

KINSTEEL BHD (210470-M)

(In Liquidation)

(Incorporated in Malaysia)



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 30 JUNE 2019**

KINSTEEL BHD (210470-M)**(In Liquidation)**

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE QUARTER AND YEAR ENDED 30 JUNE 2019

	Individual Quarter (Q4)		Cumulative Quarter (12Mths)	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year to Date	Preceding Year Corresponding Ended
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	24,639	34,285	122,169	168,133
Operating expenditure	(151,668)	(281,862)	(270,822)	(461,894)
Other income	(3,303)	556	3,772	7,836
Finance costs	(17,812)	(17,921)	(71,643)	(71,932)
Loss before taxation	(148,144)	(264,942)	(216,524)	(358,048)
Taxation	-	(1,009)	-	191
Loss after taxation	(148,144)	(265,951)	(216,524)	(357,857)
Other Comprehensive Expenses				
Fair value changes of available-for-sale financial asset	-	-	-	-
	(148,144)	(265,951)	(216,524)	(357,857)
Loss after taxation				
Equity holders of the parent	(125,185)	(127,080)	(182,082)	(203,583)
Non-controlling interest	(22,959)	(138,871)	(34,442)	(154,274)
	(148,144)	(265,951)	(216,524)	(357,857)
Total comprehensive expenses attributable to:				
Equity holders of the parent	(125,185)	(127,080)	(182,082)	(203,583)
Non-controlling interest	(22,959)	(138,871)	(34,442)	(154,274)
	(148,144)	(265,951)	(216,524)	(357,857)
Loss per share				
- Basic LPS (sen)-Continuing Operation	(12.02)	(20.55)	(17.48)	(19.55)

The above condensed consolidated statement of profit or loss should be read in conjunction with the unaudited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

	As at End of Financial Year 30.06.2019	As at Unaudited Financial Year End 30.06.2018
	RM'000	RM'000
ASSETS		
Investment in associates	500	500
Property, plant and equipment	497,051	758,522
	<u>497,551</u>	<u>759,022</u>
Current assets		
Inventories	90,833	99,118
Receivables	49,390	58,879
Tax recoverable	1,069	1,069
Cash and bank balances	3,408	675
	<u>144,700</u>	<u>159,741</u>
TOTAL ASSETS	<u><u>642,251</u></u>	<u><u>918,763</u></u>
EQUITY AND LIABILITIES		
Share capital	82,961	82,961
Share premium	-	-
Treasury shares	(4,153)	(4,153)
Accumulated losses	(864,977)	(682,915)
Reserves	77,706	143,844
Equity attributable to owners of the parent	(708,463)	(460,263)
Non-controlling interest	43,117	109,967
Total equity	<u>(665,346)</u>	<u>(350,296)</u>
Non-current liabilities		
Deferred taxation	34,761	61,988
Loan and borrowings (Note 21)	-	-
	<u>34,761</u>	<u>61,988</u>
Current liabilities		
Trade and other payables	471,819	403,579
Overdrafts and shortterm borrowings (Note 21)	801,017	803,492
	<u>1,272,836</u>	<u>1,207,071</u>
Total liabilities	<u>1,307,597</u>	<u>1,269,059</u>
TOTAL EQUITY AND LIABILITIES	<u><u>642,251</u></u>	<u><u>918,763</u></u>
Net assets per share attributable to equity holders of the parent (sen)	<u>(63.88)</u>	<u>(33.63)</u>

The above condensed consolidated statement of financial position should be read in conjunction with the unaudited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

KINSTEEL BHD (210470-M)**(In Liquidation)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED
30 JUNE 2019**

	Attributable to Equity Holders of the Company		Share Premium RM'000	Revaluation Reserve RM'000	Fair Value Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non controlling Interest RM'000	Total Equity RM'000
	Non-distributable	Distributable							
	Share Capital RM'000	Treasury Shares RM'000							
Balance at 01.07.2018	82,961	(4,153)	-	143,844	-	(682,915)	(460,263)	109,967	(350,296)
Loss after taxation for the financial year	-	-	-	-	-	(182,062)	(182,062)	(34,442)	(216,504)
Reversed of revaluation	-	-	-	(66,138)	-	-	(66,138)	(32,408)	(98,546)
Total comprehensive expenses for the financial year	-	-	-	(66,138)	-	(182,062)	(248,200)	(66,850)	(315,050)
Balance at 30.06.2019	82,961	(4,153)	-	77,706	-	(864,977)	(708,463)	43,117	(665,346)
Balance at 01.07.2017	82,961	(4,153)	-	143,844	-	(479,332)	(256,680)	264,241	7,561
Loss after taxation for the financial year	-	-	-	-	-	(203,583)	(203,583)	(154,274)	(357,857)
Total comprehensive income/(expenses) for the financial year	-	-	-	-	-	(203,583)	(203,583)	(154,274)	(357,857)
Balance at 30.06.2018	82,961	(4,153)	-	143,844	-	(682,915)	(460,263)	109,967	(350,296)

The above condensed consolidated statement of changes in equity should be read in conjunction with the unaudited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

KINSTEEL BHD (210470-M)**(In Liquidation)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE YEAR ENDED
30 JUNE 2019**

	12 months ended 30.06.2019 RM'000	12 months ended 30.06.2018 RM'000
Cash Flows For Operating Activities		
Loss before taxation	(216,524)	(357,666)
Adjustments for non-cash flow :		
Allowance for impairment loss on fixed assets	104,410	238,110
Allowance for impairment loss on receivables	-	8,621
Depreciation of property, plant and equipment	16,601	27,394
Loss on disposal of fixed assets	-	5,114
Interest income	-	(6,373)
Interest expense	71,643	71,932
Operating loss before working capital changes	23,870	(12,868)
Decrease in inventories	8,285	11,995
Decrease/(Increase) in receivables	9,489	(1,525)
Increase / (Decrease) in payables	3,403	(2,290)
Changes in working capital	2,693	(4,688)
Interest paid	(2)	-
Income tax refund	0	191
Net Cash From Operating Activities	2,691	(4,497)
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	-	(418)
Proceeds from disposal of property and equipment	-	1,495
Net Cash From Investing Activities	-	1,077
Cash Flows For Financing Activities		
Net drawdown of bankers' acceptance	-	2,493
Repayment of loans	(2,475)	(2,451)
Repayment of hire purchase obligations	0	(85)
Advances from directors	0	10
Net Cash For Financing Activities	(2,475)	(33)
Net Decrease In Cash And Cash Equivalents	216	(3,453)
Cash and cash equivalents at beginning of the year	(118,077)	(114,624)
Cash And Cash Equivalents At End Of The Year	(117,861)	(118,077)
Composition of cash and cash equivalents		
Cash and bank balances	3,394	675
Bank overdrafts	(121,255)	(118,752)
Cash And Cash Equivalents At End Of The Year	(117,861)	(118,077)

The above condensed consolidated cash flow statement should be read in conjunction with the unaudited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. 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 unaudited financial statements for the financial year ended 30 June 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 30 June 2018.

As disclosed in Note B7(c), the financial and operational impact of the winding-up proceedings on the Company is that the Company would be wound up and dissolved. At this moment, the Company is unable to ascertain the extent of the effect of the winding-up of the Company on the Group. The Company will provide updates on this matter in due course. In view of the ongoing, the preparation of the financial statements of the Group for the current quarter are prepared on a going concern basis, and do not include any adjustments relating to the amount and classification of assets and liabilities that may be necessary on the winding up of the Company on the Group.

Further development on the above matter will be announced to Bursa Malaysia Securities Berhad in due course.

A2. Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2019.

The accounting policies adopted by the Group in these interim financial statements are consistent with those adopted in the audited financial statements of the Company for the financial year ended 30 June 2018 except for the adoption of the following new MFRS, Amendments to MFRS and IC Interpretations that are mandatory for annual financial periods beginning on or after 1 July 2018:

MFRS 16, Leases

IC Interpretations 23, Uncertainty over Income Tax Treatments

Amendments to MFRS 128, Long-term Interests in Associates and Joint Ventures Amendments to MFRS 9, Prepayment Features with Negative Compensation

Amendments to MFRS 3, Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)

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 123, Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017

Cycle) Amendments to MFRS 119, Employee Benefits (Plan Amendment, Curtailment or Settlement)

The adoption of the above MFRS, Amendments and IC Interpretations does not have any material impact on the financial statements of the Group.

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

A3. (i) Auditors' Report on Preceding Annual Audited Financial Statements 2017

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 2017 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 15 December 2017.

(ii) Status of Annual Audited Financial Statements 2018

On 01 November 2018, the Company has failed to submit its Annual Report that includes the annual audited financial statements together with the auditors' and directors' reports in respect of the financial year ended 30 June 2018 ("AR 2018") to Bursa Malaysia Securities Berhad ("Bursa Securities") for public release within the stipulated timeframe i.e. 31 October 2018, pursuant to paragraph 9.23(1) of Bursa Securities' Main Market Listing Requirements ("LR").

Pursuant to Paragraph 9.28(5) of the LR, if a listed issuer fails to issue the outstanding financial statements within 5 market days after the expiry of the relevant timeframes stated in Paragraph 9.23(1) of the LR ("Relevant Timeframes") (the last day of the 5 market days is referred to as "Suspension Deadline"), in addition to any enforcement action that Bursa Securities may take, Bursa Securities shall suspend the trading in the securities of such listed issuer. The suspension shall be affected on the next market day after the Suspension Deadline.

In view of the above and in accordance with Paragraph 9.28(5) of the LR, a trading suspension will be imposed on the securities of the Company. The Company's securities has been suspended from trading since 5 January 2018 and suspension of trading will continue until further notice.

Pursuant to Paragraph 9.28(6) of the LR, if a listed issuer fails to issue the outstanding financial statements within 6 months from the expiry of the relevant timeframes, in addition to any enforcement action that Bursa Securities may take; de-listing procedures shall be commenced against the Company.

On 18 December 2018, the Board announced the following:

- (a) The reason for failing to issue the Annual Report 2018 within the Relevant Timeframe to Bursa Securities was due to the delay and issues faced in the appointment of auditors. The auditors could not be formally appointed due to the cessation of the Board's powers in the Company upon the appointment of the Liquidator, which caused the delay in the preparation of Financial Statements for the financial year ended 30 June 2018.
- (b) The Board of Directors of the Company ("Board") had agreed to consult the Court for guidance in relation to the Board's authority to appoint auditors on behalf of the Company. As of the date of the announcement, the application is in process. Upon receiving guidance from the Court, the Company will make an immediate announcement pertaining to the issuance of the Annual Report 2018.

On 29 March 2019, the Board of the Directors of the Company ("Board") made an application to the Court for guidance in relation to the Board's authority to appoint auditors on behalf of the Company is still in process. Upon receiving guidance from the Court, the Company will make an immediate announcement pertaining to the issuance of the Annual Report 2018.

On 10 July 2019, the Company was granted an Order by the High Court of Malaya pursuant to Section 366 of the Companies Act 2016 (the "Act") for, *inter alia*, the following prayers:

- (i) to convene meeting(s) with Kinsteel's scheme creditors ("**Scheme Creditors**"), members and/or contributories pursuant to Section 366(1) of the Act for the purposes of taking into consideration and, if considered fit, to approve with or without any alteration or modification, a proposed scheme of arrangement and compromise for Kinsteel. The meetings shall be held within 180 days from the date of the Order;

KINSTEEL BHD (210470-M)

(In Liquidation)

(Incorporated in Malaysia)

- (ii) to appoint a principal advisor as well as the members of the Due Diligence Working Group for the submission of the proposed scheme of arrangement and all other necessary documents, announcements or circulars to Bursa Malaysia Securities Berhad, Securities Commission Malaysia and other relevant regulatory bodies;
- (iii) to appoint external auditors of the Company so as to facilitate the auditing and issuance of the audited financial statements of the Company; and
- (iv) to recommend and appoint independent directors to Kinsteel's Board of Directors, and be authorised to approve or do such acts and things necessary and expedient for or in connection with the proposed regularisation scheme.

A4. 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.

A5. 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.

A6. 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.

A7. 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.

A8. Dividends paid

No dividend was paid during the financial year.

A9. Segmental information

Segmental information has been prepared 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.

A10. Valuation of property, plant and equipment

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

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

A11. Material events subsequent to end of the interim period

(i) **On 22 April 2019**, as part of the liquidation of the Company, the Company has on 3 August 2018 conducted an expression of interest exercise to sell its assets in which advertisements were placed in several newspapers circulating in Malaysia, inviting offers from members of the public. Accordingly, the Company had on 22 April 2019 entered into Sale and Purchase Agreements (“SPAs”) with Top Gloss Sdn Bhd (“TGSB”), API Terengganu Sdn Bhd (“ATSB”) and KW Steel & Minerals Sdn Bhd (“KWSMSB”), for the proposed disposal of the following assets:

- (1) six (6) parcels of leasehold industrial land together with buildings erected thereon held under six (6) separate Issue Document of Title i.e. HSD 9690 PT 4540, PN6992 Lot No. 8924, HSD 7829 PT 3644, HSD 18129 PT 7528, PN6979 Lot No. 8927 and PN7020 Lot No. 8926 all in Mukim Sungai Karang, District of Kuantan, State of Pahang Darul Makmur for RM17,833,718.70; and (collectively referred to as the “KB Land & Buildings”)
- (2) plant and machinery for RM12.1 million (“Plant & Machinery”).

The Company and Harvard Vision Sdn Bhd (“HVSB”), a wholly-owned subsidiary of Kinsteel, had also on entered into a Sale and Purchase Agreement with TGSB for HVSB’s proposed disposal of a parcel of leasehold industrial land together with buildings erected thereon held under a separate Issue Document of Title i.e. PN 7778 Lot 8916, Mukim Sungai Karang, District of Kuantan, State of Pahang Darul Makmur for RM20,851,891 to TGSB (“HVSB Land”).

The total cash consideration for the proposed disposal of KB Land & Buildings, Plant & Machinery and HVSB Land (collectively referred to as the “Assets”) is RM50,785,609.70 (“Disposal Consideration”).

The Company would like to inform that the Sale and Purchase Agreements (“SPA”) entered between the Company, API (Terengganu) Sdn. Bhd. and Top Gloss Sdn. Bhd. were both completed on 19 July 2019 and 22 July 2019 respectively.

The remaining SPA with KW Steel & Minerals Sdn. Bhd. has yet to be completed.

(ii) **On 9 May 2019**, Perfect Channel Sdn Bhd (“PCSB”), being 51% subsidiary of Kinsteel, has on 8 May 2019, received a Notice pursuant to Section 377(1) of the Companies Act, 2016 of the Appointment of Receiver (“Notice”) by Standard Chartered Bank Malaysia Berhad (“SCBMB”). Pursuant to the Notice dated 8 May 2019, SCBMB has appointed Dato’ Narendrakumar A/L ChunilaiRugnath of Grant Thornton Consulting Sdn Bhd, as Receiver over the Charged Assets of PCSB under the powers contained in the Debenture (Plant, Machinery and Equipment) dated 12 June 2007 and Debenture dated 18 October 2006 created by PCSB in favour of SCBMB for the facilities granted by SCBMB (“Debentures”).

(iii) **On 14 May 2019**, Perfect Channel Sdn Bhd (“PCSB”), being 51% subsidiary of Kinsteel and Perfect Wiremakers Sdn Bhd (“PWSB”), being a wholly-owned subsidiary of PCSB, had on 13 May 2019 received an order pursuant to Sections 366 and 368 of the Companies Act 2016 (“the Act”) granted by the High Court of Malaya at Kuantan restraining all proceedings and actions brought against PCSB and PWSB (“Order”) except with leave of Court and subject such terms as may be determined by the Court, pursuant to Section 368 of the Act. The Order commenced on 10 May 2019 for a period of 90 days up to 10 August 2019. The appeal was made upon the notice of the Receiver’s order on PCSB, which was announced on 9 May 2019.

The restraining order is not envisaged to have any material financial and operational impact as the holding company, Kinsteel Berhad is already in liquidation.

The proposed scheme has not been finalised and the Company will make an immediate announcement once it is finalised.

Save as disclosed above and in Note B7 Status of Corporate Proposals, there were no other material events subsequent to the reporting period that have not been reflected in the interim financial statements.

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

A12. Changes in the Composition of the Group

There is no material changes in the composition of the Group as at 30 June 2019.

A13. Capital commitments

There were no material capital commitments approved and contracted for as at 30th June 2019.

A14. Contingent Liabilities

Contingent liabilities for the Group are as stated below :-

	As at 30 June 2019 RM'000	As at 30 June 2017 RM'000
Corporate guarantees for bank facilities :-		
a) granted to subsidiaries	153,000	153,000
b) granted to a related party	791,000	791,000
	<u>944,000</u>	<u>944,000</u>

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

NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2019

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

B1. Review of performance of the Company and its principal subsidiaries

For the current quarter under review, the Group reported a lower revenue of RM24.64 million against the preceding year corresponding quarter of RM34.29 million mainly due to lower demand on the sale of steel products in current quarter.

The Group posted an unfavorable result for the current quarter and the preceding year corresponding quarter were mainly due to the impairment losses of its property, plant and equipment amounting to RM238.1 million in preceding year corresponding quarter and RM104.4 million in current quarter.

B2. Material changes in the current quarter results compared to the results of the immediate preceding quarter

	Q4 2019 (RM mil)	Q3 2019 (RM mil)
Revenue	24.64	31.96
Loss before tax	(148.14)	(21.75)

The Group's revenue for the current quarter is decreased by 22.90% or RM7.32 million as compared to immediate preceding quarter mainly due to lower demand of sale of its steel products.

The Group's loss before taxation in the immediate preceding quarter amounted to RM21.75 million as compared to current quarter loss before tax of RM148.14 million were mainly due to the impairment losses of its property, plant and equipment amounting to RM104.4 million in current quarter.

B3. Commentary on prospects.

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 to operate 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.

On 13 February 2018, the Company was served with a notice of appointment of a liquidator, Mr Duar Tuan Kiat of Messrs. Ernst & Young situated at Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.

The financial and operational impact of the winding-up proceedings on the Company is that the Company would be wound up and dissolved. At this moment, the Company is unable to ascertain the extent of the effect of the winding-up of the Company on the Group. The Company will provide updates on this matter in due course. In view of the ongoing, the preparation of the financial statements of the Group for the current quarter are prepared on a going concern basis, and do not include any adjustments relating to the amount and classification of assets and liabilities that may be necessary on the winding up of the Company on the Group.

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

B4. Variance between Actual Profit and Forecast Profit

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

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

B5. 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 year.

B6. Loss Before Taxation

Included in the loss before taxation are the following items:

	Current quarter		Cumulative quarter	
	3 months ended		12 months ended	12 months ended
	30.06.2019	30.06.2018	30.06.2019	30.06.2018
	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses on property, plant and equipment	104,410	238,110	104,410	238,110
Depreciation of property, plant and equipment	4,126	7,168	16,601	27,394
Loss on disposal of fixed assets	-	-	-	5,114
Interest expense	17,812	17,921	71,643	71,932
Interest income	-	-	-	(6,373)

B7. Status of Corporate Proposals

(a) Corporate Debt Restructuring Committee (CDRC) Status

The Company and its subsidiary, Perfect Channel SdnBhd 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 Group has not been able to fulfil the conditions precedent in the DRA. Following the lapse of time under the DRA, the CDRC has notified the Company of its removal from CDRC's purview effective from 7 February 2017. Moving forward, Kinsteel will negotiate a resolution of its debts directly with the lenders.

(b) Practice Note 17 ("PN 17") Status

On 27 October 2016, the Company is an affected listed issuer under Practice Note 17 ("PN 17") of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("MMLR") ("Bursa Securities"). This is due to the Group having triggered paragraph 2.1(d) of PN17 as the Company's auditors have expressed a disclaimer opinion in the Group's audited financial statements for the financial year ended 30 June 2016.

KINSTEEL BHD (210470-M)

(In Liquidation)

(Incorporated in Malaysia)

On 3 January 2017, the Company has been granted an order pursuant to Section 176(1) and 176(10) of the Companies Act, 1965 (the “Act”), by the High Court of Malaya in Kuala Lumpur (“High Court”) to restrain all further proceedings, and any and all actions or proceedings brought by any party including its Scheme Creditors consisting of creditors and bankers up to 28 February 2017 (“the Order”).

On 7 February 2017, the Board of Directors of the Group were informed that the CDRC has notified the Company of its removal from CDRC’s purview effective on that date as the Group has not been able to fulfil the conditions precedent in the DRA including payment for the balance of the stamp duties. The Group and the Company together with the scheme’s advisor are currently negotiating a resolution of debts directly with the major lenders.

On 11 April 2017, the Company has been granted an order pursuant to Section 366(1) and 368(1) of the Companies Act 2016 (the “Act”), by the High Court of Malaya in AlorSetar in the state of Kedah Darul Aman (“High Court”) to restrain all proceedings and actions brought by any party including its Scheme Creditors consisting of creditors and bankers for a period of three (3) months effective from 11 April 2017 (“the Order”).

On 11 July 2017, Kinsteel Bhd., Kin Kee Marketing Sdn. Bhd. and Perfect Channel Sdn. Bhd. have been granted an Order pursuant to Section 366(1) and 368(1) of the Companies Act 2016 by the High Court of Malaya in Shah Alam to restrain all proceedings and actions brought by any party including its creditors for a period of ninety (90) days effective from the date of the Order been granted.

On 9 October 2017, the Company has been granted an order pursuant to Section 366(1) of the Company Act 2016 (the “Act”) by the High Court of Malaya in Ipoh to restrain all proceedings and actions brought by any party including its creditors for a period of three (3) months effective from 9 October 2017.

The Company is required to submit a regularisation plan to Securities Commission or Bursa Securities by 26 October 2017. On 23 October 2017, the Company submitted an application to Bursa for the extension of time for submission of its regularisation plan as the negotiation with all the major lenders are still on going.

The Company had on 27 December 2017 received a letter of suspension and de-listing of the securities of KinsteelBhd from Bursa Securities due to the Company’s failure to submit its regularisation plan to the Securities Commission or Bursa Securities for approval within the stipulated timeframe under Paragraph 8.04(3)(a) of the Bursa Securities's Main Market Listing Requirements ("Main LR") and rejection of the Kinsteel's Application.

On 4 January 2018, The Company submitted an appeal against the suspension and de-listing to Bursa Securities (“Appeal”). On 5 February 2018, the Company announced that Bursa Malaysia Securities Berhad (“Bursa Securities”) had vide its letter dated 5 February 2018 informed that after due consideration of all facts and circumstances of the appeal submitted by the Company to Bursa Securities on 4 January 2018 had decided to grant the Company an extension of time until 30 June 2018 to submit its regularisation plan to the relevant authorities for approval (“the Extended Timeframe”) provided that the Company makes the Requisite Announcement by 31 March 2018.

Bursa Securities further decided to de-list the securities of the Company from the Official List of Bursa Securities pursuant to Paragraph 8.04 of the Main LR in the event:-

- (i) the Company fails to make the Requisite Announcement on or before 31 March 2018;
- (ii) the Company fails to submit the regularisation plan to the relevant authorities for approval within the Extended Timeframe i.e. on or before 30 June 2018;
- (iii) the Company fails to obtain the approval for the implementation of its regularisation plan and does not appeal within the timeframe [or extended timeframe(s), as the case may be] prescribed to lodge an appeal;
- (iv) the Company does not succeed in its appeal; or
- (v) the Company fails to implement its regularisation plan within the timeframe or extended timeframe(s) stipulated by the relevant authorities.

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

Upon occurrence of any of the events set out in paragraphs (i) to (v) above, the securities of the Company shall be removed from the Official List of Bursa Securities upon the expiry of two (2) market days from the date the Company is notified by Bursa Securities or on such other date as may be specified by Bursa Securities.

On 30 March 2018, the Company announced that The Board of Directors of Kinsteel (“Board”) is currently developing a composite restructuring scheme for the Company. As such, the Board will submit an application to Bursa Securities for extension of time up to 30 April 2018 to make the requisite announcement.

On 20 April 2018, The Board of Directors of the Company announced that Bursa Securities has deferred the determination of the Further Appeal in respect of the application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for an extension of time to make the requisite announcement (“the Further Appeal”)until the conclusion of the Court Proceedings[as disclosed in Note B7(c)]

(c) Liquidation / Winding Up Order

On the 22 January 2018, the High Court of Malaya at Kuantan has made a Winding-Up Order pursuant to the Section 218 of the Companies Act, 1965 served on 22 December 2016 by Messrs T.J. Goh & Co., acting for Knusford Marketing Sdn Bhd (“Plaintiff”) against the Company and Kin Kee Marketing SdnBhd, a 100% owned subsidiary of Kinsteel.

The Company has submitted an appeal against the decision of the Winding Up Order by Messrs Chooi, Saw & Lim to High Court of Malaya at Kuantan on the 25 January 2018.

On 13 February 2018, the Company was served with a notice of appointment of a liquidator, Mr Duar Tuan Kiat of Messrs. Ernst & Young situated at Level 23A, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, 50490 Kuala Lumpur.

The Court had hear the first appeal hearing on 8 March 2018 and postponed the decision to stay the Winding Up order to 16 March 2018. Subsequently, the Court had on 16 March 2018 further postponed the decision to stay the Winding Up order to 3 April 2018.

On 3 April 2018, the High Court of Malaya at Kuantan has dismissed the Company’s application for a stay of the Winding Up Order dated 22 January 2018 pending the hearing of the Company’s appeal against the Winding Up Order. Subsequently, the Company had on 12 April 2018 filed for a further application (“Motion”) to stay the Winding Up Order with the Court of Appeal together with an Affidavit in Support. The Court of Appeal has directed Knusford Marketing Sdn Bhd (“Respondent”) to file their Affidavit in Reply by 2 May 2018.The Motion to stay the Winding Up Order with the Court of Appeal and the appeal against the decision of the Winding Up Order shall collectively be referred to as “Court Proceedings”.

On 2 May 2019, the Court of Appeals has fixed on 25 June 2019 as the hearing date for appeal of the grant of Winding-up order against the Company. The Company is required to file the submissions (legal arguments) on or before 11 June 2019.

On 12 July 2019, the Court of Appeal informed the parties that if a stay of proceedings is not obtained, the hearing on 15 October 2019 shall proceed.

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

B8. Group borrowings and debt securities

The Group's borrowings as at 30 June 2019 are as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
<u>Short term borrowings:-</u>			
Bankers' acceptances	-	482,299	482,299
Murabahah Medium Term Loan	50,000	-	50,000
Short-term loan	40,000	107,463	147,463
Bank Overdraft	-	121,255	121,255
	<u>90,000</u>	<u>711,017</u>	<u>801,017</u>

B9. Derivative Financial Instruments

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

B10. Material Litigation

Knusford Marketing Sdn Bhd

On 11 May 2016, 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. 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 Company is given 21 days from the date of service of the notice i.e. 25 November 2016 to settle the said outstanding amount failing which winding up proceedings is expected to be commenced against the Company.

B10. Material Litigation (Cont'd)

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

The Company is currently exploring an out of court settlement to reschedule the repayment terms of the amount due to the Plaintiff.

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

On 11 April 2017, the Company has been granted an order pursuant to Section 366(1) and 368(1) of the Company Act 2016 (the “Act”) by the High Court of Malaya in Alor Setar (“High Court”) to restrain all proceedings and actions brought by any party including its creditors for a period of three (3) months effective from 11 April 2017 (“the Order”). The Order was applied by CTJ Logistics Sdn Bhd, the unsecured creditor of Kinsteel, to facilitate Kinsteel to convene a meeting with its creditors pursuant to Section 366(1) of the Act for the purpose of considering and if thought fit, to approve with or without any alteration or modification, a proposed scheme of arrangement and compromise for Kinsteel including the amount due to plaintiff. On 11 July 2017, Kinsteel Bhd, Kin Kee Marketing Sdn Bhd and Perfect Channel Sdn Bhd have been granted an Order pursuant to Section 366(1) and 368(1) of the Companies Act, 2016 by the High Court of Malaya in Shah Alam to restrain all proceedings and actions brought by any party including its creditors for a period of ninety (90) days effective from the date of the Order been granted.

On 9 October 2017, the Company has been granted an order pursuant to Section 366(1) of the Company Act 2016 (the “Act”) by the High Court of Malaya in Ipoh to restrain all proceedings and actions brought by any party including its creditors for a period of three (3) months effective from 9 October 2017. The court order was applied by OA Engineering Consultants, the unsecured creditor of Kinsteel, to facilitate Kinsteel to convene a meeting with its creditors pursuant to Section 366(1) of the Act for the purpose of considering and if thought fit, to approve with or without any alteration or modification, a proposed scheme of arrangement and compromise for Kinsteel including the amount due to plaintiff.

On 29 January 2018, the High Court of Malaya at Kuantan has made a winding-up order pursuant to the Section 218 of the Companies Act, 1965 against the Company and Kin Kee Marketing Sdn Bhd, a 100% owned subsidiary of Kinsteel on the 22 January 2018.

The Company has submitted an appeal against the decision of the winding up order by Messrs Chooi, Saw & Lim to High Court of Malaya at Kuantan on the 25 January 2018. The Court had heard the first appeal hearing on 8 March 2018 and postponed the decision to stay the Winding Up order to 16 March 2018. Subsequently, the Court had on 16 March 2018 further postponed the decision to stay the Winding Up order to 3 April 2018.

On 3 April 2018, the High Court of Malaya at Kuantan has dismissed the Company’s application for a stay of the Winding Up Order dated 22 January 2018 pending the hearing of the Company’s appeal against the Winding Up Order. Subsequently, the Company had on 12 April 2018 filed for a further application (“Motion”) to stay the Winding Up Order with the Court of Appeal together with an Affidavit in Support. The Court of Appeal has directed Knusford Marketing Sdn Bhd (“Respondent”) to file their Affidavit in Reply by 2 May 2018. The Motion to stay the Winding Up Order with the Court of Appeal and the appeal against the decision of the Winding Up Order shall collectively be referred to as “Court Proceedings”.

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

B10. Material Litigation (Cont'd)

ICBC Standard Bank Plc

On 22 March 2016, 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 SdnBhd (“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.

Tenaga Nasional Berhad

On 26 October 2017, the Company was served with a winding up petition dated 23 October 2017 by Messrs. Deol & Gill acting for Tenaga Nasional Berhad (“Petitioner”). The petition shall be heard in the High Court of Malaya at Kuantan (“Court”) on 25 January 2018.

The Petitioner is claiming for RM20,000.00 being cost awarded by the Court pursuant to the judgment dated 12 May 2017.

The Company has taken steps to resolve the matter by paying the sum of RM20,000.00 by 30 November 2017 to Tenaga Nasional Berhad.

Except for the above claim, 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.

B11. Proposed Dividend

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

KINSTEEL BHD (210470-M)**(In Liquidation)**

(Incorporated in Malaysia)

B12. 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 year as follows:

	Current quarter 3 months ended 30.06.2019 RM'000	Cumulative 12 months ended 30.06.2019 RM'000
Net loss attributable to ordinary shareholders of the owners of the Company	(148,144)	(182,082)
Weighted average number of ordinary shares in issue	1,041,604	1,041,604
Basic LPS (sen)	(14.22)	(17.48)

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

B13. Significant Related Party Transactions

	As at 30.06.2019
RM'000	
Sales of goods	1,800