

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



CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FINANCIAL QUARTER ENDED
30 September, 2019

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

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial quarter ended 30 September 2019 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER 30-Sep-19 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-Sep-18 RM'000	CURRENT PERIOD 30-Sep-19 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30-Sep-18 RM'000
Revenue	20,767	34,273	20,767	34,273
Operating expenditure	(29,993)	(42,218)	(29,993)	(42,218)
Other income	2,078	2,380	2,078	2,380
Finance costs	(18,020)	(18,069)	(18,020)	(18,069)
Loss before tax	(25,168)	(23,634)	(25,168)	(23,634)
Taxation	-	-	-	-
Loss after taxation	(25,168)	(23,634)	(25,168)	(23,634)
Other Comprehensive Expenses				
Fair value changes of available-for-sale financial asset	-	-	-	-
	(25,168)	(23,634)	(25,168)	(23,634)
Loss after taxation attributable to:				
Equity holders of the parent	(20,768)	(19,448)	(20,768)	(19,448)
Non-controlling interest	(4,400)	(4,186)	(4,400)	(4,186)
	(25,168)	(23,634)	(25,168)	(23,634)
Total comprehensive expenses attributable to :				
Equity holders of the parent	(20,768)	(19,448)	(20,768)	(19,448)
Non-controlling interest	(4,400)	(4,186)	(4,400)	(4,186)
	(25,168)	(23,634)	(25,168)	(23,634)
Loss per share				
Basic LPS (sen)-Continuing Operation	(1.99)	(1.87)	(1.99)	(1.87)

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 2019 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 SEPTEMBER 2019

The figures have not been audited.

	AS AT 30-Sep-19 UNAUDITED RM'000	AS AT 30-Jun-19 UNAUDITED RM'000
ASSETS		
Investment in associates	500	500
Property, plant and equipment	491,351	497,051
	491,851	497,551
Current Assets		
Inventories	86,542	90,833
Receivables	51,530	49,390
Tax recoverable	1,069	1,069
Cash and bank balances	3,292	3,408
	142,432	144,700
TOTAL ASSETS	634,283	642,251
EQUITY AND LIABILITIES		
Share capital	82,961	82,961
Revaluation reserve	77,706	77,706
Treasury shares	(4,153)	(4,153)
Retained profits b/f	(885,746)	(864,977)
Equity attributable to owners of the parent	(729,231)	(708,463)
Non-controlling interest	38,717	43,117
Total equity	(690,514)	(665,346)
Non-Current Liabilities		
Deferred taxation	34,761	34,761
Loan and borrowings	-	-
	34,761	34,761
Current Liabilities		
Trade and other payables	472,974	471,819
Overdrafts and short term borrowings	817,062	801,017
	1,290,036	1,272,836
Total Liabilities	1,324,796	1,307,597
TOTAL EQUITY AND LIABILITIES	634,283	642,251
Net assets per share attributable to ordinary equity holders of the parent (RM)	(0.66)	(0.64)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

KINSTEEL BHD (210470-M)
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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

	Attributable to equity holders of the parent				Total RM'000	Non controlling interest RM'000	Total Equity RM'000
	Non-distributable		Distributable				
	Share capital RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Accumulated losses RM'000			
Balance as at 1.7.2019	82,961	(4,153)	77,706	(864,977)	(708,463)	43,117	(665,346)
Loss after taxation for the financial year	-	-	-	(20,768)	(20,768)	(4,400)	(25,168)
Total comprehensive expense for the financial year ended 30.09.2019	-	-	-	(20,768)	(20,768)	(4,400)	(25,168)
Balance as at 30.09.2019	82,961	(4,153)	77,706	(885,745)	(729,231)	38,717	(690,514)
Balance as at 1.7.2018	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 expense for the financial year ended 30.06.2019	-	-	(66,138)	(182,062)	(248,200)	(66,850)	(315,050)
Balance as at 30.06.2019	82,961	(4,153)	77,706	(864,977)	(708,463)	43,117	(665,346)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

The figures have not been audited.

	3 months ended 30-Sep-19 RM'000	3 months ended 30-Sep-18 RM'000
LOSS BEFORE TAX	(25,168)	(23,633)
<i>Adjustment for:</i>		
Depreciation of property, plant and equipment	5,700	4,154
Interest expense	20,655	18,069
Operating profit before working capital changes	1,188	(1,410)
(Increase)/Decrease in current assets		
Decrease in inventories	4,291	7,400
Decrease/(Increase) in receivables	(2,140)	(5,762)
Increase / (Decrease) in payables	(4,033)	1,237
CASH FLOWS FROM OPERATION	(694)	1,465
Interest Paid	(1)	-
NET CASH FROM OPERATING ACTIVITIES	(695)	1,465
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of loans	5	(1,487)
NET CASH FROM FINANCING ACTIVITIES	5	(1,487)
NET INCREASE IN CASH AND CASH EQUIVALENTS	(690)	(22)
CASH AND CASH EQUIVALENTS B/F	(117,847)	(118,077)
CASH AND CASH EQUIVALENTS C/F	(118,537)	(118,099)
Composition of cash and cash equivalents		
Cash and bank balances	3,292	1,227
Bank overdrafts	(121,829)	(119,326)
Cash And Cash Equivalents At End Of The Period	(118,537)	(118,099)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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.

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.

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.

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 period ended 30 Sep 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 2019 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 January 2019:

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019
PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

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 this 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;

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

(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.

On 3 Sep 2019, the Company announced that Messrs Baker Tilly Monteiro Heng, having consented to act as Auditors of the Company, is appointed as the new Auditors of the Company for the financial years ended 30 June 2018 and 30 June 2019.

On 25 October 2019, the Company had announced that Bursa Malaysia Securities Berhad had approved the application for extension of time up to 30 January 2020 to issue the Annual Audited Financial Statements for Financial Years Ended (“FYE”) 30 June 2018 and 30 June 2019.

The external auditors of the Company are still in the midst of auditing the financial statements of the Company.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019
PART A – EXPLANATORY NOTES PURSUANT TO THE MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A10. Valuation of property, plant and equipment

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

A11. Material events subsequent to end of the interim period

(i) On 24 Sep 2019, the Company has announced its Proposed Regularisation Scheme. The application in respect of the Proposed Regularisation Scheme will only be submitted to the relevant authorities subject to inter-alia, the Extension of Time being obtained from Bursa Securities. Barring any unforeseen circumstances, the Board expects the Proposed Regularisation Scheme to complete by the end of November 2020.

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.

A12. Changes in the Composition of the Group

There is no material changes in the composition of the Group during the financial quarter ended 30 Sep 2019.

A13. Capital commitments

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

A14. Contingent Liabilities

Contingent liabilities for the Group are as stated below :-

	As at 30-Sep-19 RM'000	As at 30-Jun-19 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
	944,000	944,000

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 RM20.77 million against the preceding year corresponding quarter of RM34.27million and a higher loss before tax of RM25.17 million against RM23.63 million in preceding year corresponding quarter.

The Group posted an unfavorable result for the current quarter mainly due to lower production in current quarter as compare to preceding year corresponding quarter.

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

	Q1 2020	Q4 2019
	RM mil	RM mil
Revenue	20.77	24.64
Loss before tax	(25.17)	(148.14)

The Group's revenue for the current quarter is decreased by 16% or RM3.87 million as compared to immediate preceding quarter.

The Group's loss before taxation in the immediate preceding quarter amounted to RM148.14 million as compared to current quarter loss before tax of RM25.17 million were mainly due to the impairment losses of its plant & machineries in the Company amounting to RM85.92 million in previous 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 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.

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 Damanela, 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.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

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

B6. Loss Before Taxation

Included in the loss before taxation are the following items:

	Current quarter 3 months ended		Cumulative quarter 3 months ended	
	30-Sep-19 RM'000	30-Sep-18 RM'000	30-Sep-19 RM'000	30-Sep-18 RM'000
Allowance for impairment losses on property, plant and equipment	-	-	-	-
Depreciation of property, plant and equipment	5,700	4,154	5,700	4,154
Loss on disposal of fixed assets	-	-	-	-
Interest income	-	-	-	-
Interest expense	20,655	18,069	20,655	18,069

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. The Board is currently deliberating on the next course of action.

(b) Practice Note 17 (“PN 17”) Status

On 27 October 2016, the Group announced that the Company is an affected listed issuer under Practice Note 17 (“PN 17”) of the Main Market Listing Requirements 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.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

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

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.

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.

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NOTES TO THE INTERIM FINANCIAL REPORT FOR THE FINANCIAL QUARTER ENDED 30 SEPTEMBER 2019

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

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 Company announced that 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 Company announced that 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 Company's announced that 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 directed Kinsteel to file an application for stay of winding up proceedings before Kuantan High Court, failing which the Hearing shall proceed on 15 October 2019.

On 15 Oct 2019, the Court granted the order that the Appeal is dismissed.

(d) 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.

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

B8. Group borrowings and debt securities

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

	Secured RM'000	Unsecured RM'000	Total RM'000
Short term borrowings:-			
Bankers' acceptances	-	497,766	497,766
Murabahah Medium Term Loan	50,000	-	50,000
Short-term loan	40,000	107,467	147,467
Bank Overdraft	-	121,829	121,829
	90,000	727,062	817,062

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 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.

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.

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 a provision on the principal amount of RM20,074,567.90.

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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 AlorSetar ("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 SdnBhd, 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, KinsteelBhd, Kin Kee Marketing SdnBhd and Perfect Channel SdnBhd 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 Company announced that 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 SdnBhd, 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 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 Board of Directors of the Company wishes to announce that 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

On 2 May 2019, the Company's announced that 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 directed Kinsteel to file an application for stay of winding up proceedings before Kuantan High Court, failing which the Hearing shall proceed on 15 October 2019.

On 15 Oct 2019, the Court granted the order that the Appeal is dismissed.

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.

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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 15 Nov 2017, The Board of Kinsteel announced that 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 by 30 November 2017 to Tenaga Nasional Berhad.

Xin Shi Resources Sdn Bhd

On 28 November 2019, the Company announced that Xin Shi Resources Sdn Bhd (Claimant), filed a request for arbitration in China International Economic and Trade Arbitration Commission against its 51% owned subsidiary, Perfect Channel Sdn Bhd in regard to the disputes arising from two (2) Toll Rolling Agreement dated on 9 July 2015 and 25 September 2015, respectively.

The Claimant is claiming for RM3,297,407.

The subsidiary Company is currently seeking necessary legal advice and is in the midst of negotiations with Claimant for amicable settlement.

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.

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

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-Sep-19 RM'000	PRECEDING YEAR quarter 3 months ended 30-Sep-18 RM'000	Cumulative quarter 3 months ended 30-Sep-19 RM'000	Cumulative quarter 3 months ended 30-Sep-18 RM'000
Net loss attributable to ordinary shareholders of the owners of the Company	(20,768)	(19,448)	(20,768)	(19,448)
Weighted average number of ordinary shares in issue	1,041,604	1,041,604	1,041,604	1,041,604
Basic LPS (sen)	(1.99)	(1.87)	(1.99)	(1.87)

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-Sep-2019 RM'000
Sales of goods	-