - |
| Share of loss of associate | - | N/A | 8,750 | - |
| Allowance for impairment losses on property, plant and equipment | (602) | N/A | 6,240 | 250,113 |
| Allowance for impairment losses on associate | 18,055 | N/A | 26,562 | 44,758 |
| Allowance for impairment losses on intangible assets | - | N/A | - | 1,293 |
| Depreciation of property, plant and equipment | 10,129 | N/A | 28,207 | 164,201 |
| Interest expense | 45,144 | N/A | 70,332 | 243,537 |
| Inventory written down | - | N/A | - | 119,626 |
| Rental of equipment | - | N/A | - | 1,683 |
| Rental of motor vehicles | - | N/A | - | 115 |
| Rental of premises | - | N/A | - | 2,003 |
| Rental of leases | - | N/A | - | 1,982 |
| Imputed interest income | - | N/A | - | (126,390) |
| Interest income | (14,634) | N/A | (26,359) | (23,665) |

The financial year end of the Company has been changed from 31 December to 30 June to cover the 18-month period from 1 January 2013 to 30 June 2014 and thereafter, to end on 30 June each year. Accordingly, there are no comparative figures for the corresponding quarter.

20 Status of Corporate Proposal

Corporate Debt Restructuring Committee (CDRC)

The Company and its subsidiary, Perfect Channel Sdn Bhd had on 26 February 2015 entered into a Debt Restructuring Agreement (“DRA”) with RHB Bank Berhad, OCBC Bank (Malaysia) Berhad, Bank Muamalat Malaysia Berhad, Standard Chartered Bank Malaysia Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Hong Leong Bank Berhad, Amlslamic Bank Berhad, Ambank (M) Berhad and TMF Trustees Malaysia Berhad (collectively referred to as “Creditors”) for the proposed restructuring and settlement of debts owing to the Creditors (“Proposed Debts Restructuring”).

As part of the Proposed Debts Restructuring, Kinsteel also proposes to undertake a corporate restructuring exercise involving a capital reduction of the Company's issued and paid-up share capital, a fund raising exercise and proposed disposal of the shares or assets of PCSB. (“Proposed Corporate Restructuring Exercise”).

Further details of the Proposed Corporate Restructuring Exercise will be announced in due course upon finalization.

The Group is currently undergoing perfection of relevant security documentations and fulfillment of “Conditions Precedent” as stated in the said DRA.

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Perfect Channel Sdn Bhd

On 12 February 2015, the Company announced that the Company with its subsidiary, Perfect Channel Sdn Bhd had entered into a Memorandum of Agreement, with Vibrant Holdings Sdn Bhd (“Vibrant”) and Beijing Industrial Designing and Researching Institute of China (“BIDR”) to explore the possibility of Vibrant and BIDR undertaking the contract work for the Enhancement Project via the installation of a new blast furnace and related downstream manufacturing facilities and infrastructural work.

BIDR had made a feasibility study site visit to Perfect Channel Sdn Bhd on 11th and 12th March 2015 and further study is currently on going.

21. Group borrowings and debt securities

The Group’s borrowings as at 30 June 2015 were as follows:-

| | Secured RM'000 | Unsecured RM'000 | Total RM'000 |
|------------------------------------|-------------------|---------------------|-----------------|
| <u>Short term borrowings:-</u> | | | |
| Bankers’ acceptances | 479,806 | - | 479,806 |
| Term Loan | - | - | - |
| Murabahah Medium Term Loan | 50,000 | - | 50,000 |
| Short-term loan | - | 165,952 | 165,952 |
| Loan from a related party | - | - | - |
| Loan from the Malaysian Government | - | - | - |
| Bank Overdraft | - | 101,038 | 101,038 |
| ICULS | - | - | - |
| Hire purchase payables | - | 16 | 16 |
| | <u>529,806</u> | <u>267,006</u> | <u>796,812</u> |
| <u>Long term borrowing:-</u> | | | |
| Hire Purchase payables | - | 27 | 27 |
| Long Term Borrowings | - | - | - |
| RCULS | - | - | - |
| Total | <u>-</u> | <u>27</u> | <u>27</u> |
| | <u>529,806</u> | <u>267,033</u> | <u>796,839</u> |

22. Derivative Financial Instruments

There were no derivative financial instruments as at the reporting date.

23. Material Litigation

On 1 August 2014, the Board of Directors of the Company had announced that following a Summary Judgment obtained by Nippon Oxygen Sdn Bhd on 30 May 2014, a Notice pursuant to Section 218 of the Companies Act, 1965 was served on the Company on 31 July 2014 by Messrs Rahmat Lim & Partners, Advocates & Solicitors acting for Nippon Oxygen Sdn Bhd (“Plaintiff”) demanding therein the payment of RM9,000,000 with interest to be calculated at 5% per annum from 30 May 2014 until the date of full and final settlement with cost of RM8,000.

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The case was settled on 8 Oct 2014 wherein NOX agreed to grant Kinsteel a moratorium period of 6 months until 31 March 2015 to pay the balance remaining from the Judgment sum of RM9,000,000 together with all legal costs ordered against Kinsteel to date of RM19,000 based on the following scheduled payments:

- (i) An upfront payment of RM297,186.39 to be paid within 10 days from 1 October 2014 i.e. on or before 11 October 2014; and
- (ii) The balance outstanding of RM7,900,000 by way of 6 equal monthly instalments after the end of the moratorium period of 6 months.

NOX subsequently agreed to the company's request to further vary the terms of payment as follows:

1. The sum of RM750,000 shall be paid by 5 installments of RM150,000 each commencing in June 2015 and ending on October 2015.
2. Issuance of Kinsteel shares post completion of Kinsteel's Debt Restructuring Agreement (DRA) to the cash value of RM7,150,000 (at the issue price of RM0.10 per share to NOX or its appointed nominee) subject to the relevant approvals.
3. Kin Kee Holdings Sdn Bhd shall enter into a put and call option agreement with NOX in respect of the abovementioned issued shares on terms and conditions acceptable to NOX.

24. Proposed Dividend

There was no dividend proposed or declared for the current quarter and the financial period.

25. Profits Per Share ("PPS")

The basic EPS is calculated based on the Group's net profits attributable to equity holders of the Company for the period by the weighted average number of ordinary shares in issue during the current quarter and the financial period as follows:

| | Current quarter 3 months ended 30.06.2015 RM'000 | Cumulative period 12 months ended 30.06.2015 RM'000 |
|--|---|--|
| Net Profit / (Loss) attributable to ordinary shareholders of the company | (17,647) | 7,001 |
| Weighted average number of ordinary shares in issue | 1,041,604 | 1,041,604 |
| Basic EPS (sen) | (1.69) | 0.67 |

Fully diluted EPS for current quarter and financial period have not been presented as the effect is anti-dilutive.

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26. Realised and Unrealised Losses Disclosure

The accumulated profits as at 30 June 2015 and 31 March 2015 is analysed as follows:

| | Current Quarter ended 30.06.2015 RM'000 | Immediate Preceding Quarter ended 31.03.2015 RM'000 |
|---|--|--|
| Total accumulated losses of the Company and subsidiaries: | | |
| - Realised losses | (239,113) | (222,577) |
| - Unrealised profit | - | - |
| Total group accumulated losses as per consolidated financial statements | <u>(239,113)</u> | <u>(222,577)</u> |

27. Comparatives

Certain comparative figures have been reclassified to conform with the current period's presentation.

By order of the Board,

Dato' Henry Pheng Chin Guan
Chief Executive Officer
Date: 28 August 2015