

**KINSTEEL BHD**

Company Registration No. 199101000160 (210470-M)

**(In Liquidation)**

(Incorporated in Malaysia)



**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR ENDED  
30 June, 2020**

**KINSTEEL BHD (199101000160 (210470-M))****In Liquidation**

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the financial year ended 30 Jun 2020 - unaudited

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT PERIOD	PRECEDING YEAR CORRESPONDING PERIOD
	30-Jun-20 RM'000	30/Jun/19 RM'000	30-Jun-20 RM'000	30/Jun/19 RM'000
Revenue	10,695	23,735	61,705	121,265
Operating expenditure	(33,147)	(28,451)	(116,343)	(147,605)
Other income	883	1,771	6,720	8,846
Finance costs	(9,594)	37,201	(17,983)	(16,630)
<b>Loss before tax</b>	<b>(31,163)</b>	<b>34,256</b>	<b>(65,901)</b>	<b>(34,124)</b>
Taxation	52	3,022	209	3,022
<b>Loss after taxation</b>	<b>(31,111)</b>	<b>37,278</b>	<b>(65,692)</b>	<b>(31,102)</b>
<b>Other Comprehensive Expenses</b>				
Fair value changes of available-for-sale financial asset	-	-	-	-
	<b>(31,111)</b>	<b>37,278</b>	<b>(65,692)</b>	<b>(31,102)</b>
<b>Loss after taxation</b>				
Equity holders of the parent	(17,711)	43,491	(44,813)	(13,406)
Non-controlling interest	(13,400)	(6,213)	(20,879)	(17,696)
	<b>(31,111)</b>	<b>37,278</b>	<b>(65,692)</b>	<b>(31,102)</b>
<b>Total comprehensive expenses attributable to :</b>				
Equity holders of the parent	(17,711)	43,491	(44,813)	(13,406)
Non-controlling interest	(13,400)	(6,213)	(20,879)	(17,696)
	<b>(31,111)</b>	<b>37,278</b>	<b>(65,692)</b>	<b>(31,102)</b>
Loss per share				
Basic LPS (sen)-Continuing Operation	(1.70)	4.18	(4.30)	(1.29)

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

**KINSTEEL BHD (199101000160 (210470-M))****In Liquidation**

Incorporated in Malaysia

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUN 2020**

The figures have not been audited.

	<b>AS AT 30-Jun-20 UNAUDITED RM'000</b>	<b>AS AT 30-Jun-19 AUDITED RM'000</b>
<b>ASSETS</b>		
Property, plant and equipment	205,607	232,031
	<b>205,607</b>	<b>232,031</b>
<b>Current Assets</b>		
Inventories	14,817	17,400
Receivables	35,632	34,366
Cash and bank balances	621	3,372
Non-current asset held for sale	145,500	159,934
	<b>196,570</b>	<b>215,072</b>
<b>TOTAL ASSETS</b>	<b>402,177</b>	<b>447,103</b>
<b>EQUITY AND LIABILITIES</b>		
Share capital	82,961	82,961
Revaluation reserves	22,373	22,373
Treasury shares	(4,153)	(4,153)
Accumulated losses	(868,154)	(823,341)
<b>Equity attributable to owners of the parent</b>	<b>(766,973)</b>	<b>(722,160)</b>
Non-controlling interest	(18,613)	2,267
Total equity	(785,586)	(719,893)
<b>Non-Current Liabilities</b>		
Deferred taxation	15,184	15,391
Loan and borrowings	-	-
	<b>15,184</b>	<b>15,391</b>
<b>Current Liabilities</b>		
Trade and other payables	374,553	350,855
Overdrafts and short term borrowings	798,026	800,750
	<b>1,172,579</b>	<b>1,151,605</b>
<b>Total Liabilities</b>	<b>1,187,763</b>	<b>1,166,996</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>402,177</b>	<b>447,103</b>
Net assets per share attributable to ordinary equity holders of the parent (RM)	<b>(0.75)</b>	<b>(0.69)</b>

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

**KINSTEEL BHD (199101000160 (210470-M))****In Liquidation**

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**STATEMENTS OF CHANGES IN EQUITY**

The figures have not been audited.

	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)	22,373	(823,341)	(722,160)	2,267	(719,893)
Loss after taxation for the financial year	-	-	-	(44,813)	(44,813)	(20,879)	(65,692)
Total comprehensive expense for the financial year ended 30.06.2020	-	-	-	(44,813)	(44,813)	(20,879)	(65,692)
Balance as at 30.06.2020	82,961	(4,153)	22,373	(868,154)	(766,973)	(18,612)	(785,585)
Balance as at 1.7.2018	82,961	(4,153)	32,020	(819,582)	(708,754)	19,963	(688,791)
Loss for the financial year, representing total comprehensive loss	-	-	-	(13,406)	(13,406)	(17,696)	(31,102)
Realisation of revaluation surplus on disposal of property, plant & equipment	-	-	(9,647)	9,647	-	-	-
Total comprehensive expense for the financial year ended 30.06.2019	-	-	(9,647)	(3,759)	(13,406)	(17,696)	(31,102)
Balance as at 30.06.2019	82,961	(4,153)	22,373	(823,341)	(722,160)	2,267	(719,893)

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

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

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 30 JUN 2020**

The figures have not been audited.

	<b>12 months ended 30-Jun-20 RM'000</b>	<b>12 months ended 30-Jun-19 RM'000</b>
LOSS BEFORE TAX	(65,692)	(34,124)
<i>Adjustment for:</i>		
Allowance for impairment loss on property, plant and equipment	14,691	-
Allowance for impairment loss on receivables	19,139	5,385
Depreciation of property, plant and equipment	7,166	7,173
Inventories written down	-	311
Reversal of impairment losses on property, plant and equipment	-	(2,353)
Reversal of allowance on slow-moving inventories	-	(2,437)
Unrealised gain on foreign exchange	-	(212)
Interest income	-	(19)
Interest expense	17,983	16,630
Operating profit before working capital changes	<u>(6,713)</u>	<u>(9,646)</u>
 (Increase)/Decrease in current assets		
Decrease in inventories	2,583	8,403
Decrease/(Increase) in receivables	(20,405)	5,013
Increase / (Decrease) in payables	25,576	16,766
CASH FLOWS FROM OPERATION	<u>1,041</u>	<u>20,536</u>
 NET CASH FROM OPERATING ACTIVITIES	<u>1,041</u>	<u>3,906</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchase of property, plant and equipment	(933)	(5)
Repayment from related parties	-	398
Interest received	-	19
NET CASH USED IN INVESTING ACTIVITIES	<u>(933)</u>	<u>412</u>
 <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Net drawdown of bankers' acceptance	(2,858)	-
Repayment of loans	-	(4,853)
Repayment of finance lease liability	-	(85)
Advances from related parties	-	489
NET CASH FROM FINANCING ACTIVITIES	<u>(2,858)</u>	<u>(4,449)</u>
 NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,750)	(131)
 CASH AND CASH EQUIVALENTS B/F	<u>(117,750)</u>	<u>(117,619)</u>
CASH AND CASH EQUIVALENTS C/F	<u>(120,500)</u>	<u>(117,750)</u>
 <b>Composition of cash and cash equivalents</b>		
Cash and bank balances	621	3,372
Bank overdrafts	(121,122)	(121,122)
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<u>(120,501)</u>	<u>(117,750)</u>

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

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUN 2020**

**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(b), 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 audited financial statements for the financial year ended 30 June 2019. 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 2019.

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 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.

**A3. 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 2019 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 30 January 2020.

**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.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUN 2020**

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

**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.

**A11. Material events subsequent to end of the interim period**

On 29 May 2020, the Company had submitted application to Bursa Malaysia Securities Berhad (“Bursa Securities”) for a further extension of time up to 31 August 2020 to submit its regularisation plan. Bursa Securities had approve the application on 9 June 2020. The application for the Proposed Regularisation Scheme has been submitted to Bursa Securities on 26 August 2020.

On 31 March 2020, the Company’s wholly-owned subsidiary, Kin Kee Steel Service Centre Sdn Bhd (“KKSSC”) had entered into a Letter of Intent (“LOI”) with Tianjin Qiangbang Industrial Co., Ltd. (“QIANGBANG”) with the intention to enter into negotiation in relation to the proposed formation of a Joint Venture Company (“JVC”). KKSSC is expected to hold 45% of the shareholding in the JVC. The Proposed Transactions do not form part of the proposed regularisation scheme of the Company as announced on 24 July 2019, but will be implemented subject to completion of the proposed regularisation scheme.

On 30 July 2020, the Company had entered into Sale and Purchase Agreement (“SPA”) with MMP Resources Sdn Bhd (“MMP”), for the disposal of a plant and machinery located on Gebeng Jaya Sdn Bhd’s Land for RM5,500,000. The SPA had been completed on 10 Aug 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 June 2020.

**A13. Capital commitments**

There were no material capital commitments approved and contracted for as at 30 June 2020.

**A14. Contingent Liabilities**

Contingent liabilities for the Group are as stated below :-

	As at 30-Jun-20 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
	<b>944,000</b>	<b>944,000</b>

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUN 2020**

**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 RM10.70 million against the preceding year corresponding quarter of RM23.74 million due to lower steel production activities compare to previous year.

The Group reported a loss before tax of RM31.16 million in current quarter, mainly due to impairment in fixed asset of RM14.69 million and interest expenses of RM9.59 mil. In preceding year corresponding quarter, the Group recorded a profit before tax of RM34.26 million, due to reversal of accrued interest expenses after the approved scheme of compromise or arrangement ("Proposed SOA"), whereby the debts was cut off on 30 June 2017.

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

	<b>Q4 2020</b>	<b>Q3 2020</b>
	<b>RM mil</b>	<b>RM mil</b>
<b>Revenue</b>	10.70	14.86
<b>Profit / (Loss) before tax</b>	(31.16)	(6.42)

The Group's revenue for the current quarter reported a decreased by 28% or RM4.16 million as compared to immediate preceding quarter due to the impact of Covid-19 pandemic.

The Group reported loss before taxation in current quarter of RM31.66 million as compare to immediate preceding quarter loss before tax of RM6.42 million mainly due to lower sales in current quarter and impairment of plant and machinery of RM14.69 million.

**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 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.

The Covid-19 pandemic has resulted in Malaysian government implement a Movement Control Measure (MCO) on 18 March 2020 till 9 June 2020. A long shutdown of the plant during the MCO will significantly impact the coming quarter as no production of steel activities during the MCO period.

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.

**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 YEAR ENDED 30 JUN 2020**

**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		Financial Year Ended	
	30-Jun-20 RM'000	30/Jun/19 RM'000	30-Jun-20 RM'000	30/Jun/19 RM'000
Allowance for impairment losses on property, plant and equipment	14,691	-	14,691	-
Allowance for impairment losses on receivables	(238)	5,385	19,139	5,385
Depreciation of property, plant and equipment	1,792	(5,302)	7,166	7,173
Inventories written down	-	311	-	311
Reversal of impairment losses on property, plant and equipment	-	(2,353)	-	(2,353)
Reversal of allowance on slow-moving inventories	-	(2,437)	-	(2,437)
Unrealised gain on foreign exchange	-	(212)	-	(212)
Interest income	-	(19)	-	(19)
Interest expense	9,594	(37,201)	17,983	16,630

**B7. Status of Corporate Proposals**

**(a) 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.

Crowe Horwath could not express an audit opinion in the Company's financial statements for FYE 30 June 2016 given the significant uncertainty in the Group's going concern as the Group may not be able to realise its assets and discharge its liabilities that may be necessary to enable the Group to continue as a going concern.

As an affected listed issuer, the Company was to submit its regularisation plan to the relevant authorities for approval by 26 October 2017. On 27 December 2017, Bursa Securities rejected the Company's application for a further extension of time to submit its regularisation plan and notified the Company of the suspension and delisting of the securities of Kinsteel from the Main Board of Bursa

On 4 January 2018, Kinsteel submitted an appeal against Bursa Securities' decision to suspend and delist the securities of Kinsteel from Bursa Securities. On 5 January 2018, the trading in the securities of Kinsteel was suspended.

On 5 February 2018, Bursa Securities granted the Company an extension of time up to 30 June 2018 to submit its regularisation plan provided that the Company makes the requisite announcement on its regularisation plan by 31 March 2018.

The Company had on 24 September 2019 announced its proposed regularisation plan. On 30 Sep 2020, Bursa Securities has approved the Company application to extension the submission of its regularisation plan by 31 December 2019.

On 26 December 2019, the Company had applied for extension of time up to 30 April 2020 to submit its regularisation plan and Bursa Securities had on 23 January 2020 approved the extension.

On 9 June 2020, Bursa Securities had further granted the extension for submission of the Company's regularisation plan up to 31 Aug 2020. The application for the Proposed Regularisation Scheme has been submitted to Bursa Securities on 26 August 2020.

**(b) Liquidation / Winding Up Order / Restraining Order**

On 22 January 2018, a winding-up order against Kinsteel was granted by the Court at Kuantan, and Mr Duar Tuan Kiat of Messrs Ernst & Young was appointed as liquidator of Kinsteel. On 25 January 2018, Kinsteel appealed against the winding-up order. On 12 July 2019, the Court of Appeal, had after numerous date fixing attempts, most recently fixed 15 October 2019 as the hearing date for Kinsteel's appeal against the winding-up order. The Court of Appeal also directed the Company to file an application for stay of proceedings at the Court in light of the court order granted to Kin Kee Hardware Sdn Bhd pursuant to section 366 of the Act. Separately, on 22 January 2018, a winding-up order was also granted by the Court for Kin Kee Marketing Sdn Bhd ("KKM"), and Encik Baltasar Bin Maskor of Messrs Bal & Partners has been appointed as its liquidator. Subsequently, KKM had been deconsolidated from the Group financial statements.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUN 2020**

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

Pending the appeal hearing, on 10 July 2019, the Court granted an order for the Company to convene meetings to seek approval of its creditors for a scheme of compromise or arrangement ("Proposed SOA") under Section 366 of the Companies Act 2016.

On 8 May 2019, a 51% owned subsidiary of the Company, Perfect Channel Sdn Bhd (PCSB) received a notice pursuant to Section 377(1) of the Act whereby Standard Chartered Bank Malaysia Berhad (SCB), a creditor of PCSB has appointed Dato' Narendrakumar A/L Chunalil Rugnath of Grant Thornton Consulting Sdn Bhd, as receiver over the charged assets of PCSB under the power contained in the debentures dated 12 June 2007 and 18 October 2006 created by PCSB in favour of SCB for the facilities granted by SCB.

On 10 May 2019, PCSB and its 99.9% owned subsidiary, Perfect Wiremakers Sdn Bhd (PWSB) were granted an order according to Section 368 of the Act which, amongst others, restrains all proceedings and actions brought against PCSB and PWSB. The said order commenced on 10 May 2019 for 90 days up to 9 August 2019, which has since lapsed.

On 6 January 2020 the Company has obtained the approval for the proposed SOA of the Company and its subsidiaries pursuant to Section 366 of the Companies Act 2016. As such, the proposed SOA shall be binding on the Company, all of its contributories, its liquidator and all of its creditors effective from 6 January 2020. The proposed SOA was approved by more than 75% of the total value of the Scheme Creditors present and voting either in person or by proxy at the Court Convened Meeting which was held on 13 December 2019 subject to a proof of debt exercise to be carried out.

A permanent stay or termination of the Winding Up Order will only be obtained after inter-alia, the approvals of Bursa Malaysia Securities Berhad and Kinsteel shareholders for the Proposed Regularisation Scheme having been obtained, as well as the conditions in the sale and purchase agreements for the proposed disposal by Perfect Channel Sdn Bhd of various assets in Gurun having been

**(c) Disposal of assets by the appointed liquidator**

(1) Pursuant to the announcement made by the Company on 22 April 2019, Kinsteel Group had on 22 April 2019 entered into the subsequent sale and purchase agreements to dispose of the following assets:

- (i) Sale and purchase agreements entered between Kinsteel and Top Gloss Sdn Bhd, API Terengganu Sdn Bhd and KW Steel & Minerals Sdn Bhd for the disposal of Kinsteel Land & Buildings and plant & machinery for a cash consideration of RM17.8 million and RM12.1 million respectively; and
- (ii) Sale and purchase agreement entered between Kinsteel, HVSB and Top Gloss Sdn Bhd for the disposal of the HVSB Land for a cash consideration of approximately RM20.9 million.

The Company Assets Disposal is undertaken by the Company's liquidator under the liquidation process and is carried out outside the PRS of Kinsteel.

In relation to (i) and (ii) above, the relevant sale and purchase agreements with Top Gloss Sdn Bhd and API Terengganu Sdn Bhd were completed on 22 July 2019 and 19 July 2019 respectively. The proceeds of RM40.8 million has been received and distributed to the security agent for its onward distribution to the financial institutions which have fixed and floating debenture over the Company's assets, as partial settlement of the Company's liabilities.

On 6 September 2019, the Company announced that the sale and purchase agreement with KW Steel & Minerals Sdn Bhd has been terminated due to default in payment of the balance purchase consideration by KW Steel & Minerals Sdn Bhd in accordance to the terms and conditions of the sale and purchase agreement. The termination has resulted in forfeiture of RM1.0 million deposit paid by KW Steel & Minerals Sdn Bhd, which will be distributed to the security agent for its onward distribution to the abovementioned financial institutions as partial settlement of Kinsteel's liabilities. The termination was in respect of plant & machinery, which was to be disposed of at a cash consideration of RM10 million.

(2) On 30 July 2020, the Company had entered into Sale and Purchase Agreement ("SPA") with MMP Resources Sdn Bhd ("MMP"), for the disposal of a plant and machinery located on Gebeng Jaya Sdn Bhd's Land for RM5,500,000. The SPA had been completed on 10 Aug 2020.

**(d) Proposed Scheme of Arrangement and Reconstruction under Section 366 and Other Relevant Provisions of the Companies Act, 2016 ("SOA")**

On 16 June 2019, an application pursuant to Section 366 of the Act was submitted by Kin Kee Hardware Sdn Bhd to the Court to seek an order from the Court for, inter alia, to convene meeting(s) with Kinsteel's scheme creditors pursuant to section 366(1) of the Act to take 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 abovementioned Court application was submitted on 16 June 2019 following the same Court's granting of leave under Section 471 of the Act on 31 May 2019 for Kin Kee Hardware Sdn Bhd to commence legal proceedings and to file an application under Section 366 of the Act.

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**NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 30 JUN 2020**

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

On 10 July 2019, the Court granted the abovesaid order.

On 13 December 2019, the Company announced that the Scheme Creditors have on the same day approved the Proposed Scheme of Arrangement and Reconstruction under Section 366 and other relevant provisions of the Companies Act, 2016 (SOA).

On 6 January 2020 the Company has obtained the approval for the proposed SOA of the Company and its subsidiaries pursuant to Section 366 of the Companies Act 2016. As such, the proposed SOA shall be binding on the Company, all of its contributories, its liquidator and all of its creditors effective from 6 January 2020. The proposed SOA was approved by more than 75% of the total value of the Scheme Creditors present and voting either in person or by proxy at the Court Convened Meeting which was held on 13 December 2019 subject to a proof of debt exercise to be carried out.

On 10 March 2020, the Company announced that in accordance with the terms of the explanatory statement dated 21 November 2019 for the Proposed SOA, a permanent stay or termination of the Winding Up Order will only be obtained after inter-alia, the approvals of Bursa Malaysia Securities Berhad and Kinsteel shareholders for the Proposed Regularisation Scheme having being obtained, as well as the conditions in the sale and purchase agreements for the proposed disposal by Perfect Channel Sdn Bhd of various assets in Gurun having been fulfilled.

On 9 June 2020, Bursa Securities had granted the extension up to 31 Aug 2020 for the Company to submit its regularisation plan. The application for the Proposed Regularisation Scheme has been submitted to Bursa Securities on 26 August 2020

**B8. Group borrowings and debt securities**

The Group's borrowings as at 30 June 2020 are as follows:-

	<b>Secured RM'000</b>
<b>Short term borrowings:-</b>	
Bankers' acceptances	482,299
Murabahah Medium Term Loan	50,000
Short-term loan	144,605
Bank Overdraft	121,122
	798,026

**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.

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

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 SdnBhd, 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.

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 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 "Court Proceedings".

**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 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.

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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.

**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 9 July 2015 and 25 September 2015, respectively.

The Claimant is claiming for RM3,297,407.

On 16 January 2020 reached a settlement with Xin Shi Resources Sdn Bhd (the Claimant in the Arbitration Application No. X20191868 with China International Economic and Trade Arbitration Commission) for the sum of RM1,650,000 (Ringgit Malaysia One Million Six Hundred and Fifty Thousand) in full and final settlement of the claim. Upon full payment of the said sum by PCSB, the aforesaid arbitration application shall be withdrawn.

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.

**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-Jun-20 RM'000	Preceding Year quarter 3 months ended 30-Jun-19 RM'000	Financial Year Ended 30-Jun-20 RM'000	Financial Year Ended 30-Jun-19 RM'000
Net loss attributable to ordinary shareholders of the owners of the Company	(17,711)	43,491	(44,813)	(13,406)
Weighted average number of ordinary shares in issue	1,041,604	1,041,604	1,041,604	1,041,604
Basic LPS (sen)	(1.70)	4.18	(4.30)	(1.29)

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-Jun-2020 RM'000
Sales of goods	-