

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



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR ENDED 30 SEPTEMBER 2016**

**KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER  
AND YEAR ENDED 30 SEPTEMBER 2016**

	Individual Quarter (Q1)		Cumulative Quarter (3 Mths)	
	Current Year Quarter 30.09.2016 RM'000	Preceding Year Corresponding Quarter 30.09.2015 RM'000	Current Year to Date 30.09.2016 RM'000	Preceding Year Corresponding Ended 30.09.2015 RM'000
Revenue	51,399	54,503	51,399	54,503
Operating expenditure	(60,409)	(69,816)	(60,409)	(69,816)
Other income	3,850	3,957	3,850	3,957
Finance costs	(10,311)	(12,888)	(10,311)	(12,888)
Loss before taxation	(15,471)	(24,244)	(15,471)	(24,244)
Taxation	324	(13)	324	(13)
Loss after taxation	(15,147)	(24,257)	(15,147)	(24,257)
<b>Other Comprehensive Expenses</b>				
Fair value changes of available-for-sale financial asset	(10,368)	-	(10,368)	-
	(25,515)	(24,257)	(25,515)	(24,257)
<b>Loss after taxation</b>				
Equity holders of the parent	(11,469)	(18,504)	(11,469)	(18,504)
Non-controlling interest	(3,678)	(5,753)	(3,678)	(5,753)
	(15,147)	(24,257)	(15,147)	(24,257)
<b>Total comprehensive expenses attributable to:</b>				
Equity holders of the parent	(21,837)	(18,504)	(21,837)	(18,504)
Non-controlling interest	(3,678)	(5,753)	(3,678)	(5,753)
	(25,515)	(24,257)	(25,515)	(24,257)
Loss per share (Note 25)				
- Basic LPS (sen)-Continuing Operation	(1.10)	(1.78)	(1.10)	(1.78)
- Basic LPS (sen)-Discontinued Operation	-	-	-	-

*The above condensed consolidated statement of profit or loss should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.*

**KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

	As at End of Current Quarter 30.09.2016	As at Audited Financial Year End 30.06.2016
	RM'000	RM'000
<b>ASSETS</b>		
Property, plant and equipment	1,058,133	1,064,903
Investment in RCULS	43,200	53,568
	<u>1,101,333</u>	<u>1,118,471</u>
<b>Current assets</b>		
Inventories	119,336	119,232
Receivables	182,863	190,831
Tax recoverable	1,139	1,151
Cash and bank balances	3,663	684
	<u>307,001</u>	<u>311,898</u>
<b>TOTAL ASSETS</b>	<u>1,408,334</u>	<u>1,430,369</u>
<b>EQUITY AND LIABILITIES</b>		
Share capital	52,468	52,468
Share premium	30,493	30,493
Treasury shares	(4,153)	(4,153)
Accumulated losses	(166,943)	(155,474)
Reserves	135,204	145,572
<b>Equity attributable to owners of the parent</b>	47,069	68,906
<b>Non-controlling interest</b>	279,172	282,850
<b>Total equity</b>	<u>326,241</u>	<u>351,756</u>
<b>Non-current liabilities</b>		
Deferred taxation	64,483	64,816
Loan and borrowings (Note 21)	-	207
	<u>64,483</u>	<u>65,023</u>
<b>Current liabilities</b>		
Trade and other payables	208,830	214,016
Overdrafts and short term borrowings (Note 21)	808,780	799,574
	<u>1,017,610</u>	<u>1,013,590</u>
<b>Total liabilities</b>	<u>1,082,093</u>	<u>1,078,613</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,408,334</u>	<u>1,430,369</u>
<b>Net assets per share attributable to equity holders of the parent (sen)</b>	<u>31.32</u>	<u>33.77</u>

*The above condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.*

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 SEPTEMBER 2016

	Attributable to Equity Holders of the Company								
						Distributable			
	Non-distributable								
	Share Capital	Treasury Shares	Share Premium	Revaluation Reserve	Fair Value Reserve	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 01.07.2016	52,468	(4,153)	30,493	143,844	1,728	(155,474)	68,906	282,850	351,756
Loss after taxation for the financial year	-	-	-	-	-	(11,469)	(11,469)	(3,678)	(15,147)
Comprehensive expenses for the financial year									
-Fair value changes of available-for-sale financial asset	-	-	-	-	(10,368)	-	(10,368)	-	(10,368)
Total comprehensive expenses for the financial period	-	-	-	-	(10,368)	(11,469)	(21,837)	(3,678)	(25,515)
Balance at 30.09.2016	52,468	(4,153)	30,493	143,844	(8,640)	(166,943)	47,069	279,172	326,241
Balance at 01.07.2015	209,872	(4,153)	30,493	143,844	-	(239,313)	140,743	301,029	441,772
Par value reduction	(157,404)	-	-	-	-	157,404	-	-	-
Loss after taxation for the financial year	-	-	-	-	-	(73,565)	(73,565)	(18,179)	(91,744)
Comprehensive income for the financial year									
-Fair value changes of available-for-sale financial asset	-	-	-	-	1,728	-	1,728	-	1,728
Total comprehensive income/(expenses) for the financial period	-	-	-	-	1,728	(73,565)	(71,837)	(18,179)	(90,016)
Balance at 30.06.2016	52,468	(4,153)	30,493	143,844	1,728	(155,474)	68,906	282,850	351,756

The above condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.

**KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED  
30 SEPTEMBER 2016**

	<b>3 months ended 30.09.2016 RM'000</b>	<b>3 months ended 30.09.2015 RM'000</b>
<b>Cash Flows For Operating Activities</b>		
Loss before taxation	(15,471)	(24,244)
Adjustments for non-cash flow :		
Depreciation of property, plant and equipment	7,001	6,906
Loss on disposal of investment in security	-	1,860
Interest income	(3,185)	(6,523)
Interest expense	10,311	11,711
Operating loss before working capital changes	(1,344)	(10,290)
Decrease in inventories	(104)	16,960
Increase in receivables	11,153	(96)
(Decrease)/increase in payables	(15,494)	(16,777)
Changes in working capital	(5,789)	(10,203)
Interest paid	-	(11,711)
Income tax paid	-	(72)
<b>Net Cash For Operating Activities</b>	<b>(5,789)</b>	<b>(21,986)</b>
Cash Flows (For)/From Investing Activities		
Purchase of property, plant and equipment	(231)	-
Interest received	-	6,523
Proceeds from disposal of security	-	9,300
<b>Net Cash (For)/From Investing Activities</b>	<b>(231)</b>	<b>15,823</b>
Cash Flows From/(For) Financing Activities		
Net repayment of bankers' acceptance	7,639	1,193
Repayment of hire purchase obligations	(608)	(15)
<b>Net Cash From/(For) Financing Activities</b>	<b>7,031</b>	<b>(1,178)</b>
<b>Net Increase/(Decrease) In Cash And Cash Equivalents</b>	<b>1,011</b>	<b>(4,985)</b>
Cash and cash equivalents at beginning of the year	(112,104)	(97,636)
<b>Cash And Cash Equivalents At End Of The Year</b>	<b>(111,093)</b>	<b>(102,621)</b>
Composition of cash and cash equivalents		
Cash and bank balances	3,663	1,520
Bank overdrafts	(114,756)	(104,141)
<b>Cash And Cash Equivalents At End Of Period</b>	<b>(111,093)</b>	<b>(102,621)</b>

*The above condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 30 June 2016 and the accompanying explanatory notes attached to the interim financial statements.*

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 SEPTEMBER 2016

### PART A – EXPLANATORY NOTES PURSUANT TO FRS 134

#### 1. Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirement of Malaysian Financial Reporting Standards 134 (MFRS134): “Interim Financial Reporting”, International Accounting Standard 34 (“IAS 34”) : “Interim Financial Reporting” and Chapter 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 year ended 30 June 2016. 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 30 June 2016.

The financial statements have been prepared on the assumption the Group is going concerns. The Group incurred net losses during the financial period three-month ended 30 September 2016 of RM15.1 million, as of that date, the Group had net current liabilities of RM710.6 million.

The Group is currently working on the restructuring scheme and engaged with both financial lenders and major creditors in the exercise. A scheme adviser has been appointed. On 26 September 2013, Corporate Debt Restructuring Committee (“CDRC”) has approved the application for assistance to mediate between the Group and its lenders and the Group is required to submit a proposed restructuring scheme within 60 days and the proposed restructuring scheme must comply with CDRC’s restructuring principles for the Group to continue to remain under the informal standstill arrangement with the lenders.

On 30 April 2014, the Group’s scheme advisor has presented a proposed restructuring scheme and the proposed restructuring scheme was reviewed subsequently by an independent financial advisor. The existing loans of the Group will be restructured in accordance with the proposed restructuring scheme.

In June and July 2014, the Group has received approval from all the banks on the proposed restructuring scheme presented which was subjected to the terms and conditions. On 26 February 2015, the Group has signed a debt restructuring agreement (“DRA”) with all the banks on the restructuring scheme presented.

On 30 July 2015, the Group’s scheme advisor has presented a proposed DRA variations. The proposed DRA variations provide a better repayment scheme to the Group as compared to the DRA signed on 26 February 2015.

On 21 August 2015, the Group received a letter from the lead bank which summarised the matters and events to be performed. Upon successful performance of the events, the bankers will table the proposed DRA variations to their management committee/EXCO/board as the case may be for decision.

On 28 October 2015, the Group received a reminder letter from the lead bank on the non-performance of the three major outstanding matters and events. The bankers have extended the deadline to 6 November 2015 for the Group to complete the outstanding matters.

On 11 November 2015, the Group announced that the stamp office has confirmed the adjudicated amount of stamp duties payable, and that the Group is to remit the balance stamp duties to the Creditors’ agent by 25 November 2015. As at to-date, the Group has yet to remit the balance stamp duties.

The Creditors’ agent has on 25 November 2015 notified the Group that the Proposed DRA Variations are still pending consideration by the Creditors.

On 1 June 2016, the Group announced that the application to Ministry of Finance (“MOF”) on the waiver of stamp duty for the DRA has been rejected. The Management is currently seeking legal advice as to the viability of further appeal for reduction of stamp duty in respect of those loan facilities which was previously exempted from payment of stamp duty being Syariah compliant activities.

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## 1. Basis of preparation (Cont'd)

The Group announced that the Company is an affected listed issuer under Practice Note 17 (“PN17”) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”) (“Bursa Securities”). This is due to the Company having triggered paragraph 2.1(d) of PN17 as the Company’s auditors have expressed a disclaimer opinion in the Company’s latest audited financial statements for the financial year ended 30 June 2016.

The Company is required to submit a regularisation plan to Securities Commission or Bursa Securities by 26 October 2017.

The basis for the preparation of the financial statements of the Group is therefore dependent upon the successful implementation of the proposed restructuring scheme, profitable operations of the Group to generate sufficient cash in the future to fulfill their obligations as and when they fall due and financial support from the lenders and shareholders.

The Directors are of the opinion that the Group will be able to operate profitably in the foreseeable future, and obtain continuing financial support from the lenders and shareholders and therefore continue as a going concern and accordingly, realise their assets and discharge their liabilities in the normal course of business.

In view of the foregoing, the Directors consider that it is appropriate to prepare the financial statements of the Group on a going concern basis, and accordingly, the financial statements do not include any adjustments relating to the amount and classification of assets and liabilities that may be necessary should the going concern basis for the preparation of the financial statements of the Group be not appropriate.

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 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:-

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 16 Leases	1 January 2019
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 10 and MFRS 128 (2011): Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
Amendments to MFRS 15: Effective Date of MFRS 15	1 January 2018
Amendments to MFRS 15: Clarification of MFRS 15 “Revenue from Contracts with Customers”	1 January 2018
Amendments to MFRS 107: Disclosure Initiative	1 January 2017
Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

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

# **KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

## **1. Basis of preparation (Cont'd)**

### **(i) MFRS 9 Financial Instruments**

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces the existing guidance in MFRS 139 and introduces a revised guidance on the classification and measurement of financial instruments, including a single forward-looking 'expected loss' impairment model for calculating impairment on financial assets, and a new approach to hedge accounting. Under this MFRS 9, the classification of financial assets is driven by cash flow characteristics and the business model in which a financial asset is held. The Group is currently assessing the financial impact of adopting MFRS 9.

### **(ii) MFRS 15 Revenue from Contracts with Customers**

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 recognise revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the distinct promised goods or services underlying the particular performance obligation is transferred to the customers. The amendments to MFRS is further clarify the concept of "distinct" for the purpose of this accounting standard. In addition, extensive disclosures are also required by MFRS 15. The Group anticipates that the application of MFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the financial statements. However, it is not practicable to provide a reasonable estimate of the financial impacts of MFRS 15 until the Group performs a detailed review.

## **2. Auditors' report**

The Auditors had expressed a disclaimer opinion in its report for the Audited Financial Statements of the Company for the Financial Year Ended 30 June 2016 and pursuant to Paragraph 9.19(37) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of Kinsteel had announced that on 27 October 2016.

## **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 second quarter and third 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 year.

## **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.



# **KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

## **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**

There was no valuation of the property, plant and equipment in the current quarter under review.

## **10. Capital commitments**

There were no material capital commitments approved and contracted for as at 30<sup>th</sup> September 2016.

## **11. Subsequent event**

There are no material event require announcement after 1<sup>st</sup> quarter as at 30<sup>th</sup> September 2016.

## **12. Changes in the Composition of the Group**

There is no material changes in the composition of the Group during the financial year ended 30<sup>th</sup> September 2016.

## **13. Contingent Liabilities and Contingent Assets**

There were no contingent liabilities or contingent assets, which upon becoming enforceable, may have a material effect on the net assets, profits or financial position of the Group.

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## 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 higher revenue of RM51.399 million against the preceding year corresponding quarter of RM54.503 million and a lower loss before tax of RM15.471 million against RM24.244 million in preceding year corresponding quarter.

The Group posted an improved result for the current quarter against preceding year corresponding quarter, mainly due to the tolling revenue in current quarter.

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

	Q1 2017 (RM mil)	Q4 2016 (RM mil)
Revenue	51.40	86.57
Loss before tax	(15.47)	(41.41)

The Group's revenue for the current quarter decreased by 40.6% or RM35.17million as compared to immediate preceding quarter is mainly due to the reducing of steel bar demand in the current quarter.

The Group's loss before taxation in the immediate preceding quarter amounted to RM41.41 million as compared to current quarter loss before tax of RM15.47 million were mainly due to the impairment losses of its investment in Perwaja RCULS amounting to RM26.78million in the immediate preceding quarter.

### 16. Prospects for the financial period ending 30 June 2017

The Group is undertaking a debt restructuring exercise to address its liquidity issue. The Group's prospect is highly dependent on the successful implementation of the proposed restructuring scheme with its financial lenders and major creditors. The Group requires operating profitably to generate sufficient cash in the future to fulfill their obligations as and when they fall due and financial support from the lenders and shareholders.

In view of the above, the prospects will continue to be challenging.

### 17. Variance between Actual Profit and Forecast Profit

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

### 18. Taxation

The Group's effective tax rate for the current quarter and financial period is lower than the prevailing statutory tax rate of 24%, mainly due to the tax losses in the current quarter and financial period.

### 19. Loss Before Taxation

Included in the loss before taxation are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		3 months ended	3 months ended
	30.09.2016	30.09.2015	30.09.2016	30.09.2015
	RM'000	RM'000	RM'000	RM'000
Depreciation of property, plant and equipment	7,001	6,906	7,001	6,906
Interest expense	10,311	11,711	10,311	11,711
Interest income	(3,185)	(6,523)	(3,185)	(6,523)

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## 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”).

The Company had on 1 April 2016 submitted the information memorandum in relation to the Proposed DRA Variations to the Creditors for their consideration. The Company will make the necessary announcement on the details of the proposed DRA variations upon the receipt of the creditors’ decision.

### 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 11<sup>th</sup> and 12<sup>th</sup> March 2015 and further study is currently on going.

## 21. Group borrowings and debt securities

The Group’s borrowings as at 30 September 2016 were as follows:-

	<b>Secured RM'000</b>	<b>Unsecured RM'000</b>	<b>Total RM'000</b>
<u>Short term borrowings:-</u>			
Bankers’ acceptances	-	479,806	479,806
Murabahah Medium Term Loan	50,000	-	50,000
Short-term loan	40,000	124,218	164,218
Bank Overdraft	-	114,756	114,756
	<u>90,000</u>	<u>718,780</u>	<u>808,780</u>
<u>Long term borrowing:-</u>			
Total	-	-	-
	<u>90,000</u>	<u>718,780</u>	<u>808,780</u>

## 22. Derivative Financial Instruments

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

# **KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

## **23. Material Litigation**

### **Knusford Marketing Sdn Bhd**

On 11 May 2016, The Board of Directors of Kinsteel announced that the Company and its wholly-owned subsidiary, Kin Kee Marketing Sdn Bhd (collectively known as “Defendants”) had on 28 April 2016 been served with a Writ of Summons and Statement of Claims filed by Knusford Marketing Sdn Bhd (“Plaintiff”) against the Defendants.

The Plaintiff is claiming that the Defendants had failed to deliver steel bars in the agreed quantity where payment has been paid by the Plaintiff. Kinsteel Bhd provided an irrevocable corporate guarantee to secure the performance of Kin Kee Marketing Sdn Bhd. Therefore, the Plaintiff is claiming from the Defendants the value of the outstanding goods that remains undelivered and the interest accrued thereon.

The amount claimed for includes:

- (i) the value of the outstanding goods amounting to RM20,074,567.90
- (ii) Interest calculated on the sum of RM20,074,567.90 at the rate of 3% per annum from 7 May 2014 to 8 April 2016;
- (iii) Interest calculated on the sum of RM20,074,567.90 at the rate of 8% per annum from 9 April 2016 to the date of full payment;
- (iv) Costs of this action; and
- (v) Such further and/or other relief as the Court deems fit.

The case management for the Claim had been fixed on 18 May 2016 at the Kuantan High Court and the Board of Directors will further assess the financial impact of the Claim subsequent to the case management. The maximum amount from the Claim is RM20,074,567.90 plus interest and costs as disclosed in our announcement dated 11 May 2016. The principal amount of RM20,074,567.90 was recognised as payables in the current financial statements of Kin Kee Marketing Sdn Bhd. Subject to the outcome of settlement for the amount claimed by Knusford Marketing Sdn Bhd, the Board is of the opinion that there is no immediate operational and financial impact to the Group.

A settlement agreement was reached on 5 September 2016.

The subsidiary has made sufficient provision on the principal amount of RM20,074,567.90.

### **ICBC Standard Bank Plc**

On 22 March 2016, The Board of Directors of Kinsteel announced that the Company and its associated company, Perwaja Holdings Berhad (“PHB”), had on 17 March 2016 been served with a summary judgement for the case where ICBC Standard Bank Plc (“ICBC”) is claiming from PHB and Kinsteel (collectively known as the “Defendants”) pursuant to the Deed of Guarantee and Indemnity between ICBC and PHB dated 8 May 2012 and Deed of Guarantee and Indemnity between ICBC and Kinsteel dated 6 June 2012 (“Guarantees”) together with interests and costs of enforcing the Guarantees on a full indemnity basis, including (without limitation) the costs of proceedings.

The Guarantees had arisen whereby PHB and Kinsteel had agreed to guarantee the payment of and indemnify ICBC for any failure by Perwaja Steel Sdn Bhd (“PSSB”) to pay monies owing to ICBC pursuant to a sale and purchase agreement entered into between PSSB and ICBC for the sale of steel scrap by ICBC to PSSB.

The summary judgement had been entered for ICBC in the sum of USD1,633,895.64 together with interest in the sum of USD1,501,369.56. The Defendants shall pay ICBC’s costs summarily assessed on the standard basis in the sum of GBP75,000 by 31 March 2016.

The Company is currently seeking the necessary legal advice to appeal to the above judgement.

## **KINSTEEL BHD (210470-M)**

(Incorporated in Malaysia)

### **23. Material Litigation (Cont'd)**

#### **Jambangan Untung Sdn Bhd**

On 17 August 2016, The Board of Kinsteel announced that the Company was served with a winding up petition dated 4 August 2016 by Messrs Chan & Associates acting for Jambangan Untung Sdn Bhd (“Petitioner”). The petition shall be heard in the High Court of Malaya, Kuantan (“Court”) on 3 November 2016.

The Petitioner is claiming for RM483,004.10 together with costs of RM800.00 being amount owing in respect of goods sold and delivered by the Petitioner to Kinsteel.

On 30 June 2016, the Petitioner served a notice pursuant to Section 218(2)(a) of the Companies Act, 1965 dated 29 June 2016 (“Notice”) requiring the Company to pay RM483,004.10 together with costs amounting to RM800.00 within 21 days from the receipt of the said Notice (“Notice Period”). The Petitioner further commenced a civil suit against the Company in Kuantan Sessions Court Suit No. B52 NCVC-12-5/2016.

Given the on-going litigation proceeding, the Company did not pay the said outstanding sum during the Notice Period leading to the Petitioner serving the winding up petition on the Company.

The winding-up petition will not have any additional financial and operational impact on the Kinsteel group. Except for the amount claimed and legal fees and disbursements involved to dismiss or strike out the winding-up petition and setting aside the default judgment, the Company is not expected to incur any further losses from the winding-up petition.

The Company has sought legal advice on the matter. The company’s solicitors are of the opinion that the winding-up petition is premature as the Petitioner’s claim was substantiated through a default judgment wrongly entered and the matter is the subject of litigation proceeding currently on-going. The petition is henceforth premature, frivolous, vexatious and an abuse of the process of the Court.

On 29 August 2016, the Notice of Application and Affidavit in Support to reinstate the Notice of Application to set aside the Judgement in Default of 31 May 2016 have been filed and sealed at the High Court of Malaya, Kuantan. Kinsteel’s solicitors will proceed to serve the copies of the application to the Petitioner thereafter. Kinsteel’s application to reinstate the application to set aside the Judgment in Default of 31 May 2016 is fixed for Hearing on 5 September 2016.

On 6 September 2016, the Kinsteel’s solicitors have served the Notice of Application and Affidavit in Support to reinstate the Notice of Application to set aside the Judgement in Default of 31 May 2016 on the Petitioner’s solicitors.

The High Court of Malaya, Kuantan has fixed the next case management on 3 October 2016. The case is settled amicably by Kinsteel issuing post dated cheque to Jambangan Untung Sdn Bhd.

Except for the above claim, as at 21 November 2016, neither our Company nor any of our subsidiaries is engaged in any additional material litigation and arbitration either as plaintiff or defendant, save and except those that have been disclosed previously, which has a material effect on the financial position of our Company or our subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of our Company or our subsidiaries.

### **24. Proposed Dividend**

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

# KINSTEEL BHD (210470-M)

(Incorporated in Malaysia)

## 25. Loss Per Share “LPS”

The basic LPS is calculated based on the Group's net loss 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:

	<b>Current quarter 3 months ended 30.09.2016 RM'000</b>	<b>Cumulative 3 months ended 30.09.2016 RM'000</b>
Net loss attributable to ordinary shareholders of the owners of the Company	(11,469)	(11,469)
Weighted average number of ordinary shares in issue	1,041,604	1,041,604
Basic LPS (sen)	(1.10)	(1.10)

There is no diluted EPS as the Company does not have any options or convertible shares at the end of the financial year.

## 26. Realised and Unrealised Losses Disclosure

The accumulated profits as at 30 September 2016 and 30 June 2016 is analysed as follows:

	<b>As at 30.09.2016 RM'000</b>	<b>As at 30.06.2016 RM'000</b>
Total accumulated losses :		
- Realised	(524,642)	(509,379)
- Unrealised	(64,483)	(64,601)
	<hr/>	<hr/>
	(589,125)	(573,980)
Total share of loss of associate:		
- realised	(7,950)	(7,950)
	<hr/>	<hr/>
	(597,075)	(581,930)
Less: Consolidation adjustments	430,132	426,456
Total Accumulated Losses	<hr/> <hr/>	<hr/> <hr/>
	(166,943)	(155,474)

## 27. Comparatives

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

## 28. Significant Related Party Transactions

	<b>As at 30.09.2016 RM'000</b>
Purchase of goods and services	120
Rental expenses	30
Sales of goods	1,543

## 29. Review by external auditors

The Board had engaged the external auditors to review and report on the interim condensed consolidated financial statements for the three-month period ended 30 September 2016. Accordingly, the interim condensed consolidated financial report for the financial period under review has been reviewed by the Company's external auditors in accordance with International Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.