

Unless otherwise stated, all abbreviations contained in this Abridged Prospectus are defined in the "Definitions" section of this Abridged Prospectus.

**THIS ABRIDGED PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.** All enquiries concerning the Rights Issue with Warrants, which is the subject matter of this Abridged Prospectus, should be addressed to our Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan (Tel: +603 – 7841 8000).

This Abridged Prospectus, together with the NPA and RSF (collectively, the "Documents"), will be despatched only to our Entitled Shareholders whose names appear on our Record of Depositors as at 5.00 p.m. on 17 April 2018 at their registered address in Malaysia or who have provided our Share Registrar with a registered address in Malaysia in writing by 5.00 p.m. on 17 April 2018. The Documents are not intended to (and will not be made to) comply with the laws of any country or jurisdiction other than Malaysia, are not intended to be (and will not be) issued, circulated or distributed in countries or jurisdictions other than Malaysia and no action has been or will be taken to ensure that the Rights Issue with Warrants complies with the laws of any country or jurisdiction other than the laws of Malaysia. Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia should therefore immediately consult their legal adviser and other professional advisers as to whether the acceptance or renunciation (as the case may be) of their entitlements to the Rights Issue with Warrants, application for Excess Rights Shares with Warrants, or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants would result in the contravention of any law of such countries or jurisdictions. We, Mercury Securities and/or the advisers named herein shall not accept any responsibility or liability in the event that any acceptance and/or renunciation (as the case may be) of entitlements, application for Excess Rights Shares with Warrants or the subscription, offer, sale, resale, pledge or other transfer of the new securities arising from the Rights Issue with Warrants made by any Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in such countries or jurisdictions in which Entitled Shareholders and/or their transferees(s) and/or their renounee(s) (if applicable) are residents.

This Abridged Prospectus has been registered by the SC. The registration of this Abridged Prospectus should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Abridged Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment. The Documents have also been lodged with the Registrar of Companies in Malaysia who takes no responsibility for the contents of the Documents.

Approval for the Rights Issue with Warrants has been obtained from our shareholders at our EGM convened on 17 January 2018. Approval has been obtained from Bursa Securities via its letter dated 23 November 2017 for the admission of the Warrants to the Official List and the listing and quotation of the new securities arising from the Rights Issue with Warrants and the new Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities (subject to the conditions specified in the said letter), which will commence after, among others, receipt of confirmation from Bursa Depository that all the CDS Accounts of successful Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) have been duly credited and notices of allotment have been despatched to them. However, such admission, listing and quotation are not an indication that Bursa Securities recommends the Rights Issue with Warrants and are in no way reflective of the merits of the Rights Issue with Warrants.

The Board has seen and approved the Documents and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in the Documents false or misleading.

Mercury Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that based on all available information and to the best of its knowledge and belief, this Abridged Prospectus constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.

**FOR INFORMATION CONCERNING CERTAIN RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE "RISK FACTORS" AS SET OUT IN SECTION 7 OF THIS ABRIDGED PROSPECTUS.**



**ASIA KNIGHT BERHAD**

(Company No. 71024-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act 2016)

**RENOUNCEABLE RIGHTS ISSUE OF 348,797,448 NEW ORDINARY SHARES IN ASIA KNIGHT BERHAD ("ASIA KNIGHT") ("ASIA KNIGHT SHARES") ("RIGHTS SHARES") AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE TOGETHER WITH 174,398,724 FREE DETACHABLE WARRANTS IN ASIA KNIGHT ("WARRANTS") ON THE BASIS OF 6 RIGHTS SHARES TOGETHER WITH 3 FREE WARRANTS FOR EVERY 1 EXISTING ASIA KNIGHT SHARE HELD BY ENTITLED SHAREHOLDERS AT 5.00 P.M. ON 17 APRIL 2018**

*Principal Adviser and Sole Underwriter*



**MERCURY SECURITIES SDN BHD**

(Company No. 113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**IMPORTANT RELEVANT DATES AND TIMES**

Entitlement Date ..... : Tuesday, 17 April 2018 at 5.00 p.m.

**Last date and time for:**

Sale of Provisional Allotments ..... : Tuesday, 24 April 2018 at 5.00 p.m.

Transfer of Provisional Allotments ..... : Friday, 27 April 2018 at 4.00 p.m.

Acceptance and payment ..... : Thursday, 3 May 2018 at 5.00 p.m.

Excess Rights Shares with Warrants Application and payment..... : Thursday, 3 May 2018 at 5.00 p.m.

**This Abridged Prospectus is dated 17 April 2018**

**ALL TERMS USED HEREIN ARE AS DEFINED IN THE “DEFINITIONS” SECTION OF THIS ABRIDGED PROSPECTUS UNLESS STATED OTHERWISE.**

**THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS ABRIDGED PROSPECTUS, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS ABRIDGED PROSPECTUS.**

**SHAREHOLDERS / INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

**INVESTORS ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS ABRIDGED PROSPECTUS ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CMSA.**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

**THE DISTRIBUTION OF THE ABRIDGED PROSPECTUS, TOGETHER WITH THE NPA AND RSF (COLLECTIVELY, THE “DOCUMENTS”) IS SUBJECT TO MALAYSIAN LAWS. WE AND OUR ADVISERS ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT TAKEN ANY ACTION TO PERMIT AN OFFERING OF OUR SECURITIES BASED ON THE DOCUMENTS OR THE DISTRIBUTION OF THE DOCUMENTS OUTSIDE OF MALAYSIA. THE DOCUMENTS MAY NOT BE USED FOR AN OFFER TO SELL OR AN INVITATION TO BUY OUR SECURITIES IN ANY COUNTRY OR JURISDICTION OTHER THAN MALAYSIA. WE AND OUR ADVISERS REQUIRE YOU TO INFORM YOURSELF OF AND TO OBSERVE SUCH RESTRICTIONS.**

**THE DOCUMENTS HAVE BEEN PREPARED AND PUBLISHED SOLELY FOR THE RIGHTS ISSUE WITH WARRANTS UNDER THE LAWS OF MALAYSIA. WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THE DOCUMENTS.**

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**DEFINITIONS**

Except where the context otherwise requires, the following definitions shall apply throughout this Abridged Prospectus:-

<b>Abridged Prospectus</b>	- This abridged prospectus dated 17 April 2018 in relation to the Rights Issue with Warrants
<b>Acquisition</b>	- Acquisition of 9,000,000 RGT Shares (representing 60% equity interest) for a purchase consideration of RM48.0 million to be satisfied via issuance of 170,000,000 Consideration Shares and cash payment of RM31.0 million
<b>Act or CA 2016</b>	- Companies Act, 2016 of Malaysia as may be amended from time to time and any re-enactment thereof
<b>Asia Knight or the Company</b>	- Asia Knight Berhad (71024-T)
<b>Asia Knight Group or the Group</b>	- Collectively, Asia Knight and its subsidiaries
<b>Asia Knight Shares or Shares</b>	- Ordinary shares of the Company
<b>Bloomberg</b>	- Bloomberg Finance L.P. and its affiliates
<b>BNM</b>	- Bank Negara Malaysia
<b>Board</b>	- The Board of Directors of Asia Knight
<b>Bursa Depository</b>	- Bursa Malaysia Depository Sdn Bhd (165570-W)
<b>Bursa Securities</b>	- Bursa Malaysia Securities Berhad (635998-W)
<b>CA 1965</b>	- Companies Act, 1965
<b>CAGR</b>	- Compound annual growth rate
<b>Capital Reduction</b>	- Reduction of the Company's share capital pursuant to Section 116 of the Act, which has been completed on 26 March 2018
<b>CDS</b>	- Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
<b>CDS Account(s)</b>	- Account(s) established by Bursa Depository for a depositor for the recording of deposits of securities and dealings in such securities by the depositor
<b>Closing Date</b>	- 3 May 2018 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time
<b>CMSA</b>	- Capital Markets and Services Act, 2007 as amended from time to time
<b>Code</b>	- Malaysian Code on Take-Overs and Mergers, 2016 as amended from time to time
<b>Consideration Shares</b>	- 170,000,000 new Shares at an issue price of RM0.10 per Share to be issued to the Vendors as part payment of the Purchase Consideration for the Acquisition

**DEFINITIONS (CONT'D)**

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<b>Deed Poll</b>	- Deed poll dated 25 January 2018 constituting the Warrants
<b>Directors</b>	- The executive and non-executive directors of the Company for the time being
<b>EGM</b>	- Extraordinary General Meeting
<b>Entitled Shareholders</b>	- Shareholders whose names appear in the Record of Depositors of the Company as at the close of business on the Entitlement Date in order to be entitled to the Rights Issue with Warrants
<b>Entitlement Date</b>	- A date to be determined by the Board and announced later, on which the names of the Shareholders must be registered in the Record of Depositors of the Company as at the close of business on that date in order to be entitled to the Rights Issue with Warrants
<b>EPS/LPS</b>	- Earnings per Share/Loss per Share
<b>Excess Rights Shares with Warrants</b>	- Rights Shares with Warrants which are not taken up or not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their renounee(s) (if applicable) prior to the Closing Date
<b>Excess Rights Shares with Warrants Application(s)</b>	- Application(s) for additional Rights Shares with Warrants in excess of the Provisional Allotments
<b>Exercise Period</b>	- The period as prescribed in Section 2.5 of this Abridged Prospectus
<b>Exercise Price</b>	- RM0.10, being the price at which 1 Warrant is exercisable into 1 Asia Knight Share, subject to adjustments in accordance with the provisions of the Deed Poll
<b>Exercise Rights</b>	- The right for the holder of Warrant to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price
<b>Foreign-Addressed Shareholders</b>	- Shareholders who have not provided to the Company a registered address or an address for service in Malaysia for the service of documents which will be issued in connection with the Rights Issue with Warrants
<b>FPE</b>	- Financial period ended
<b>FYE</b>	- Financial year(s) ended / ending
<b>GP/GL</b>	- Gross profit/gross loss
<b>High Court</b>	- High Court of Malaya
<b>ISO</b>	- International Organisation for Standardisation
<b>Listing Requirements</b>	- Main Market Listing Requirements of Bursa Securities including any amendments made thereto from time to time
<b>LPD</b>	- 19 March 2018, being the latest practicable date prior to the printing of this Abridged Prospectus

**DEFINITIONS (CONT'D)**

<b>LTD</b>	- 11 August 2017, being the last trading date prior to the:- (i) announcement of the Regularisation Plan; (ii) price-fixing date for the Rights Shares and Warrants; and (iii) date of the SSA; on 14 August 2017, as the case may be
<b>Market Day(s)</b>	- Any day between Monday and Friday (inclusive) which is not a public holiday and on which Bursa Securities is open for trading in securities
<b>Mercury Securities</b>	- Mercury Securities Sdn Bhd (113193-W), being the Principal Adviser and the Sole Underwriter
<b>N/A</b>	- Not applicable
<b>NA</b>	- Net assets
<b>NPA</b>	- Notice of provisional allotment in relation to the Rights Issue with Warrants
<b>ODM</b>	- Original design manufacturer
<b>Official List</b>	- A list specifying all securities which have been admitted for listing on the Main Market of Bursa Securities and not removed
<b>PAT/LAT</b>	- Profit after tax/Loss after tax
<b>PBT/LBT</b>	- Profit before tax/Loss before tax
<b>PE</b>	- Price-to-earnings
<b>PN17</b>	- Practice Note 17 of the Listing Requirements
<b>Profit Guarantee</b>	- Profit guarantee by the Vendors to the Company that the PAT of RGT shall not be less than RM20.0 million for FYE 31 December 2017 and 31 December 2018 in aggregate
<b>Provisional Allotments</b>	- The Rights Shares with Warrants provisionally allotted to Entitled Shareholders
<b>Purchase Consideration</b>	- The purchase consideration of RM48.0 million for the Acquisition to be satisfied via the issuance of 170,000,000 Consideration Shares and cash payment of RM31.0 million
<b>R&amp;D</b>	- Research and development
<b>Record of Depositors</b>	- A record of securities holders established by Bursa Depository as issued pursuant to under the Rules of Bursa Depository
<b>Regularisation Plan</b>	- Collectively, the Capital Reduction, Rights Issue with Warrants and Acquisition
<b>RGT</b>	- Rapid Growth Technology Sdn. Bhd. (440295-A)
<b>RGT Group</b>	- Collectively, RGT and its subsidiary
<b>RGT Share(s)</b>	- Ordinary shares in RGT
<b>Rights Issue with Warrants</b>	- Renounceable rights issue of 348,797,448 Rights Shares together with 174,398,724 free Warrants on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Share held by Entitled Shareholders on the Entitlement Date

**DEFINITIONS (CONT'D)**

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<b>Rights Shares</b>	- 348,797,448 new Asia Knight Shares to be allotted and issued pursuant to the Rights Issue with Warrants
<b>RM and sen</b>	- Ringgit Malaysia and sen, respectively
<b>RSF</b>	- Rights subscription form in relation to the Rights Issue with Warrants
<b>Rules of Bursa Depository</b>	- The rules of Bursa Depository as issued pursuant to the Securities Industry (Central Depositories) Act, 1991 of Malaysia including any amendments thereof issued by Bursa Depository from time to time, including Securities Industry (Central Depositories) Amendment Act, 1998 of Malaysia
<b>Rules on Take-Overs, Mergers and Compulsory Acquisitions</b>	- Rules on Take-Overs, Mergers and Compulsory Acquisitions issued by the SC pursuant to Section 377 of the CMSA, as amended from time to time
<b>Sale Shares</b>	- 9,000,000 RGT Shares, representing 60% equity interest in RGT to be acquired by the Company from the Vendors
<b>SC</b>	- Securities Commission Malaysia
<b>SGD</b>	- Singapore Dollars, the lawful currency of Singapore
<b>Shareholders</b>	- Registered holders of Asia Knight Shares
<b>SICDA</b>	- Securities Industry (Central Depositories) Act, 1991 of Malaysia and includes any amendments from time to time and any re-enactment thereof
<b>Smith Zander or the Independent Market Researcher</b>	- Smith Zander International Sdn. Bhd. (1058128-V)
<b>SSA</b>	- Share sale agreement dated 14 August 2017 entered into between Asia Knight and the Vendors for the Acquisition
<b>Substantial Shareholder</b>	- Has the meaning given in Section 136 of the Act
<b>TEAP</b>	- Theoretical ex-all price
<b>TNB</b>	- Tenaga Nasional Berhad
<b>T-Venture</b>	- T-Venture Industries (M) Sdn. Bhd. (498796-M), a wholly-owned subsidiary of Asia Knight
<b>Undertakings</b>	- The written undertakings from the Undertaking Shareholders dated 14 August 2017 pursuant to which the Undertaking Shareholders have irrevocably and unconditionally undertaken, amongst others, to apply and subscribe for Rights Shares under the Rights Issue with Warrants, details of which are set out in Section 3 of this Abridged Prospectus

**DEFINITIONS (CONT'D)**

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<b>Undertaking Shareholders</b>	- Collectively, Pahangply Holdings Berhad (7869-H) and/or its wholly-owned subsidiaries, See Seng Lai & Sons Realty Sdn. Bhd. (61956-V) and/or its wholly-owned subsidiaries, Prime Forest Products (M) Sdn Bhd (202614-H), See Teck Wah, See Han Liong, NGE Leasing & Credit Sdn Bhd (88721-U), Nanyang General Enterprises Sdn Bhd (13907-V), Nanyang Timber Industry Sdn Bhd (13910-V) and Far East Navigation (Malaysia) Sdn Bhd (48674-D)
<b>Underwriting Agreement</b>	- Underwriting agreement dated 30 March 2018 entered into between Asia Knight and the Sole Underwriter to underwrite all the remaining Rights Shares to be issued which are not covered by the Undertakings
<b>United States or U.S.</b>	- United States of America
<b>USD</b>	- United States Dollars, the lawful currency of the United States
<b>Vendors</b>	- Collectively, Hor Lim Chee, Ng Choon Keat, Tan Song Chai, Lim Seat Hoe and Tan Ann Chee
<b>VWAP</b>	- Volume weighted average market price
<b>Warrant(s)</b>	- Detachable warrants to be issued for free pursuant to the Rights Issue with Warrants

In this Abridged Prospectus, all references to “the Company” are to Asia Knight and references to “we”, “us”, “our” and “ourselves” are to the Company and, where the context otherwise requires, our subsidiaries. All references to “you” in this Abridged Prospectus are to the Entitled Shareholders.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. Reference to persons shall include corporations, unless otherwise specified.

Any reference in this Abridged Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Abridged Prospectus between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference to a time of day in this Abridged Prospectus shall be a reference to Malaysian time, unless otherwise stated.

Certain statements in this Abridged Prospectus may be forward-looking in nature, which are subject to uncertainties and contingencies. Forward-looking statements may contain estimates and assumptions made by the Board after due enquiry, which are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed or implied in such forward-looking statements. In light of these and other uncertainties, the inclusion of a forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty that the Company’s plans and objectives will be achieved.

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**CORPORATE DIRECTORY****ASIA KNIGHT BERHAD**

(Company No. 71024-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act 2016)

**BOARD OF DIRECTORS**

<b>Name (Designation)</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
See Teck Wah (Chairman/Managing Director)	No 3, Solok Kelabu Off Jalan Kelabu 41300 Klang Selangor	Malaysian	Company Director
See Seng Hong (Executive Director)	No 6, Lengkok Haji Abbas Kaw 15, Off Jalan Bukit Kuda 41300 Klang Selangor	Malaysian	Company Director
See Han Liong (Executive Director)	No 3, Solok Kelabu Off Jalan Kelabu 41300 Klang Selangor	Malaysian	Company Director
Tan Teng Cheok (Senior Independent Non-Executive Director)	No 20, Jalan Serindit Taman Eng Ann 41150 Klang Selangor	Malaysian	Company Director
Seah Cheong Wei (Independent Non-Executive Director)	S-G-21, BSP Skypark Persiaran Saujana Putra Utama Bandar Saujana Putra 42610 Jenjarom Selangor	Malaysian	Chartered Accountant/ Company Secretary
Lim Heng Gaul (Independent Non-Executive Director)	No 54, USJ 2/4R Taman Seafield Jaya 47600 Subang Jaya Selangor	Malaysian	Dealer's Representative

**AUDIT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Tan Teng Cheok	Chairman	Senior Independent Non-Executive Director
Seah Cheong Wei	Member	Independent Non-Executive Director
Lim Heng Gaul	Member	Independent Non-Executive Director

**CORPORATE DIRECTORY (CONT'D)**

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**COMPANY SECRETARIES** : Lim Kui Suang (MAICSA 0783327)  
Lim King Hua (MAICSA 0798613)  
Paul Ignatius Stanislaus (MACS 01330)  
No. 9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2 Batu Unjur  
41200 Klang  
Selangor  
Tel : 03-3323 1916  
Fax : 03-3323 3584

**REGISTERED OFFICE** : No. 9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2 Batu Unjur  
41200 Klang  
Selangor  
Tel : 03-3323 1916  
Fax : 03-3323 3584

**PRINCIPAL PLACE OF BUSINESS** : No 7-3, Galeri Empire  
Jalan Empayar  
Off Persiaran Sultan Ibrahim/KU1  
41150 Klang  
Selangor  
Tel : 03-3342 0888  
Fax : 03-3342 0771  
Website: <http://www.asiaknight.com/>  
Email: [asiaknight08@gmail.com](mailto:asiaknight08@gmail.com)

**PRINCIPAL ADVISER AND SOLE UNDERWRITER** : Mercury Securities Sdn Bhd  
L-7-2, No 2, Jalan Solaris  
Solaris Mont' Kiara  
50480 Kuala Lumpur  
Tel : 03-6203 7227  
Fax : 03-6203 7117

**FINANCIAL ADVISER** : BDO Capital Consultants Sdn Bhd  
Level 8  
BDO @ Menara CenTARa  
360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel : 03-2616 2888  
Fax : 03-2616 2970

**AUDITORS AND REPORTING ACCOUNTANTS** : Crowe Horwath  
Chartered Accountants  
Level 6, Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-2277 061  
Fax : 04-2278 011

**SOLICITORS FOR THE RIGHTS ISSUE WITH WARRANTS** : Wong Beh & Toh  
1<sup>st</sup> Floor, Nos. 173 & 174  
Jalan Kelab Cinta Sayang  
Taman Ria Jaya  
08000 Sungai Petani  
Kedah  
Tel : 04-442 9081  
Fax : 04-442 9084

**CORPORATE DIRECTORY (CONT'D)**

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**INDEPENDENT MARKET  
RESEARCHERS**

Smith Zander International Sdn Bhd  
Suite 23-3, Level 23  
Office Suite, Menara 1MK  
1 Jalan Kiara, Mont' Kiara  
50480 Kuala Lumpur  
Tel : 03-6211 2121

**PRINCIPAL BANKER**

: CIMB Bank Berhad  
19th Floor, Menara Bumiputra-Commerce  
11 Jalan Raja Laut  
50350 Kuala Lumpur  
Tel : 03-2619 1188  
Fax : 03-2619 2288

**SHARE REGISTRAR**

: Symphony Share Registrars Sdn Bhd  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor  
Tel : 03-7849 0777  
Fax : 03-7841 8151/52

**STOCK EXCHANGE LISTING**

: Main Market of Bursa Securities

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**ASIA KNIGHT BERHAD**

(Company No. 71024-T)

(Incorporated in Malaysia under the Companies Act, 1965 and deemed registered under the Companies Act 2016)

**Registered Office**

No. 9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2, Batu Unjur  
41200 Klang  
Selangor Darul Ehsan

17 April 2018

**Board of Directors:-**

See Teck Wah (*Chairman/Managing Director*)  
See Seng Hong (*Executive Director*)  
See Han Liong (*Executive Director*)  
Tan Teng Cheok (*Senior Independent Non-Executive Director*)  
Seah Cheong Wei (*Independent Non-Executive Director*)  
Lim Heng Gaul (*Independent Non-Executive Director*)

**To: Entitled Shareholders**

Dear Sir / Madam,

**RENOUNCEABLE RIGHTS ISSUE OF 348,797,448 NEW ORDINARY SHARES IN ASIA KNIGHT AT AN ISSUE PRICE OF RM0.10 PER RIGHTS SHARE TOGETHER WITH 174,398,724 FREE DETACHABLE WARRANTS IN ASIA KNIGHT ON THE BASIS OF 6 RIGHTS SHARES TOGETHER WITH 3 FREE WARRANTS FOR EVERY 1 EXISTING ASIA KNIGHT SHARE HELD BY ENTITLED SHAREHOLDERS AT 5.00 P.M. ON THE ENTITLEMENT DATE**

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**1. INTRODUCTION**

On 31 October 2014, Asia Knight announced that it is an affected listed issuer as it triggered the criterion under Paragraph 2.1(d) of PN17 of the Listing Requirements by virtue of the auditors of the Company expressing a disclaimer opinion in the Company's audited financial statements for the 18-month FPE 30 June 2014.

On 5 November 2015, Asia Knight announced that it also triggered criteria 2.1(a) of PN17 of the Listing Requirements, whereby the Company's shareholders' equity is less than 25% of the issued share capital of Asia Knight, based on the audited financial statements for FYE 30 June 2015.

On 14 August 2017, Mercury Securities had on behalf of the Board announced that the Company proposes to undertake the Regularisation Plan.

On behalf of the Board, Mercury Securities also announced that Asia Knight had on 14 August 2017, entered into the SSA with the Vendors for the purposes of undertaking and implementing the Acquisition.

On 23 November 2017, Mercury Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 23 November 2017, approved the Regularisation Plan as well as the following:-

- (i) admission of 174,398,724 Warrants to the Official List of Bursa Securities; and
- (ii) listing and quotation of:-
  - (a) 348,797,448 new Asia Knight Shares to be issued pursuant to the Rights Issue with Warrants;
  - (b) 174,398,724 Warrants to be issued pursuant to the Rights Issue with Warrants;
  - (c) 170,000,000 Consideration Shares to be issued pursuant to the Acquisition; and
  - (d) 174,398,724 new Asia Knight Shares to be issued pursuant to the exercise of the Warrants;

on the Main Market of Bursa Securities.

The approval of Bursa Securities is subject to the following conditions:-

Condition	Status of compliance
(i) All proposed directors who have not attended the Mandatory Accreditation Programme to do so prior to the completion of the Regularisation Plan;	Complied
(ii) Asia Knight and Mercury Securities to fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Regularisation Plan;	To be met
(iii) Asia Knight and Mercury Securities to ensure compliance with Paragraph 8.02 of the Listing Requirements prior to the quotation for all the new Asia Knight Shares to be issued pursuant to the Rights Issue with Warrants and Acquisition;	Noted
(iv) Asia Knight and/or Mercury Securities to inform Bursa Securities upon the completion of the Regularisation Plan; and	To be met
(v) Asia Knight to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Regularisation Plan is completed.	To be met

The Board is pleased to inform that the Shareholders had, during the EGM held on 17 January 2018, approved the Regularisation Plan, which include, amongst others, the Rights Issue with Warrants. A certified true extract of the resolutions approving, amongst others, the Rights Issue with Warrants at the said EGM is attached in Appendix VI of this Abridged Prospectus.

On 30 March 2018, Mercury Securities had, on behalf of the Board, announced that the Company had entered into the Underwriting Agreement with Mercury Securities.

On 3 April 2018, Mercury Securities had, on behalf of the Board, announced that the entitlement date for the Rights Issue with Warrants has been fixed at 5.00 p.m. on 17 April 2018.

No person is authorised to give any information or make any representation not contained in this Abridged Prospectus and, if given or made, such information or representation must not be relied upon as having been authorised by Mercury Securities or Asia Knight in connection with the Rights Issue with Warrants.

**YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS ABRIDGED PROSPECTUS WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE WITH WARRANTS AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE WITH WARRANTS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## **2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS**

### **2.1 Details of the Rights Issue with Warrants**

In accordance with the terms of the Rights Issue with Warrants as approved by the relevant authorities as well as the Shareholders and subject to the terms of this Abridged Prospectus and the accompanying documents, the Rights Issue with Warrants entails a provisional allotment of 348,797,448 Rights Shares together with 174,398,724 free Warrants on a renounceable basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Share held by the Entitled Shareholders on the Entitlement Date, at an issue price of RM0.10 per Rights Share.

As the Rights Shares and Warrants are prescribed securities, the respective CDS Accounts of Entitled Shareholders will be duly credited with the number of Provisional Allotments they are entitled to subscribe for in full or in part under the terms of the Rights Issue with Warrants. Entitled Shareholders will find enclosed in this Abridged Prospectus, the NPA notifying Entitled Shareholders of the crediting of such securities into their respective CDS Accounts and the RSF to enable Entitled Shareholders to subscribe for the Provisional Allotments as well as to apply for Excess Rights Shares with Warrants if Entitled Shareholders so choose to. However, only Entitled Shareholders who have an address in Malaysia as stated in the Record of Depositors or who have provided the Share Registrar with an address in Malaysia in writing by the Entitlement Date will receive this Abridged Prospectus, together with the NPA and RSF.

The Warrants are attached to the Rights Shares without any cost and will be issued only to Entitled Shareholders and/or their transferee(s) and/or their despatch(s) who subscribe for the Rights Shares. The Warrants are exercisable into new Asia Knight Shares and each Warrant will entitle the Warrant Holder to subscribe for 1 new Asia Knight Share at the Exercise Price. The Warrants will be immediately detached from the Rights Shares upon issuance and traded separately. The Warrants will be issued in registered form and constituted by the Deed Poll. The salient terms of the Warrants are set out in Section 2.5 of this Abridged Prospectus.

Any dealings in the Company's securities will be subject to, amongst others, the provisions of the SICDA, the Rules of Bursa Depository and any other relevant legislation. Accordingly, the Rights Shares, Warrants and the new Shares to be issued and allotted upon the exercise of the Warrants will be credited directly into the respective CDS Accounts of successful applicants and holders of Warrant who exercise their Warrants (as the case may be). No physical certificates will be issued to the Entitled Shareholders and/or their transferee(s) and/or their despatch(s), nor will any physical share certificates be issued for the new Shares to be issued arising from the exercise of the Warrants.

The Rights Issue with Warrants is renounceable in full or in part. Accordingly, the Entitled Shareholders may fully or partially renounce their entitlements under the Rights Issue with Warrants. However, the Rights Shares and Warrants cannot be renounced separately, and only Entitled Shareholders who subscribe for the Rights Shares will be entitled to the Warrants. As such, the Entitled Shareholders who renounce all of their Rights Share entitlements will not be entitled to the Warrants. If the Entitled Shareholders accept only part of their Rights Share entitlements, they shall be entitled to the Warrants in proportion to their acceptance of the Rights Share entitlements.

The Rights Shares with Warrants that are not validly taken up by Entitled Shareholders and/or their transferee(s) and/or their despatch(s), if applicable, shall be made available for Excess Rights Shares with Warrants Applications.

Fractional entitlements arising from the Rights Issue with Warrants, if any, will be disregarded and dealt with by the Board in such manner and on such terms and conditions as the Board at its absolute discretion deems fit or expedient and in the best interests of the Company.

Notice of allotment will be despatched to Entitled Shareholders and/or their transferee(s) and/or their despatch(s) within 8 Market Days from the last date for acceptance and payment of the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

The Rights Shares and Warrants will be admitted to the Official List and the listing and quotation of these securities will commence 2 Market Days upon the receipt of an application for quotation for these securities as specified under the Listing Requirements, which will include amongst others, confirmation that all notices of allotment have been despatched to the successful applicants, and after receipt of confirmation from Bursa Depository that all CDS Accounts of successful applicants have been duly credited.

## **2.2 Basis of determining the issue price of the Rights Shares and the Exercise Price**

### **Issue price of the Rights Shares**

The Board had fixed the issue price of the Rights Shares at RM0.10 per Rights Share, after taking into consideration the following:-

- (i) the funding requirements of the Group as set out in Section 5 of this Abridged Prospectus;
- (ii) the discount of approximately 1.48% to the TEAP<sup>(1)</sup> of Asia Knight Shares of RM0.1015. The TEAP was calculated based on the 5-day VWAP of Asia Knight Shares up to and including the LTD of RM0.115; and
- (iii) the historical share price and volatility of Asia Knight Shares.

For further illustration only, the issue price represents a discount of approximately 18.50% to the TEAP of Asia Knight Shares of RM0.1227 which was arrived at based on the 5-day VWAP of Asia Knight Shares up to and including the LPD of RM0.3273.

#### **Note:-**

- (1) TEAP is computed as follows:-

$$\text{TEAP} = \frac{(A \times X) + (B \times Y) + (C \times Z)}{A + B + C}$$



where:-

A = Number of Rights Shares

B = Number of Warrants

C = Number of existing Shares

X = Issue price of the Rights Shares

Y = Exercise Price

Z = 5-day VWAP of Asia Knight Shares up to and including the LTD or LPD (where applicable)

and the ratio of A:B:C is 6:3:1, in accordance with the entitlement basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Share held.

### **Exercise Price**

The exercise price of RM0.10 per Warrant was determined by the Board after taking into consideration, amongst others, the discount of approximately 1.48% to the TEAP of Asia Knight Shares of RM0.1015. The TEAP was calculated based on the 5-day VWAP of Asia Knight Shares up to and including the LTD of RM0.115.

For further illustration only, the exercise price of RM0.10 per Warrant represents a discount of approximately 18.50% to the TEAP of Asia Knight Shares of RM0.1227 which was arrived at based on the 5-day VWAP of Asia Knight Shares up to and including the LPD of RM0.3273.

## **2.3 Ranking of Rights Shares and new Asia Knight Shares arising from the exercise of the Warrants**

### **Rights Shares**

The Rights Shares shall, upon allotment, issuance and full payment, rank *pari passu* in all respects with the then existing issued Shares, save and except that the Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares.

### **New Asia Knight Shares arising from the exercise of Warrants**

The new Asia Knight Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and full payment of the exercise price of the Warrants, rank *pari passu* in all respects with the then existing issued Shares, save and except that the new Asia Knight Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to the Shareholders, the entitlement date of which is prior to the date of allotment of the new Asia Knight Shares arising from the exercise of the Warrants.

## **2.4 Last date and time for acceptance and payment**

The Closing Date is 5.00 p.m. on **Thursday, 3 May 2018**.

## 2.5 Salient terms of the Warrants

The salient terms of the Warrants to be issued pursuant to the Rights Issue with Warrants are set out below:-

Issuer	:	Asia Knight
Issue size	:	174,398,724 Warrants
Form and detachability	:	The Warrants will be issued in registered form and will immediately be detached from the Rights Shares upon allotment and issuance and separately traded on Bursa Securities.
Board lot	:	For the purpose of trading on Bursa Securities, a board lot of Warrants shall be 100 units, unless otherwise revised by the relevant authorities.
Tenure of the Warrants	:	5 years from the date of issuance of the Warrants.
Exercise Period	:	The Warrants may be exercised at any time within a period of 5 years commencing from and including the date of issue of the Warrants to the close of business at 5.00 p.m. on the Market Day immediately preceding the date which is the 5 <sup>th</sup> anniversary from the date of issue of the Warrants. Any Warrants not exercised during the Exercise Period will thereafter lapse and become null and void.
Exercise Price	:	The exercise price of the Warrants shall be fixed at RM0.10. The exercise price and/or the number of Warrants in issue during the Exercise Period may also be adjusted in accordance with the terms and conditions set out in the Deed Poll governing the Warrants.
Exercise rights	:	Each Warrant shall entitle its holder to subscribe for 1 new Share at any time during the Exercise Period at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Mode of exercise	:	The registered holders of the Warrants shall pay by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia for the aggregate of the Exercise Price payable when exercising their Warrants to subscribe for new Asia Knight Shares.
Adjustments to the Exercise Price and/or the number of Warrants	:	The Exercise Price and/or the number of Warrants in issue may be subject to adjustments in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.
Rights of the Warrant Holders	:	The Warrants do not confer on their holders any voting rights or any right to participate in any distribution and/or offer of further securities in the Company until and unless such holders of the Warrants exercise their Warrants and are allotted and issued new Asia Knight Shares arising from their exercise of the Warrants.

<p>Ranking of the new Asia Knight Shares to be issued pursuant to the exercise of the Warrants</p>	<p>: The new Asia Knight Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment, issuance and full payment of the Exercise Price of the Warrants, rank <i>pari passu</i> in all respects with the then existing issued Shares, save and except that the new Asia Knight Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the new Asia Knight Shares arising from the exercise of the Warrants.</p>
<p>Rights of the Warrant Holders in the event of winding up, liquidation, compromise and/or arrangement</p>	<p>: If a resolution is passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, then:-</p> <p>(a) whether or not is for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with 1 or more companies pursuant to a scheme of arrangement to which the Warrant holders, or some person designated by them for such purpose by special resolution, is a party, the terms of such scheme of arrangement shall be binding on all the Warrant holders; and</p> <p>(b) in any other case every warrant holder shall be entitled (subject to the conditions as set out in the Deed Poll) at any time within 6 weeks after the passing of such resolution for a members' voluntary winding up of the Company or 6 weeks after the granting of the court order approving the compromise or arrangement, by the irrevocable surrender of his Warrants to the Company, by the exercise notice(s) duly completed, together with payment of the relevant exercise price, to elect to be treated as if he had immediately prior to the commencement of such winding up, compromise or arrangement exercised the exercise rights represented by his Warrants to the extent specified in the exercise notice(s) and had on such date been the holder of the Asia Knight Shares to which he would have become entitled pursuant to such exercise and the liquidator of the Company shall give effect to such election accordingly. The Company shall give notice to the Warrant holders in accordance with Condition 12 of the passing of any such resolution within 7 market days after the passing of such resolution.</p>
<p>Modification of rights of the Warrant Holders</p>	<p>Subject to the above, if the Company is wound up, all exercise rights which have not been exercised within 6 weeks of the passing of such resolution shall lapse and the Warrants will cease to be valid for any purpose.</p> <p>: Save as otherwise provided in the Deed Poll, a special resolution of the Warrant holders is required to sanction any modification, alteration or abrogation in respect of the rights of the Warrant holders.</p>

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Modification of the Deed Poll	: Any modification to the terms and conditions of the Deed Poll may be effected only by a further deed poll, executed by the Company and expressed to be supplemental to the Deed Poll. Any of such modification shall however be subject to the approval of Bursa Securities (if so required).  No amendment or addition may be made to the provisions of the Deed Poll without the sanction of a special resolution unless the amendments or additions are required to correct any manifest errors or are required to comply with any provisions of the prevailing laws or regulations or Malaysia or in the opinion of the Company, will not be materially prejudicial to the interests of the Warrants holders.
Transferability	: The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the Rules of Bursa Depository.
Deed Poll	: The Warrants are constituted by the Deed Poll.
Governing laws	: The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

## **2.6 Details of other corporate exercises**

As at the LPD, save for the Rights Issue with Warrants and the Acquisition, which forms part of the Regularisation Plan, the Board confirms that there are no other corporate exercises which have been approved by the regulatory authorities but pending completion.

## **3. SHAREHOLDERS' UNDERTAKINGS AND UNDERWRITING ARRANGEMENT**

### **3.1 Undertakings**

Asia Knight intends to raise RM34.9 million from the Rights Issue with Warrants to meet the funding requirements of the Group, which will be channelled towards the proposed utilisation as set out in Section 5 of this Abridged Prospectus.

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The Rights Issue with Warrants will be undertaken on a full subscription basis. The Company has procured written irrevocable and unconditional Undertakings from the Undertaking Shareholders to subscribe in full for their respective entitlements, details of which are set out below:-

Undertaking Shareholders	Existing direct shareholdings as at the LPD		Entitlement / Rights Shares to be subscribed pursuant to the Undertakings	Direct shareholdings after the Rights Issue with Warrants	
	No. of Shares	% <sup>(1)</sup>		No. of Shares	% <sup>(2)</sup>
Pahangply Holdings Berhad <sup>(3)</sup>	16,274,923	28.00	97,649,538	113,924,461	28.00
See Seng Lai & Sons Realty Sdn Bhd <sup>(4)</sup>	8,587,831	14.77	51,526,986	60,114,817	14.77
Prime Forest Products (M) Sdn Bhd	2,175,542	3.74	13,053,252	15,228,794	3.74
See Teck Wah	3,479,812	5.99	20,878,872	24,358,684	5.99
See Han Liong	1,118,300	1.92	6,709,800	7,828,100	1.92
NGE Leasing & Credit Sdn Bhd	549,807	0.95	3,298,842	3,848,649	0.95
Nanyang General Enterprises Sdn Bhd	333,330	0.57	1,999,980	2,333,310	0.57
Nanyang Timber Industry Sdn Bhd	300,000	0.51	1,800,000	2,100,000	0.51
Far East Navigation (Malaysia) Sdn Bhd	150,000	0.26	900,000	1,050,000	0.26
<b>Total</b>	<b>32,969,545</b>	<b>56.71</b>	<b>197,817,270</b>	<b>230,786,815</b>	<b>56.71</b>

**Notes:-**

- (1) Based on the issued share capital of 58,132,908 Shares as at the LPD.  
(2) Based on the enlarged issued share capital of 406,930,356 Shares.  
(3) Pahangply Holdings Berhad together with its wholly-owned subsidiary, Vertical Portal Sdn Bhd, have given their undertakings to subscribe for the following portion of the Rights Shares:-

<b>Undertaking shareholders</b>	<b>Rights Shares to be subscribed for pursuant to the Undertakings</b>
Pahangply Holdings Berhad	19,649,538
Vertical Portal Sdn Bhd	78,000,000
<b>Total undertaking from Pahangply Holdings Berhad and its wholly-owned subsidiary</b>	<b>97,649,538</b>

- (4) See Seng Lai & Sons Realty Sdn Bhd together with its wholly-owned subsidiary, Goodwill Hexagon Sdn Bhd have given their undertakings to subscribe for the following portion of the Rights Shares:-

<b>Undertaking shareholders</b>	<b>Rights Shares to be subscribed for pursuant to the Undertakings</b>
See Seng Lai & Sons Realty Sdn Bhd	19,126,986
Goodwill Hexagon Sdn Bhd	32,400,000
<b>Total undertaking from See Seng Lai &amp; Sons Realty Sdn Bhd and its wholly- owned subsidiary</b>	<b>51,526,986</b>

Please refer to Section 9.3 of this Abridged Prospectus for the effects of Rights Issue with Warrants on the Undertaking Shareholders' shareholdings.

Pursuant to the Undertakings, the Undertaking Shareholders have:-

- (i) irrevocably and unconditionally warranted that they shall not sell or in any other way dispose of or transfer their existing interest in the Company or any part thereof during the period commencing from the date of the Undertakings up to the Entitlement Date; and
- (ii) confirmed that they have sufficient financial means and resources to subscribe in full for their respective entitlements.

Mercury Securities has verified the sufficiency of financial resources of the Undertaking Shareholders for the purpose of subscribing for the Rights Shares pursuant to the Undertakings.

The Undertaking Shareholders have confirmed that their subscription for Rights Shares pursuant to the Undertakings will not give rise to any mandatory take-over offer obligation under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions immediately after the completion of the Rights Issue with Warrants.

In the event that either of the Undertaking Shareholders triggers an obligation to undertake a mandatory take-over offer under the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions pursuant to the Undertakings, a separate announcement will be made. The Undertaking Shareholders have each confirmed that they will at all times observe and ensure compliance with the provisions of the Code and the Rules on Take-Overs, Mergers and Compulsory Acquisitions and will seek from the SC the necessary exemptions from undertaking such mandatory take-over offer, if required.

The Undertakings are not expected to result in any breach in the public shareholding spread requirement by the Company under Paragraph 8.02(1) of the Listing Requirements, which stipulates that a listed corporation must ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders. As at the LPD, the Company does not hold any treasury shares.

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The pro forma public shareholding spread is illustrated assuming all the Entitled Shareholders subscribe to their respective entitlements as follows:-

Particulars	As at the LPD			After the Rights Issue with Warrants		
	No. of Shares	No. of Shareholders	%	No. of Shares	No. of Shareholders	%
Issued share capital	(1) 58,132,908	935	100.00	(2) 406,930,356	935	100.00
<u>Less:</u>						
Directors of Asia Knight Group						
- See Teck Wah	3,479,812	1	5.99	24,358,684	1	5.99
- See Han Liong	1,118,300	1	1.92	7,828,100	1	1.92
- See Seng Hong	429,000	1	0.74	3,003,000	1	0.74
Persons connected and associated to the Directors						
- Pahangply Holdings Berhad	16,274,923	1	28.00	113,924,461	1	28.00
- See Seng Lai & Sons Realty Sdn Bhd	8,587,831	1	14.77	60,114,817	1	14.77
- Prime Forest Products (M) Sdn Bhd	2,175,542	1	3.74	15,228,794	1	3.74
- NGE Leasing & Credit Sdn Bhd	549,807	1	0.95	3,848,649	1	0.95
- Nanyang General Enterprises Sdn Bhd	333,330	1	0.57	2,333,310	1	0.57
- Nanyang Timber Industry Sdn Bhd	300,000	1	0.52	2,100,000	1	0.52
- Far East Navigation (Malaysia) Sdn Bhd	150,000	1	0.26	1,050,000	1	0.26
Substantial Shareholders (3)	-	-	-	-	-	-
Persons connected and associated to the substantial Shareholders (4)	-	-	-	-	-	-
Shareholders holding less than 100 Shares	2,639	67	(5) -	18,473	67	(5) -
<b>Public shareholding spread</b>	<b>24,731,724</b>	<b>858</b>	<b>42.54</b>	<b>173,122,068</b>	<b>858</b>	<b>42.54</b>

Notes:-

(1) Based on the 58,132,908 issued Shares as at the LPD.

(2) Based on the enlarged 406,930,356 issued Shares after the Rights Issue with Warrants.

- (3) Substantial Shareholders as at the LPD are See Teck Wah, Pahangply Holdings Berhad and See Seng Lai & Sons Realty Sdn Bhd, which have been accounted for under Director and persons connected and associated with the Directors in table above.
- (4) Persons connected and associated to the substantial Shareholders are Prime Forest Products (M) Sdn Bhd, NGE Leasing & Credit Sdn Bhd, Nanyang General Enterprises Sdn Bhd, Nanyang Timber Industry Sdn Bhd, Far East Navigation (Malaysia) Sdn Bhd and See Han Liong, all of which have been accounted for under Director and person connected to the Directors in table above.
- (5) Negligible.

### **3.2 Underwriting arrangement**

On 30 March 2018, Asia Knight entered into the Underwriting Agreement with the Sole Underwriter to underwrite the remaining 150,980,178 Rights Shares together with 75,490,089 Warrants, valued at approximately RM15.1 million (representing approximately 43.29% of the total issue size under the Rights Issue with Warrants), at an underwriting commission of 1.75% plus a management fee of 0.5% of the total value of the underwritten Rights Shares, subject to the terms and conditions of the Underwriting Agreement.

The underwriting commission and all relevant costs in relation to the underwriting arrangement will be fully borne by the Company.

## **4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS**

The Rights Issue with Warrants is undertaken to finance, amongst others, the Acquisition, which is expected to contribute positively to the future performance of the Group. The Acquisition is part of the Asia Knight Group's Regularisation Plan which is intended to address and uplift the current PN17 status and return Asia Knight Group to a better financial standing and profitability. Please refer to Section 6.3 of this Abridged Prospectus for further details on the Acquisition.

After due consideration of the various options available, the Board is of the opinion that the Rights Issue with Warrants is the most suitable means of fund raising for the Company for the following reasons:-

- (i) it will involve the issuance of new Asia Knight Shares without diluting the Entitled Shareholders' shareholdings provided that they subscribe in full for their respective entitlements under the Rights Issue with Warrants and exercise their Warrants subsequently;
- (ii) it provides an opportunity for the Entitled Shareholders to participate in the equity offering of the Company on a pro-rata basis; and
- (iii) it will enable the Company to raise the requisite funds without incurring additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing costs.

The free Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares. In addition, the free Warrants will provide the Entitled Shareholders with an opportunity to increase their equity participation in the Company at a pre-determined exercise price during the tenure of the Warrants and will allow the Entitled Shareholders to further participate in the future growth of the Company as and when the Warrants are exercised.



The exercise of the Warrants in the future will allow the Company to obtain additional funds without incurring additional interest expenses from borrowings. Furthermore, should the Company increase its borrowings in the future, the exercise of the Warrants will increase Shareholders' funds and improve the Company's gearing level, thereby providing the Company with flexibility in terms of the options available to meet its funding requirements.

## 5. UTILISATION OF PROCEEDS

Based on the issue price of RM0.10 per Rights Share, the Rights Issue with Warrants is expected to raise gross proceeds of approximately RM34.9 million. The gross proceeds are to be utilised in the following manner:-

Utilisation of proceeds	Expected timeframe for utilisation from completion of Rights Issue with Warrants	RM'000	%
(i) To part finance the Purchase Consideration <sup>(1)</sup>	Immediate	31,000	88.87
(ii) Working capital <sup>(2)</sup>	Within 12 months	1,380	3.96
(iii) Estimated expenses in relation to the Regularisation Plan <sup>(3)</sup>	Immediate	2,500	7.17
<b>Total</b>		<b>34,880</b>	<b>100.00</b>

### Notes:-

- (1) As part of the Regularisation Plan, Asia Knight will undertake and implement the Acquisition. The Acquisition entails the acquisition by Asia Knight of 9,000,000 RGT Shares, representing 60% equity interest of RGT from the Vendors for a purchase consideration of RM48,000,000.

The Purchase Consideration shall be satisfied via cash payment of RM31.0 million raised via the proceeds raised from Rights Issue with Warrants and the issuance of 170,000,000 Consideration Shares to the Vendors. Further details of the Regularisation Plan and the Acquisition is set out in Section 6 of this Abridged Prospectus.

- (2) The Board intends to utilise a portion of the proceeds as general working capital to support its business operations which include, but are not limited to the following:-

Working capital	Amount (RM'000)
Payment of salaries to the existing staff of the Group	380
Overhead, operating expenses and administrative expenses such as utilities, rental costs, transportation costs, marketing costs and other miscellaneous items	1,000
<b>Total</b>	<b>1,380</b>

- (3) The estimated expenses in relation to the Regularisation Plan consist of the following:-

<b>Estimated expenses</b>	<b>Amount (RM'000)</b>
Professional fees <sup>(a)</sup>	2,329
Fees to Bursa Securities, the SC and the Registrar of Companies in Malaysia	128
Printing, despatch, advertising expenses and meeting expenses	43
<b>Total</b>	<b>2,500</b>

- (a) Comprises estimated professional fees payable to the professional advisers in relation to the Regularisation Plan.

The proceeds arising from the exercise of Warrants are dependent on the total number of Warrants exercised during the tenure of the Warrants. The proceeds from the exercise of the Warrants will be received on an "as and when basis" over the tenure of the Warrants. Based on the exercise price of the Warrants of RM0.10 per Warrant, the maximum gross proceeds expected to be raised from the exercise of Warrants is RM17.4 million. Such proceeds shall be utilised for working capital requirements as set out in note (2) above. The proceeds arising from the exercise of Warrants is expected to be utilised within 18 months of the receipt of such proceeds.

## 6. REGULARISATION PLAN

The Regularisation Plan was formulated to address and uplift the current PN17 status of the Asia Knight Group and to return Asia Knight Group to a better financial standing and profitability.

The Regularisation Plan consists of the Capital Reduction, Rights Issue with Warrants and Acquisition.

### 6.1 Capital Reduction

The Capital Reduction exercise of Asia Knight Group entails the reduction of the share capital of the Company by RM57,000,000 had been completed and effected on 26 March 2018.

### 6.2 Rights Issue with Warrants

The Rights Issue with Warrants will enable the Company to raise funds to undertake the Acquisition as part of the Regularisation Plan and channel them towards the utilisation as set out in Section 5 of this Abridged Prospectus.

Further details on the Rights Issue with Warrants has been set out in Section 2 of this Abridged Prospectus.

### 6.3 Acquisition

Asia Knight had on 14 August 2017, entered into the SSA with the Vendors for the purposes of undertaking and implementing the Acquisition. The Acquisition entails the acquisition by Asia Knight of 9,000,000 RGT Shares, representing 60% equity interest of RGT from the Vendors for a purchase consideration of RM48,000,000.

The Purchase Consideration shall be satisfied via cash payment of RM31.0 million and the issuance of 170,000,000 Consideration Shares to the Vendors in the following proportions:-

Vendors	Shareholdings in RGT (%)	Percentage of holdings in RGT sold (%)	Cash consideration (RM)	No. of Consideration Shares	Value of Consideration Shares (RM)
Hor Lim Chee	40	24	12,400,000	68,000,000	6,800,000
Ng Choon Keat	25	15	7,750,000	42,500,000	4,250,000
Tan Song Chai	20	12	6,200,000	34,000,000	3,400,000
Lim Seat Hoe	10	6	3,100,000	17,000,000	1,700,000
Tan Ann Chee	5	3	1,550,000	8,500,000	850,000
<b>Total</b>	<b>100</b>	<b>60</b>	<b>31,000,000</b>	<b>170,000,000</b>	<b>17,000,000</b>

In accordance to the terms of the SSA, both the cash payment of RM 31.0 million and the Consideration Shares shall be paid and issued to the Vendors on the completion date of the SSA. The completion date of the SSA shall be on or prior to 3 months from the date the conditions precedents set out in the SSA have been fulfilled or such other agreed date by both parties.

RGT is principally involved in the manufacturing of moulded plastic products and will form part and parcel of the core business of the Asia Knight Group upon the completion of the Acquisition. Further details on RGT are set out in Appendix II of this Abridged Prospectus.

The Vendors have provided a Profit Guarantee to the Company that the PAT of RGT shall not be less than RM20.0 million for FYE 31 December 2017 and 31 December 2018 in aggregate. For information, RGT Group had achieved an audited PAT of RM10.2 million for the FYE 31 December 2017. The Profit Guarantee is secured by the Vendors depositing the Consideration Shares into a securities account which is operated by the trustee company in a central depository or its nominee company. In this regard, the Vendors and Asia Knight have appointed a trustee company to operate the said account. In the event the audited PAT for the financial years concerned is less than the Profit Guarantee, the Vendors shall be liable to settle the shortfall in cash, failing which, the Company is irrevocably authorised by the Vendors to instruct the trustee company to sell all or such portion of the Pledged Shares to settle the unpaid shortfall. Further details of the Profit Guarantee are set out in Appendix IX of this Abridged Prospectus.

The cash portion of the Purchase Consideration amounting to RM31.0 million shall be financed by the proceeds from the Rights Issue with Warrants and shall be paid to the Vendors upon the listing of the Rights Shares and Warrants on the Main Market of Bursa Securities. The balance of the Purchase Consideration amounting to RM17.0 million will be financed by the issuance of the Consideration Shares.

For further details on the Acquisition, please refer to the Company's circular to Shareholders dated 22 December 2017.

### 6.3.1 Rationale for the Acquisition of RGT

RGT will form part of the core business of the Asia Knight Group upon completion of the Acquisition. The Acquisition represents a strategic investment for the Asia Knight Group to enhance its competitiveness in the plastics manufacturing industry. Upon completion of the Acquisition, the enlarged Group will be principally involved in a more comprehensive range of plastics manufacturing services.

The Acquisition will offer opportunities to RGT and T-Venture for further expansion, as well as benefits arising from complementary synergies, as follows:-

- (i) The enlarged Group will be able to offer more expansive product offerings. T-Venture and RGT can capitalise on their combined machine capabilities to offer customers a more expansive offering of moulded plastic products;
- (ii) As both T-Venture and RGT are principally involved in the manufacturing of moulded plastic products, some of the supplies and raw materials required by T-Venture and RGT are the same. Hence, the enlarged Group may be able to streamline its supply chain and gain better bargaining power through bulk purchasing;
- (iii) Cross-selling services to existing and new customers of RGT and T-Venture; and
- (iv) Creation of complementary synergies between RGT and T-Venture, in which knowledge can be shared across both companies.

The Acquisition is expected to strengthen the Group's financial position and contribute positively to the Group's future earnings. The Profit Guarantee of RM20.00 million in aggregate for FYE 31 December 2017 and 2018, 60% of which is attributable to Asia Knight, is expected to boost Asia Knight's FYE 30 June 2018 and FYE 30 June 2019 consolidated earnings. RGT is expected to remain profitable and provide Asia Knight with a steady stream of future cash flows, given the positive outlook of the industry.

In accordance with Paragraph 5.2 of PN17, a PN17 issuer that undertakes a regularisation plan must record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the regularisation plan.

While the Group streamlined its business and operations by ceasing the operations of its other non-profit making subsidiaries in recent years and T-Venture's recent steps to adjust its marketing policies to reduce the impact of price fluctuations, the Group is still loss making up to the LPD, mainly due to corporate expenses arising from the Company level of Asia Knight. Such corporate expenses include legal expenses pertaining to the material litigations as set out in Section 4.1 of this Abridged Prospectus as well as professional fees and expenses pertaining to the Regularisation Plan. As such, in view of a lack of alternatives, without the Acquisition, the Company will not be able to regularise its financial position and will be delisted, given its PN17 status.

Taking into consideration the historical financial performance of RGT as set out in Section 9, Appendix II of this Abridged Prospectus and the industry outlook and future prospects as set out in Section 8 of this Abridged Prospectus, the Acquisition is envisaged to enhance Asia Knight's financial footing and thereby enhancing value to its Shareholders.

### **6.3.2 Basis of determining and justifications on the Purchase Consideration**

The Purchase Consideration of RM48.00 million was arrived at on a "willing-buyer-willing-seller" basis after taking into consideration, amongst others, the following:-

- (i) audited NA of RGT Group as at 31 December 2016 of RM45.03 million;

- (ii) audited PAT of RGT Group for FYE 31 December 2015 and FYE 31 December 2016 of RM10.39 million and RM8.26 million, respectively;
- (iii) the Profit Guarantee by the Vendors that the aggregate audited PAT of RGT Group shall not be less than RM20.00 million for FYE 31 December 2017 and FYE 31 December 2018, yielding an average annual guaranteed profit of RM10.00 million for FYE 31 December 2017 and FYE 31 December 2018. For information, RGT Group had achieved an audited PAT of RM10.2 million for the FYE 31 December 2017;
- (iv) a PE ratio of 8.0 times (based on the average annual guaranteed profit of RM10.00 million), yielding a valuation of RM80.00 million for 100% equity interest in RGT; and
- (v) the acquisition of 60% equity interest in RGT.

The Company has also taken into consideration the PE approach on the following basis to ascertain if the Purchase Consideration is justified:-

- (i) The financial performance of RGT for FYE 31 December 2015 and FYE 31 December 2016, being the most recent 2 financial years prior to entering into the SSA in relation to the Acquisition are as shown below:-

FYE 31 December	2015	2016
	RM'000	RM'000
Revenue	65,069	66,003
PBT	13,362	10,725
PAT	10,392	8,259

- (ii) RGT has been principally involved in the manufacturing of moulded plastic products for the past 3 financial years under review; and
- (iii) The average annual guaranteed profit of RM10.00 million for each of FYE 31 December 2017 and FYE 31 December 2018 given by the Vendors.

The Purchase Consideration of RM48.0 million for a 60% equity interest in RGT implies a value of RM80.0 million accorded to the entire equity interest of RGT ("**Implied Value**"). The implied PE multiples of the Purchase Consideration, calculated by dividing Implied Value of RGT value with the average annual guaranteed profit of RM10.00 million and PAT of RGT Group for FYE 31 December 2016 of RM8.26 million ("**Implied PE Multiples**") are as follows:-

Company	Purchase Consideration (RM million)		PAT (RM million)	Implied PE Multiples (times)
RGT	80.00 <sup>(3)</sup>	PAT for FYE 31 December 2016	<sup>(1)</sup> 8.26	9.7
		Average annual guaranteed profit	<sup>(2)</sup> 10.00	8.0

Notes:-

- (1) Based on latest audited PAT of RGT for FYE 31 December 2016.
- (2) Based on average annual guaranteed profit of RM10.00 million for FYE 31 December 2017 and FYE 31 December 2018.

- (3) Implied value accorded for the entire equity interest of RGT based on the Purchase Consideration of RM48.00 million for 60.00% equity interest in RGT.

The range of Implied PE Multiples of the Purchase Consideration of RGT is compared to the range of estimated PE multiples derived from selected comparable companies which are involved in broadly the same business sector as that of RGT ("**Comparable Companies**") after incorporating size and marketability downward adjustment of 30% in view that the size of the Comparable Companies relative to RGT and the unlisted status of RGT (RGT Shares are not listed on any stock exchange and therefore less marketable than the shares of the Comparable Companies) ("**Adjusted PE Multiples**").

The selected Comparable Companies are currently listed on Bursa Securities and are involved in similar business activities to those of RGT. The selection of these companies was based on the following criteria:-

- (i) Involvement in the manufacturing of moulded plastic products; and
- (ii) Consolidated revenue of the latest financial year is substantially derived from the manufacturing of moulded plastic products.

The following list sets out the Comparable Companies which are deemed to be comparable to RGT for the purposes of evaluating the fairness of the Purchase Consideration, together with a brief description of their principal activities, market capitalisation and a comparison of the Implied PE Multiples of the Purchase Consideration relative to the Adjusted PE Multiples of the selected Comparable Companies as at 31 December 2016:-

Comparable Companies	Principal activities	Market capitalisation <sup>(1)</sup> (RM'000)	Adjusted PE Multiples (times) <sup>(2)</sup>
HIL Industries Berhad	HIL Industries Berhad manufactures and sells industrial and domestic moulded plastic products. The company, through its subsidiaries, operates in property development, investment, and management. The company's primary plastic products include components and fittings for the automotive and consumer electronics industries.	257,003	11.3
LCTH Corporation Berhad	LCTH Corporation Berhad is an investment holding company. The company, through its subsidiaries, manufactures and assembles precision plastic parts and components.	180,429	8.7
Ge-Shen Corporation Berhad	Ge-Shen Corporation Berhad is an investment holding company. The company manufactures plastic moulded products.	131,054	5.4

Comparable Companies	Principal activities	Market capitalisation <sup>(1)</sup> (RM'000)	Adjusted PE Multiples (times) <sup>(2)</sup>
CYL Corporation Berhad	CYL Corporation Berhad is an investment holding company. The company, through its subsidiaries, manufactures and supplies plastic packaging products.	79,949	13.1
V.S. Industry Berhad	V.S. Industry Berhad and its subsidiaries manufacture, assemble, and sell electronic and electrical products and plastic moulded parts.	1,627,781	15.0
<b>Minimum</b>			<b>5.4</b>
<b>Maximum</b>			<b>15.0</b>
<b>Simple average</b>			<b>10.7</b>

**Notes:-**

- (1) Based on 3-month VWAP of the respective Comparable Companies up to 31 December 2016.
- (2) After incorporating size and marketability adjustment in view that the size of the Comparable Companies relative to RGT Group and the unlisted status of RGT Group (RGT Shares are not listed on any stock exchange and therefore, less marketable than the shares of the Comparable Companies). However, please note that the selection of Comparable Companies and the adjustments are highly subjective and judgemental.

(Source: Bloomberg)

The range of Implied PE Multiples of the Purchase Consideration of 8.0 times to 9.7 times is **within** the range of the Adjusted PE Multiples of Comparable Companies of 5.4 times to 15.0 times. Premised on the above, the Company is of the view that the Purchase Consideration is justified.

Notwithstanding the above analysis, the Comparable Companies which were considered comparable to RGT in terms of principal activities may have different scale of operations, profit track record, financial profile and capital structure. Any comparisons made with respect to the Comparable Companies are merely to provide an assessment of the valuation of RGT.

### 6.3.3 Liabilities to be assumed

Save for the liabilities stated in RGT's consolidated statement of financial position, which will be consolidated into the financial statements of Asia Knight, following the completion of the Acquisition, the Company will not assume any other liabilities, including contingent liabilities or guarantees pursuant to the Acquisition.

The Sale Shares will be acquired free from all encumbrances, liens, charges and other encumbrances whatsoever and with all the rights accruing to those Sale Shares.

### **6.3.4 Additional financial commitment required by the Company**

Save for the Purchase Consideration, there is no additional financial commitment required in putting the RGT Group on-stream in view that RGT is already in operation and is profit-generating.

## **7. RISK FACTORS**

You should carefully consider, in addition to the other information contained in this Abridged Prospectus, the following risk factors before subscribing for or investing in the Rights Issue with Warrants:-

### **7.1 Risks relating to the Group**

#### **(i) Business risks**

The business operations of RGT is subject to risks inherent to the plastics manufacturing industry, of which the Asia Knight Group is already involved in. Such risk may include, amongst others, fluctuations in cost of raw materials, availability of labour, changes in general economic and business conditions and changes in the legal and environmental framework within which the industry operates.

The business operations of the enlarged Group (after the Acquisition) are also susceptible to operational risks such as breakdown of equipment and machinery and accidents involving operation facilities and personnel, which may result in delays in the completion of orders and/or cost overruns.

#### **(ii) Delisting risks**

In accordance with Paragraph 5.2 of PN17, if a PN17 issuer undertakes a regularisation plan which will not result in a significant change in the business direction or policy of the PN17 issuer, it must, amongst others, complete the implementation of the plan within 6 months from the date the plan is approved by Bursa Securities. However, for cases which involve court proceedings, a PN17 issuer has up to 12 months from the date the plan is approved by Bursa Securities, to complete the implementation of the plan and record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the regularisation plan.

Bursa Securities had vide its letter dated 23 November 2017 granted its approval for the Regularisation Plan. The Company has 12 months from the approval date to complete the implementation of its Regularisation Plan.

If the above conditions and/or approvals are not met/or obtained by the Company within the stipulated timeframe, Asia Knight shall be removed from the Official List of Bursa Securities. Further, in the event that the Company is unable to record a net profit in 2 consecutive quarterly results immediately after the completion of the implementation of the Regularisation Plan, there is a risk that the Company will continue to be classified under PN17 and/or Bursa Securities may suspend the trading of Asia Knight Shares and/or delist Asia Knight Shares from the Official List (subject to Asia Knight appealing against the delisting).



**(iii) Acquisition risks*****Risks arising from dependence on major and/or single largest customer(s)***

A substantial portion of RGT's total revenue is derived from a major customer, namely subsidiaries of Newell Brands Inc. The total revenue contribution from the subsidiaries of Newell Brands Inc are approximately 93.6%, 91.1% and 91.8% for the FYEs 31 December 2015, 2016 and 2017 respectively. RGT is one of two manufacturers to Newell Brands Inc's subsidiaries since 1997 for air care, hygiene care products and accessories.

The business of RGT is therefore, to a certain extent, dependent on the performance of its respective major customer, which is beyond their control. The loss of a major customer as a result of competition or the failure to attract new customers could impact RGT negatively.

***Risks arising from inability to retain the key management of RGT***

The success of the enlarged Group (after the Acquisition) will not only depend on the broad knowledge, experience and continued efforts of the Board and their existing key management, but also through the retention of the key management of RGT.

**(iv) Foreign exchange risks**

The enlarged Group is exposed to foreign exchange risk arising mainly from USD and SGD which are the main currencies used for export sales and import purchases. Any adverse movements in those currencies may affect the financial performance of the enlarged Group. The enlarged Group's exposure to foreign exchange risk are set out as follows:-

**Asia Knight Group**

	<b>FYE 30 June 2017</b>	<b>From 1 July 2017 up to the LPD</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Export revenue transacted in:-</b>		
- USD	198	130
- SGD	1,411	893
Total revenue	10,514	9,015
% of USD and SGD export revenue over total revenue	15.30%	11.35%

For the FYE 30 June 2017 and from 1 July 2018 up to the LPD, Asia Knight Group's purchases in RM comprises 99.47% and 99.98% respectively of its total purchases and is not subject to material foreign exchange risks.

## RGT Group

	FYE 31 December 2017	From 1 January 2018 up to the LPD
	RM'000	RM'000
<b>Export revenue transacted in USD</b>	80,173	17,035
Total revenue	80,181	17,035
% of USD export revenue over total revenue	99.99%	100.00%
<b>Import purchases transacted in USD</b>	14,600	3,252
Total purchases	47,515	10,957
% of USD import purchases over total purchases	30.73%	29.68%

**(v) Achievability of the Profit Guarantee**

The Profit Guarantee is based on various bases and assumptions which are deemed reasonable, but nevertheless subject to certain uncertainties and contingencies, which are often outside RGT's control. While the Board has taken reasonable steps to assess the achievability of the Profit Guarantee, there can be no assurance that the Profit Guarantee will be met. Please refer to Appendix IX for further details on the Profit Guarantee.

**7.2 Risks relating to the Rights Issue with Warrants****(i) Delay in or abortion of the Rights Issue with Warrants**

The Rights Issue with Warrants may be delayed or cancelled if there is a material adverse change of events or circumstances such as rapid economic decline or a major natural disaster, which is beyond the control of the Company and the Principal Adviser.

In the event of failure in the completion of the Rights Issue with Warrants, all application monies received by the Company pursuant to the Rights Issue with Warrants will be refunded without interest to the Entitled Shareholders and or their renounee(s) (*if applicable*) who have subscribed for the Rights Shares in accordance with Section 243 of the CMSA and if any such monies is not repaid within 14 days after it becomes liable, the Company and its officers shall be liable to return such money with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period until the full refund is made.

In the event that the Rights Issue with Warrants is cancelled after the Rights Shares and Warrants have been validly allotted to the Entitled Shareholders and/or their renounee(s) (*if applicable*), a return of monies of the Entitled Shareholders and/or their renounee(s) (*if applicable*) can only be achieved by way of cancellation of the Company's share capital as provided under the Act. Such cancellation requires the approval of the Shareholders by way of a special resolution in a general meeting, consent of creditors (where applicable) and may require the confirmation of the High Court. In such an event, there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

**(ii) Capital market risk**

The market price of the new securities arising from the Rights Issue with Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuation. The respective price of the Company's securities is influenced by, amongst others, the prevailing market sentiments, the volatility of the stock market, movements in interest rates and the outlook of the industry in which the Company operates in. In view of this, there can be no assurance that the Shares (together with the Rights Shares and any new Shares issued pursuant to the exercise of the Warrants) will trade at or above the TEAP disclosed in Section 2.2 of this Abridged Prospectus after completion of the Rights Issue with Warrants.

The Warrants are new instruments issued by the Company. Therefore, there can be no assurance that an active market for the Warrants will develop upon listing on Bursa Securities, or if developed, will be sustainable. In addition, there is no assurance that the Warrants will be "in-the-money" during the Exercise Period.

Accordingly, there is no assurance that the market price of the Warrants will be at a level that meets the specific investment objectives or targets of any subscriber of the Warrants.

**(iii) Forward-looking statements and other information**

Certain statements in this Abridged Prospectus are based on historical data, which may not be reflective of future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on the estimates and assumptions made by the Company, unless stated otherwise, and although the Board believes these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, but are not limited to, those set out in this Abridged Prospectus.

In view of this and other uncertainties, the inclusion of any forward-looking statement in this Abridged Prospectus should not be regarded as a representation or warranty by the Company, the Principal Adviser and/or other advisers that the plans and objectives of the Group will be achieved.

**(iv) Potential dilution / restrictions on enlarged Group's operations**

Entitled Shareholders who do not or are not able to accept their entitlement in respect of the Rights Issue with Warrants will have their proportionate ownership and voting interests in the Company reduced, and the percentage of the enlarged issued share capital of Asia Knight represented by their shareholding in the Company will also be reduced accordingly. In addition, the Company will undertake the Acquisition, which will result in the reduction of percentage ownership and voting interest of existing shareholders in the Company.

Further, RGT may require additional funding for its future growth. An issue of Asia Knight Shares or other securities to raise funds will dilute existing Shareholders' equity interests and may, in the case of a rights issue, require additional investments by Shareholders. In addition, restrictions may be imposed by any additional debt funding that may affect the Company's operations.

If the enlarged Group fails to obtain additional funds required to meet its future business requirements, acquisition plans or investments, the enlarged Group may be not be able to implement future plans that are essential to its continued growth.

## 8. INDUSTRY OVERVIEW AND PROSPECTS

### 8.1 Overview and outlook of the Malaysian economy

For the fourth quarter of 2017, the Malaysian economy registered a growth of 5.9% (3Q 2017: 6.2%) as private sector spending continued to be the primary driver of growth (7.4%; 3Q 2017: 7.3%). The external sector performance improved further (5.4%; 3Q 2017: 1.7%), as real import growth moderated faster than real export growth. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (3Q 2017: 1.8%). For the year as a whole, the economy registered a robust growth of 5.9%.

Domestic demand expanded by 6.2% (3Q 2017: 6.6%) supported by continued strength in private sector expenditure (7.4%; 3Q 2017: 7.3%), amid waning support from public sector spending (3.4%; 3Q 2017: 4.0%).

Private consumption expanded by 7.0% (3Q 2017: 7.2%), supported by continued wage and employment growth.

Public consumption expanded by 6.9% (3Q 2017: 3.9%) mainly driven by higher spending on supplies and services by the Federal Government.

Private investment registered a higher growth of 9.2% (3Q 2017: 7.9%), driven mainly by the services and manufacturing sectors. Capital spending was supported by continued business optimism and favourable demand, which was evident across both export- and domestic-oriented industries.

On the supply side, most economic sectors recorded a moderate expansion, except for the agriculture sector, while growth in the mining sector declined.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter 2017 published on 14 February 2018 by BNM)

The Malaysian economy is projected to continue its strong growth momentum with real GDP expanding between 5% and 5.5% in 2018 (2017: 5.2% and 5.7%). Growth will mainly be driven by resilient domestic demand amid favourable external sector. Given the robust economic development, gross national income per capita is estimated to increase 5.1% to RM42,777 (2017: 7.7%; RM40,713). Despite the strong growth momentum, Malaysia as an open economy is not immune to external headwinds. These include rising protectionism; policy uncertainties in the advanced countries; and volatility in the financial markets. Nevertheless, structural reforms undertaken over the years to diversify the economy and strengthen the financial system have provided sufficient buffer to weather these external challenges.

(Source: Economic Report 2017/2018 published on 27 October 2017 by Ministry of Finance Malaysia)

## 8.2 Overview and outlook of the plastics manufacturing industry in Malaysia

Malaysia's plastics industry is a vibrant and growing industry as depicted by the performance of plastics manufacturing activities in the country. The manufacture of plastics in primary forms in Malaysia increased from RM13.1 billion in 2010 to RM17.6 billion in 2016 at a CAGR of 5.1%, while the manufacture of plastics in non-primary forms increased from RM604.5 million to RM1.6 billion over the same period at a CAGR of 17.8%.

Total plastics exports, comprising exports of plastics in primary and non-primary forms, grew at a CAGR of 6.9% between 2010 and 2016 from RM14.1 billion to RM21.0 billion. During this period, exports of plastics in non-primary forms increased at a CAGR of 7.0% while exports of plastics in primary forms increased at a CAGR of 6.8%.

The prospects for the plastics industry in Malaysia are favourable as plastics is expected to continue being a material of choice for a variety of consumer and industrial applications, as it is relatively low cost and easy to manufacture, versatile and is waterproof. Smith Zander anticipates that demand for plastics will continue to be driven by increased external demand by the end-user markets which it serves, including building and construction, consumer appliances, electrical and electronics, food preparation and service, healthcare, packaging, pharmaceuticals, sanitation as well as transportation, and will also grow in tandem with greater consumer spending both globally and within the country.

(Source: Independent Market Research Report dated 26 March 2018 by Smith Zander)

## 8.3 Overview and outlook of the global plastics market

The plastics industry is increasingly influenced by consumer preferences and buying patterns. Heightening awareness for the environment and its preservation is leading to a generation of consumers that favour green and sustainable products. Environmentally friendly plastic products are becoming prominent choices, whereby these products are reusable, recyclable, easily bio-degradable, consume less resources, and/or emit less greenhouse gasses.

The global consumption of plastics grew at a CAGR of 4.0% between 2011 and 2016, from 279.4 million tonnes to 339.2 million tonnes during the period. The growth in the consumption of plastics is driven by increasing demand for plastics. The versatile properties of plastics, coupled with the increasing technological innovations to improve the properties of plastics drive demand from multiple industries and end-user markets.

The global production of plastics grew at a CAGR of 3.7% between 2011 and 2016, from 279.0 million tonnes to 335.0 million tonnes during the period. This is indicative of the growth of the global plastics industry, in response to increasing demand from the various end-user markets which the plastics industry serves.

Moving forward, the prospects of the global plastics industry is expected to remain positive. Smith Zander forecasts the global consumption of plastics to grow from an estimated 362.7 million tonnes in 2017 to reach 386.2 million tonnes in 2019, at a CAGR of 3.2% during the period.

The healthy CAGR illustrated by the global plastics industry during the forecast period is expected to be driven by the expected growth in demand from the global end-user markets. The positive outlook for plastic products can be largely attributed to the diversity of application of plastics due to its unique properties leading to greater demand from multiple industries. The rapid technological advancements in increasing or improving the already unique properties of plastics will further drive demand for plastic products.

(Source: Independent Market Research Report dated 26 March 2018 by Smith Zander)

#### 8.4 Prospects and future plans of the Group

Premised on the successful implementation of the Regularisation Plan, which includes the Acquisition, the future prospects of both Asia Knight and RGT is expected to be favourable, in light of the growing demand for plastic products. RGT has a track record of approximately 20 years in the manufacturing of moulded plastic products. Its continued success in securing multinational corporations as its customers is evidence of its reputation as a reliable plastics injection moulding/manufacturing service provider. RGT presently serves customers in the air care and hygiene care industries.

The future viability of the Asia Knight Group looks promising in light of the following future plans that will be undertaken by the enlarged Asia Knight Group:-

**(i) Streamlining business and operations as well as steps taken to improve the financial performance of Asia Knight Group**

Asia Knight after announcing that it is an affected listed issuer on 31 October 2014 as it triggered the criterion under Paragraph 2.1(d) of PN17 of the Listing Requirements, had streamlined its business and operations by ceasing the operations of its other non-profit making subsidiaries in recent years as part of the Group's efforts to regularise its financial condition.

As at the LPD, T-Venture, being the sole operating entity of Asia Knight, is currently profit making and is taking steps to further improve its financial performance such as adjustments to its marketing policies that may reduce the impact of price fluctuations.

Further, as at the LPD, T-Venture had secured RM1.23 million worth of orders and registered an unaudited revenue of RM6.57 million for the 6-months FPE 31 December 2017. Asia Knight also intends to reduce the operational and corporate expenses at the company level of Asia Knight. The corporate expenses include legal fees pertaining to the material litigations which are currently pending decision as disclosed under Section 4.1 of this Abridged Prospectus, as well as professional fees in undertaking the Regularisation Plan. Upon the conclusion or settlement of such litigations and upon the successful implementation of the Regularisation Plan, the Company does not expect to incur such costs moving forward.

**(ii) The enlarged Group intends to expand its services to include ODM services**

At present, Asia Knight Group manufactures products based on the product designs and specifications provided by their customers. Moving forward, through RGT, the enlarged Group aims to expand its services to include ODM services for moulded plastic products, where it will design and manufacture products that are specified and eventually branded by other companies (i.e. its customers) for sale. As an ODM, RGT will provide the overall design for products requested by customers. Once the design is approved by customers, RGT will manufacture the products while the customers will brand the products themselves.

Asia Knight believes that this will increase its industry standing in the plastics manufacturing industry. Further, this would enable the enlarged Group to provide value-added services, in the form of product design, to its customers, allowing the Company to maintain longstanding business relationships with these customers.

RGT, by having formed an internal R&D division, is leveraging on its technical expertise accumulated since inception, to collaborate with its customers in the product design and development stage. This experience in product design and development will provide RGT with the knowledge base to expand into ODM services.

**(iii) The enlarged Group intends to diversify its customer base to include new end-user industries**

T-Venture and RGT intends to leverage on its existing expertise in manufacturing of moulded plastic products to diversify its customer base and end-user industries. RGT presently produces products according to specification of its existing customers which are mainly in the air care and hygiene care industries. However, its core competencies in plastic manufacturing extend beyond these products.

RGT has identified the medical device industry as a potential market for expansion and had been awarded a contract by a U.S.-based firm on 1 September 2017 to jointly develop a plastic medical device based on the conceptual design provided by the customer. The plastic medical device to be developed is a portable antidote injector device intended to be used during certain medical emergency situation such as drug overdose or life-threatening allergic reactions.

In preparation for this expansion, RGT has invested in the setup of a class 100k (ISO class 8) cleanroom<sup>(1)</sup> which is a requirement for the manufacturing of the customer's range of plastic medical devices. The cleanroom was completed in May 2017 and is presently in operations for production of non-medical plastic products. Further, RGT is in the midst of setting up a class 10k cleanroom in order to assemble the plastic medical device. The class 10k cleanroom is expected to be ready by September 2018.

**Note:-**

- (1) A cleanroom is a controlled manufacturing environment that has a low level of airborne particles, classified according to the amount of particles permitted per cubic meter of air. 100k denotes the number of particles of size 0.5 micrometer or larger permitted per cubic foot of air. 10k denotes the number of particles of size 0.5 micrometer or larger permitted per cubic foot of air.

Subject to approvals being obtained from the U.S. Food and Drug Administration, and the Ministry of Health Malaysia, RGT expects to be able to commercialise the product in the fourth quarter of 2018 and to commence the production of the product in the first quarter of 2019.

Further, RGT has also attained the ISO 13485:2016 certification (previously known as ISO 13485:2003+Cor. 1:2009 certification) which certifies that RGT's quality management system complies with the international standard for medical devices.

Meanwhile, T-Venture manufactures plastic jerrycans for various industries, and a large percentage of its revenue is derived from the agrochemical industry. T-Venture's current portfolio of agrochemical industry customers are mostly located in the Central region of Malaysia. Moving forward, T-Venture intends to capture the agrochemical market in the Northern region of Malaysia, which comprises Perak, Penang, Kedah and Perlis. The Northern region of Malaysia was selected as the potential area for expansion as agriculture is one of the main economic activities in the Northern region.

Depending on the investment in the machines, machine capability and type of machine that the enlarged Group employs (i.e. whether the machines can produce the size and type of the plastic product desired) as well as the availability of the type of mould required, the enlarged Group is not restricted from serving other customers of moulded plastic products in the future.

As such, through this expansion of its customer base, the enlarged Group will be able to diversify its revenue stream, thus reducing the risk of relying on the performance of any one particular customer or industry.

**(iv) The enlarged Group intends to expand its geographical footprint**

T-Venture's current portfolio of agrochemical industry customers are mostly located in the Central region of Malaysia and T-Venture intends to capture the agrochemical market in the Northern region of Malaysia.

T-Venture had obtained the United Nations Recommended Marking Certification 15th Revised Edition ("**UN Certification**") for its moulded plastic jerrycan packaging products in 2012. The certification serves as assurance of product quality that meet T-Venture's customers' specific packaging requirements for different nature of liquid e.g. acidic, corrosive, flammable liquids and etcetera.

T-Venture had on 15 November 2017 submitted the applications to renew its certification. The assessments for renewal of the certificate includes conducting drop test, leak-proof, hydraulic pressure and stacking tests, amongst others, on T-Venture's products and the process is expected to take up to 6 months.

T-Venture's plastic jerrycans have been proven in the markets in which it presently operates and with its UN certification, ISO 9001:2008 certification and ISO 14001:2004 certification, the company has been certified to internationally accepted standards. This gives T-Venture a foundation and platform for expansion into new markets.

The enlarged Asia Knight Group will have close proximity to two ports and locations of operation in Kuala Lumpur and Penang and this will facilitate the Group's export business. Further, the enlarged Group will have a wider range of machine capability and is able to manufacture moulded plastic parts for other industries in the future. This could in turn increase Asia Knight Group's standing in the manufacturing of moulded plastic products industry.

Upon the completion of the Acquisition, the enlarged Group considers the following as its Group's competitive strengths and advantages:-

**(i) The enlarged Group's capabilities to provide a comprehensive range of services for various industries and leverage on synergies within the enlarged Group**

Both T-Venture and RGT are principally involved in the manufacturing of moulded plastic products. Customers will provide their specifications of the products required and T-Venture and RGT will manufacture the products in accordance to the specifications based on its machines' capabilities.

T-Venture and RGT's target market are customers who require customised moulded plastic products. Some of the technological capabilities, equipment and facilities employed by RGT include, amongst others, injection moulding machines, testers, modelling software and tooling required for the production of moulded plastic products.



Moulded plastic products that Asia Knight, through T-Venture has previously produced include plastic components such as those used in video cameras and engine coils. T-Venture currently produces plastic moulded jerrycans. Moulded plastic products that RGT has previously produced include remote control toy cars, boats and spatulas. RGT currently produces moulded plastic products such as sanitary bins, clean water systems and air fresheners, etc.

The products that Asia Knight produced through T-Venture as well as the products that RGT produced in the past and present demonstrate that both Asia Knight and RGT are not limited to any particular industry they sell to. Customers approach both T-Venture and RGT for their ability to produce moulded plastic products according to specifications.

Following the completion of the Acquisition, T-Venture will be able to have access and tap into RGT's team's technical know-how, quality control and manufacturing processes as well as operations and procedures and *vice versa*. Such knowledge transfer may yield better results for the enlarged Group. The addition of the directors of RGT, namely Lim Seat Hoe and Lee Soo Ching to the Board of Asia Knight will also allow T-Venture to leverage on the business operational experiences of these proposed Board members.

Presently, Asia Knight has injection moulding machines with up to 130 tonnes of clamping pressure and extrusion blow moulding machines that can produce moulded products measuring up to 30 litres in size. Pursuant to the Acquisition, the enlarged Group will also be able to utilise RGT's injection moulding machines with up to 400 tonnes of clamping pressure.

For example, the caps of the jerrycans that T-Venture manufactures utilises injection moulding machines. T-Venture can leverage on RGT's injection moulding machines to produce its jerrycan caps, should such a need arises. This provides an alternative to T-Venture from having to invest in new injection moulding machines.

Further, through RGT's involvement in the conceptual and product design stage, the enlarged Group will be able to collaborate with their customers at these stages of product development by providing inputs and feedback to enhance the functional designs.

RGT may, during its course of business, receive enquiries from its customers and potential customers for the production of other products beyond its production capacity and/or its machine capabilities or not within its business model. Further to the Acquisition, RGT may in turn refer these customers to T-Venture, potentially enlarging T-Venture's customer base and increasing its revenue stream.

In view of the above, the enlarged Group will be able to produce products with a range of size, shape and function. This will enable the enlarged Group to serve customers in a wide variety of industries and are not limited to the industries in which their products are currently sold.

**(ii) The enlarged Group's ability to comply with manufacturing requirements set by its multinational customers**

RGT's customers are primarily multinational corporations with stringent manufacturing requirements and supplier selection processes. These customers conduct detailed audits on their suppliers, including RGT, prior to selection to ensure that their product quality and operating standards are met. Some of these customers also carry out random site visits on an annual/biennial basis to ensure compliance has been maintained.

As such, RGT's success in securing and retaining these multinational customers demonstrate its ability to comply with manufacturing requirements set by these customers.

RGT's commitment to comply with the design and manufacturing requirements set by its customers is also demonstrated by its ability to comply with international compliance standards, including the ISO 9001:2015 certification (previously known as ISO 9001:2000 certification), ISO 13485:2016 certification (previously known as ISO 13485:2003+Cor.1:2009 certification) and the certification by NSF International.

Further, RGT's manufacturing requirements are complemented by a well-documented supply chain process to reduce the risk of terrorism, which has enabled RGT to achieve the Customs-Trade Partnership Against Terrorism certification. This certification is a requirement by some of RGT's customers, and it also allows RGT to benefit from expeditious cargo processing and fewer customs examinations in the United States.

With the Acquisition, the enlarged Group will be able to enjoy the abovementioned requirements. RGT may share its knowledge and operational processes required to obtain these certifications.

**(iii) The enlarged Group has an experienced and professional management team**

The Asia Knight Group is led by See Teck Wah, the Managing Director and Chairman, who has been in the Asia Knight Group for more than 30 years. He is also supported by the Asia Knight Group's Executive Directors, See Seng Hong and See Han Liong. See Seng Hong is one of the founders of the Asia Knight Group and has since been in the Asia Knight Group, while See Han Liong has 15 years of experience in managing the manufacturing division in the Asia Knight Group. Further, Hong Boon Kong, being the Operations Director of T-Venture, has over 20 years of experience in the plastics manufacturing industry.

Upon completion of the Acquisition, the present Board shall be expanded with the appointment of new Directors, i.e. Lim Seat Hoe and Lee Soo Ching. Further, the employees of RGT will be retained in RGT. RGT has been operating its business for 20 years and it is led by an experienced management team. RGT's co-founder and Managing Director, Ng Choon Keat, has been with RGT since inception and has 20 years of experience in the plastic injection moulding business. Ng Choon Keat has thus been vital to RGT's growth and success since its inception.

With the new experienced team from RGT together with the existing team from T-Venture, the enlarged Asia Knight Group will have a team with many years of experience collectively in the plastics industry.

Based on the results of RGT for the last 3 FYEs 31 December 2015, 2016 and 2017, as well as the low gearing position of RGT, RGT is expected to continue to be profitable while retaining its low gearing position.

In addition to the competitive strengths and advantages stated above, with the decades of experience of the existing key management of T-Venture and RGT, collectively, in the plastics industry, Asia Knight expects to be able to achieve its business turnaround plan and record 2 consecutive quarters of net profits immediately after the implementation of the Regularisation Plan.

Please refer to Appendix II of this Abridged Prospectus for RGT's financial summary and commentaries.

## 9. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS AND ACQUISITION

### 9.1 Share capital

The pro forma effects of the Rights Issue with Warrants and Acquisition on the share capital of Asia Knight are as follows:-

	No. of Shares	Share capital (RM)
Share capital as at the LPD	58,132,908	3,596,851
To be issued pursuant to the Rights Issue with Warrants <sup>(1)</sup>	348,797,448	<sup>(2)</sup> 25,994,602
After the Rights Issue with Warrants	406,930,356	29,591,453
To be issued pursuant to the Acquisition	170,000,000	<sup>(3)</sup> 20,864,100
Estimated expenses incidental to the Rights Issue with Warrants and Acquisition	-	(1,350,491)
After the Acquisition	576,930,356	49,105,062
To be issued assuming full exercise of the Warrants <sup>(4)</sup>	174,398,724	<sup>(5)</sup> 26,068,941
<b>Enlarged share capital after the Regularisation Plan</b>	<b>751,329,080</b>	<b>75,174,003</b>

Notes:-

- (1) The Rights Shares will be issued at RM0.10 per Rights Share.
- (2) Derived by allocating proceeds received from Rights Issue totaling RM34,879,745 based on fair value of Rights Share and Warrant as at the LPD.
- (3) Based on the TEAP of Asia Knight Shares as at the LPD.
- (4) Based on the exercise price of RM0.10 per Warrant.
- (5) Derived by aggregating proceeds received from full exercise of Warrants totaling RM17,439,892 and warrant reserve transferred to share capital upon full exercise of Warrants of RM8,629,069.

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## 9.2 NA and gearing

The pro forma effects of the Rights Issue with Warrants and Acquisition on the NA and gearing of the Group are as follows:-

	Audited as at 30 June 2017 (RM'000)	(I) After subsequent event <sup>(1)</sup> (RM'000)	(II) After (I) and the Rights issue with Warrants <sup>(2)</sup> (RM'000)	(III) After (II) and the Acquisition (RM'000)	(IV) After (III) and assuming full exercise of the Warrants <sup>(5)</sup> (RM'000)
Share capital	60,597	3,597	<sup>(3)</sup> 29,592	<sup>(4)</sup> 49,106	75,175
Warrant reserve	-	-	8,885	8,629	-
Accumulated losses	(57,385)	(385)	(385)	(1,279)	(1,279)
Shareholders' equity / NA	3,212	3,212	38,092	56,456	73,896
Non-controlling interests	(448)	(448)	(448)	21,636	21,636
<b>Total equity</b>	<b>2,764</b>	<b>2,764</b>	<b>37,644</b>	<b>78,092</b>	<b>95,532</b>
No. of Share in issue ('000)	58,133	58,133	406,930	576,930	751,329
NA per Share <sup>(6)</sup> (RM)	0.06	0.06	0.09	0.10	0.10
Borrowings (RM'000)	-	-	-	9,145	9,145
Cash and cash equivalent (RM'000)	3,716	3,716	38,596	16,823	34,263
Gearing (times) <sup>(7)</sup>	-	-	-	0.16	0.12

**Notes:-**

- (1) After accounting for the capital reduction of RM57,000,000 pursuant to the Capital Reduction.
- (2) Based on the full subscription of the 348,797,448 Rights Shares.
- (3) After accounting for the warrants reserve based on the issuance of 174,398,724 Warrants at an allocated fair value of RM0.0839 per Warrant as at the LPD.
- (4) After accounting for the issuance of Consideration Shares and deducting estimated expenses incidental to the Rights Issue with Warrants and Acquisition.
- (5) Based on an exercise price of RM0.10 per Warrant.
- (6) NA per Share is computed based on NA divided by the number of Shares in issue.
- (7) Gearing ratio is computed based on total borrowings divided by Shareholders' equity.

### 9.3 Substantial Shareholders' shareholdings

The pro forma effects of the Rights Issue with Warrants and Acquisition on the substantial Shareholders' shareholdings of Asia Knight assuming all Entitled Shareholders subscribe for their respective entitlements are as follows:-

Substantial Shareholders	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(2) %	No. of Shares	(2) %
Pahangply Holdings Berhad	16,274,923	28.00	-	-	35,924,461	8.83	(3) 78,000,000	19.17
Vertical Portal Sdn Bhd	-	-	-	-	78,000,000	19.17	-	-
See Seng Lai & Sons Realty Sdn Bhd	8,587,831	14.77	-	-	27,714,817	6.81	(4) 32,400,000	7.96
Goodwill Hexagon Sdn Bhd	-	-	-	-	32,400,000	7.96	-	-
See Teck Wah	3,479,812	5.99	(5) 29,489,733	50.73	24,358,684	5.99	(5) 206,428,131	50.73
See Han Liong	1,118,300	1.92	(6) 31,851,245	54.79	7,828,100	1.92	(6) 222,958,715	54.79
See Seng Hong	429,000	0.74	(7) 17,608,060	30.29	3,003,000	0.74	(7) 123,256,420	30.29
Vendors	-	-	-	-	-	-	-	-

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Substantial Shareholders	(II) After (I) and after the Acquisition				(III) After (II) and assuming full exercise of the Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(%) %	No. of Shares	(%) %	No. of Shares	(%) %	No. of Shares	(%) %
Pahangply Holdings Berhad	35,924,461	6.23	(3) 78,000,000	13.52	45,749,230	6.09	(3) 117,000,000	15.57
Vertical Portal Sdn Bhd	78,000,000	13.52	-	-	117,000,000	15.57	-	-
See Seng Lai & Sons Realty Sdn Bhd	27,714,817	4.80	(4) 32,400,000	5.62	37,278,310	4.96	(4) 48,600,000	6.47
Goodwill Hexagon Sdn Bhd	32,400,000	5.62	-	-	48,600,000	6.47	-	-
See Teck Wah	24,358,684	4.22	(5) 206,428,131	35.78	34,798,120	4.63	(5) 294,897,330	39.25
See Han Liong	7,828,100	1.36	(6) 222,958,715	38.65	11,183,000	1.49	(6) 318,512,450	42.39
See Seng Hong	3,003,000	0.52	(7) 123,256,420	21.36	4,290,000	0.57	(7) 176,080,600	23.44
Vendors	170,000,000	29.47	-	-	170,000,000	22.63	-	-

Notes:-

- (1) Based on the issued share capital of 58,132,908 Shares as at the LPD.
- (2) Based on the enlarged issued share capital of 406,930,356 Shares.
- (3) Pahangply Holdings Berhad and its wholly owned subsidiary, Vertical Portal Sdn Bhd, have given their undertakings to subscribe for 19,649,538 Rights Shares and 78,000,000 Rights Shares respectively.
- (4) See Seng Lai & Sons Realty Sdn Bhd and its wholly-owned subsidiary, Goodwill Hexagon Sdn Bhd, have given their undertakings to subscribe for 19,126,986 Rights Shares and 32,400,000 Rights Shares respectively.
- (5) Deemed interest pursuant to Section 8(4) of the Act by virtue of his interests in Pahangply Holdings Berhad and/or its wholly owned subsidiaries, See Seng Lai & Sons Realty Sdn Bhd and/or its wholly owned subsidiaries, NGE Leasing & Credit Sdn Bhd, Nanyang General Enterprises Sdn Bhd, Nanyang Timber Industry Sdn Bhd, Prime Forest Products (M) Sdn Bhd, Far East Navigation (Malaysia) Sdn Bhd and deemed interest by virtue of the interest held by his son, See Han Liong.

- (6) Deemed interest pursuant to Section 8(4) of the Act by virtue of his interest in Pahangply Holdings Berhad and/or its wholly owned subsidiaries, See Seng Lai & Sons Realty Sdn Bhd and/or its wholly owned subsidiaries, NGE Leasing & Credit Sdn Bhd, Nanyang General Enterprises Sdn Bhd, Nanyang Timber Industry Sdn Bhd, Prime Forest Products (M) Sdn Bhd, Far East Navigation (Malaysia) Sdn Bhd and deemed interest by virtue of the interest held by his father, See Teck Wah.
- (7) Deemed interest pursuant to Section 8(4) of the Act by virtue of his interest in Pahangply Holdings Berhad and/or its wholly owned subsidiaries, NGE Leasing & Credit Sdn. Bhd., Nanyang General Enterprises Sdn Bhd, Nanyang Timber Industry Sdn Bhd and Far East Navigation (Malaysia) Sdn Bhd.
- (8) Based on the enlarged issued share capital of 576,930,356 Shares pursuant to the issuance of 170,000,000 Consideration Shares to the Vendors.
- (9) Based on the enlarged issued share capital of 751,329,080 Shares pursuant to the full exercise of 174,398,724 Warrants.

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#### 9.4 Earnings and EPS

The Acquisition is expected to be earnings accretive and will contribute positively to the long-term future earnings and EPS of the enlarged Group.

The proceeds from the Rights Issue with Warrants shall be mainly used to fund the Acquisition, hence increasing the Group's future earnings potential. Notwithstanding the above, the actual impact on the future earnings and EPS of Asia Knight will depend on the level of returns generated from the Acquisition and utilisation of proceeds from the Rights Issue with Warrants, including the proceeds from the exercise of the Warrants as set out in Section 5 of this Abridged Prospectus.

The EPS of the Group shall be correspondingly diluted as a result of the increase in the number of Asia Knight Shares in issue pursuant to the issuance of the Rights Shares, Consideration Shares and the new Asia Knight Shares arising from the exercise of the Warrants in the future.

For illustration purposes, based on:-

- (i) the Company's latest audited consolidated financial statements for FYE 30 June 2017; and
- (ii) the audited PAT of RGT Group for the FYE 31 December 2017;

the pro forma effects on the earnings and EPS on the assumption that the Regularisation Plan was completed on 1 July 2016, are as follows:-

Group level	Audited for the FYE 30 June 2017	After the Regularisation Plan <sup>(1)</sup>
Group (LAT) / PAT (RM'000)	(1,467)	7,818
Attributable to:-		
- Owners of the Company (RM'000)	(1,462)	3,751
- Non-controlling interests (RM'000)	(5)	4,067
Number / Enlarged number of Asia Knight Shares in issue ('000)	58,133	576,930
<b>Basic (LPS)/EPS (sen)</b>	<b>(2.52)</b>	<b>0.65</b>
<b>Diluted (LPS)/EPS (sen)<sup>(2)</sup></b>	<b>(2.52)</b>	<b>0.65</b>

Notes:-

- (1) Includes the following:-
  - (a) Based on the enlarged issued share capital of 576,930,356 Shares pursuant to the Rights Issue with Warrants and the Acquisition.
  - (b) Estimated expenses incidental to the Acquisition totaling RM893,435 to be recognised in the statements of comprehensive income.
- (2) Asia Knight's diluted EPS is the same as its basic EPS as it does not have any dilutive potential ordinary shares.

#### 9.5 Convertible securities

As at the LPD, the Company does not have any outstanding convertible securities.



## 10. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

### 10.1 Working capital

The Board confirmed that, after taking into consideration the cash and bank balances of RM1.12 million as at the LPD, the banking facilities available to the Group as well as the proceeds to be raised from the Rights Issue with Warrants, the Group will have sufficient working capital available for a period of 12 months from the date of this Abridged Prospectus.

### 10.2 Borrowings

As at the LPD, the Group's does not have any outstanding borrowings.

There has not been any default on payments of either interest and/or principal sums on any of the Group's borrowings throughout the past 1 financial year and subsequent financial period up to the LPD.

### 10.3 Contingent liabilities

Save as disclosed below, there are no other contingent liabilities as at the LPD:-

Item	Amount (RM'000)
Financial guarantee given by the Company for its wholly-owned subsidiary, T-Venture to a third-party material supplier for annual credit term granted	2,000

### 10.4 Material commitments

As at the LPD, there are no material commitments incurred that have not been provided for.

## 11. INSTRUCTIONS FOR ACCEPTANCE AND PAYMENT

Full instructions for the acceptance of and payment for the Provisional Allotments as well as Excess Rights Shares with Warrants Applications and the procedures to be followed should you and/or your transferee(s) and/or your renouncee(s) (if applicable) wish to sell or transfer all or any part of your/his rights entitlement are set out in this Abridged Prospectus and the RSF. You and/or your transferee(s) and/or your renouncee(s) (if applicable) are advised to read this Abridged Prospectus, the RSF and the notes and instructions printed therein carefully. In accordance with Section 232(2) of the CMSA, the RSF must not be circulated unless accompanied by this Abridged Prospectus.

Acceptance of and/or payment for the Provisional Allotments which do not conform strictly to the terms of this Abridged Prospectus, the RSF or the notes and instructions printed therein or which are illegible may be rejected at the absolute discretion of the Board.

### 11.1 General

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue with Warrants. You will find enclosed with this Abridged Prospectus, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants that you have been provisionally allotted as well as to apply for Excess Rights Shares with Warrants if you choose to do so. This Abridged Prospectus and the RSF are also available at the Registered Office, the Share Registrar or on Bursa Securities' website (<http://www.bursamalaysia.com>).

### 11.2 NPA

The Provisional Allotments are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the NPA will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your transferee(s) and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications.

### 11.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Allotments allotted to you must be made on the RSF issued together with this Abridged Prospectus and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this Abridged Prospectus, the RSF or the notes and instructions contained in these documents or which are illegible may not be accepted at the absolute discretion of the Board.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS ABRIDGED PROSPECTUS AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

If you wish to accept all or part of your entitlement to the Provisional Allotments, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by ORDINARY POST, COURIER or DELIVERED BY HAND (at your own risk) to the Share Registrar, Symphony Share Registrars Sdn Bhd, at the following address:-

**FOR DELIVERY BY HAND AND/OR  
COURIER:**

**Symphony Share Registrars Sdn Bhd**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

**FOR ORDINARY POST:**

**Symphony Share Registrars Sdn Bhd**  
Peti Surat 9150  
Pejabat Pos Kelana Jaya  
46785 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

Tel. no.: 03-7849 0777  
Fax no.: 03-7841 8151/8152

so as to arrive not later than 5.00 p.m. on **Thursday, 3 May 2018**, being the last date and time for the acceptance and payment for the Rights Shares with Warrants, or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from the Registered Office, the Share Registrar or Bursa Securities' website (<http://www.bursamalaysia.com>).

One RSF must be used for acceptance of the Provisional Allotments standing to the credit of one CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than one CDS Account. The Rights Shares with Warrants accepted by you will be credited into the CDS Account(s) where the Provisional Allotments are standing to the credit.

Successful applicants to the Rights Shares with Warrants will be given the Warrants on the basis of 1 Warrant for every 2 Rights Shares successfully subscribed for. The minimum number of Rights Shares with Warrants that can be accepted is 2 Rights Shares with 1 Warrant. However, you should take note that a trading board lot comprises 100 Shares. Fractions of a Rights Share and/or Warrant arising from the Rights Issue with Warrants will be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interest of the Company.

A reply envelope is enclosed with this Abridged Prospectus. To facilitate the processing of the RSFs by the Share Registrar, you are advised to use one reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of a banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia and which must be made payable to "**ASIA KNIGHT RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by the Share Registrar by 5.00 p.m. on **Thursday, 3 May 2018** (or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time). The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.**

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE RSF OR APPLICATION MONIES IN RESPECT OF THE RIGHTS ISSUE WITH WARRANTS. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON THE RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.**

**YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.**

**ALL RIGHTS SHARES AND WARRANTS TO BE ISSUED PURSUANT TO THE RIGHTS ISSUE WITH WARRANTS WILL BE ALLOTTED BY WAY OF CREDITING SUCH RIGHTS SHARES AND THE WARRANTS INTO THE CDS ACCOUNTS OF THE ENTITLED SHAREHOLDERS AND/OR THEIR TRANSFEREE(S) AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE). NO PHYSICAL SHARE OR WARRANT CERTIFICATES WILL BE ISSUED.**

If acceptance of and payment for the Provisional Allotments allotted to you (whether in full or in part, as the case may be) are not received by the Share Registrar by 5.00 p.m. on **Thursday, 3 May 2018** (or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time), the provisional entitlement to you or remainder thereof (as the case may be) will be deemed to have been declined and will be cancelled. Proof of time of postage shall not constitute proof of time of receipt by the Share Registrar.

The Board will then have the right to allot any Rights Shares with Warrants not validly taken up to applicants applying for the Excess Rights Shares with Warrants in the manner as set out in Section 11.6 of this Abridged Prospectus.

#### **11.4 Procedures for part acceptance**

If you do not wish to accept the Rights Shares with Warrants provisionally allotted to you in full, you are entitled to accept part of your entitlements that can be subscribed / applied for. The minimum number of Rights Shares with Warrants that may be accepted is 2 Rights Shares with 1 Warrant. Fractions of a Rights Share and Warrant arising from the Rights Issue with Warrants will be disregarded and the aggregate of such fractions shall be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interests of the Company. Applicants should take note that a trading board lot comprises 100 Shares and 100 Warrants respectively.

You must complete both Part I(A) of the RSF by specifying the number of Rights Shares with Warrants which you are accepting and Part II of the RSF and deliver the completed and signed RSF together with the relevant payment to the Share Registrar in the same manner as set out in Section 11.3 of this Abridged Prospectus.

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.**

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### **11.5 Procedures for sale or transfer of Provisional Allotments**

As the Provisional Allotments are prescribed securities, should you wish to sell or transfer all or part of your entitlement to the Provisional Allotments to one or more persons, you may do so through your stockbroker during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) without first having to request for a split of the Provisional Allotments standing to the credit of your CDS Account. To sell or transfer all or part of your entitlement to the Provisional Allotments, you may sell such entitlement on the open market during the period up to the last date and time for sale or transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository) or transfer such entitlement to such persons as may be allowed under the Rules of Bursa Depository during the period up to the last date and time for transfer of the Provisional Allotments (in accordance with the Rules of Bursa Depository).

**YOU ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF. IN SELLING OR TRANSFERRING ALL OR PART OF YOUR PROVISIONAL ALLOTMENTS, YOU ARE NOT REQUIRED TO DELIVER ANY DOCUMENT TO YOUR STOCKBROKER. YOU ARE HOWEVER ADVISED TO ENSURE THAT YOU HAVE SUFFICIENT NUMBER OF PROVISIONAL ALLOTMENTS STANDING TO THE CREDIT OF YOUR CDS ACCOUNT BEFORE SELLING OR TRANSFERRING.**

If you have sold or transferred only part of the Provisional Allotments, you may still accept the balance of the Provisional Allotments by completing Parts I(A) and II of the RSF and delivering the RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to the Share Registrar. Please refer to Section 11.3 of this Abridged Prospectus for the procedures for acceptance and payment.

**YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH THE SHARE REGISTRAR WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.**

### **11.6 Procedures for the Excess Rights Shares with Warrants Application**

If you wish to apply for additional Rights Shares with Warrants in excess of your entitlement, you may do so by completing Part I(B) of the RSF (in addition to Parts I(A) and II) and forwarding it with a separate remittance made in RM for the full amount payable for the Excess Rights Shares with Warrants applied for, to our Share Registrar so as to arrive not later than 5.00 p.m. on **Thursday, 3 May 2018**, being the last time and date for Excess Rights Shares with Warrants Applications and payment (or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time).

Payment for the Excess Rights Shares with Warrants Application(s) shall be made in the same manner as set out in Section 11.3 of this Abridged Prospectus except that the banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia must be made payable to "**ASIA KNIGHT EXCESS RIGHTS ISSUE ACCOUNT**", crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name in block letters and your CDS Account number, and must be received by our Share Registrar by 5.00 p.m. on **Thursday, 3 May 2018** (or such later date and time as the Board may decide and announce not less than 2 Market Days before the stipulated date and time). The payment must be made for the exact amount payable for the Excess Rights Shares with Warrants Application(s). Any excess or insufficient payment may be rejected at the absolute discretion of the Board.

It is the intention of the Board to allot the Excess Rights Shares with Warrants, if any, in a fair and equitable manner in the following priority:-

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration their respective shareholdings in the Company as at the Entitlement Date;
- (iii) thirdly, on a pro-rata basis and in board lots, to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application; and
- (iv) finally, on a pro-rata basis and in board lots, to the renounee(s) who have applied for Excess Rights Shares with Warrants, taking into consideration the quantum of their respective excess application.

The Excess Rights Shares with Warrants will firstly be allocated to minimise the odd lots (if any) held by each applicant of Excess Rights Shares with Warrants. Thereafter, the allocation process will perform items (ii), (iii) and (iv) in succession. Any remaining balance of Excess Rights Shares with Warrants will be allocated by performing the same sequence of allocation i.e. items (ii), (iii) and (iv) again in succession until all Excess Rights Shares with Warrants are allotted.

Notwithstanding the foregoing, the Board reserves the right to allot any Excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient and in the best interests of the Company subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in Section 11.6 (i), (ii), (iii) and (iv) above is achieved. The Board also reserves the right to allot any Excess Rights Shares with Warrants Application, in full or in part, without assigning any reason thereof.

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.**

**NO ACKNOWLEDGEMENT WILL BE ISSUED FOR THE RECEIPT OF THE EXCESS RIGHTS SHARES WITH WARRANTS APPLICATION OR APPLICATION MONIES IN RESPECT THEREOF. HOWEVER, IF YOUR APPLICATION IS SUCCESSFUL, A NOTICE OF ALLOTMENT WILL BE DESPATCHED TO YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 8 MARKET DAYS FROM THE CLOSING DATE OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT NOT TO ACCEPT ANY SUCH APPLICATION OR TO ACCEPT ANY SUCH APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON OUR RECORD OF DEPOSITORS AT YOUR OWN RISK WITHIN 15 MARKET DAYS FROM THE CLOSING DATE.**

### **11.7 Procedures to be followed by transferee(s) and/or renounee(s)**

As a transferee and/or renounee, the procedures for acceptance, selling or transferring of Provisional Allotments, applying for the Excess Rights Shares with Warrants and/or payment is the same as that which is applicable to Entitled Shareholders as described in Sections 11.3 to 11.6 of this Abridged Prospectus. Please refer to the relevant sections for the procedures to be followed.

If you wish to obtain a copy of this Abridged Prospectus and/or accompanying RSF, you can request the same from the registered office of Asia Knight, the Share Registrar or Bursa Securities' website (<http://www.bursamalaysia.com>).

**TRANSFEREE(S) AND/OR RENOUNCEE(S) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE RSF.**

### **11.8 CDS Account**

Bursa Securities has already prescribed the Shares listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the new securities arising from the Rights Issue with Warrants are prescribed securities and, as such, all dealings with such securities will be by book entries through CDS Accounts and shall be governed by the SICDA and the Rules of Bursa Depository. You must have a valid and subsisting CDS Account in order to subscribe for the Rights Shares with Warrants. Failure to comply with these specific instructions or inaccuracy of the CDS Account number may result in your application being rejected.

Your subscription for the Rights Shares with Warrants shall signify your consent to receiving such Rights Shares with Warrants as deposited securities that will be credited directly into your CDS Account. No physical certificates will be issued.

All Excess Rights Shares with Warrants allotted shall be credited directly into the CDS Accounts of successful applicants. If you have multiple CDS Accounts into which the Provisional Allotments have been credited, you cannot use a single RSF to accept all these Provisional Allotments. Separate RSFs must be used for acceptance of Provisional Allotments credited into separate CDS Accounts. If successful, the Rights Shares with Warrants that you subscribed for will be credited into the CDS Accounts where the Provisional Allotments are standing to the credit.

### **11.9 Foreign-Addressed Shareholders**

This Abridged Prospectus, the NPA and the RSF have not been (and will not be) made to comply with the laws of any foreign country or jurisdiction other than Malaysia, and have not been (and will not be) lodged, registered or approved under any applicable securities or equivalent legislation (or with or by any regulatory authority or other relevant body) of any country or jurisdiction other than Malaysia.

The distribution of this Abridged Prospectus, the NPA and the RSF, as well as the acceptance of the Provisional Allotments and the subscription for or the acquisition of the Rights Shares with Warrants may be restricted or prohibited (either absolutely or subject to various relevant securities requirements, whether legal or administrative, being complied with) in certain countries or jurisdiction under the relevant laws of those countries or jurisdictions.

This Abridged Prospectus, the NPA and the RSF are not intended to be (and will not be) issued, circulated or distributed and the Rights Issue with Warrants will not be made or offered or deemed made or offered for acquisition or subscription of any Rights Shares, in any country or jurisdiction other than Malaysia or to persons who are or may be subject to the laws of any country or jurisdiction other than the laws of Malaysia. The Rights Issue with Warrants to which this Abridged Prospectus relates is only available to Entitled Shareholders receiving this Abridged Prospectus, the NPA and the RSF electronically or otherwise within Malaysia.

As a result, this Abridged Prospectus, the NPA and the RSF have not been (and will not be) sent to the Foreign-Addressed Shareholders. However, Foreign-Addressed Shareholders may collect this Abridged Prospectus, the NPA and the RSF from the Share Registrar, Symphony Share Registrars Sdn Bhd, Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan who will be entitled to request such evidence as it deems necessary to satisfy itself as to the identity and authority of the person collecting this Abridged Prospectus, the NPA and the RSF.

The Company will not make or be bound to make any enquiry as to whether you have a registered address in Malaysia or an address for service in Malaysia if not otherwise stated on our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith. The Company will assume that the Rights Issue with Warrants and the acceptance thereof by you would be in compliance with the terms and conditions of the Rights Issue with Warrants and would not be in breach of the laws of any jurisdiction. The Company will further assume that you had accepted the Rights Issue with Warrants in Malaysia and will at all applicable times be subject to the laws of Malaysia.

A Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) may only accept or renounce all or any part of his/their entitlements and exercise any other rights in respect of the Rights Issue with Warrants only to the extent that it would be lawful to do so, and our Company, the Board and officers, Mercury Securities and/or the advisers named herein ("**Parties**") would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) is or might be subject to.

The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) shall be solely responsible to seek advice from his/their legal and/or professional advisers as to whether the acceptance or renunciation in any manner whatsoever of his entitlement under the Rights Issue with Warrants would result in the contravention of the laws of the countries or jurisdictions to which he/they is/are or might be subject to. The Parties shall not accept any responsibility or liability in the event any acceptance or renunciation made by any Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) is or shall become unlawful, unenforceable, voidable or void in any such country or jurisdiction. The Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) (if applicable) will also have no claims whatsoever against the Parties in respect of his/their entitlements or to any net proceeds thereof.

The Company reserves the right, in our absolute discretion, to treat any acceptances as invalid, if we believe that such acceptance may violate applicable legal or regulatory requirements. The Provisional Allotments relating to any acceptance which is treated as invalid will be included in the pool of Rights Shares with Warrants available for excess application by other Entitled Shareholders and/or their transferee(s) and/or their renounee(s).



Each person, by accepting the delivery of this Abridged Prospectus, the NPA and the RSF, accepting any Provisional Allotments by signing any of the forms accompanying this Abridged Prospectus or subscribing for or acquiring the Rights Shares with Warrants, will be deemed to have represented, warranted, acknowledged and agreed in favour of (and which representations, warranties, acknowledgements and agreements will be relied upon by) the Parties as follows:-

- (i) the Parties would not, by acting on the acceptance or renunciation in connection with the Rights Issue with Warrants, be in breach of the laws of any jurisdiction to which the Entitled Shareholder and/or his transferee(s) and/or his renounee(s) is or might be subject to;
- (ii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has complied with the laws to which the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is or might be subject to in connection with the acceptance or renunciation;
- (iii) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is not a nominee or agent of a person in respect of whom the Parties would, by acting on the acceptance or renunciation of the Provisional Allotments, be in breach of the laws of any jurisdiction to which that person is or might be subject to;
- (iv) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) is/are aware that the Rights Shares with Warrants can only be transferred, sold or otherwise disposed of, or charged, hypothecated or pledged or dealt with in any other way in accordance with all applicable laws in Malaysia;
- (v) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has/have obtained a copy of this Abridged Prospectus and has/have read and understood the contents of this Abridged Prospectus, has/have had access to such financial and other information and has/have been provided the opportunity to ask such questions to the representatives of the Parties and receive answers thereto as the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) deem(s) necessary in connection with the Foreign-Addressed Shareholder and/or his transferee and/or his renounee's decision to subscribe for or purchase the Rights Shares and Warrants; and
- (vi) the Foreign-Addressed Shareholder and/or his transferee(s) and/or his renounee(s) has/have sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Rights Shares and Warrants, and is/are and will be able, and is/are prepared to bear the economic and financial risks of investing in and holding the Rights Shares and Warrants.

**NOTWITHSTANDING ANYTHING HEREIN, THE FOREIGN-ADDRESSED SHAREHOLDERS AND ANY OTHER PERSON HAVING POSSESSION OF THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS ARE ADVISED TO INFORM THEMSELVES OF AND TO OBSERVE ANY LEGAL REQUIREMENTS APPLICABLE TO THEM. NO PERSON IN ANY TERRITORY OUTSIDE OF MALAYSIA RECEIVING THIS ABRIDGED PROSPECTUS AND/OR ITS ACCOMPANYING DOCUMENTS MAY TREAT THE SAME AS AN OFFER, INVITATION OR SOLICITATION TO SUBSCRIBE FOR OR ACQUIRE ANY RIGHTS SHARES AND WARRANTS UNLESS SUCH OFFER, INVITATION OR SOLICITATION COULD LAWFULLY BE MADE WITHOUT COMPLIANCE WITH ANY REGISTRATION OR OTHER REGULATORY OR LEGAL REQUIREMENTS ON SUCH TERRITORY.**

**12. TERMS AND CONDITIONS**

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions as set out in this Abridged Prospectus, the Deed Poll, the NPA and RSF.

**13. FURTHER INFORMATION**

You are requested to refer to the enclosed Appendices for further information.

Yours faithfully  
For and on behalf of the Board of  
**ASIA KNIGHT BERHAD**



**SEE TECK WAH**  
CHAIRMAN / MANAGING DIRECTOR

**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP****1. HISTORY AND BUSINESS**

Asia Knight was incorporated in Malaysia under the CA 1965 on 27 May 1981 as a private limited company under the name of Pahanco Particleboard Manufacturing Sdn Bhd and subsequently changed its name to Pahanco Corporation Sdn Bhd on 4 February 1994.

On 30 March 1994, the Company was converted into a public company and assumed the name of Pahanco Corporation Berhad. The Company was then listed on the then Second Board of the Kuala Lumpur Stock Exchange on 1 December 1995 and subsequently assumed its current name on 23 October 2012. Following the merger of Main Board and Second Board on 3 August 2009, Asia Knight was then listed on the Main Market of Bursa Securities. Asia Knight Group is currently involved in the manufacturing of moulded plastic products.

**2. SHARE CAPITAL**

As at the LPD, the issued share capital of the Company is RM60,596,851 comprising 58,132,908 Shares.

Details of the changes in the Company's share capital for the last 3 years prior to the date of this Abridged Prospectus are as follows:-

<b>Date of allotment / reclassification</b>	<b>No of Shares allotted</b>	<b>Consideration / Type of issue</b>	<b>Cumulative share capital (RM)</b>
31.1.2017	2,463,943	Transfer of the share premium account share capital pursuant to the transitional provisions set out in Section 618(2) of the Act	60,596,851
26.3.2018	-	Capital Reduction	3,596,851

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**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)****3. DIRECTORS**

The details of the Board as at the LPD are as follows:-

<b>Name (Designation)</b>	<b>Age</b>	<b>Address</b>	<b>Nationality</b>	<b>Profession</b>
See Teck Wah (Chairman/Managing Director)	69	No 3, Solok Kelabu Off Jalan Kelabu 41300 Klang Selangor	Malaysian	Company Director
See Seng Hong (Executive Director)	81	No 6, Lengkok Haji Abbas Kaw 15, Off Jalan Bukit Kuda 41300 Klang Selangor	Malaysian	Company Director
See Han Liong (Executive Director)	42	No 3, Solok Kelabu Off Jalan Kelabu 41300 Klang Selangor	Malaysian	Company Director
Tan Teng Cheok (Senior Independent Non-Executive Director)	48	No 20, Jalan Serindit Taman Eng Ann 41150 Klang Selangor	Malaysian	Company Director
Seah Cheong Wei (Independent Non-Executive Director)	45	S-G-21, BSP Skypark Persiaran Saujana Putra Utama Bandar Saujana Putra 42610 Jenjarom Selangor	Malaysian	Chartered Accountant/ Company Secretary
Lim Heng Gaul (Independent Non-Executive Director)	58	No 54, USJ 2/4R Taman Seafeld Jaya 47600 Subang Jaya Selangor	Malaysian	Dealer's Representative

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**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)****4. SUBSTANTIAL SHAREHOLDERS**

Please refer to Section 9.3 of this Abridged Prospectus for information on the Substantial Shareholders' shareholdings before and after the Rights Issue with Warrants.

**5. SUBSIDIARY AND ASSOCIATED COMPANIES**

The subsidiaries of the Company as at the LPD are as follows:-

<b>Subsidiaries</b>	<b>Date of incorporation</b>	<b>Country of incorporation</b>	<b>Effective equity interest (%)</b>	<b>Share capital (RM)</b>	<b>Principal activities</b>
T-Venture	12 November 1999	Malaysia	100.00	800,000	Manufacture of moulded plastic products
AKnight Resources Sdn Bhd	18 November 1992	Malaysia	100.00	1,500,000	Ceased operations
Natural Renewable Energy Sdn Bhd	12 April 1979	Malaysia	100.00	486,000	Ceased operations
Pahanco Manufacturing Sdn Bhd	22 June 1992	Malaysia	100.00	10,000,000	Ceased operations
JC Concept International Sdn Bhd	3 January 1997	Malaysia	55.00	250,000	Ceased operations

The Company does not have any associated companies.

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## APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)

## 6. PROFIT AND DIVIDEND RECORD

	Audited			Unaudited		
	FYE	FYE	FYE	6-month FPE	6-month FPE	6-month FPE
	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	31 December 2016 RM'000	31 December 2017 RM'000	
	(1)(Restated)					
Revenue	8,038	10,252	10,514	4,962	6,574	
Cost of sales	(10,010)	(8,575)	(9,426)	(4,350)	(5,929)	
<b>(GL) / GP</b>	<b>(1,972)</b>	<b>1,677</b>	<b>1,088</b>	<b>612</b>	<b>645</b>	
Other income	2,054	177	225	95	39	
Administrative expenses	(4,048)	(3,176)	(2,722)	-	-	
Selling and distribution expenses	-	-	-	-	-	
Other operating expenses	(19,134)	(100)	(8)	(1,293)	(3,297)	
Finance costs	(164)	-	-	-	-	
<b>LBT</b>	<b>(23,264)</b>	<b>(1,422)</b>	<b>(1,417)</b>	<b>(586)</b>	<b>(2,613)</b>	
Tax expense	(2)	-	(50)	-	-	
<b>Loss from continuing operations</b>	<b>(23,264)</b>	<b>(1,422)</b>	<b>(1,467)</b>	<b>(586)</b>	<b>(2,613)</b>	
Loss from discontinued operations	(1,014)	(1,386)	-	-	-	
<b>LAT</b>	<b>(24,278)</b>	<b>(2,808)</b>	<b>(1,467)</b>	<b>(586)</b>	<b>(2,613)</b>	
Loss attributable to:-						
- equity holders of Asia Knight	(24,068)	(2,804)	(1,462)	(585)	(2,611)	
- non-controlling interests	(210)	(4)	(5)	(1)	(2)	
Losses before interest, taxation, depreciation and amortisation	(22,216)	(1,017)	(1,198)	(473)	(2,443)	
Weighted average number of Shares in issue ('000)	58,133	58,133	58,133	58,133	58,133	
LPS (sen)						
- basic (sen) <sup>(3)</sup>	(41.40)	(4.83)	(2.52)	(1.01)	(4.49)	
- diluted (sen) <sup>(4)</sup>	(41.40)	(4.83)	(2.52)	(1.01)	(4.49)	
Dividend (sen)	-	-	-	-	-	
(GL) / GP margin (%)	(24.53)	16.36	10.35	12.33	9.81	
Net loss margin (%)	(302.04)	(27.39)	(13.95)	(11.81)	(39.75)	

**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)****Notes:-**

- (1) On 3 March 2015, the subsidiary of the Company, AKnight Resources Sdn Bhd entered into a sale and purchase agreement for the disposal of land and hotel buildings together with the assets in the building for a cash consideration of RM17.00 million (“Disposal”). Following the completion of the Disposal on 20 October 2015, the results from the hotel operations has been classified as discontinued operations in the relevant financial statements. The hotel operations division ceased operations during the FYE 30 June 2015 due to low occupancy rate and room rate. Accordingly, the loss from the hotel operations was classified as loss from discontinued operations.
- (2) Negligible.
- (3) Basic EPS is computed based on PAT divided by the weighted average number of Shares.
- (4) Asia Knight’s diluted EPS is the same as its basic EPS as it does not have any convertible securities.

**6.1 Commentaries on financial performance****FYE 30 June 2016 vs FYE 30 June 2015**

The Group recorded a 27.54% increase in revenue for the FYE 30 June 2016 as compared to the previous financial year due to higher sales recorded from the manufacturing of plastic products business. This is mainly attributable to the increase in the selling price per unit and the quantity of units sold.

The Group recorded a 14.34% decrease in cost of sales for the FYE 30 June 2016 as compared to the previous financial year. The higher cost of sales in previous financial year was due to a provision for import duties and sales tax of RM2.57 million recognised in the previous financial year. This provision was allocated based on the amounts claimed by the Royal Malaysian Customs for alleged unpaid import duties and sales taxes. Further details regarding this claim are set out in Section 4.1(ii), Appendix X of this Abridged Prospectus.

The Group’s GP had increased by 185.04% in the FYE 30 June 2016 as compared to the previous financial year due to the higher selling price per unit and quantity of units sold as well as the lower provision for import duties and sales tax as detailed above. Due to the same reasons, the Group’s GP margin for the FYE 30 June 2016 improved to a GP margin of 16.36% as compared to a GL margin of 24.53% in the previous financial year.

The Group recorded higher other income in FYE 30 June 2015 as compared to FYE 30 June 2016. This is primarily attributable to the gain from disposal of 2 parcels of lands amounting to RM2.35 million during the FYE 30 June 2015.

The Group’s LAT decreased by 88.43% for the FYE 30 June 2016 as compared to the previous financial year mainly attributable to the following:-

- (i) higher other operating expenses incurred in the previous financial year amounting to RM19.13 million (FYE 30 June 2016: RM0.1 million) mainly attributable to the Group’s assets held for sale being written off of RM15.54 million; and
- (ii) higher administrative expenses in the previous financial year amounting to RM4.05 million (FYE 30 June 2016: RM3.18 million) mainly due to a provision of liabilities of RM1.64 million recognised in the FYE 30 June 2015 in relation a material litigation against the Company by TNB. Further details regarding this claim can be found in Section 4.1(i) of Appendix X in this Abridged Prospectus.



**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)**

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**FYE 30 June 2017 vs FYE 30 June 2016**

The Group recorded a 2.56% increase in revenue for the FYE 30 June 2017 as compared to the previous financial year. This was due to the increase in demand and an increase in the average unit selling price for the Group's moulded plastic products.

Despite the higher revenue achieved, the Group's GP decreased by 35.12% in the FYE 30 June 2017 as compared to the previous financial year. The lower GP was due to the higher production cost as a result of the increase in cost of resin, which is one of the main components for moulded plastic products. This resulted in a reduction in GP margin from 16.36% in the FYE 30 June 2016 to 10.35% in FYE 30 June 2017.

Despite the lower GP, the Group recorded a 47.76% decrease in LAT in the FYE 30 June 2017 as compared to the previous financial year mainly due to the loss from discontinued operations amounting to RM1.39 million in the previous financial year (FYE 30 June 2017: Nil). The loss from discontinued operation was in relation to the discontinued hotel operations pursuant to the Disposal, as detailed under Note(1) above.

**6-month FPE 31 December 2017 ("FPE 2017") vs 6-month FPE 31 December 2016 ("FPE 2016")**

The Group's revenue increased by 32.48% for the FPE 2017 as compared to the previous corresponding financial period. This was attributable to increase in demand and the Group's increased production capacity following the addition of one unit of blow moulding machine during the current financial period.

With the increase in revenue, the Group recorded a higher GP by 5.39% in the FPE 31 December 2017 as compared to previous corresponding financial period. However, the increase in GP was not in tandem with the increase in revenue due to the higher cost incurred by the Group in FPE 2017 arising from higher cost of resin, causing a drop in GP margin from 12.33% in FPE 2016 to 9.81% in FPE 2017.

Despite achieving a higher GP, the Group's LAT for the FPE 2017 had increased by 345.90% as compared to the previous corresponding financial period. The higher GP was mainly offset by the higher other operating expenses of RM3.30 million during the FPE 2017 (FPE 2016: RM1.29 million) mainly attributable to professional fees incurred amounting to RM2.21 million in relation to the Regularisation Plan undertaken by the Group in FPE 2017.

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**APPENDIX I – INFORMATION ON ASIA KNIGHT GROUP (CONT'D)****7. HISTORICAL SHARE PRICES**

The monthly highest and lowest market prices of Asia Knight Shares traded on Bursa Securities for the past 12 months up to March 2018 (being the last full trading month prior to the date of this Abridged Prospectus) are as follows:-

	<b>High (RM)</b>	<b>Low (RM)</b>
<b>2017</b>		
April	0.135	0.120
May	0.150	0.090
June	0.110	0.110
July	0.110	0.085
August	0.135	0.080
September	0.300	0.115
October	0.220	0.120
November	0.480	0.150
December	0.495	0.305
<b>2018</b>		
January	0.400	0.305
February	0.340	0.310
March	0.360	0.300

	<b>RM</b>
Last transacted market price on 11 August 2017, being the last Market Day immediately prior to the announcement of the Corporate Exercises	0.115
Last transacted market price as at the LPD	0.330
Last transacted market price on 12 April 2018, being the Market Day immediately prior to the ex-date for the Rights Issue with Warrants	0.290

(Source: Bloomberg)

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## APPENDIX II - INFORMATION ON RGT GROUP

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### 1. HISTORY AND BUSINESS

RGT was incorporated in Malaysia under the CA 1965 on 25 July 1997 as a private limited company by Ng Choon Keat, Tan Song Chai and the late Lee Ah Law. The core activities of RGT are design and engineering, manufacturing and assembly of moulded plastic products. The range of moulded plastic products currently manufactured by RGT include, amongst others, air care products, hygiene care products and accessories.

RGT commenced operations in Penang in 1997 providing assembly services for moulded plastic products. Within the first year of its incorporation, RGT secured orders from Technical Concepts Holdings, LLC for the supply of plastic fragrance dispensers whereby the manufacturing of moulded plastic products was subcontracted to third party injection moulding companies and the assembly was carried out in-house at RGT. In 2004, RGT moved to a new manufacturing facility in Penang measuring 87,000 square feet (approximately 8,086 square metres) and began undertaking the manufacturing of moulded plastic products when it acquired its first plastic injection moulding machinery.

In 2007, RGT expanded its product offerings when it secured orders from Technical Concepts Holdings, LLC for the manufacturing of sanitary bins. As business grew, RGT moved to its present factory and head office in 2009, which at the time measured 17,837 square metres in land area, with a built-up area of 7,432 square metres.

In the same year, RGT further expanded its product range, when it secured orders from Rubbermaid Commercial Products LLC (which acquired Technical Concepts Holdings, LLC) and Newell Europe SARL, both of which are subsidiaries of Newell Brands Inc., for the manufacturing of plastic hand soap dispensers. It also produced remote controlled toy cars and boats from 2009 to 2013. All these products have moulded plastic products as its key components.

In 2011, RGT further expanded its product offerings when it secured orders for plastic clean water system from Rubbermaid Commercial Products LLC and Newell Europe SARL. The following year, RGT secured orders from Rubbermaid Commercial Products LLC for the manufacturing of plastic spatulas.

In 2013, RGT established a R&D division to collaborate with its customers in product design and development, whereby RGT assisted its customers by providing input and feedback to product concepts and designs developed by the customers. With RGT's involvement in R&D, RGT and their customers aimed to ensure that new products developed by the customers could seamlessly transition to the manufacturing stage at RGT.

In 2015, RGT expanded its customer base when it secured orders for the manufacturing of car air fresheners from Kraco Enterprises, LLC.

In January 2017, RGT completed the construction of a new warehouse within its present premises and moved all warehousing functions into this building. The new warehouse facility has a built-up area of approximately 1,115 square metres, bringing the total built-up area of RGT's factory and head office to 8,547 square metres. The previous warehousing space with a built-up area of approximately 836 square metres has been reallocated for manufacturing.

In March 2017, in preparation of its future plans to expand into the manufacturing of plastic medical devices, a class 100k cleanroom was completed, taking up part of the space reallocated for manufacturing. RGT had been awarded a contract by a U.S.-based firm on 1 September 2017 to jointly develop a plastic medical device based on the conceptual design provided by the customer. Please refer to Section 8.4 of this Abridged Prospectus for further details of RGT and the enlarged Group's future plans following the completion of the Acquisition.

**APPENDIX II – INFORMATION ON RGT GROUP (CONT'D)****2. SHARE CAPITAL**

As at the LPD, RGT's issued share capital is RM15,000,000 comprising 15,000,000 RGT Shares.

**3. DIRECTORS**

The Directors and their respective shareholdings in RGT as at the LPD are as follows:-

Name / Designation	Nationality	Direct interest		Indirect interest	
		No. of RGT Shares	(1)%	No. of RGT Shares	(1)%
Hor Lim Chee (Director)	Malaysian	6,000,000	40.0	-	-
Ng Choon Keat (Director)	Malaysian	3,750,000	25.0	-	-
Tan Song Chai (Director)	Malaysian	3,000,000	20.0	(2)750,000	5.0
Lim Seat Hoe (Director / Chief Executive Officer)	Malaysian	1,500,000	10.0	-	-
Lee Soo Ching (Director)	Malaysian	-	-	-	-

**Notes:-**

- (1) Based on the issued share capital of 15,000,000 RGT Shares.  
(2) Deemed interest pursuant to his family relationship with his daughter, Tan Ann Chee pursuant to Section 59 (11)(c) of the Act.

**4. SUBSTANTIAL SHAREHOLDERS**

The substantial shareholders of RGT and their respective shareholdings in the Company as at the LPD are as follows:-

Name	Nationality	Direct interest		Indirect interest	
		No. of RGT Shares	(1)%	No. of RGT Shares	(1)%
Hor Lim Chee	Malaysian	6,000,000	40.0	-	-
Ng Choon Keat	Malaysian	3,750,000	25.0	-	-
Tan Song Chai	Malaysian	3,000,000	20.0	-	-
Lim Seat Hoe	Malaysian	1,500,000	10.0	-	-
Tan Ann Chee	Malaysian	750,000	5.0	-	-

**Note:-**

- (1) Based on the issued share capital of 15,000,000 RGT Shares.

**APPENDIX II – INFORMATION ON RGT GROUP (CONT'D)****5. SUBSIDIARIES AND ASSOCIATED COMPANIES**

As at the LPD, RGT does not have any associated companies. The subsidiary of RGT as at the LPD is as follows:-

<b>Subsidiary</b>	<b>Country / Date of incorporation</b>	<b>Issued share capital (RM)</b>	<b>Effective equity interest (%)</b>	<b>Principal activities</b>
Rapid Growth Industries Sdn Bhd	Malaysia / 3 Feb 2009	1,000,000	100.00	Inactive

**6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES INCURRED OR TO BE INCURRED**

As at the LPD, the Board of RGT confirmed that there are no material commitments or contingent liabilities, incurred or known to be incurred, which may have a material impact on the results or financial position of RGT Group or on the ability of RGT Group to meet its obligations as and when they fall due.

**7. MATERIAL CONTRACTS**

As at the LPD, the Board of RGT confirmed that RGT Group has not entered into any material contracts, not being contracts entered into in the ordinary course of business, within the past 2 years preceding the date of this Abridged Prospectus.

**8. MATERIAL LITIGATION**

As at the LPD, the Board of RGT confirmed that neither RGT nor its subsidiary are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of RGT Group.

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**APPENDIX II – INFORMATION ON RGT GROUP (CONT'D)****9. HISTORICAL FINANCIAL INFORMATION**

A summary of RGT's audited consolidated financial statements for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 are as follows:-

	<b>Audited FYE 31 December<sup>(1)</sup></b>		
	<b>2015</b> <b>(RM'000)</b>	<b>2016</b> <b>(RM'000)</b>	<b>2017</b> <b>(RM'000)</b>
Revenue	65,069	66,003	80,181
Cost of sales	(46,971)	(49,309)	(58,755)
<b>GP</b>	<b>18,098</b>	<b>16,694</b>	<b>21,426</b>
Other income	3,827	2,348	506
Administrative and general expenses	(7,942)	(7,972)	(10,112)
Finance costs	(406)	(345)	(373)
Share of joint venture's loss	(215)	-	-
<b>PBT</b>	<b>13,362</b>	<b>10,725</b>	<b>11,447</b>
Tax expense	(2,970)	(2,466)	(1,268)
<b>PAT</b>	<b>10,392</b>	<b>8,259</b>	<b>10,179</b>
<b>Other comprehensive income:-</b>			
<i>Items that will not be reclassified to profit or loss:-</i>			
Revaluation increase of property, plant and equipment	11,594	-	-
Deferred tax expense of revaluation increase	(2,783)	-	-
<b>Other comprehensive income for the financial year</b>	<b>8,811</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income for the financial year</b>	<b>19,203</b>	<b>8,259</b>	<b>10,179</b>
Number of RGT Shares in issue ('000)	15,000	15,000	15,000
Share capital (RM'000)	15,000	15,000	15,000
NA attributable to ordinary shareholders/shareholders' equity ('000)	42,772	45,031	55,210
Total borrowings <sup>(2)</sup> ('000)	9,969	5,497	9,145
Gross EPS <sup>(3)</sup> (RM)	0.89	0.72	0.76
Net EPS <sup>(4)</sup> (RM)	0.69	0.55	0.68
GP margin (%)	27.81	25.29	26.72
PBT margin (%)	20.54	16.25	14.28
PAT margin (%)	15.97	12.51	12.70
NA per share (RM)	2.85	3.00	3.68
Current ratio (times)	1.65	1.90	2.97
Gearing ratio (times)	0.23	0.12	0.17

**Notes:-**

- (1) On 20 March 2015, the directors of RGT approved the change of its financial year from 31 July to 31 December. In view of the change in the financial year end, RGT conducted special audits for a period of 12 months from 1 January 2014 to 31 December 2014 and 1 January 2015 to 31 December 2015 for the purpose of management's discussion and analysis of financial condition and results of operations, to reflect RGT's results based on comparable 12-month periods and to provide commentary on the results thereon.
- (2) Total borrowings include all interest-bearing debts.

**APPENDIX II – INFORMATION ON RGT GROUP (CONT'D)**

- (3) Gross EPS is computed based on PBT divided by the weighted average number of RGT Shares.
- (4) Net EPS is computed based on PAT divided by the weighted average number of RGT Shares.

There were no audit qualifications reported in the audited financial statements of RGT for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017.

**Commentaries on financial performance:-****FYE 31 December 2016 vs FYE 31 December 2015**

RGT's revenue increased by RM0.93 million or 1.44% to RM66.00 million in FYE 31 December 2016 from RM65.07 million in FYE 31 December 2015. The increase in revenue in FYE 31 December 2016 was mainly due to the strengthening of USD against RM in FYE 31 December 2016 from RM3.91<sup>(1)</sup> in FYE 31 December 2015 to RM4.15<sup>(1)</sup> in FYE 31 December 2016.

RGT's cost of sales increased by RM2.34 million or 4.98% to RM49.31 million in FYE 31 December 2016 from RM46.97 million in FYE 31 December 2015 mainly due to:-

- (i) the strengthening of USD against RM in FYE 31 December 2016, resulting in the increase in certain raw material costs which were denominated in USD. The average rate of RM/USD for FYE 31 December 2016 was RM4.15<sup>(1)</sup> as compared to RM3.91<sup>(1)</sup> for FYE 31 December 2015;
- (ii) increase in direct and indirect labour costs by RM0.61 million or 13.03% to RM5.29 million for FYE 31 December 2016 from RM4.68 million in FYE 31 December 2015 due to increase in wages to meet the minimum wage requirement of RM1,000 as imposed by the Malaysian government with effect from 1 January 2016; and
- (iii) increase in production overheads, particularly due to increase in the depreciation charges by RM0.32 million for new machines acquired. RGT had acquired new injection moulding machines for a new production line in FYE 31 December 2016 for the production of the customer's fragrance dispensers known as the Tcell 2.0 and car air fresheners. Besides, as at 31 December 2015, RGT adopted the revaluation model for its leasehold land and buildings and the upward revaluation of its leasehold land and buildings has resulted in higher depreciation for FYE 31 December 2016.

**Note:-**

- (1) The exchange rates referred is the average of the daily closing exchange rates for the respective financial period as extracted from BNM's website.

RGT's GP decreased by RM1.41 million or 7.76% from RM18.10 million in FYE 31 December 2015 to RM16.69 million in FYE 31 December 2016. The GP margin decreased by 2.52% from 27.81% in FYE 31 December 2015 to 25.29% in FYE 31 December 2016. The lower GP margin was mainly due to the increase in raw materials costs as a result of the strengthening of USD against RM, increase in direct and indirect labour costs and the increase in depreciation charges.

RGT's PAT decreased by RM2.13 million or 20.50% to RM8.26 million in FYE 31 December 2016 from RM10.39 million in FYE 31 December 2015 which is in line with the decrease in realised gain on foreign exchange and increased costs.

**APPENDIX II – INFORMATION ON RGT GROUP (CONT'D)**

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**FYE 31 December 2017 vs FYE 31 December 2016**

RGT's revenue increased by RM14.18 million or 21.48% to RM80.18 million in FYE 31 December 2017 from RM66.00 million in FYE 31 December 2016. The increase in revenue in FYE 31 December 2017 was mainly due to strengthening of USD against RM in FYE 31 December 2016 from RM4.15<sup>(1)</sup> in FYE 31 December 2016 to RM4.33<sup>(1)</sup> in FYE 31 December 2017 as well as higher demand in FYE 31 December 2017 as compared to in FYE 31 December 2016.

**Note:-**

(1) The exchange rates referred is the average of the daily closing exchange rates for the respective financial period as extracted from BNM's website.

RGT's cost of sales increased by RM9.45 million or 19.16% to RM58.76 million in the FYE 31 December 2017 from RM49.31 million in the FYE 31 December 2016 mainly due to:-

- (i) increase in material costs by RM7.77 million or 19.50%. This was mainly due to higher purchases of raw materials as a result of higher sales orders in FYE 31 December 2017;
- (ii) increase in direct and indirect labour costs by RM1.04 million or 19.66% due to increase in overtime for workers by RM0.76 million or 113.43% from RM0.67 million to RM1.43 million in FYE 31 December 2017; and
- (iii) increase in production overheads by RM0.89 million or 12.38% mainly due to increase in higher utilities consumption in line with increase in sales and higher depreciation charges for moulds, tools and equipment due to purchase of moulds, tools and equipment during FYE 31 December 2017.

RGT's GP increased by RM4.73 million or 28.35% from RM16.69 million in FYE 31 December 2016 to RM21.43 million in FYE 31 December 2017. The GP margin increased by 1.43% from 25.29% in FYE 31 December 2016 to 26.72% in FYE 31 December 2017. The improvement in GP and GP margin was due to cost savings through increase in purchases from local suppliers in RM. Out of the total purchases in the FYE 31 December 2017, purchases in RM was approximately 54.60% of total purchases as compared to 43.24% of total purchases in the FYE 31 December 2016.

RGT's PAT increased by RM1.92 million or 23.24% to RM10.18 million in FYE 31 December 2017 from RM8.26 million in FYE 31 December 2016 due to tax income from reversal of tax provisions in respect of years of assessment 2009 to 2011 totalling RM1.62 million as RGT won a case against the Inland Revenue Board Malaysia.

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**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**



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**Reporting Accountants' Letter on the Pro Forma Consolidated Statements of Financial Position  
(Prepared for the purpose of inclusion in this Abridged Prospectus)**

**The Board of Directors  
Asia Knight Berhad**  
No. 9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2, Batu Unjur  
41200 Klang  
Selangor Darul Ehsan

Dear Sirs

**ASIA KNIGHT BERHAD ("ASIA KNIGHT" OR "THE COMPANY")  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL  
POSITION AS AT 30 JUNE 2017**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position ("Pro Forma") of Asia Knight and its subsidiaries ("Asia Knight Group" or "Group") as at 30 June 2017, together with the accompanying notes thereto. The Pro Forma as set out in the accompanying statements (which we have stamped for the purpose of identification), has been compiled by the Board of Directors of Asia Knight ("Board") in connection with the followings:-

- (i) Reduction of the Company's share capital pursuant to Section 116 of the Companies Act, 2016 ("Capital Reduction");
- (ii) Renounceable rights issue of 348,797,448 new ordinary shares in Asia Knight ("Asia Knight Shares" or "Shares") ("Rights Shares") together with 174,398,724 free detachable warrants in Asia Knight ("Warrants") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Asia Knight Share held by entitled shareholders of Asia Knight on an entitlement date to be determined later ("Rights Issue with Warrants"); and
- (iii) Acquisition of 9,000,000 ordinary shares in Rapid Growth Technology Sdn. Bhd. ("RGT") (representing 60% equity interest) for a purchase consideration of RM48.0 million to be satisfied via issuance of 170,000,000 Asia Knight Shares ("Consideration Shares") at an issue price of RM0.10 per Consideration Share and cash payment of RM31.0 million ("Acquisition").

(Collectively, referred to as the "Regularisation Plan")

The applicable criteria on the basis of which the Board has compiled the Pro Forma are described in Note 1 of the Pro Forma.

The Pro Forma has been compiled by the Board, for illustrative purposes only, to illustrate the effect of the Regularisation Plan on audited consolidated statement of financial position of the Company as at 30 June 2017 had the Regularisation Plan been effected on that date. As part of this process, information about Asia Knight's and RGT's financial position has been extracted by the Board from the following:-

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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**ASIA KNIGHT BERHAD ("ASIA KNIGHT" OR "THE COMPANY")  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONT'D)**

- Asia Knight's audited consolidated financial statements for the financial year ended 30 June 2017; and
- RGT's audited consolidated financial statements for the financial year ended 31 December 2017.

**THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board is responsible for compiling the Pro Forma on the basis as described in Note 1 of the Pro Forma.

**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion about whether the Pro Forma has been compiled, in all material respects, by the Board on the basis as described in Note 1 of the Pro Forma.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro forma Financial Information included in a Prospectus*, issued and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the Pro Forma on the basis of the applicable criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma included in the Abridged Prospectus of Asia Knight Berhad is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT" OR "THE COMPANY")  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017 (CONT'D)**

A reasonable assurance engagement to report on whether the Pro Forma has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the Pro Forma provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of Group, the events or transactions in respect of which the Pro Forma has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material aspects on the basis of the applicable criteria.

**OTHER MATTERS**

This letter has been prepared solely for the purpose of inclusion in the Abridged Prospectus of Asia Knight Berhad in connection with the Rights Issue with Warrants. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

**Crowe Horwath**  
Firm No.: AF 1018  
Chartered Accountants

Date: 23 APR 2018

Penang

**Eddy Chan Wai Hun**  
Approval No.: 02182/10/2019 J  
Chartered Accountant

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Asia Knight Audited As at 30 June 2017 RM'000	Pro Forma I After Capital Reduction RM'000	Adjustments RM'000	Pro Forma II After Pro Forma I and Rights Issue with Warrants RM'000	Adjustments RM'000	Pro Forma III After Pro Forma II and Acquisition RM'000	Adjustments RM'000	Pro Forma IV After Pro Forma III and assuming full exercise of Warrants RM'000
<b>NON-CURRENT ASSETS</b>								
Property, plant and equipment	4	2,175	2,175	2,175	38,241	40,416	40,416	40,416
Goodwill on consolidation	5	-	-	-	18,738	18,738	18,738	18,738
		<u>2,175</u>	<u>2,175</u>	<u>2,175</u>	<u>59,154</u>	<u>59,154</u>	<u>59,154</u>	<u>59,154</u>
<b>CURRENT ASSETS</b>								
Inventories	6	880	880	880	10,740	11,620	11,620	11,620
Trade and other receivables	7	3,186	3,186	3,186	16,559	19,745	19,745	19,745
Prepayments	8	-	-	-	2,136	2,136	2,136	2,136
Current tax assets	9	7	7	7	1,004	1,011	1,011	1,011
Cash and cash equivalents	10	3,716	3,716	38,596	(21,773)	15,823	34,263	34,263
		<u>7,789</u>	<u>7,789</u>	<u>42,669</u>	<u>34,880</u>	<u>51,335</u>	<u>17,440</u>	<u>68,775</u>
<b>CURRENT LIABILITIES</b>								
Trade and other payables	11	3,483	3,483	3,483	12,158	15,641	15,641	15,641
Provision for liabilities	12	3,545	3,545	3,545	2,046	3,545	3,545	3,545
Loans and borrowings - secured	13	-	-	-	3	2,046	2,046	2,046
Financial liabilities at fair value through profit or loss		172	172	172		172	172	172
Current tax liabilities		<u>7,200</u>	<u>7,200</u>	<u>7,200</u>	<u>21,407</u>	<u>21,407</u>	<u>21,407</u>	<u>21,407</u>
<b>NET CURRENT ASSETS</b>		589	589	35,469	29,928	29,928	47,368	47,368
<b>NON-CURRENT LIABILITIES</b>								
Loans and borrowings - secured	12	-	-	-	7,099	7,099	7,099	7,099
Deferred tax liabilities	14	-	-	-	3,891	3,891	3,891	3,891
		<u>-</u>	<u>-</u>	<u>-</u>	<u>10,990</u>	<u>10,990</u>	<u>10,990</u>	<u>10,990</u>
<b>NET ASSETS</b>		<u>2,764</u>	<u>2,764</u>	<u>37,644</u>	<u>78,082</u>	<u>78,082</u>	<u>95,532</u>	<u>95,532</u>

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	Asia Knight Audited As at 30 June 2017 RM'000	Pro Forma I Adjustments RM'000	Pro Forma I After Capital Reduction RM'000	Pro Forma II Adjustments RM'000	Pro Forma II After Rights Issue with Warrants RM'000	Pro Forma III Adjustments RM'000	Pro Forma III After Pro Forma II Adjustments and Acquisition RM'000	Pro Forma IV Adjustments RM'000	Pro Forma IV After Pro Forma III and assuming full exercise of Warrants RM'000
<b>EQUITY</b>										
Share capital	15	60,587	(57,000)	3,587	25,995	29,582	19,514	49,106	26,069	75,175
Warrant reserve	16	-	-	-	8,885	8,885	(256)	8,629	(8,629)	-
Accumulated losses	17	(57,385)	57,000	(385)	(385)	(385)	(894)	(1,279)	-	(1,279)
Equity attributable to owners of the Company		3,212	3,212	3,212	38,092	38,092	22,084	56,456	21,636	73,896
Non-controlling interests	18	(448)	(448)	(448)	(448)	(448)		21,636		21,636
<b>TOTAL EQUITY</b>		<u>2,764</u>	<u>2,764</u>	<u>2,764</u>	<u>37,644</u>	<u>37,644</u>	<u>78,092</u>	<u>78,092</u>	<u>95,532</u>	<u>95,532</u>
Number of ordinary share ('000)	15	58,133		58,133	406,930	406,930	576,930	576,930	751,329	751,329
Net Assets attributable to owners of the Company (RM'000)		3,212	3,212	3,212	38,092	38,092	56,456	56,456	73,896	73,896
Net Tangible Assets attributable to owners of the Company (RM'000)		3,212.00	3,212.00	3,212.00	38,092.00	38,092.00	37,718.00	37,718.00	55,158.00	55,158.00
Net Assets per share attributable to owners of the Company (RM)		0.06	0.06	0.06	0.09	0.09	0.10	0.10	0.10	0.10
Net Tangible Assets per share attributable to owners of the Company (RM)		0.06	0.06	0.06	0.09	0.09	0.07	0.07	0.07	0.07
Total loans and borrowings (RM'000)		-	-	-	-	-	9,145	9,145	9,145	9,145
Debt to equity ratio		-	-	-	-	-	0.16	0.16	0.12	0.12

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**1. BASIS OF PREPARATION**

The Pro Forma Consolidated Statements of Financial Position ("Pro Forma") of Asia Knight have been prepared based on audited consolidated statement of financial position of Asia Knight as at 30 June 2017 had the Capital Reduction and Rights Issue with Warrants, Acquisition and full exercise of the Warrants issued pursuant to the Rights Shares as described in the Note 2(a) to 2(c) below, been effected on that date.

The Pro Forma of Asia Knight have been properly compiled on the basis stated using audited financial statements prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies of Asia Knight except for the following new accounting policies:

Warrants

Amount allocated in relation to the issuance of warrants are credited to the warrant reserve which is non-distributable. The warrant reserve is transferred to the retained profits upon the exercise of the warrants and the warrant reserve in relation to the unexercised warrants at the expiry of the warrants period will be transferred to the retained profits.

As the Pro Forma is prepared on the basis as described above, the final determination of the purchase price allocation will be based on the established fair value of the assets acquired, including the fair value of the identifiable intangible assets, liabilities assumed as of the acquisition date, in accordance with MFRS 3 - Business Combinations. The excess of the purchase price over the fair value of the net assets acquired is allocated to goodwill, or vice versa be reflected as discount on acquisition. Accordingly, the final determination of the purchase price fair value and resulting goodwill or discount on acquisition may differ significantly from what is reflected in the Pro Forma.

**2. DETAILS OF THE REGULARISATION PLAN**

The details of the Regularisation Plan are as follows:-

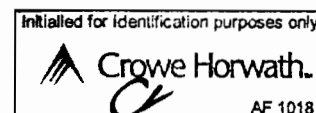
**(a) Capital Reduction**

The Capital Reduction entails the reduction of share capital of Asia Knight by RM57,000,000. The total credit of RM57,000,000 arising from the Capital Reduction is utilised to set-off against the accumulated losses of the Group.

High Court of Malaya at Kuala Lumpur had on 19 March 2018 granted an order confirming the Capital Reduction ("Court Order"). The sealed Court Order was then lodged with the Registrar of Companies on 26 March 2018, following which the Capital Reduction became effective and was deemed completed.

For the preparation of the Pro Forma Consolidated Statements of Financial Position and for illustrative purposes only, based on the audited financial statements of Asia Knight for the financial year ended 30 June 2017, the Capital Reduction will reduce the share capital from RM60,596,851 to RM3,596,851 and accumulated losses from RM57,384,579 to RM384,579 after the Capital Reduction.

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**2. DETAILS OF THE REGULARISATION PLAN (CONT'D)**

**(b) Rights Issue with Warrants**

The Rights Issue with Warrants involving the issuance of 348,797,448 new ordinary shares in Asia Knight ("Asia Knight Shares" or "Shares") ("Rights Shares") together with 174,398,724 free detachable warrants in Asia Knight ("Warrants") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Share held by entitled shareholders of Asia Knight on an entitlement date to be determined later at an issue price of RM0.10.

For the preparation of the Pro Forma Consolidated Statements of Financial Position and for illustrative purposes only, the directors of Asia Knight have allocated a value of RM0.0839 per Warrant based on the fair value of the Warrant extracted from Bloomberg as at 19 March 2018, being the latest practicable date prior to printing of the Abridged Prospectus. The value of the Warrants is based on the relative fair values of the ordinary shares with reference to the following information extracted from Bloomberg:-

Valuation model	Black Scholes Pricing Model
Share price	RM0.12273 (based on the theoretical ex-all price)
Exercise price	RM0.10 per Warrant
Tenure of the Warrants	Five (5) years from the date of issuance of the Warrants
Interest rate	3.889%
Expected dividend yield	0.00%
Expected share price volatility	76.662%

As the above variables are subject to change upon the implementation of the Rights Issue with Warrants, the actual quantum of the components of the warrants reserve will only be determined upon issuance of the Warrants. As such, the actual quantum may differ from the amount computed above.

The full subscription of 348,797,448 Rights Shares will generate total gross cash proceeds of RM34,879,745. The full subscription of 348,797,448 Rights Shares will give rise to an increase in issued share capital of the Company by RM25,994,602 and warrant reserve by RM8,885,143.

**(c) Acquisition**

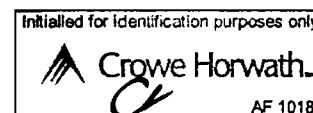
The Acquisition entails the acquisition by Asia Knight of 60% equity interest in Rapid Growth Technology Sdn. Bhd. for a purchase consideration of RM48,000,000 to be satisfied via cash payment of RM31,000,000 and the issuance of 170,000,000 new Asia Knight Shares at the issue price of RM0.10 each ("Consideration Shares").

Upon completion of the Acquisition, RGT will become a 60% owned subsidiary of Asia Knight.

After taking into consideration total estimated expenses of RM2,500,000 relating to Regularisation Plan on pro-rata basis, the impact to equity attributable to owners of the Company is as follows:-

- i. increase in issued share capital by RM19,513,609. Such amount is derived by taking the increase in share capital pursuant to the issuance of 170,000,000 new Asia Knight Shares in relation to Acquisition; i.e. RM20,864,100 and netted off against related estimated expenses totaling RM1,350,491; and
- ii. decrease in warrant reserve and accumulated losses by RM256,074 and RM893,435 respectively. Such decrease was to account for the estimated expenses.

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**3. EFFECTS OF REGULARISATION PLAN**

**(a) Pro Forma I - Capital Reduction**

Pro Forma I incorporates the effects of Capital Reduction as set out in Section 2(a) above.

**(b) Pro Forma II - Right Issue with Warrants**

Pro Forma II incorporates the effects of Pro Forma I and Rights Issue with Warrants as set out in Section 2(b) above.

**(c) Pro Forma III - Acquisition**

Pro Forma III incorporates the effects of Pro Forma I and II and Acquisition set out in Section 2(c) above.

For the purpose of Pro Forma, the financial information on RGT was extracted from the audited consolidated statement of financial position of RGT for the financial year ended 31 December 2017.

**(d) Pro Forma IV - Assuming full exercise of Warrants**

Pro Forma IV incorporates the effects of Pro Forma I, II, III and assuming full exercise of Warrants at the exercise price of RM0.10 per Warrant.

The full exercise of 174,398,724 Warrants will generate total cash proceeds of approximately RM17,439,872 based on the exercise price of RM0.10 per Warrant. Pursuant to the full exercise of the 174,398,724 Warrants, 174,398,724 new Asia Knight Shares will be issued. The amount of RM8,629,069 of the warrant reserve will be transferred to share capital upon full exercise of the Warrants and thereby increase Asia Knight's issued share capital by RM26,068,941 to RM75,174,003.

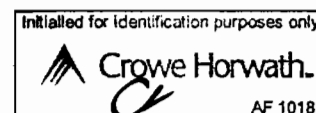
**4. PROPERTY, PLANT AND EQUIPMENT**

The movements in property, plant and equipment of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	2,175
Acquisition of RGT	38,241
	<hr/>
As per Pro Forma III/IV	40,416
	<hr/>



**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**5. GOODWILL ON CONSOLIDATION**

The movements in goodwill on consolidation of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	18,738
	<hr/>
As per Pro Forma III/IV	18,738
	<hr/>

The final goodwill on acquisition will depend on the purchase price allocation to be conducted in accordance with MFRS 3 - Business Combinations, whereby the fair value of the assets and liabilities of RGT acquired will be ultimately determined. Accordingly, the final determination of the purchase price fair value and resulting goodwill or discount on acquisition may differ significantly from what is reflected in the Pro Forma.

**6. INVENTORIES**

The movements in inventories of Asia Knight are as follows:-

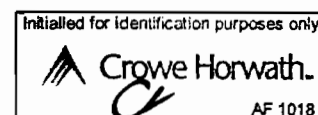
	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	880
Acquisition of RGT	10,740
	<hr/>
As per Pro Forma III/IV	11,620
	<hr/>

**7. TRADE AND OTHER RECEIVABLES**

The movements in trade and other receivables of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	3,186
Acquisition of RGT	16,559
	<hr/>
As per Pro Forma III/IV	19,745
	<hr/>

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA  
KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING  
ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**8. PREPAYMENTS**

The movements in prepayments of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	2,136
	<hr/>
As per Pro Forma III/IV	2,136
	<hr/>

**9. CURRENT TAX ASSETS**

The movements in current tax assets of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	7
Acquisition of RGT	1,004
	<hr/>
As per Pro Forma III/IV	1,011
	<hr/>

**10. CASH AND CASH EQUIVALENTS**

The movements in cash and cash equivalents of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I	3,716
Arising from rights issue	34,880
	<hr/>
As per Pro Forma II	38,596
Acquisition of RGT	(19,273)
Estimated expenses for regularisation plan	(2,500)
	<hr/>
As per Pro Forma III	16,823
Arising from full exercise of warrants	17,440
	<hr/>
As per Pro Forma IV	34,263
	<hr/>

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**11. TRADE AND OTHER PAYABLES**

The movements in trade and other payables of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	3,483
Acquisition of RGT	12,158
	<hr/>
As per Pro Forma III/IV	15,641
	<hr/>

**12. LOANS AND BORROWINGS - SECURED**

The movements in loans and borrowings of Asia Knight are as follows:-

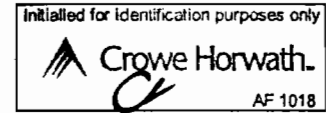
	<b>RM'000</b>
<u>Current portion</u>	
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	2,046
	<hr/>
As per Pro Forma III/IV	2,046
	<hr/>
<u>Non-current portion</u>	
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	7,099
	<hr/>
As per Pro Forma III/IV	7,099
	<hr/>
<u>Total loans and borrowings</u>	
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	9,145
	<hr/>
As per Pro Forma III/IV	9,145
	<hr/>

**13. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**

The movements in financial liabilities at fair value through profit or loss of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	3
	<hr/>
As per Pro Forma III/IV	3
	<hr/>

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**14. DEFERRED TAX LIABILITIES**

The movements in deferred tax liabilities of Asia Knight are as follows:-

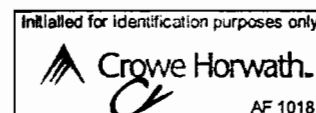
	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	-
Acquisition of RGT	3,891
	<hr/>
As per Pro Forma III/IV	3,891
	<hr/>

**15. SHARE CAPITAL**

The movements in share capital of Asia Knight are as follows:-

	<b>Number of Ordinary Share ('000)</b>	<b>RM'000</b>
At 30 June 2017	58,133	60,597
Arising from capital reduction	-	(57,000)
	<hr/>	<hr/>
As per Pro Forma I	58,133	3,597
Arising from rights issue	348,797	25,995
	<hr/>	<hr/>
As per Pro Forma II	406,930	29,592
Acquisition of RGT	170,000	20,864
Estimated expenses related to rights issue and acquisition of RGT	-	(1,350)
	<hr/>	<hr/>
As per Pro Forma III	576,930	49,106
Arising from full exercise of warrants	174,399	17,440
Transfer from warrant reserve upon full exercise of warrants	-	8,629
	<hr/>	<hr/>
As per Pro Forma IV	751,329	75,175
	<hr/>	<hr/>

**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

**16. WARRANT RESERVE**

The movements in warrant reserve of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I	-
Arising from issuance of warrants	8,885
	<hr/>
As per Pro Forma II	8,885
Estimated expenses related to rights issue	(256)
	<hr/>
As per Pro Forma III	8,629
Transfer to share capital upon full exercise of warrants	(8,629)
	<hr/>
As per Pro Forma IV	-
	<hr/>

**17. ACCUMULATED LOSSES**

The movements in accumulated losses of Asia Knight are as follows:-

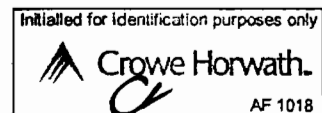
	<b>RM'000</b>
At 30 June 2017	(57,385)
Arising from capital reduction	57,000
	<hr/>
As per Pro Forma I/II	(385)
Estimated expenses relating to acquisition	(894)
	<hr/>
As per Pro Forma III/IV	(1,279)
	<hr/>

**18. NON-CONTROLLING INTERESTS**

The movements in non-controlling interests of Asia Knight are as follows:-

	<b>RM'000</b>
At 30 June 2017/As per Pro Forma I/II	(448)
Acquisition of RGT	22,084
	<hr/>
As per Pro Forma III/IV	21,636
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**APPENDIX III - PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF ASIA KNIGHT GROUP AS AT 30 JUNE 2017 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



**ASIA KNIGHT BERHAD ("ASIA KNIGHT")  
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

Approved and adopted by the Board in accordance with a resolution dated **3 APR 2018**

On behalf of the Board,



**See Teck Wah**



**See Han Liong**

APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP



The Board of Directors  
**ASIA KNIGHT BERHAD**  
No. 9, Jalan Bayu Tinggi 2A/KS6  
Taipan 2 Batu Unjur  
41200 Klang  
Selangor Darul Ehsan

**Crowe Horwath** AF 1018  
Chartered Accountants  
Member Crowe Horwath International

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GST No: 000760336384

Dear Sirs

**REPORTING ACCOUNTANT’S OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS OF RAPID GROWTH TECHNOLOGY SDN. BHD.**

**OPINION**

We have audited the accompanying consolidated financial statements of Rapid Growth Technology Sdn. Bhd. (“RGT” or the “Company”) and its subsidiaries (collectively known as the “Group”). The consolidated financial statements comprise the consolidated statements of financial position as at 31 December 2015, 2016 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for each of the financial years then ended (the “Relevant Periods”), and notes to the consolidated financial statements, including a summary of significant accounting policies, as set out on pages 4 to 34.

The consolidated financial statements have been prepared for inclusion in the Abridged Prospectus of Asia Knight Berhad (“Asia Knight”). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the “Guidelines”) and is given for the purpose of complying with Chapter 10 of the Guidelines and for no other purpose.

In our opinion, the accompanying consolidated financial statements gives a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017 and of their financial performance and their cash flows for each of the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**BASIS FOR OPINION**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountant’s Responsibilities for the Audit of the Financial Information section of our report.

**INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES**

We are independent of the Group and Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ *Code of Ethics for Professional Accountants (“IESBA Code”)*, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.



**RAPID GROWTH TECHNOLOGY SDN. BHD.**  
**ACCOUNTANTS' REPORT (CONT'D)**  
(Incorporated in Malaysia)  
Company No: 440295-A

**DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

RGT's Directors (the "Directors") are responsible for the preparation of the consolidated financial statements of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements of the Company, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**REPORTING ACCOUNTANT'S RESPONSIBILITIES FOR THE AUDIT OF CONSOLIDATED FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

As a part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the consolidated financial statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.





**RAPID GROWTH TECHNOLOGY SDN. BHD.**  
**ACCOUNTANTS’ REPORT (CONT’D)**  
(Incorporated in Malaysia)  
Company No: 440295-A

- Conclude on the appropriateness of the Directors’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Company, including the disclosures, and whether the consolidated financial statements of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**OTHER MATTERS**

This report has been prepared solely for the purpose of inclusion in the Abridged Prospectus of Asia Knight. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

**Crowe Horwath**  
Firm No.: AF 1018  
Chartered Accountants

Date: 3 APR 2018

Penang

**Eddy Chan Wai Hun**  
Approval No.: 02182/10/2019 J  
Chartered Accountant

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2015, 2016 AND 2017

	Note	2015 RM'000	2016 RM'000	2017 RM'000
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	4	36,232	37,163	38,241
<b>CURRENT ASSETS</b>				
Inventories	5	9,615	11,276	10,740
Trade and other receivables	6	23,436	12,358	16,559
Financial assets at fair value through profit or loss	7	193	0	0
Prepayments		1,797	1,597	2,136
Current tax assets		0	0	1,004
Cash and cash equivalents	8	5,111	7,875	11,727
		<u>40,152</u>	<u>33,106</u>	<u>42,166</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	9	11,274	9,253	12,158
Dividend payable		7,500	6,000	0
Loans and borrowings - secured	10	4,529	1,719	2,046
Financial liabilities at fair value through profit or loss	7	0	42	3
Current tax liabilities		1,040	454	0
		<u>24,343</u>	<u>17,468</u>	<u>14,207</u>
<b>NET CURRENT ASSETS</b>		<b>15,809</b>	<b>15,638</b>	<b>27,959</b>
<b>NON-CURRENT LIABILITIES</b>				
Loans and borrowings - secured	10	5,440	3,778	7,099
Deferred tax liabilities	11	3,829	3,992	3,891
		<u>9,269</u>	<u>7,770</u>	<u>10,990</u>
<b>NET ASSETS</b>		<b>42,772</b>	<b>45,031</b>	<b>55,210</b>
<b>EQUITY</b>				
Share capital	12	15,000	15,000	15,000
Revaluation surplus		8,811	8,589	8,367
Retained profits		18,961	21,442	31,843
<b>TOTAL EQUITY</b>		<b>42,772</b>	<b>45,031</b>	<b>55,210</b>

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	Note	2015 RM'000	2016 RM'000	2017 RM'000
Revenue	13	65,069	66,003	80,181
Cost of sales		(46,971)	(49,309)	(58,755)
Gross profit		18,098	16,694	21,426
Other income		3,827	2,348	506
Administrative and general expenses		(7,942)	(7,972)	(10,112)
Finance costs		(406)	(345)	(373)
Share of joint venture's loss		(215)	0	0
Profit before tax	14	13,362	10,725	11,447
Tax expense	16	(2,970)	(2,466)	(1,268)
Profit for the financial year		10,392	8,259	10,179
Other comprehensive income:-				
<i>Items that will not be reclassified to profit or loss:-</i>				
Revaluation increase of property, plant and equipment		11,594	0	0
Deferred tax effects thereof		(2,783)	0	0
Other comprehensive income for the financial year		8,811	0	0
Total comprehensive income for the financial year		19,203	8,259	10,179

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	Note	Share Capital RM'000	Revaluation Surplus RM'000	Retained Profits RM'000	Total RM'000
Balance at 1 January 2015		15,000	0	19,070	34,070
Revaluation increase of property, plant and equipment		0	11,594	0	11,594
Deferred tax effects thereof		0	(2,783)	0	(2,783)
Other comprehensive income for the financial year		0	8,811	0	8,811
Profit for the financial year		0	0	10,392	10,392
Total comprehensive income for the financial year		0	8,811	10,392	19,203
Dividends (representing total transactions with owners)	17	0	0	(10,501)	(10,501)
Balance at 31 December 2015		15,000	8,811	18,961	42,772
Profit (representing total comprehensive income) for the financial year		0	0	8,259	8,259
Dividends (representing total transactions with owners)	17	0	0	(6,000)	(6,000)
Transfer of revaluation surplus		0	(222)	222	0
Balance at 31 December 2016		15,000	8,589	21,442	45,031
Profit (representing total comprehensive income) for the financial year		0	0	10,179	10,179
Transfer of revaluation surplus		0	(222)	222	0
Balance at 31 December 2017		15,000	8,367	31,843	55,210

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

	Note	2015 RM'000	2016 RM'000	2017 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax		13,362	10,725	11,447
Adjustments for:-				
Allowance for slow moving inventories		0	57	3
Depreciation		2,241	2,615	2,718
Gain on disposal of investment in joint venture		(395)	0	0
Gain on disposal of investment in subsidiary		0	0	(60)
Gain on disposal of property, plant and equipment		(74)	(575)	(277)
Interest expense		390	340	368
Interest income		(204)	(125)	(130)
Property, plant and equipment written off		0	5	37
Reversal of allowance for slow moving inventories		0	0	(57)
Share of joint venture's loss		215	0	0
Unrealised (gain)/loss on financial instruments at fair value through profit or loss		(193)	42	3
Unrealised loss/(gain) on foreign exchange		255	(260)	513
<b>Operating profit before working capital changes</b>		<b>15,597</b>	<b>12,824</b>	<b>14,565</b>
Changes in:-				
Inventories		(50)	(1,718)	590
Receivables and prepayments		(8,589)	11,735	(5,057)
Payables		(612)	(2,072)	3,030
Financial instruments at fair value through profit or loss		0	193	(42)
<b>Cash generated from operations</b>		<b>6,346</b>	<b>20,962</b>	<b>13,086</b>
Interest paid		(390)	(340)	(368)
Tax paid		(1,844)	(2,889)	(2,827)
Tax refunded		171	0	0
<b>Net cash from operating activities</b>		<b>4,283</b>	<b>17,733</b>	<b>9,891</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received		204	125	130
Proceeds from disposal of investment in joint venture		500	0	0
Proceeds from disposal of property, plant and equipment		79	1,316	277
Purchase of property, plant and equipment	18	(3,168)	(4,212)	(2,150)
<b>Net cash used in investing activities</b>		<b>(2,385)</b>	<b>(2,771)</b>	<b>(1,743)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Decrease in short-term loans and borrowings (net)	18	(89)	(1,933)	0
Dividends paid		(3,001)	(7,500)	(6,000)
Drawdown of term loans	18	4,800	0	4,000
Placement of cash and cash equivalents pledged as security (net)		(622)	(99)	(97)
Repayment of hire purchase obligations	18	(222)	(307)	(327)
Repayment of term loans	18	(1,972)	(2,312)	(1,708)
<b>Net cash used in financing activities</b>		<b>(1,106)</b>	<b>(12,151)</b>	<b>(4,132)</b>
Effect of exchange rate changes on cash and cash equivalents		(64)	(146)	(261)
<b>Net increase in cash and cash equivalents</b>		<b>728</b>	<b>2,665</b>	<b>3,755</b>
Cash and cash equivalents brought forward		1,632	2,360	5,025
<b>Cash and cash equivalents carried forward</b>	<b>8</b>	<b>2,360</b>	<b>5,025</b>	<b>8,780</b>

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)****RAPID GROWTH TECHNOLOGY SDN. BHD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017****1. GENERAL INFORMATION****1.1 BACKGROUND INFORMATION**

Rapid Growth Technology Sdn. Bhd. (“RGT” or “the Company”) is a private company limited by shares, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Company are as follows:-

Registered office: 57-G, Persiaran Bayan Indah  
Bayan Bay, Sungai Nibong  
11900 Penang

Principal place of business: Plot 170 & 170A  
Jalan Perindustrian Bukit Minyak  
Taman Perindustrian Bukit Minyak  
14100 Bukit Mertajam  
Seberang Perai Tengah, Penang

The Company is principally involved in the manufacturing of moulded plastic products. The subsidiaries of the Company did not carry out any principal activities during the financial years ended 31 December 2015, 2016 and 2017 (the “Relevant Periods”).

Details of the subsidiaries of the Company for the Relevant Periods are as follows:-

Name of Subsidiary	Date of Incorporation	Country of Incorporation	Issued and Paid-up Capital	Effective Ownership Interest by RGT at 31 December		
				2015	2016	2017
Rapid Growth Industries Sdn. Bhd.	3 February 2009	Malaysia	RM1,000,000	100%	100%	100%
RGT Equity Holdings Sdn. Bhd.	5 October 2009	Malaysia	RM2	100%	100%	0%

In March 2017, the Company disposed of its entire equity interest in RGT Equity Holdings Sdn. Bhd. for cash consideration of RM2. The disposal did not have any significant impacts on the financial statements.

The consolidated financial statements set out on pages 4 to 7 together with the notes thereto cover the Company and its subsidiaries (the “Group”) and are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

The auditors’ reports on the consolidated financial statements included in this report for the Relevant Periods were not subjected to any qualification or modification.

**2. SIGNIFICANT ACCOUNTING POLICIES****2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The consolidated financial statements are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards.

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

## 2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT’D)

The Group has not applied the following MFRSs which have been issued as at 31 December 2017 but are not yet effective on that date:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>	1 January 2018
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the consolidated financial statements except as follows:-

MFRS 9 *Financial Instruments*

MFRS 9, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 relate to the classification and measurement of financial assets. Under MFRS 9:-

- (i) Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Based on management’s assessment, the adoption of the new guidance will not significantly affect the existing classification and measurement of financial assets of the Group.

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017****2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)****2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONT’D)**

- (ii) Impairment loss on financial assets is recognised using a new “expected credit loss” model as opposed to the “incurred credit loss” model currently used in MFRS 139. Under the new model, expected credit losses are recognised for financial assets using reasonable and supportable historical and forward-looking information even before a loss event occurs. Based on management’s assessment, any additional impairment losses to be recognised using the new impairment model are not expected to be material to the Group.

The Group will apply the new requirements of MFRS 9 from 1 January 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 139.

**MFRS 15 Revenue from Contracts with Customers**

MFRS 15, which replaces MFRS 111 *Construction Contracts*, MFRS 118 *Revenue* and other related interpretations, establishes a single comprehensive model for revenue recognition. Under MFRS 15, revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised either over time or at a point in time depending on the timing of transfer of control. Based on management’s assessment, the adoption of the new revenue recognition model will not significantly affect the current practice of recognising revenue from the sale of goods based on the transfer of risks and rewards which generally coincides with the transfer of control at a point in time.

The Group will apply the new requirements of MFRS 15 from 1 January 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 118.

**2.2 BASIS OF CONSOLIDATION**

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments’ proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.



## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)

## 2.2 BASIS OF CONSOLIDATION (CONT’D)

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

- (a) the aggregate of:-
- (i) the acquisition-date fair value of the consideration transferred;
  - (ii) the amount of any non-controlling interests; and
  - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.4. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

## 2.3 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.4.

During the statutory financial period ended 31 December 2015, the Group changed the measurement basis of land and buildings from cost model to revaluation model. Under the revaluation model, revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

Capital work-in-progress is not depreciated. Leasehold land is depreciated on a straight-line basis over the lease term of 60 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)****RAPID GROWTH TECHNOLOGY SDN. BHD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017****2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)****2.3 PROPERTY, PLANT AND EQUIPMENT**

Buildings	2% - 10%
Computer	40%
Machinery	10%
Motor vehicles	20%
Office equipment, furniture, fittings and renovation	10%
Tools and equipment	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

**2.4 IMPAIRMENT OF NON-FINANCIAL ASSETS**

At the end of each reporting period, the Group assesses whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

**2.5 INVENTORIES**

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

**2.6 FINANCIAL ASSETS**

Financial assets of the Group consist of receivables, derivatives and cash and cash equivalents.

**Recognition and Measurement**

A financial asset is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017****2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)****2.6 FINANCIAL ASSETS (CONT’D)****Recognition and Measurement (cont’d)****(i) Financial assets at fair value through profit or loss**

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

**(ii) Loans and receivables**

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

**Impairment**

At the end of each reporting period, the Group assesses whether there is any objective evidence that a financial asset or group of financial assets classified under loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted using the asset’s original effective interest rate. The asset’s carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

**2.7 FINANCIAL LIABILITIES**

Financial liabilities of the Group consist of payables, loans and borrowings and derivatives.

**Recognition and Measurement**

A financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)**

**2.7 FINANCIAL LIABILITIES (CONT’D)**

**Recognition and Measurement (cont’d)**

**(i) Financial liabilities at fair value through profit or loss**

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

**2.8 LEASES**

**Finance Lease**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

**Operating Lease**

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

**2.9 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION**

The consolidated financial statements are presented in Ringgit Malaysia, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity’s own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)**

**2.10 SHARE CAPITAL**

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

**2.11 FAIR VALUE MEASUREMENT**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

**Non-financial Assets**

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square foot for comparable properties in similar locations (i.e. Level 2).

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)**

**2.11 FAIR VALUE MEASUREMENT (CONT’D)**

**Financial Assets and Financial Liabilities**

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

**2.12 INCOME RECOGNITION**

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised using the effective interest method.

**2.13 EMPLOYEE BENEFITS**

**Short-term Employee Benefits**

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

**Defined Contribution Plans**

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund (“EPF”). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

**2.14 BORROWING COSTS**

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**2.15 INCOME TAXES**

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017**

**2. SIGNIFICANT ACCOUNTING POLICIES (CONT’D)**

**2.15 INCOME TAXES (CONT’D)**

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

**2.16 CASH AND CASH EQUIVALENTS**

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017**

**3. JUDGEMENTS AND ESTIMATION UNCERTAINTY**

**Judgements Made in Applying Accounting Policies**

In the process of applying the accounting policies of the Group, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

**Sources of Estimation Uncertainty**

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 5.

Impairment of receivables

The Group makes allowance for impairment based on an assessment of the recoverability of receivables. Allowance is applied to receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of receivables as disclosed in Note 6.



## APPENDIX IV – ACCOUNTANT'S REPORT ON RGT GROUP (CONT'D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 4. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RM'000	Buildings RM'000	Computer RM'000	Machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and renovation RM'000	Tools and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Cost/Valuation</u>									
Balance at 1 January 2015	2,396	16,193	1,757	7,934	1,678	1,405	2,004	0	33,367
Additions	0	356	154	513	345	629	1,058	377	3,432
Disposals/Write-offs	0	0	(221)	0	(232)	(12)	0	0	(465)
Revaluation	7,604	901	0	0	0	0	0	0	8,505
<b>Balance at 31 December 2015</b>	<b>10,000</b>	<b>17,450</b>	<b>1,690</b>	<b>8,447</b>	<b>1,791</b>	<b>2,022</b>	<b>3,062</b>	<b>377</b>	<b>44,839</b>
<u>Representing:-</u>									
- Cost	0	0	1,690	8,447	1,791	2,022	3,062	377	17,389
- Valuation	10,000	17,450	0	0	0	0	0	0	27,450
	<b>10,000</b>	<b>17,450</b>	<b>1,690</b>	<b>8,447</b>	<b>1,791</b>	<b>2,022</b>	<b>3,062</b>	<b>377</b>	<b>44,839</b>
<u>Cost/Valuation</u>									
Balance at 1 January 2016	10,000	17,450	1,690	8,447	1,791	2,022	3,062	377	44,839
Additions	0	176	355	1,517	0	242	444	1,558	4,292
Disposals/Write-offs	0	0	(19)	0	0	(7)	(895)	0	(921)
Reclassification	0	1,678	0	0	0	0	0	(1,678)	0
<b>Balance at 31 December 2016</b>	<b>10,000</b>	<b>19,304</b>	<b>2,026</b>	<b>9,964</b>	<b>1,791</b>	<b>2,257</b>	<b>2,611</b>	<b>257</b>	<b>48,210</b>
<u>Representing:-</u>									
- Cost	0	1,854	2,026	9,964	1,791	2,257	2,611	257	20,760
- Valuation	10,000	17,450	0	0	0	0	0	0	27,450
	<b>10,000</b>	<b>19,304</b>	<b>2,026</b>	<b>9,964</b>	<b>1,791</b>	<b>2,257</b>	<b>2,611</b>	<b>257</b>	<b>48,210</b>

## APPENDIX IV – ACCOUNTANT'S REPORT ON RGT GROUP (CONT'D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Cost/Valuation	Leasehold land RM'000	Buildings RM'000	Computer RM'000	Machinery RM'000	Motor vehicles RM'000	Office equipment, furniture fittings and renovation RM'000	Tools and equipment RM'000	Capital work-in-progress RM'000	Total RM'000
Balance at 1 January 2017	10,000	19,304	2,026	9,964	1,791	2,257	2,611	257	48,210
Additions	0	808	229	343	1,859	105	489	0	3,833
Disposals/Write-offs	0	0	(358)	(261)	(966)	(72)	(200)	0	(1,857)
Disposal of subsidiary	0	0	0	0	0	(1)	0	0	(1)
Reclassification	0	257	0	0	0	0	0	(257)	0
Balance at 31 December 2017	10,000	20,369	1,897	10,046	2,684	2,289	2,900	0	50,185
Representing:-									
- Cost	0	2,919	1,897	10,046	2,684	2,289	2,900	0	22,735
- Valuation	10,000	17,450	0	0	0	0	0	0	27,450
Balance at 31 December 2017	10,000	20,369	1,897	10,046	2,684	2,289	2,900	0	50,185
Accumulated Depreciation									
Balance at 1 January 2015	316	2,325	1,356	3,944	872	406	696	0	9,915
Depreciation	40	408	309	717	290	193	284	0	2,241
Disposals/Write-offs	0	0	(220)	0	(232)	(8)	0	0	(460)
Revaluation	(356)	(2,733)	0	0	0	0	0	0	(3,089)
Balance at 31 December 2015	0	435	1,445	4,661	930	591	980	0	8,607
Depreciation	200	435	251	756	326	211	436	0	2,615
Disposals/Write-offs	0	0	(19)	0	0	(2)	(154)	0	(175)
Balance at 31 December 2016	200	435	1,677	5,417	1,256	800	1,262	0	11,047
Depreciation	200	511	245	747	370	224	421	0	2,718
Disposals/Write-offs	0	0	(358)	(257)	(966)	(61)	(178)	0	(1,820)
Disposal of subsidiary	0	0	0	0	0	(1)	0	0	(1)
Balance at 31 December 2017	400	946	1,564	5,907	660	962	1,505	0	11,944

## APPENDIX IV – ACCOUNTANT'S REPORT ON RGT GROUP (CONT'D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM'000	Buildings RM'000	Computer RM'000	Machinery RM'000	Motor vehicles RM'000	Office equipment, furniture and renovation RM'000	Tools and equipment RM'000	Capital work-in- progress RM'000	Total RM'000
<u>Carrying amount</u>									
Balance at 1 January 2015	2,080	13,868	401	3,990	806	999	1,308	0	23,452
Balance at 31 December 2015	10,000	17,450	245	3,786	861	1,431	2,082	377	36,232
Balance at 31 December 2016	9,800	18,869	349	4,547	535	1,457	1,349	257	37,163
Balance at 31 December 2017	9,600	19,423	333	4,139	2,024	1,327	1,395	0	38,241

The land and buildings were revalued to fair values on 31 December 2015 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square foot for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the consolidated financial statements are as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Leasehold land	2,040	1,999	1,958
Buildings	13,816	15,369	16,056
	15,856	17,368	18,014
The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-			
	2015 RM'000	2016 RM'000	2017 RM'000
Leasehold land	10,000	9,800	9,600
Buildings	17,450	18,869	19,423
	27,450	28,669	29,023

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 4. PROPERTY, PLANT AND EQUIPMENT (CONT’D)

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting are as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Motor vehicles	818	506	2,008
Tools and equipment	0	81	61
	<u>818</u>	<u>587</u>	<u>2,069</u>

## 5. INVENTORIES

	2015 RM'000	2016 RM'000	2017 RM'000
Raw materials	7,575	7,400	7,436
Work-in-progress	1,280	1,196	1,812
Finished goods	760	847	104
Goods-in-transit	0	1,833	1,388
	<u>9,615</u>	<u>11,276</u>	<u>10,740</u>

## 6. TRADE AND OTHER RECEIVABLES

	2015 RM'000	2016 RM'000	2017 RM'000
Trade receivables	22,823	11,784	14,489
Other receivables:-			
- Directors	122	0	0
- Unrelated parties	491	574	2,070
	<u>613</u>	<u>574</u>	<u>2,070</u>
	<u>23,436</u>	<u>12,358</u>	<u>16,559</u>

The currency profile of trade and other receivables is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Ringgit Malaysia	2,715	575	2,070
US Dollar	20,721	11,783	14,489
	<u>23,436</u>	<u>12,358</u>	<u>16,559</u>

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 6. TRADE AND OTHER RECEIVABLES (CONT’D)

## Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on credit terms as follows:-

	2015	2016	2017
Credit terms (days)	30 - 75	30 - 120	30 - 120

The ageing analysis of trade receivables not impaired is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Not past due	20,171	10,422	11,172
Past due 1 to 30 days	2,080	1,338	2,691
Past due 31 to 120 days	89	24	626
Past due more than 120 days	483	0	0
	<u>22,823</u>	<u>11,784</u>	<u>14,489</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
United States of America	18,287	1,057	7,651
Switzerland	4,359	6,822	6,543
Luxembourg	0	3,779	60
Others	177	126	235
	<u>22,823</u>	<u>11,784</u>	<u>14,489</u>

## Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by directors were repayable on demand. The amounts owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

## 7. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS

	2015 RM'000	2016 RM'000	2017 RM'000
Derivatives classified as held for trading, at fair value	193	(42)	(3)

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. The Group had contracts with financial institutions due within 1 year to deal with the following foreign currencies at contractual forward rates:-

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 7. FINANCIAL ASSETS/(LIABILITIES) AT FAIR VALUE THROUGH PROFIT OR LOSS (CONT’D)

	2015 '000	2016 '000	2017 '000
To buy	RM 11,425	RM 8,051	EUR 119
To sell	USD 2,600	USD 1,800	RM 580

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

## 8. CASH AND CASH EQUIVALENTS

	2015 RM'000	2016 RM'000	2017 RM'000
Highly liquid investments	1,064	2,908	3,326
Term deposits (fixed rate)	1,687	1,748	1,808
Cash and bank balances	2,360	3,219	6,593
	<u>5,111</u>	<u>7,875</u>	<u>11,727</u>

The carrying amounts of cash and cash equivalents pledged as security for credit facilities granted to the Group and not freely available for use are as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Highly liquid investments	1,064	1,102	1,139
Term deposits (fixed rate)	1,687	1,748	1,808
	<u>2,751</u>	<u>2,850</u>	<u>2,947</u>

The effective interest rates of term deposits as at the end of the reporting period are as follows:-

	2015 %	2016 %	2017 %
Effective interest rates (per annum)	<u>3.3 - 3.6</u>	<u>3.3 - 3.6</u>	<u>3.2 - 3.6</u>

The currency profile of cash and cash equivalents is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Ringgit Malaysia	4,615	6,447	10,128
US Dollar	461	1,391	1,571
Others	35	37	28
	<u>5,111</u>	<u>7,875</u>	<u>11,727</u>

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 8. CASH AND CASH EQUIVALENTS (CONT’D)

For the purpose of statement of cash flows, cash and cash equivalents are presented net of those pledged as security as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Cash and cash equivalents	5,111	7,875	11,727
Cash and cash equivalents pledged as security	(2,751)	(2,850)	(2,947)
	<u>2,360</u>	<u>5,025</u>	<u>8,780</u>

## 9. TRADE AND OTHER PAYABLES

	2015 RM'000	2016 RM'000	2017 RM'000
Trade payables:-			
- Related parties*	3,052	682	0
- Unrelated parties	4,884	6,821	10,398
	7,936	7,503	10,398
Other payables:-			
- Directors	46	0	0
- Unrelated parties	3,292	1,750	1,760
	3,338	1,750	1,760
	<u>11,274</u>	<u>9,253</u>	<u>12,158</u>

\* Being companies in which certain directors of the Company have substantial financial interests

The currency profile of trade and other payables is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Ringgit Malaysia	8,153	5,619	9,333
US Dollar	3,038	3,603	1,676
Others	83	31	1,149
	<u>11,274</u>	<u>9,253</u>	<u>12,158</u>

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

**Trade Payables**

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 9. TRADE AND OTHER PAYABLES (CONT’D)

## Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to directors were repayable on demand. The amounts owing to unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.

## 10. LOANS AND BORROWINGS - SECURED

		2015 RM'000	2016 RM'000	2017 RM'000
Invoice financing	(floating rate)	1,933	0	0
Hire purchase payables	(fixed rate)	676	449	1,805
Term loans	(floating rate)	7,360	5,048	7,340
		<u>9,969</u>	<u>5,497</u>	<u>9,145</u>
Disclosed as:-				
- Current liabilities		4,529	1,719	2,046
- Non-current liabilities		5,440	3,778	7,099
		<u>9,969</u>	<u>5,497</u>	<u>9,145</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other loans and borrowings are secured against certain property, plant and equipment (Note 4) and cash and cash equivalents (Note 8).

The effective interest rates of loans and borrowings at the end of the reporting period are as follows:

	2015 %	2016 %	2017 %
Effective interest rates (per annum)	<u>2.1 - 5.9</u>	<u>4.5 - 7.2</u>	<u>3.9 - 7.2</u>

The currency profile of loans and borrowings is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Ringgit Malaysia	7,810	5,497	9,145
US Dollar	2,159	0	0
	<u>9,969</u>	<u>5,497</u>	<u>9,145</u>



## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 10. LOANS AND BORROWINGS - SECURED (CONT’D)

## Hire Purchase Payables

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Minimum hire purchase payments:-			
- Within 1 year	312	257	537
- Later than 1 year and not later than 2 years	227	162	427
- Later than 2 years and not later than 5 years	181	53	1,017
Total contractual undiscounted cash flows	720	472	1,981
Future finance charges	(44)	(23)	(176)
Present value of hire purchase payables:-			
- Within 1 year	287	241	469
- Later than 1 year and not later than 2 years	214	156	378
- Later than 2 years and not later than 5 years	175	52	958
	676	449	1,805

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

## Term Loans

Terms loans are repayable over 5 to 10 years. The repayment analysis is as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Gross loans instalments:-			
- Within 1 year	2,604	1,679	1,889
- Later than 1 year and not later than 2 years	1,700	1,287	1,889
- Later than 2 years and not later than 5 years	3,200	2,199	2,965
- Later than 5 years	810	498	1,772
Total contractual undiscounted cash flows	8,314	5,663	8,515
Future finance charges	(954)	(615)	(1,175)
Present value of term loans:-			
- Within 1 year	2,309	1,478	1,577
- Later than 1 year and not later than 2 years	1,460	1,118	1,617
- Later than 2 years and not later than 5 years	2,850	1,987	2,509
- Later than 5 years	741	465	1,637
	7,360	5,048	7,340

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

## APPENDIX IV – ACCOUNTANT'S REPORT ON RGT GROUP (CONT'D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 11. DEFERRED TAX LIABILITIES

	2015 RM'000	2016 RM'000	2017 RM'000
Balance at 1 January	1,202	3,829	3,992
Deferred tax (income)/expense relating to origination and reversal of temporary differences recognised in:-			
- Profit or loss	(11)	141	(89)
- Other comprehensive income	2,783	0	0
Deferred tax income relating to change in tax rate	(44)	0	0
Deferred tax liabilities (over)/under provided in prior year	(101)	22	(12)
Balance at 31 December	<u>3,829</u>	<u>3,992</u>	<u>3,891</u>
In respect of taxable/(deductible) temporary differences of:-			
- Property, plant and equipment	3,844	3,940	4,015
- Financial instruments	(15)	52	(124)
	<u>3,829</u>	<u>3,992</u>	<u>3,891</u>

## 12. SHARE CAPITAL

	Number of ordinary shares '000	RM'000
<b>Authorised:-</b>		
Balance at 1 January 2015* / 31 December 2015* / 31 December 2016*	25,000	25,000
Cancellation upon abolition of par value	(25,000)	(25,000)
Balance at 31 December 2017	<u>0</u>	<u>0</u>
<b>Issued and fully paid:-</b>		
Balance at 1 January 2015* / 31 December 2015* / 31 December 2016* / 31 December 2017**	<u>15,000</u>	<u>15,000</u>

\* Ordinary shares of RM1 each

\*\* Ordinary shares with no par value

Pursuant to Section 74 of the Companies Act 2016, all shares issued before or upon the commencement of the Act on 31 January 2017 shall have no par value.

## 13. REVENUE

Revenue represents income from the sale of goods.

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 14. PROFIT BEFORE TAX

	2015 RM'000	2016 RM'000	2017 RM'000
Profit before tax is arrived at after charging:-			
Allowance for slow moving inventories	0	57	3
Auditors' remuneration	18	27	36
Depreciation	2,241	2,615	2,718
Employee benefits expense (Note 15)	9,273	10,161	11,797
Fee expense for financial instruments not at fair value through profit or loss	50	54	49
Interest expense for financial liabilities not at fair value through profit or loss	390	340	368
Loss on financial instruments at fair value (classified as held for trading)	0	235	0
Loss on foreign exchange:-			
- Realised	0	0	451
- Unrealised	255	0	513
Property, plant and equipment written off	0	5	37
and crediting:-			
Gain on disposal of investment in joint venture	395	0	0
Gain on disposal of investment in subsidiary	0	0	60
Gain on disposal of property, plant and equipment	74	575	277
Gain on financial instruments at fair value through profit or loss classified as held for trading)	193	0	39
Gain on foreign exchange:-			
- Realised	2,342	630	0
- Unrealised	0	260	0
Interest income for financial assets not at fair value through profit or loss	204	125	130
Reversal of allowance for slow moving inventories	0	0	57

## 15. EMPLOYEE BENEFITS EXPENSE (INCLUDING DIRECTORS' REMUNERATION)

	2015 RM'000	2016 RM'000	2017 RM'000
Directors:-			
- Fees	92	0	140
- Other short-term employee benefits	1,078	965	1,110
- Defined contribution plans	79	70	95
	1,249	1,035	1,345
Other employees:-			
- Short-term employee benefits	7,374	8,373	9,652
- Defined contribution plans	650	753	800
	8,024	9,126	10,452
	9,273	10,161	11,797
Estimated monetary value of benefits received or receivable by certain directors otherwise than in cash	64	64	65

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 16. TAX EXPENSE

	2015 RM'000	2016 RM'000	2017 RM'000
Tax based on result for the year:-			
Current tax	2,974	2,322	2,897
Deferred tax	(55)	141	(89)
	<u>2,919</u>	<u>2,463</u>	<u>2,808</u>
Tax under/(over) provided in prior year:-			
Current tax	152	(19)	(1,528)
Deferred tax	(101)	22	(12)
	<u>2,970</u>	<u>2,466</u>	<u>1,268</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate is as follows:-

	2015 %	2016 %	2017 %
Applicable tax rate	25.00	24.00	24.00
Non-deductible expenses	1.86	1.50	3.53
Non-taxable income	(0.81)	(0.94)	(1.05)
Tax incentives claimed	(3.78)	(1.59)	(1.95)
Effect of differential tax rates	(0.43)	0.00	0.00
Average effective tax rate	<u>21.84</u>	<u>22.97</u>	<u>24.53</u>

## 17. DIVIDENDS

	2015 RM'000	2016 RM'000	2017 RM'000
In respect of statutory financial year ended 31 December 2016:-			
- First interim single tier dividend of 40.00 sen per share	0	6,000	0
In respect of statutory financial period ended 31 December 2015:-			
- First interim single tier dividend of 6.67 sen per share	1,000	0	0
- Second interim single tier dividend of 13.34 sen per share	2,001	0	0
- Third interim single tier dividend of 50.00 sen per share	7,500	0	0
	<u>10,501</u>	<u>6,000</u>	<u>0</u>

## APPENDIX IV – ACCOUNTANT'S REPORT ON RGT GROUP (CONT'D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 18. NOTES TO STATEMENTS OF CASH FLOWS

## Purchase of Property, Plant and Equipment

	2015 RM'000	2016 RM'000	2017 RM'000
Cost of property, plant and equipment purchased	3,432	4,292	3,833
Amount financed through hire purchase	(264)	(80)	(1,683)
Net cash disbursed	<u>3,168</u>	<u>4,212</u>	<u>2,150</u>

## Short-Term Loans and Borrowings

	2015 RM'000	2016 RM'000	2017 RM'000
Balance 1 January	2,022	1,933	0
Repayments	(89)	(1,933)	0
Balance 31 December (Note10)	<u>1,933</u>	<u>0</u>	<u>0</u>

## Hire Purchase Payables

	2015 RM'000	2016 RM'000	2017 RM'000
Balance 1 January	634	676	449
Drawdowns	264	80	1,683
Repayments	(222)	(307)	(327)
Balance 31 December (Note10)	<u>676</u>	<u>449</u>	<u>1,805</u>

## Term Loans

	2015 RM'000	2016 RM'000	2017 RM'000
Balance 1 January	4,532	7,360	5,048
Drawdowns	4,800	0	4,000
Repayments	(1,972)	(2,312)	(1,708)
Balance 31 December (Note10)	<u>7,360</u>	<u>5,048</u>	<u>7,340</u>

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 19. RELATED PARTY DISCLOSURES

Significant transactions with related parties during the financial years are as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Key management personnel compensation:-			
- Short-term employee benefits	1,234	1,028	1,315
- Defined contribution plans	79	71	95
	1,313	1,099	1,410
Purchase of goods from other related parties*	12,369	6,596	1,449

\* Being companies in which certain directors of the Company have substantial financial interests

## 20. CONTRACTUAL COMMITMENT

	2015 RM'000	2016 RM'000	2017 RM'000
Purchase of property, plant and equipment	2,149	1,104	493

## 21. FINANCIAL RISK MANAGEMENT

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial years.

**Credit Risk**

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the consolidated statements of financial position.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

**Liquidity Risk**

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 21. FINANCIAL RISK MANAGEMENT (CONT’D)

## Liquidity Risk (cont’d)

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

## Currency Risk

The Group’s exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia (“RM”). The major foreign currency transacted is US Dollar (“USD”).

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group’s foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	Increase/(Decrease) in Profit		
	2015 RM’000	2016 RM’000	2017 RM’000
Appreciation of USD against RM by 10%	1,215	727	1,093
Depreciation of USD against RM by 10%	(1,215)	(727)	(1,093)

## Interest Rate Risk

The Group’s exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group’s policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

## APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)

## RAPID GROWTH TECHNOLOGY SDN. BHD.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2015, 2016 AND 2017

## 21. FINANCIAL RISK MANAGEMENT (CONT’D)

## Interest Rate Risk (cont’d)

	Increase/(Decrease) in Profit		
	2015 RM'000	2016 RM'000	2017 RM'000
Increase in interest rates by 50 basis points	(35)	(19)	(28)
Decrease in interest rates by 50 basis points	35	19	28

## 22. CAPITAL MANAGEMENT

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	2015 RM'000	2016 RM'000	2017 RM'000
Total loans and borrowings	9,969	5,497	9,145
Total equity	42,772	45,031	55,210
Total capital	52,741	50,528	64,355
Debt-to-equity ratio	0.23 :1	0.12 :1	0.17 :1

The aforementioned capital management objective, policies and processes have remained unchanged during the Relevant Periods.

## 23. SUBSEQUENT EVENTS

There were no significant events subsequent to the end of the financial year ended 31 December 2017 up to date of this Report.



**APPENDIX IV – ACCOUNTANT’S REPORT ON RGT GROUP (CONT’D)**

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**RAPID GROWTH TECHNOLOGY SDN. BHD.**

**STATEMENT BY DIRECTORS**

In the opinion of the directors, the consolidated financial statements set out on pages 4 to 34 give a true and fair view of the financial position of the Group as at 31 December 2015, 2016 and 2017 and of its financial performance and cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.



**Lim Seat Hoe**



**Lee Soc Ching**

APPENDIX V – DIRECTORS' REPORT

**ASIA KNIGHT BERHAD** (Co. No. 71024-T)

OFFICE: No.7-3, Galeri Empire, Jalan Empayar Off Persiaran  
Sultan Ibrahim / KU 1, 41150 Klang Selangor  
Fax No: 03-3342 0771  
Email: asiaknight08@gmail.com

Telephone:  
Office: 03-3342 0888  
Website: www.asiaknight.com

Date: 10 APR 2018

To: The Entitled Shareholders of Asia Knight Berhad ("Asia Knight" or the "Company")

Dear Sir / Madam,

On behalf of the Board of Directors of Asia Knight ("Board"), I wish to report that after due enquiry by us in relation to the interval between the period from 30 June 2017 (being the date to which the last audited consolidated financial statements of the Company and its subsidiaries ("Group") have been made up) to the date hereof (being a date not earlier than 14 days before the date of issuance of this Abridged Prospectus), that:-

- (i) the business of the Group has, in the opinion of the Board, been satisfactorily maintained;
- (ii) in the opinion of the Board, since the last audited consolidated financial statements of the Group, no circumstances that has adversely affected the trading or the value of the assets of the Group has arisen;
- (iii) the current assets of the Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities that has arisen by reason of any guarantee or indemnities given by the Group except for the financial guarantee amounting to RM2 million given by the Company for its wholly-owned subsidiary, T-Venture Industries (M) Sdn. Bhd. to a third-party material supplier for annual credit term granted, as disclosed in Section 10.3 of this Abridged Prospectus;
- (v) there has been, since the last audited consolidated financial statements of the Group, no default or any known event that could give rise to a default situation, on payments of either interest and/or principal sums for any borrowing of any corporation within the Group;
- (vi) there has been, since the last audited consolidated financial statements of the Group, no material change in the published reserves or unusual factor affecting the profits of the Group save for the reduction of the Company's share capital pursuant to Section 116 of the Companies Act, 2016 which has been completed on 26 March 2018, as disclosed in Section 6.1 of this Abridged Prospectus; and
- (vii) as disclosed above and up to the date of this letter, no other reports are required in relation to items (i) to (vi) above.

Yours faithfully  
For and behalf of the Board of  
**ASIA KNIGHT BERHAD**

  
**SEE TECK WAH**  
Chairman/Managing Director

  
**SEE HAN LIONG**  
Executive Director

**APPENDIX VI – CERTIFIED EXTRACT OF THE RESOLUTIONS PERTAINING TO THE  
REGULARISATION PLAN PASSED AT THE EGM HELD ON 17 JANUARY  
2018**

# ASIA KNIGHT BERHAD

(CO. NO: 71024-T)

No 7-3, Galeri Empire, Jalan Empayar, Off Persiaran Sultan Ibrahim/KU1  
41150 Klang, Selangor  
Tel No: 03-33420888, Fax No: 03-33420771  
Email: [asiaknight08@gmail.com](mailto:asiaknight08@gmail.com)

2 February 2018

LL/sl

**EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL  
MEETING HELD ON 17 JANUARY 2018**

**1. SPECIAL RESOLUTION**

**PROPOSED REDUCTION OF THE COMPANY'S SHARE CAPITAL PURSUANT TO  
SECTION 116 OF THE COMPANIES ACT, 2016 ("PROPOSED CAPITAL REDUCTION")**

The result of the votes as confirmed and certified by the independent scrutineer, Messrs IA Essential Sdn Bhd was as follows:-

Resolution	Voted in favour		Voted Against		Abstain		Result
	No. of shares	%	No. of shares	%	Records	No. of shares	
<b><u>Special Resolution</u></b> Proposed Capital Reduction	38,898,563	100	0	0	6	5,535,200	CARRIED

As a result of the votes, the following Special Resolution was duly carried and adopted:-

"THAT subject to the passing of Ordinary Resolution 1 and Ordinary Resolution 2 as well as the confirmation by the High Court of Malaya pursuant to Section 116 of the Act, the Board of Directors of the Company ("Board") be and is hereby given the authority and approval to reduce the ordinary share capital of the Company via the cancellation of the issued share capital of RM57,000,000 and that the credit arising from such share capital reduction to be utilised to set off the accumulated losses of the Company and the remaining balance (if any) will be credited to the retained earnings of the Company which shall then be utilised in a manner to be determined by the Board at a later date and in the best interest of the Company as permitted by the relevant and applicable laws;

AND THAT the Board be and is hereby authorised to take such steps, execute such documents and enter into any arrangements, agreements and/or undertakings with any party or parties as it may deem fit, necessary, expedient and/or appropriate in order to implement, finalise and/or give effect to the Proposed Capital Reduction with full powers to assent to any terms, conditions, modifications, variations and/or amendments as may be imposed or permitted by the High Court of Malaya and/or as a consequence of any such requirement or as may be deemed fit, necessary, expedient and/or appropriate and in the best interest of the Company."

**APPENDIX VI – CERTIFIED EXTRACT OF THE RESOLUTIONS PERTAINING TO THE  
REGULARISATION PLAN PASSED AT THE EGM HELD ON 17 JANUARY  
2018 (CONT'D)**

**ASIA KNIGHT BERHAD (Company No: 71024-T)**

*(Continuation of the Extract of Minutes of the Extraordinary General Meeting of Asia Knight Berhad held on 17 January 2018)*

**2. ORDINARY RESOLUTION 1**

**PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 348,797,448 NEW ORDINARY SHARES IN ASIA KNIGHT (“ASIA KNIGHT SHARES” OR “SHARES”) (“RIGHTS SHARES”) TOGETHER WITH 174,398,724 FREE DETACHABLE WARRANTS IN ASIA KNIGHT (“WARRANTS”) ON THE BASIS OF 6 RIGHTS SHARES TOGETHER WITH 3 FREE WARRANTS FOR EVERY 1 EXISTING ASIA KNIGHT SHARE HELD BY ENTITLED SHAREHOLDERS OF ASIA KNIGHT ON AN ENTITLEMENT DATE TO BE DETERMINED LATER (“PROPOSED RIGHTS ISSUE WITH WARRANTS”)**

The result of the votes as confirmed and certified by the independent scrutineer, Messrs IA Essential Sdn Bhd was as follows:-

Resolution	Voted in favour		Voted Against		Abstain		Result
	No. of shares	%	No. of shares	%	Records	No. of shares	
<b><u>Ordinary Resolution 1</u></b> Proposed Rights Issue with Warrants	38,898,563	100	0	0	6	5,535,200	CARRIED

As a result of the votes, the following Ordinary Resolution 1 was duly carried and adopted:-

“THAT subject to the passing of Special Resolution and Ordinary Resolution 2 as well as the approval of all relevant regulatory authorities or parties being obtained (if required), including but not limited to the approval-in-principle of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing and quotation of the Rights Shares, Warrants and the new Shares to be issued pursuant to the conversion of the Warrants, the Board be and is hereby authorised to:-

- (i) provisionally allot and issue by way of a renounceable rights issue of 348,797,448 Rights Shares at an issue price of RM0.10 per Rights Share together with 174,398,724 free Warrants at an exercise price of RM0.10 per Warrant to the shareholders of the Company (“Shareholders”) whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined by the Board (“Entitlement Date”) (“Entitled Shareholders”), and/or their renounee(s), on the basis of 6 Rights Shares with 3 free Warrants for every 1 existing Share;
- (ii) enter into and execute the deed poll (“Deed Poll”) and to do all acts, deeds and things as they deem fit or expedient in order to implement, finalise and give effect to the aforesaid Deed Poll wherein each of the Warrant will carry the rights to subscribe, subject to any adjustment in accordance with the Deed Poll to be executed, at any time during the “Exercise Period” as defined in the Deed Poll, for 1 new Share at the exercise price RM0.10 per Warrant;
- (iii) allot and issue such number of additional Warrants pursuant to adjustments as provided under the Deed Poll (“Additional Warrants”) and to adjust from time to time the exercise price of the Warrants as a consequence of the adjustments under the

**APPENDIX VI – CERTIFIED EXTRACT OF THE RESOLUTIONS PERTAINING TO THE  
REGULARISATION PLAN PASSED AT THE EGM HELD ON 17 JANUARY  
2018 (CONT'D)**

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**ASIA KNIGHT BERHAD (Company No: 71024-T)**

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*(Continuation of the Extract of Minutes of the Extraordinary General Meeting of Asia Knight Berhad held on 17 January 2018)*

provisions of the Deed Poll and/or to effect such modifications, variations and/or amendments as may be imposed, required or permitted by Bursa Securities and any other relevant authorities or parties (if required); and

- (iv) allot and issue such number of new Shares to the holders of the Warrants upon their exercise of the relevant Warrants to subscribe for new Shares during the tenure of the Warrants, and such further new Shares as may be required or permitted to be issued pursuant to the exercise of the Additional Warrants and such adjustments in accordance with the provisions of the Deed Poll.

THAT any Rights Shares which are not validly taken up or which are not allotted for any reason whatsoever to the Entitled Shareholders and/or their renouncee(s) shall be made available for excess applications in such manner and to such persons ("Excess Applicants") as the Board shall determine at its absolute discretion;

THAT the Rights Shares, Warrants and the new Shares to be issued pursuant to the exercise of the Warrants shall be listed on the Main Market of Bursa Securities;

THAT the proceeds of the Proposed Rights Issue with Warrants be utilised for the purposes as set out in Section 3 of the Circular to Shareholders dated 22 December 2017 and the Board be and is hereby authorised with full powers to vary the manner and/or purpose of utilisation of such proceeds in such manner as the Board may deem fit, necessary and/or expedient or in the best interests of the Company, subject (where required) to the approval of the relevant authorities;

THAT the Board be and is hereby empowered and authorised to do all acts, deeds and things, and to execute, enter into, sign, deliver and cause to be delivered for and on behalf of the Company all such transactions, arrangements, agreements and/or documents as it may consider necessary or expedient in order to implement, give full effect to and complete the Proposed Rights Issue with Warrants, with full powers to assent to and accept any condition, modification, variation, arrangement and/or amendment to the terms of the Proposed Rights Issue with Warrants as the Board may deem fit, necessary and/or expedient in the best interests of the Company or as may be imposed by any relevant authority or consequent upon the implementation of the aforesaid conditions, modifications, variations, arrangements and/or amendments and to take all steps as it considers necessary in connection with the Proposed Rights Issue with Warrants in order to implement and give full effect to the Proposed Rights Issue with Warrants;

THAT the Rights Shares shall, upon allotment, issuance and (where applicable) full payment, rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such Rights Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of the Rights Shares;

THAT the new Shares to be issued pursuant to the exercise of the Warrants (including the Additional Warrants, if any) shall, upon allotment, issuance and full payment of the exercise price of the Warrants (or the Additional Warrants, if any), rank *pari passu* in all respects with the then existing issued Shares, save and except that the holders of such new Shares shall not be entitled to any dividends, rights, allotments and/or other distributions which may be

**APPENDIX VI – CERTIFIED EXTRACT OF THE RESOLUTIONS PERTAINING TO THE  
REGULARISATION PLAN PASSED AT THE EGM HELD ON 17 JANUARY  
2018 (CONT'D)**

**ASIA KNIGHT BERHAD (Company No: 71024-T)**

*(Continuation of the Extract of Minutes of the Extraordinary General Meeting of Asia Knight Berhad held on 17 January 2018)*

declared, made or paid to Shareholders, the entitlement date of which is prior to the date of allotment of such new Shares arising from the exercise of the Warrants (including the Additional Warrants, if any);

AND THAT this Ordinary Resolution constitutes specific approval for the issuance of Shares and securities in the Company contemplated herein which is made pursuant to an offer, agreement or option and shall continue in full force and effect until all Rights Shares, Warrants (including Additional Warrants, if any) and new Shares to be issued pursuant to or in connection with the Proposed Rights Issue with Warrants have been allotted and issued in accordance with the terms of the Proposed Rights Issue with Warrants.”

**3. ORDINARY RESOLUTION 2**

**PROPOSED ACQUISITION OF 9,000,000 ORDINARY SHARES IN RAPID GROWTH TECHNOLOGY SDN BHD (REPRESENTING 60% EQUITY INTEREST) (“SALE SHARES”) FOR A PURCHASE CONSIDERATION OF RM48.0 MILLION TO BE SATISFIED VIA ISSUANCE OF 170,000,000 ASIA KNIGHT SHARES (“CONSIDERATION SHARES”) AT AN ISSUE PRICE OF RM0.10 PER CONSIDERATION SHARE AND CASH PAYMENT OF RM31.0 MILLION (“PROPOSED ACQUISITION”)**

The result of the votes as confirmed and certified by the independent scrutineer, Messrs IA Essential Sdn Bhd was as follows:-

Resolution	Voted in favour		Voted Against		Abstain		Result
	No. of shares	%	No. of shares	%	Records	No. of shares	
<b><u>Ordinary Resolution 2</u></b> Proposed Acquisition	38,898,563	100	0	0	6	5,535,200	CARRIED

As a result of the votes, the following Ordinary Resolution 2 was duly carried and adopted:-

“THAT, subject to the passing of Special Resolution and Ordinary Resolution 1, approvals of all relevant parties and/or authorities being obtained (where required), approval be and is hereby given to the Company to acquire the 60% equity interest in RGT comprising 9,000,000 ordinary shares from Madam Hor Lim Chee, Mr Ng Choon Keat, Mr Tan Song Chai, Mr Lim Seat Hoe and Madam Tan Ann Chee (“collectively, referred as “Vendors”) for a total purchase consideration of RM48.0 million to be satisfied via issuance of 170,000,000 Asia Knight Shares at an issue price of RM0.10 per Consideration Share and cash payment of RM31.0 million, upon such terms and conditions set out in the Share Sale Agreement dated 14 August 2017 entered into between the Vendors and Asia Knight (“SSA”).

THAT authority be and is hereby given to the Board to assent to any modifications to the SSA and to sign and execute any other ancillary agreements and documents in relation thereto (as may be amended from time to time by further agreement between the parties) in connection with the Proposed Acquisition, for and on behalf of the Company AND THAT in order to implement, complete and give full effect to the Proposed Acquisition, authority be and is hereby given to the

**APPENDIX VI – CERTIFIED EXTRACT OF THE RESOLUTIONS PERTAINING TO THE  
REGULARISATION PLAN PASSED AT THE EGM HELD ON 17 JANUARY  
2018 (CONT'D)**

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**ASIA KNIGHT BERHAD (Company No: 71024-T)**

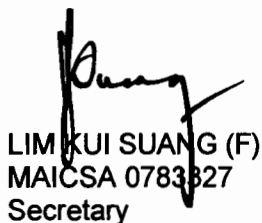
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*(Continuation of the Extract of Minutes of the Extraordinary General Meeting of Asia Knight Berhad held on 17 January 2018)*

Board to give full effect to the Proposed Acquisition with full powers to do or procure to be done all acts, deeds and things (including all applications and submissions to the relevant regulatory authorities and bodies) and take all such decisions as they may in their absolute discretion deem fit, necessary, expedient or appropriate in the best interest of the Company and to execute or enter into all such agreements, arrangements, undertakings, indemnities, transfers, extensions, assignments, deeds, confirmations, declarations and/or guarantees, with any party or parties, to deliver or cause to be delivered all such documents and to do all such acts and matters as they may consider necessary to implement, finalise and give full effect to and complete the Proposed Acquisition with full powers to assent to any arrangements, conditions, modifications, variations and/or amendments thereto as the Board may deem fit and/or as may be imposed by any relevant authorities in connection with the Proposed Acquisition.”



**SEE TECK WAH**  
Chairman of the Extraordinary General  
Meeting held on 17 January 2018



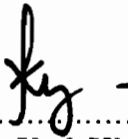
**LIM KUI SUANG (F)**  
MAICSA 0783327  
Secretary

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017**

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CERTIFIED TRUE COPY

  
.....  
**BAKER TILLY  
MONTEIRO HENG**  
Chartered Accountants (AF 0117)

  
.....  
**Kenny Yeoh Khi Khen**  
No. 03229/09/2018 J  
Chartered Accountant

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**REPORTS AND FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEAR ENDED  
30 JUNE 2017**



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 30 June 2017.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Loss for the financial year	<u>(1,466,906)</u>	<u>(1,667,069)</u>
Loss attributable to:		
Owners of the Company	(1,462,321)	(1,667,069)
Non-controlling interests	<u>(4,585)</u>	<u>-</u>
	<u>(1,466,906)</u>	<u>(1,667,069)</u>

**DIVIDENDS**

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 30 June 2017.

**RESERVES AND PROVISIONS**

There were no material transfers to or from reserves or provisions during the financial year.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**DIRECTORS' REPORT** (continued)

**BAD AND DOUBTFUL DEBTS**

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or render the amount of allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent.

**CURRENT ASSETS**

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

**VALUATION METHODS**

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

**CONTINGENT AND OTHER LIABILITIES**

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liabilities in respect of the Group or of the Company which have arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

**CHANGE OF CIRCUMSTANCES**

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**DIRECTORS' REPORT** (continued)**ITEMS OF MATERIAL AND UNUSUAL NATURE**

In the opinion of the directors:

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report other than as disclosed in the financial statements, which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ISSUE OF SHARES AND DEBENTURES**

During the financial year, no new issue of shares or debentures was made by the Company.

**DIRECTORS**

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

See Teck Wah  
See Seng Hong  
See Han Liong  
Tan Teng Cheok  
Seah Cheong Wei  
Lim Heng Gaul  
Andrew Su Meng Kit

(Resigned on 3 October 2017)

**DIRECTORS' INTERESTS**

According to the Register of Directors' shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1.7.2016	Bought	Sold	At 30.6.2017
<b>Interest in the Company</b>				
<b>Direct Interest</b>				
See Teck Wah	3,479,812	-	-	3,479,812
See Seng Hong	429,000	-	-	429,000
See Han Liong	1,118,300	-	-	1,118,300
<b>Indirect Interest</b>				
See Teck Wah#	29,489,733	-	-	29,489,733
See Seng Hong*	17,608,060	-	-	17,608,060
See Han Liong^	31,851,245	-	-	31,851,245

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**DIRECTORS' REPORT** (continued)

**DIRECTORS' INTERESTS** (continued)

- # Deemed interests pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interests in Pahangply Holdings Berhad, NGE Leasing & Credit Sdn. Bhd., See Seng Lai & Sons Realty Sdn. Bhd., Nanyang General Enterprises Sdn. Bhd., Nanyang Timber Industry Sdn. Bhd., Prime Forest Products (M) Sdn. Bhd., Far East Navigation (Malaysia) Sdn. Bhd. and See Han Liong.
- \* Deemed interests pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interests in Pahangply Holdings Berhad, See Seng Lai & Sons Realty Sdn. Bhd., NGE Leasing & Credit Sdn. Bhd., Nanyang General Enterprises Sdn. Bhd., Nanyang Timber Industry Sdn. Bhd. and Far East Navigation (Malaysia) Sdn. Bhd.
- ^ Deemed interests pursuant to Section 8(4) of the Companies Act 2016 by virtue of his interests in Pahangply Holdings Berhad, See Seng Lai & Sons Realty Sdn. Bhd., NGE Leasing & Credit Sdn. Bhd., Nanyang General Enterprises Sdn. Bhd., Nanyang Timber Industry Sdn. Bhd., Prime Forest Products (M) Sdn. Bhd., Far East Navigation (Malaysia) Sdn. Bhd. and See Teck Wah.

Mr. See Teck Wah, Mr. See Seng Hong and Mr. See Han Liong by virtue of their interests in the ordinary shares of the Company are also deemed interested in the ordinary shares of all the Company's subsidiaries during the financial year to the extent the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in the ordinary shares of the Company or its related corporations during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as disclosed in Notes 6 and 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year, was the Company a party to any arrangements whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**INDEMNITY TO DIRECTORS AND OFFICERS**

Every Director, Managing Director, Agent Auditor, Secretary and other officer for the time being of the Company shall be indemnified out of the assets of the Company against any liability incurred or sustained by him in or about the execution of his duties of his office or otherwise in relation thereto, including defending any proceedings, whether civil or criminal, in which judgement is given in his favour or in which he is acquitted or in connection with any application under the Act in which relief is granted to him by Court in respect of any negligence, default, breach of duty or breach of trust.

**SUBSIDIARIES**

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

**SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

Details of significant event during the financial year are disclosed in Note 31 to the financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**DIRECTORS' REPORT** (continued)

**SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

Details of significant events subsequent to the end of the financial year are disclosed in Note 32 to the financial statements.

**AUDITOR'S REMUNERATION**

The details of the Group's and the Company's auditor's remuneration are disclosed in Notes 6 and 8 to the financial statements.

**INDEMNITY TO AUDITORS**

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

**AUDITORS**

The auditors, Messrs Baker Tilly Monteiro Heng, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:



**SEE TECK WAH**  
Director



**SEE HAN LIONG**  
Director

Date: 12 October 2017

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
<b>Continuing operations</b>					
Revenue	5	10,514,467	10,252,138	-	-
Cost of sales		(9,425,982)	(8,575,508)	-	-
<b>Gross profit</b>		<u>1,088,485</u>	<u>1,676,630</u>	-	-
Other income		224,899	176,776	1,418	2,216,035
Administrative expenses		(2,722,322)	(3,175,034)	(1,290,743)	(1,889,849)
Other operating expenses		(7,699)	(100,408)	(377,744)	-
<b>(Loss)/Profit before tax</b>	6	<u>(1,416,637)</u>	<u>(1,422,036)</u>	<u>(1,667,069)</u>	<u>326,186</u>
Tax expense	7	(50,269)	-	-	-
<b>(Loss)/Profit from continuing operations</b>		<u>(1,466,906)</u>	<u>(1,422,036)</u>	<u>(1,667,069)</u>	<u>326,186</u>
<b>Discontinued operation</b>					
Loss from discontinued operation	8	-	(1,385,717)	-	-
<b>(Loss)/Profit for the financial year, representing total comprehensive (loss)/income for the financial year</b>		<u>(1,466,906)</u>	<u>(2,807,753)</u>	<u>(1,667,069)</u>	<u>326,186</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)**

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
<b>(Loss)/Profit attributable to:</b>					
Owners of the Company		(1,462,321)	(2,803,619)	(1,667,069)	326,186
Non-controlling interests		(4,585)	(4,134)	-	-
		<u>(1,466,906)</u>	<u>(2,807,753)</u>	<u>(1,667,069)</u>	<u>326,186</u>
<b>Total comprehensive</b>					
<b>(loss)/income attributable to:</b>					
Owners of the Company		(1,462,321)	(2,803,619)	(1,667,069)	326,186
Non-controlling interests		(4,585)	(4,134)	-	-
		<u>(1,466,906)</u>	<u>(2,807,753)</u>	<u>(1,667,069)</u>	<u>326,186</u>
<b>Basic loss per ordinary</b>					
<b>share (sen)</b>					
from continuing operations	9	(2.52)	(2.44)		
from discontinued operation	9	-	(2.38)		
		<u>(2.52)</u>	<u>(4.82)</u>		
<b>Diluted loss per ordinary</b>					
<b>share (sen)</b>					
from continuing operations	9	(2.52)	(2.44)		
from discontinued operation	9	-	(2.38)		
		<u>(2.52)</u>	<u>(4.82)</u>		

The accompanying notes form an integral part of these financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Plant and equipment	10	2,175,106	1,853,197	65,912	84,999
Investment in subsidiaries	11	-	-	3,206,364	3,206,364
Other receivable	13	-	-	191,283	-
		<u>2,175,106</u>	<u>1,853,197</u>	<u>3,463,559</u>	<u>3,291,363</u>
<b>Current Assets</b>					
Inventories	12	880,147	340,758	-	-
Trade and other receivables	13	3,186,201	2,868,798	104,274	3,999
Tax assets		6,609	6,609	187	187
Cash and cash equivalents	14	3,716,271	6,896,403	160,991	207,626
		<u>7,789,228</u>	<u>10,112,568</u>	<u>265,452</u>	<u>211,812</u>
Assets classified as held for sale	15	-	-	-	-
<b>Total Current Assets</b>		<u>7,789,228</u>	<u>10,112,568</u>	<u>265,452</u>	<u>211,812</u>
<b>TOTAL ASSETS</b>		<u>9,964,334</u>	<u>11,965,765</u>	<u>3,729,011</u>	<u>3,503,175</u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	16	60,596,851	58,132,908	60,596,851	58,132,908
Capital reserve	17	-	2,463,943	-	2,463,943
Accumulated losses		(57,384,579)	(55,922,258)	(60,864,217)	(59,197,148)
		<u>3,212,272</u>	<u>4,674,593</u>	<u>(267,366)</u>	<u>1,399,703</u>
Non-controlling interests		(448,226)	(443,641)	-	-
<b>Total Equity/(Capital Deficiency)</b>		<u>2,764,046</u>	<u>4,230,952</u>	<u>(267,366)</u>	<u>1,399,703</u>
<b>Current Liabilities</b>					
Trade and other payables	19	3,483,134	3,231,449	2,353,573	460,668
Provision for liabilities	20	3,545,173	3,602,622	1,642,804	1,642,804
Tax liabilities		171,981	900,742	-	-
<b>Total Current Liabilities</b>		<u>7,200,288</u>	<u>7,734,813</u>	<u>3,996,377</u>	<u>2,103,472</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>9,964,334</u>	<u>11,965,765</u>	<u>3,729,011</u>	<u>3,503,175</u>

The accompanying notes form an integral part of these financial statements.



## APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE FYE 30 JUNE 2017 (CONT'D)

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017

	<----- Attributable to owners of the Company ----->					
	Share Capital RM	Non- distributable Capital Reserve RM	Accumulated Losses RM	Sub-total RM	Controlling Interests RM	Total Equity RM
<b>Group</b>						
<b>At 1 July 2015</b>	58,132,908	2,463,943	(53,118,639)	7,478,212	(439,507)	7,038,705
<b>Total comprehensive loss for the financial year</b>						
Loss for the financial year	-	-	(2,803,619)	(2,803,619)	(4,134)	(2,807,753)
Total comprehensive loss	-	-	(2,803,619)	(2,803,619)	(4,134)	(2,807,753)
<b>At 30 June 2016</b>	58,132,908	2,463,943	(55,922,258)	4,674,593	(443,641)	4,230,952
<b>Total comprehensive loss for the financial year</b>						
Loss for the financial year	-	-	(1,462,321)	(1,462,321)	(4,585)	(1,466,906)
Total comprehensive loss	-	-	(1,462,321)	(1,462,321)	(4,585)	(1,466,906)
Transition to no-par value regime*	2,463,943	(2,463,943)	-	-	-	-
<b>At 30 June 2017</b>	60,596,851	-	(57,384,579)	3,212,272	(448,226)	2,764,046

The accompanying notes form an integral part of these financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

	-< Attributable to owners of the Company ->			Total Equity/ (Capital Deficiency) RM
	Share Capital RM	Non- distributable Capital Reserve RM	Accumulated Losses RM	
<b>Company</b>				
<b>At 1 July 2015</b>	58,132,908	2,463,943	(59,523,334)	1,073,517
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year	-	-	326,186	326,186
Total comprehensive income	-	-	326,186	326,186
<b>At 30 June 2016</b>	58,132,908	2,463,943	(59,197,148)	1,399,703
<b>Total comprehensive loss for the financial year</b>				
Loss for the financial year	-	-	(1,667,069)	(1,667,069)
Total comprehensive loss	-	-	(1,667,069)	(1,667,069)
Transition to no-par value regime*	2,463,943	(2,463,943)	-	-
<b>At 30 June 2017</b>	60,596,851	-	(60,864,217)	(267,366)

\* Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The accompanying notes form an integral part of these financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017**

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>Cash Flows from Operating Activities</b>					
(Loss)/Profit before tax:					
- continuing operations		(1,416,637)	(1,422,036)	(1,667,069)	326,186
- discontinued operation	8	-	(1,046,505)	-	-
		(1,416,637)	(2,468,541)	(1,667,069)	326,186
Adjustments for:					
Bad debts written off		-	100,359	-	-
Deposits written off		5,577	-	-	-
Depreciation of plant and equipment	10	378,754	413,712	24,047	22,777
Gain on foreign exchange - unrealised		(27,776)	(6,935)	-	-
Gain on disposal of plant and equipment		(5,648)	(29,999)	-	-
Impairment loss on:					
- other receivables	13	1,541	-	-	-
- trade receivables	13	-	92	-	-
- amounts due from subsidiaries	13	-	-	377,744	-
Interest income		(160,358)	(123,168)	(1,418)	-
Inventories written off	12	-	35,456	-	-
Plant and equipment written off	10	581	-	-	-
Provision for liabilities	20	-	156,885	-	-
Provision for retrenchment benefits		-	81,344	-	-
Reversal of impairment loss on amount due from a subsidiary	13	-	-	-	(397,449)
Reversal of provision for liabilities	20	-	(767,755)	-	-
Waiver of debts		-	-	-	(1,812,211)
Operating loss before working capital changes, balances brought down		(1,223,966)	(2,608,550)	(1,266,696)	(1,860,697)

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2017 (continued)**

	Note	Group 2017 RM	2016 RM	Company 2017 RM	2016 RM
<b>Cash Flows from Operating Activities</b>					
(continued)					
Operating loss before working capital changes, balances carried down		(1,223,966)	(2,608,550)	(1,266,696)	(1,860,697)
Inventories		(539,389)	213,443	-	-
Receivables		(324,521)	(124,094)	-	97,782
Payables		194,236	(8,858,557)	(127,095)	(3,577,523)
Cash used in operations		(1,893,640)	(11,377,758)	(1,393,791)	(5,340,438)
Tax paid		(779,030)	(563,975)	-	-
Tax refunded		-	74,732	-	-
Net cash used in operating activities		(2,672,670)	(11,867,001)	(1,393,791)	(5,340,438)
<b>Cash Flows from Investing Activities</b>					
Purchase of plant and equipment	10	(701,246)	(46,463)	(4,960)	(2,772)
Advance to a subsidiary		-	-	(669,302)	-
Change in pledged deposit	14	-	85,000	-	-
Interest received		160,358	123,168	1,418	-
Proceeds from disposal of plant and equipment		5,650	30,000	-	-
Proceeds from disposal of assets held for sale	15	-	17,000,000	-	-
Net cash (used in)/from investing activities		(535,238)	17,191,705	(672,844)	(2,772)
<b>Cash Flows from Financing Activity</b>					
Advances from subsidiaries, representing net cash from financing activity		-	-	2,020,000	5,373,585
<b>Net (decrease)/increase in cash and cash equivalents</b>		(3,207,908)	5,324,704	(46,635)	30,375
Cash and cash equivalents at the beginning of the financial year		6,896,403	1,571,699	207,626	177,251
Effect of exchange rate changes on cash and cash equivalents		27,776	-	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	14	3,716,271	6,896,403	160,991	207,626

The accompanying notes form an integral part of these financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS**

**1. CORPORATE INFORMATION**

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

The registered office of the Company is located at No 9, Jalan Bayu Tinggi 2A/KS6, Taipan 2, Batu Unjur, 41200 Klang, Selangor Darul Ehsan.

The principal place of business of the Company is located at No.7-3, Galeri Empire, Jalan Empayar, Off Persiaran Sultan Ibrahim/KU1, 41150 Klang, Selangor Darul Ehsan.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 12 October 2017.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**2.2 Adoption of amendments/improvements to MFRSs**

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs

MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**2. BASIS OF PREPARATION (continued)**

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that have been issued, but yet to be effective**

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		<b>Effective for financial periods beginning on or after</b>
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time adoption of MFRS	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosure of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

**MFRS 9 Financial Instruments**

Key requirements of MFRS 9:-

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**2. BASIS OF PREPARATION (continued)**

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that have been issued, but yet to be effective (continued)**

**MFRS 9 Financial Instruments (continued)**

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.
- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

**MFRS 15 Revenue from Contracts with Customers**

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

- Identify the contracts with a customer;
- Identify the performance obligation in the contract;
- Determine the transaction price;
- Allocate the transaction price to the performance obligations in the contract; and
- Recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

**MFRS 16 Leases**

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**2. BASIS OF PREPARATION** (continued)

**2.3 New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that have been issued, but yet to be effective** (continued)

**Amendments to MFRS 107 Statement of Cash Flows**

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statements of financial position for liabilities arising from financing activities.

**Amendments to MFRS 112 Income Taxes**

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

**Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures**

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

**Amendments to MFRS 10 Consolidated Financial Statements, MFRS 12 Disclosures of Interests in Other Entities and MFRS 128 Investments in Associates and Joint Ventures**

These amendments address the following issues that have arisen in the application of the consolidation exception for investment entities:

- Exemption from presenting consolidated financial statements: the amendments clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.
- Consolidation of intermediate investment entities: the amendments clarify that only a subsidiary is not an investment entity itself and provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value.
- Policy choice for equity accounting for investments in associates and joint ventures: the amendments allow a non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interest in subsidiaries, or to unwind the fair value measurement and instead perform a consolidation at the level of the investment entity associate or joint venture.



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**2. BASIS OF PREPARATION (continued)****2.4 Functional and presentation currency**

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Ringgit Malaysia (“RM”), which is also the Company’s functional currency, and has been rounded to the nearest RM, unless otherwise stated.

**2.5 Basis of measurement**

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

**2.6 Use of estimates and judgement**

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group’s and the Company’s accounting policies. Although these estimates and judgement are based on the directors’ best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4.

**2.7 Fundamental accounting principle**

During the financial year ended 30 June 2017, the Group incurred a net loss of RM1,466,906 (2016: RM2,807,753).

The directors of the Company are of the opinion that the preparation of the financial statements of the Group on a going concern basis remains appropriate after considering the cash flows forecast generated by the Group for the next twelve months and the available cash and cash equivalents supporting the assessment of the Group’s ability to continue as a going concern of at least 12 months from the end of the financial year.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

**3.1 Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation (continued)****(a) Subsidiaries and business combination**

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.1 Basis of consolidation (continued)****(a) Subsidiaries and business combination (continued)**

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture, an available-for-sale financial asset or a held for trading financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

**(b) Non-controlling interests**

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

**(c) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**3.2 Separate financial statements**

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(b).

**3.3 Foreign currency transactions****Translation of foreign currency transactions**

Foreign currency transactions are translated to the respective functional currencies of the Group entities at the exchange rates prevailing at the dates of the transactions.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.4 Revenue and other income**

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

**(a) Sales of goods**

Revenue is recognised upon delivery of products and customers' acceptance, net of discounts and returns and when the significant risk and rewards of ownership have been passed to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible returns of goods.

**(b) Hotel operations**

Revenue from hotel operations is recognised as services rendered.

**(c) Interest income**

Interest income is recognised on an accruals basis using the effective interest method.

**3.5 Employee benefits****(a) Short term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

**(b) Defined contribution plans**

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

**(c) Termination benefits**

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.6 Borrowing costs**

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

**3.7 Taxes****(a) Income tax**

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

**(i) Current tax**

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

**(ii) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statement of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.7 Taxes (continued)****(a) Income tax (continued)****(ii) Deferred tax (continued)**

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

**(b) Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the assets or as part of the expenses item as applicable; and
- receivable and payables that are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivable or payable in the statement of financial position.

**3.8 Financial instruments**

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contract provisions of the financial instrument.

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.8 Financial instruments (continued)**

**(a) Subsequent measurement**

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

Loans and receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss through the amortisation process.

(ii) Financial liabilities

Other financial liabilities

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

**(b) Financial guarantee contracts**

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

**(c) Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company themselves purchase or sell an asset). Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.8 Financial instruments (continued)****(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when, the contractual rights to receive the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**(e) Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**3.9 Plant and equipment****(a) Recognition and measurement**

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits.

When significant parts of an item of plant and equipment have different useful lives, they are accounted for as a separate items of plant and equipment.

**(b) Subsequent costs**

The cost of replacing a part of an item of plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.9 Plant and equipment (continued)**

**(c) Depreciation**

All other plant and equipment are depreciated on the straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal depreciation rates are as follows:

Motor vehicles	15% to 20%
Furniture, fittings and equipment	10% to 33%
Plant, machinery and equipment	7.5% to 50%
Tractors	20%
Forklifts	20%
Renovation	10%

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

**(d) Derecognition**

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

**3.10 Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

**Lessee accounting**

For operating leases, the Group and the Company do not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

**3.11 Inventories**

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.12 Cash and cash equivalents**

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

**3.13 Impairment of assets****(a) Impairment and uncollectibility of financial assets**

At each reporting date, all financial assets (except for investment in subsidiaries) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

**Loans and receivables**

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If there is no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**3.13 Impairment of assets (continued)**

**(a) Impairment and uncollectibility of financial assets (continued)**

Loan together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

**(b) Impairment of non-financial assets**

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.14 Share capital**

Ordinary shares are equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities.

Prior to Companies Act 2016 which came into effect on 31 January 2017, incremental external costs directly attributable to the issuance of new shares are deducted against the share premium account. Effective on 31 January 2017 and subsequent period, incremental external costs directly attributable to the issuance of new shares are deducted against equity. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

**3.15 Provisions**

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

**3.16 Operating segments**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Managing Director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

**3.17 Discontinued operation**

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative statements of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)****3.18 Fair value measurement**

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

**3.19 Contingencies**

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- (a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- (b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

**4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amount recognised in the financial year include the following:

**(a) Depreciation and useful lives of plant and equipment**

As disclosed in Note 3.9, the Group and the Company review the residual values, depreciation rates and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's and of the Company's plant and equipment are disclosed in Note 10.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (continued)****(b) Impairment of trade and other receivables**

The Group and the Company recognise impairment losses for trade and other receivables using the incurred loss model. At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that trade and other receivables is impaired. Individually significant trade and other receivables are tested for impairment separately by estimating the cash flows expected to be recoverable. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. The actual eventual losses may be different from the impairment made and this may affect the Group's and the Company's financial position and results.

The carrying amounts of the Group's and the Company's trade and other receivables are disclosed in Note 13.

**(c) Measurement of income taxes**

Significant judgement is required in determining the Group's and the Company's estimation for current and deferred taxes because the ultimate tax liability for the Group as a whole is uncertain. When the final outcome of the tax payable is determined with the tax authorities in each jurisdiction, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group and the Company will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise. The tax expense of the Group and the Company are disclosed in Note 7.

**(d) Write-down of obsolete or slow moving inventories**

The Group write down its obsolete or slow moving inventories based on assessment of its estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts may not be recoverable. The management specifically analyses sales trend and current economic trends when making a judgement to evaluate the adequacy of the write-down of obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories. The carrying amounts of the Group's inventories are disclosed in Note 12.

**(e) Provision**

The Group and the Company recognise provisions when it has a present legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. The recording of provisions requires the application of judgements about the ultimate resolution of these obligations. As a result, provisions are reviewed at each reporting date and adjusted to reflect the Group's current best estimate. The carrying amount of the Group's and of the Company's provision is disclosed in Note 20.

**(f) Contingent liabilities**

Determination of the treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies after consulting legal counsel for litigation cases and internal and external experts to the Group for matters in the ordinary course of business.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**5. REVENUE**

Group	Continuing operations		Discontinued operation (Note 8)		Total	
	2017	2016	2017	2016	2017	2016
	RM	RM	RM	RM	RM	RM
Manufacturing	10,514,467	10,252,138	-	-	10,514,467	10,252,138
Hotel operations	-	-	-	565,413	-	565,413
	<u>10,514,467</u>	<u>10,252,138</u>	<u>-</u>	<u>565,413</u>	<u>10,514,467</u>	<u>10,817,551</u>

The revenue of hotel operations in the previous financial year had been classified as discontinued operation as disclosed in Note 8.

**6. (LOSS)/PROFIT BEFORE TAX**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Audit fee				
- statutory audit				
- current year	118,000	102,000	82,000	72,000
- under provision in prior year	2,000	40,500	-	47,000
- non-statutory audit	15,000	10,000	15,000	10,000
Bad debts written off	-	100,359	-	-
Deposits written off	5,577	-	-	-
Depreciation of plant and equipment	378,754	413,712	24,047	22,777
Directors' remuneration (Note 6(a))	865,201	752,355	515,480	562,843
Employee benefit expenses (Note 6(b))	1,181,635	1,252,594	127,848	144,464
Gain on disposal of plant and equipment	(5,648)	(29,999)	-	-
Gain on foreign exchange:				
- realised	(8,899)	(31,959)	-	(21)
- unrealised	(27,776)	(6,935)	-	-
Interest income	(160,358)	(8,622)	(1,418)	-
Impairment loss on:				
- other receivables	1,541	-	-	-
- amount due from subsidiaries	-	-	377,744	-
- trade receivables	-	49	-	-

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**6. (LOSS)/PROFIT BEFORE TAX (continued)**

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax: (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Plant and equipment written off	581	-	-	-
Provision for liabilities	-	156,885	-	-
Rental of equipment	1,800	1,740	-	-
Rental of premises	382,201	365,400	16,801	-
Reversal of impairment loss on other receivables	-	-	-	(397,449)
Reversal of provision for liabilities	-	(767,755)	-	-
Waiver of debts	-	-	-	(1,812,211)

(a) The aggregate amount of emoluments received and receivable by the directors of the Group and of the Company during the financial year are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Executive Directors:</b>				
Fees	72,000	72,000	72,000	72,000
Salaries and allowances	681,200	578,200	347,800	404,800
Employees' Provident Fund	37,092	37,092	21,600	21,600
Social security contribution	1,409	1,063	580	443
Total executive directors' remuneration	791,701	688,355	441,980	498,843
<b>Non-executive Directors:</b>				
Fees	66,000	54,000	66,000	54,000
Allowances	7,500	10,000	7,500	10,000
Total non-executive directors' remuneration	73,500	64,000	73,500	64,000
Total directors' remuneration	865,201	752,355	515,480	562,843



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**6. (LOSS)/PROFIT BEFORE TAX (continued)**

(b) Employee benefit expenses are:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Salaries, bonus and allowances	1,067,246	1,144,111	122,615	132,943
Employees' Provident Fund	69,103	74,378	3,136	4,794
Other staff related expenses	45,286	34,105	2,097	6,727
	<u>1,181,635</u>	<u>1,252,594</u>	<u>127,848</u>	<u>144,464</u>

**7. TAX EXPENSE**

The major components of tax expense for the financial years ended 30 June 2017 and 30 June 2016 are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Income tax expense on:				
- continuing operations	50,269	-	-	-
- discontinued operation (Note 8)	-	339,212	-	-
	<u>50,269</u>	<u>339,212</u>	<u>-</u>	<u>-</u>
<b>Current income tax</b>				
Based on results for the financial year	38,486	958,861	-	-
Under provision in prior financial year	11,783	-	-	-
Real property gain tax	-	510,000	-	-
	<u>50,269</u>	<u>1,468,861</u>	<u>-</u>	<u>-</u>
<b>Deferred tax (Note 18)</b>				
Reversal of temporary differences	-	(1,098,424)	-	-
Over provision in prior financial year	-	(31,225)	-	-
	<u>-</u>	<u>(1,129,649)</u>	<u>-</u>	<u>-</u>
	<u>50,269</u>	<u>339,212</u>	<u>-</u>	<u>-</u>

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2016: 24%) of the estimated assessable profit for the financial year.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**7. TAX EXPENSE (continued)**

The reconciliations of the tax amount at statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
(Loss)/Profit before tax				
- continuing operations	(1,416,637)	(1,422,036)	(1,667,069)	326,186
- discontinued operation	-	(1,046,505)	-	-
	<u>(1,416,637)</u>	<u>(2,468,541)</u>	<u>(1,667,069)</u>	<u>326,186</u>
Tax at Malaysian statutory income tax rate of 24% (2016: 24%)	(339,993)	(592,450)	(400,097)	78,285
Tax effects arising from:				
- non-taxable income	(6,666)	(675,747)	-	(530,319)
- non-deductible expenses	458,316	814,348	400,097	56,143
Tax effect on real property gain tax	-	510,000	-	-
Deferred tax assets not recognised	-	395,891	-	395,891
Utilisation of previously unrecognised deferred tax assets	(73,171)	(81,605)	-	-
Under/(Over) provision in prior financial year:				
- income tax	11,783	-	-	-
- deferred tax	-	(31,225)	-	-
	<u>50,269</u>	<u>339,212</u>	<u>-</u>	<u>-</u>

The Group and the Company have unabsorbed capital allowances, unabsorbed reinvestment allowances and unutilised tax losses of RM23,057,571 and RM4,397,628 (2016: RM23,063,458 and RM4,397,268), RM1,100,535 and RM Nil (2016: RM1,399,528 and RM Nil) and RM29,599,523 and RM14,623,124 (2016: RM29,599,523 and RM14,623,124) respectively, available to be carried forward to set-off against future taxable profits.

During the year, the Group utilised its brought forward unabsorbed capital allowances and unabsorbed reinvestment allowances to set-off against its chargeable income resulting in a tax saving of RM73,171 (2016: RM81,605).

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**8. DISCONTINUED OPERATION**

On 3 March 2015, the subsidiary of the Company, AKnight Resources Sdn. Bhd. had entered into a Sale and Purchase Agreement (“SPA”) in relation to the disposal of land and hotel building together with the assets in the building for a consideration of RM17,000,000. The disposal was completed on 20 October 2015. The results from the hotel operation is classified as a discontinued operation in the financial statements in the previous financial year.

(a) An analysis of the results of the discontinued operation is as follows:

	<b>Note</b>	<b>Group 2016 RM</b>
<b>Results of discontinued operation</b>		
Revenue	5	565,413
Other income		137,583
Expenses		<u>(1,749,501)</u>
<b>Loss before tax</b>		<u>(1,046,505)</u>
Tax expense	7	<u>(339,212)</u>
<b>Loss for the financial year</b>		<u><u>(1,385,717)</u></u>
<b>Attributable to:</b>		
Owners of the parent		(1,385,717)
Non-controlling interests		-
<b>Loss for the financial year</b>		<u><u>(1,385,717)</u></u>

(b) The following amounts have been charged/(credited) in arriving at loss before tax of the discontinued operation:

	<b>Group 2016 RM</b>
Audit fee	
- current year	13,000
- over provision in prior year	2,000
Executive directors' allowances	552,000
Interest income	<u>(114,546)</u>
Impairment loss on trade receivables	43
Inventories written off	35,456
Provision for retrenchment benefits	81,344
Staff costs:	
- Salaries, allowances, overtime and bonuses	181,356
- Employees' Provident Fund	22,226
- Social security contribution	2,888
- Other staff related expenses	<u>48,107</u>

(c) The cash flows attributable to the discontinued operation are as follows:

	<b>Group 2016 RM</b>
Net cash flows from/(used in) discontinued operation	
Net operating cash flows	(3,966,077)
Net investing cash flows	10,296,653
Net financing cash flows	<u>(1,368,775)</u>
Effect on cash flows	<u><u>4,961,801</u></u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**9. LOSS PER ORDINARY SHARE**

**(a) Basic**

Basic loss per ordinary share are calculated by dividing loss for the financial year, attributable to owners of the Company by the weighted average number of ordinary shares in issue during the financial year.

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
<b>Basic loss per share</b>		
Loss attributable to owners of the Company (RM)		
- continuing operations	(1,462,321)	(1,417,902)
- discontinued operation	-	(1,385,717)
	<u>(1,462,321)</u>	<u>(2,803,619)</u>
Weighted average number of ordinary shares in issue (unit)	<u>58,132,908</u>	<u>58,132,908</u>
Basic loss per share (sen)		
- continuing operations	(2.52)	(2.44)
- discontinued operation	-	(2.38)
	<u>(2.52)</u>	<u>(4.82)</u>

**(a) Diluted**

Diluted earnings per ordinary share for the financial year is calculated by dividing the loss for the financial year attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

The Company has no dilutive potential ordinary shares. As such, there is no dilution effect on the loss per share of the Group for the current financial year.

## APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE FYE 30 JUNE 2017 (CONT'D)

## 10. PLANT AND EQUIPMENT

Group 2017	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Plant, Machinery and Equipment RM	Tractors RM	Forklifts RM	Renovation RM	Total RM
<b>Cost</b>							
At 1 July 2016	857,777	3,751,565	7,064,167	110,001	40,002	375,635	12,199,147
Additions	-	8,060	643,973	-	-	49,213	701,246
Disposals	(87,999)	(4,810)	-	-	-	-	(92,809)
Written off	-	(84,274)	(840)	-	-	-	(85,114)
At 30 June 2017	769,778	3,670,541	7,707,300	110,001	40,002	424,848	12,722,470
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1 July 2016	775,271	3,556,384	5,196,036	109,999	39,999	299,302	9,976,991
Accumulated depreciation	-	167,813	201,146	-	-	-	368,959
Accumulated impairment loss	775,271	3,724,197	5,397,182	109,999	39,999	299,302	10,345,950
Depreciation charge for the financial year	22,500	17,355	313,938	-	-	24,961	378,754
Disposals	(87,999)	(4,808)	-	-	-	-	(92,807)
Written off	-	(84,095)	(438)	-	-	-	(84,533)
At 30 June 2017	709,772	3,484,836	5,509,536	109,999	39,999	324,263	10,178,405
Accumulated depreciation	-	167,813	201,146	-	-	-	368,959
Accumulated impairment loss	709,772	3,652,649	5,710,682	109,999	39,999	324,263	10,547,364
<b>Net Carrying Amount at 30 June 2017</b>	60,006	17,892	1,996,618	2	3	100,585	2,175,106

## APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE FYE 30 JUNE 2017 (CONT'D)

## 10. PLANT AND EQUIPMENT (continued)

Group 2016	Motor Vehicles RM	Furniture, Fittings and Equipment RM	Plant, Machinery and Equipment RM	Tractors RM	Forklifts RM	Renovation RM	Total RM
<b>Cost</b>							
At 1 July 2015	857,777	3,748,592	7,021,817	110,002	40,002	374,495	12,152,685
Additions	-	2,973	42,350	-	-	1,140	46,463
Disposal	-	-	-	(1)	-	-	(1)
At 30 June 2016	857,777	3,751,565	7,064,167	110,001	40,002	375,635	12,199,147
<b>Accumulated Depreciation and Impairment Loss</b>							
At 1 July 2015	752,771	3,515,596	4,883,138	109,999	39,999	261,776	9,563,279
Accumulated depreciation	-	167,813	201,146	-	-	-	368,959
Accumulated impairment loss	752,771	3,683,409	5,084,284	109,999	39,999	261,776	9,932,238
Depreciation charge for the financial year	22,500	40,788	312,898	-	-	37,526	413,712
At 30 June 2016	775,271	3,724,197	5,397,182	109,999	39,999	299,302	10,345,950
Accumulated depreciation	775,271	3,556,384	5,196,036	109,999	39,999	299,302	9,976,991
Accumulated impairment loss	-	167,813	201,146	-	-	-	368,959
<b>Net Carrying Amount at 30 June 2016</b>	82,506	27,368	1,666,985	2	3	76,333	1,853,197

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**10. PLANT AND EQUIPMENT (continued)**

<b>Company</b>	<b>Motor Vehicles RM</b>	<b>Furniture, Fittings and Equipment RM</b>	<b>Total RM</b>
<b>Cost</b>			
At 1 July 2015	715,576	329,000	1,044,576
Additions	-	2,772	2,772
At 30 June 2016	715,576	331,772	1,047,348
Additions	-	4,960	4,960
At 30 June 2017	715,576	336,732	1,052,308
<b>Accumulated Depreciation</b>			
At 1 July 2015	610,572	329,000	939,572
Charge for the financial year	22,500	277	22,777
At 30 June 2016	633,072	329,277	962,349
Charge for the financial year	22,500	1,547	24,047
At 30 June 2017	655,572	330,824	986,396
<b>Net Carrying Amount</b>			
30 June 2016	82,504	2,495	84,999
30 June 2017	60,004	948	65,912

During the financial year, the Group and the Company acquired plant and equipment with an aggregate cost of RM701,246 (2016: RM46,463) and RM4,960 (2016: RM2,772) respectively, which are satisfied by cash.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**11. INVESTMENT IN SUBSIDIARIES**

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	17,723,888	17,723,888
Less: Impairment losses	(14,517,524)	(14,517,524)
	<u>3,206,364</u>	<u>3,206,364</u>

The details of the subsidiaries are as follows:

<b>Name of Company</b>	<b>Country of Incorporation</b>	<b>Effective Equity Interest</b>		<b>Principal activities</b>
		<b>2017</b>	<b>2016</b>	
<b>Direct subsidiaries:</b>				
AKnight Resources Sdn. Bhd.	Malaysia	100%	100%	Ceased operations.
Natural Renewable Energy Sdn. Bhd.	Malaysia	100%	100%	Ceased operations.
Pahanco Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Ceased operations.
T-Venture Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacturing of moulded plastic products.
JC Concept International Sdn. Bhd.	Malaysia	55%	55%	Ceased operations.

**(a) Non-controlling interests in a subsidiary**

The financial information of the Group's subsidiary that has material non-controlling interests ("NCI") are as follows:

	<b>JC Concept International Sdn. Bhd.</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
NCI percentage of ownership interest and voting interest	45%	45%
Carrying amount of NCI	(448,226)	(443,641)
Loss allocated to NCI	<u>(4,585)</u>	<u>(4,134)</u>



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**11. INVESTMENT IN SUBSIDIARIES (continued)**

**(b) Summarised financial information of Group's subsidiary that has non-controlling interests**

The summarised financial information (before intra-group elimination) of the Group's subsidiary that has NCI is as follows:

	<b>JC Concept International Sdn. Bhd.</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>Assets and liabilities</b>		
Current assets	2,233	7,677
Current liabilities	(998,291)	(993,547)
Net liabilities	<u>(996,058)</u>	<u>(985,870)</u>
<b>Results</b>		
Loss for the financial year	(10,188)	(9,187)
Total comprehensive loss	<u>(10,188)</u>	<u>(9,187)</u>
Cash flows (used in)/from:		
- operating activities	(11,188)	(12,187)
- financing activities	5,744	12,134
Net decrease in cash and cash equivalents	<u>(5,444)</u>	<u>(53)</u>

**12. INVENTORIES**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
<b>At cost</b>		
Raw materials	402,698	141,188
Work-in-progress	136,195	98,626
Finished goods	341,254	100,944
	<u>880,147</u>	<u>340,758</u>
Inventories recognised as cost of sales during the financial year		
- continuing operations	9,425,982	8,575,508
- discontinued operation	-	444,093
	<u>9,425,982</u>	<u>9,019,601</u>

The amount of inventories written off during the financial year was RM Nil (2016: RM35,456).

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**13. TRADE AND OTHER RECEIVABLES**

	Note	Group		Company	
		2017	2016	2017	2016
		RM	RM	RM	RM
<b>Non-current:</b>					
<b>Other receivable</b>					
- Amount due from a subsidiary	(a)	-	-	191,283	-
<b>Current:</b>					
<b>Trade receivables</b>					
Third parties	(b)	3,358,103	3,198,675	321,887	321,887
Less: Allowance for impairment loss		(584,349)	(584,349)	(321,887)	(321,887)
		<u>2,773,754</u>	<u>2,614,326</u>	-	-
<b>Other receivables</b>					
- Third parties		196,512	54,874	9,845	9,845
- Amounts due from subsidiaries	(a)	-	-	35,650,916	35,172,897
		<u>196,512</u>	<u>54,874</u>	<u>35,660,761</u>	<u>35,182,742</u>
Less: Allowance for impairment loss					
- Third parties		(35,023)	(33,482)	(9,845)	(9,845)
- Amounts due from subsidiaries		-	-	(35,550,641)	(35,172,897)
		<u>(35,023)</u>	<u>(33,482)</u>	<u>(35,560,486)</u>	<u>(35,182,742)</u>
Total other receivables, net		161,489	21,392	100,275	-
Deposits		247,008	221,912	3,999	3,999
Prepayments		3,950	11,168	-	-
		<u>412,447</u>	<u>254,472</u>	<u>104,274</u>	<u>3,999</u>
<b>Total trade and other receivables (current)</b>		<u>3,186,201</u>	<u>2,868,798</u>	<u>104,274</u>	<u>3,999</u>
<b>Total trade and other receivables (non-current and current)</b>		<u>3,186,201</u>	<u>2,868,798</u>	<u>295,557</u>	<u>3,999</u>

(a) Amounts due from subsidiaries are non-trade in nature, unsecured, repayable upon demand in cash and interest-free except for amount of RM291,558 (2016: RM Nil) which is repayable within 3 years in cash and bear interest at 2.8% (2016: Nil) per annum.

(b) The Group's and the Company's normal trade credit terms extended to customers ranging from 30 to 90 days (2016: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**13. TRADE AND OTHER RECEIVABLES (continued)**

- (c) The Group and the Company maintain an ageing analysis in respect of trade receivables only. The ageing analysis of the Group's and the Company's trade receivables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Neither past due nor impaired	1,410,522	1,723,356	-	-
1 to 30 days past due not impaired	843,776	582,566	-	-
31 to 60 days past due not impaired	441,794	225,136	-	-
61 to 90 days past due not impaired	72,461	54,274	-	-
91 to 120 days past due not impaired	5,201	19,398	-	-
More than 121 days past due not impaired	-	9,596	-	-
	1,363,232	890,970	-	-
Individually impaired	584,349	584,349	321,887	321,887
	<u>3,358,103</u>	<u>3,198,675</u>	<u>321,887</u>	<u>321,887</u>

Receivables that are impaired

The Group's and the Company's trade and other receivables that are impaired at the reporting date and the reconciliations of movement in the impairment of trade and other receivables are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Individually impaired</b>				
Trade receivables - nominal amounts	584,349	584,349	321,887	321,887
Less: Allowance for impairment loss	(584,349)	(584,349)	(321,887)	(321,887)
	-	-	-	-
Other receivables - nominal amounts	35,023	33,482	35,560,486	35,182,742
Less: Allowance for impairment loss	(35,023)	(33,482)	(35,560,486)	(35,182,742)
	-	-	-	-
	-	-	-	-

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**13. TRADE AND OTHER RECEIVABLES (continued)**(c) Receivables that are impaired (continued)

The Group's and the Company's trade and other receivables that are impaired at the reporting date and the reconciliations of movement in the impairment of trade and other receivables are as follows: (continued)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade receivables</b>				
At the beginning of the financial year	584,349	1,715,801	321,887	321,887
Charge for the financial year (Notes 6 and 8)	-	92	-	-
Written off	-	(1,131,544)	-	-
At the end of the financial year	<u>584,349</u>	<u>584,349</u>	<u>321,887</u>	<u>321,887</u>
<b>Other receivables</b>				
At the beginning of the financial year	33,482	33,542	35,182,742	35,580,191
Charge for the financial year (Note 6)	1,541	-	377,744	-
Reversal of impairment loss	-	-	-	(397,449)
Written off	-	(60)	-	-
At the end of the financial year	<u>35,023</u>	<u>33,482</u>	<u>35,560,486</u>	<u>35,182,742</u>

The Group's and the Company's trade and other receivables that are individually impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

(d) The foreign currency exposure profile of the trade receivables of the Group is as follows:

	Group	
	2017 RM	2016 RM
Singapore Dollar	275,314	275,515
United States Dollar	<u>61,690</u>	<u>62,698</u>

**14. CASH AND CASH EQUIVALENTS**

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Deposits placed with licensed banks	2,766,294	5,903,963	-	-
Cash and bank balances	949,977	992,440	160,991	207,626
	<u>3,716,271</u>	<u>6,896,403</u>	<u>160,991</u>	<u>207,626</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**14. CASH AND CASH EQUIVALENTS (continued)**

- (a) Deposits placed with licensed banks amounting to RM2,766,294 (2016: RM5,903,963) bear interest at rates ranging from 3.00% to 3.50% (2016: 2.00% to 3.75%) per annum and has a maturity period of 1 to 3 months (2016: 1 to 3 months).
- (b) The currency exposure profile of cash and cash equivalents of the Group is as follows:-

	Group	
	2017 RM	2016 RM
Singapore Dollar	511,415	524,114
United States Dollar	73,822	184,972
	585,237	709,086

**15. ASSETS CLASSIFIED AS HELD FOR SALE**

	Group	
	2017 RM	2016 RM
At the beginning of the financial year	-	17,000,000
Disposal	-	(17,000,000)
At the end of the financial year	-	-

On 3 March 2015, the subsidiary of the Company, AKnight Resources Sdn. Bhd. had entered into a Sale and Purchase Agreement (“SPA”) in relation to the disposal of land and hotel building together with the assets in the building for a consideration of RM17,000,000 which have been presented as held for sale. The disposal was completed in the previous financial year.

**16. SHARE CAPITAL**

	Group and Company			
	2017		2016	
	Number of Shares Unit	Amount RM	Number of Shares Unit	Amount RM
<b>Issued and fully paid:</b>				
At 1 July 2016/2015	58,132,908	58,132,908	58,132,908	58,132,908
Transition to no-par value regime	-	2,463,943	-	-
At 30 June 2017	58,132,908	60,596,851	58,132,908	58,132,908

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**16. SHARE CAPITAL** (continued)

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months upon the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue of the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

**17. CAPITAL RESERVE**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Share premium	-	2,463,943

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares in the previous financial years.

**18. DEFERRED TAX LIABILITIES**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
At the beginning of the financial year	-	1,129,649
Recognised in profit or loss (Note 7)	-	(1,129,649)
At the end of the financial year	-	-

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Unabsorbed capital allowances	23,057,571	23,063,458	4,397,268	4,397,268
Unabsorbed reinvestment allowances	1,100,535	1,399,528	-	-
Unutilised tax losses	29,599,523	29,599,523	14,623,124	14,623,124
	<u>53,757,629</u>	<u>54,062,509</u>	<u>19,020,392</u>	<u>19,020,392</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**19. TRADE AND OTHER PAYABLES**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade payables</b>					
Third parties	(a)	2,728,339	2,415,933	-	188,869
Other payables		212,978	200,227	86,987	86,987
Accruals		470,292	543,764	246,586	184,812
Deposits payables		71,525	71,525	-	-
Amount due to a subsidiary	(b)	-	-	2,020,000	-
		<u>754,795</u>	<u>815,516</u>	<u>2,353,573</u>	<u>271,799</u>
		<u>3,483,134</u>	<u>3,231,449</u>	<u>2,353,573</u>	<u>460,668</u>

- (a) The normal credit terms granted to the Group and the Company ranging from 30 to 60 days (2016: 30 to 60 days).
- (b) Amount due to a subsidiary is non-trade in nature, unsecured, interest-free and repayable upon demand.

**20. PROVISION FOR LIABILITIES**

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>Provision for utility liability</b>	(a)				
At the beginning/end of the financial year		1,642,804	1,642,804	1,642,804	1,642,804
<b>Provision for import duties and sales tax liabilities</b>	(b)				
At the beginning of the financial year		1,959,818	2,570,688	-	-
Provision made during the financial year		-	156,885	-	-
Reversal of provision for liabilities		-	(767,755)	-	-
Offset with GST refundable		(57,449)	-	-	-
At the end of the financial year		<u>1,902,369</u>	<u>1,959,818</u>	<u>-</u>	<u>-</u>
		<u>3,545,173</u>	<u>3,602,622</u>	<u>1,642,804</u>	<u>1,642,804</u>

- (a) Provision for utility liability represents the amount claimed by a utility company under legal proceedings for alleged malfunction of the electricity meter. In the previous financial year, the directors of the Company have assessed the matter as disclosed in Note 26 to the financial statements and recognised the provision.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**20. PROVISION FOR LIABILITIES (continued)**

- (b) Included in provision for import duties and sales tax liabilities are amounts demanded by the Royal Malaysian Customs (“RMC”) for purported unpaid import duties and sales tax amounted to RM719,751 and RM242,694 (2016: RM719,751 and RM242,694) respectively.

During the financial year ended 30 June 2015, a further import duties and sales tax amounted to RM1,582,132 had been provided in the financial statements. However, during the financial year ended 30 June 2016, the directors had assessed the provision and an amount of import duties based on 20% of unsold inventories amounted to RM156,885 had been provided and an amount of RM767,755 had been reversed from the provision for import duties based on the following reasons:

- (i) Letter by T-Venture to RMC to apply for the cancellation of the LMW license dated 21 August 2014;
- (ii) Letter by T-Venture to RMC for ASEAN Trade In Goods Agreement (“ATIGA”) status application dated 5 September 2014;
- (iii) Cessation of injection production line of T-Venture on 26 October 2014; and
- (iv) Legal advice from a solicitor which confirmed that the cancellation of LMW license was effective upon cessation of injection production line of T-Venture.

On 14 November 2016, T-Venture had filed an application for leave for judicial review to Shah Alam High Court.

On 16 January 2017, High Court had granted leave to T-Venture to commence Judicial Review proceedings under Order 53 Rules of Court 2012.

On 13 July 2017, High Court had dismissed the application with an order as to costs in a sum of RM4,000 to the Minister of Finance. T-Venture is currently in the process of appealing to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation.

**21. RELATED PARTY TRANSACTIONS**

- (a) Identification of related parties

For the purpose of these financial statements, parties are considered to be related to the Group and the Company if the Group and the Company have the ability to directly control the party or exercise significant influence over the party in making financial and operating decision, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group and the Company have related party relationships with their subsidiaries, related parties, directors of the Company and key management personnel. Related parties refer to companies in which certain directors of the Company and its subsidiaries have substantial financial interests and/or are also directors of the companies.



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**21. RELATED PARTY TRANSACTIONS (continued)**

(b) Transaction with a subsidiary is as follows:

	<b>Company</b>	
	<b>2017</b>	<b>2016</b>
<b>Subsidiary</b>	<b>RM</b>	<b>RM</b>
- Interest income received/receivable	(1,418)	-

Information regarding outstanding balances arising from related party transaction at each reporting date are disclosed in Note 13.

(c) Compensation of Key Management Personnel

Key management personnel includes personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group and of the Company.

The directors are the key personnel of the Group and of the Company. Information of directors' remuneration is disclosed in Notes 6 and 8 to the financial statements.

**22. SEGMENT INFORMATION**

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- (i) manufacturing segment which includes the manufacturing of moulded plastic products;
- (ii) hotel operation segment (classified as discontinued operation in the previous financial year);
- (iii) other reportable segments.

Segment profit or loss is profit earned or loss incurred by each segment without allocation of central administrative costs, finance costs and income tax expense.

All the Group's assets are allocated to reportable segments other than assets used centrally for the Group, current and deferred tax assets. Jointly used assets are allocated on the basis of the revenues earned by individual segments. All the Group's liabilities are allocated to reportable segments other than liabilities incurred centrally for the Group, current and deferred tax liabilities. Jointly incurred liabilities are allocated in proportion to the segment assets.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

## APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE FYE 30 JUNE 2017 (CONT'D)

## 22. SEGMENT INFORMATION (continued)

Group 2017	Note	Manufacturing RM	Others RM	Adjustments and		Consolidated RM
				Eliminations RM	RM	
Revenue		10,514,467	-	-	-	10,514,467
External sales						
<b>Results</b>						
Interest income		(17,901)	(143,875)	1,418		(160,358)
Depreciation of plant and equipment		354,707	24,047	-		378,754
Other non-cash expenses/(income)	a	(31,425)	2,409,362	(2,403,662)		(25,725)
Segment profit/(loss) after tax	b	284,910	(4,154,060)	2,402,244		(1,466,906)
<b>Segment Assets</b>						
Additions to non-current assets	c	696,286	4,960	-		701,246
Segment assets	d	7,363,043	6,102,499	(3,501,208)		9,964,334
<b>Segment liabilities</b>						
	e	4,547,706	40,837,009	(38,184,427)		7,200,288

## APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE FYE 30 JUNE 2017 (CONT'D)

## 22. SEGMENT INFORMATION (continued)

Group 2016	Note	Manufacturing RM	Hotel Operation (discontinued) RM	Others RM	Adjustments and Eliminations RM		Consolidated RM
Revenue		10,252,138	565,413	-	-	-	10,817,551
External sales							
<b>Results</b>							
Interest income		(8,622)	(114,546)	-	-	-	(123,168)
Depreciation of plant and equipment		390,935	-	22,777	-	-	413,712
Other non-cash (income)/expenses	a	(517,446)	1,929,054	(2,239,611)	397,450		(430,553)
Segment profit/(loss) after tax	b	824,063	(1,385,717)	(36,438)	(2,209,661)		(2,807,753)
<b>Segment Assets</b>							
Additions to non-current assets	c	43,691	-	2,772	-	-	46,463
Segment assets	d	6,306,431	5,277,569	3,592,631	(3,210,866)		11,965,765
<b>Segment liabilities</b>							
	e	3,776,004	908,810	38,545,124	(35,495,125)		7,734,813

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**22. SEGMENT INFORMATION** (continued)

- (a) Other material non-cash (income)/expenses consist of the following items as presented in the respective notes:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Bad debts written off	-	100,359
Deposits written off	5,577	-
Gain on foreign exchange - unrealised	(27,776)	(6,935)
Gain on disposal of plant and equipment	(5,648)	(29,999)
Impairment loss on:		
- other receivables	1,541	-
- trade receivables	-	92
Inventories written off	-	35,456
Plant and equipment written off	581	-
Provision for liabilities	-	156,885
Provision for retrenchment benefits	-	81,344
Reversal of provision for liabilities	-	(767,755)
	<u>(25,725)</u>	<u>(430,553)</u>

- (b) The following item is deducted from/(added to) from segment loss after taxation to arrive at loss after tax presented in the consolidated statement of comprehensive income:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Other income	-	(2,209,661)
Other operating expenses	2,402,244	-
	<u>2,402,244</u>	<u>(2,209,661)</u>

- (c) Additions to non-current assets consist of:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Plant and equipment	<u>701,246</u>	<u>46,463</u>

- (d) The following item is deducted from segment assets to arrive at total assets reported in the consolidated statement of financial position:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Inter-segment assets	<u>(3,501,208)</u>	<u>(3,210,866)</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**22. SEGMENT INFORMATION (continued)**

- (e) The following item is deducted from segment liabilities to arrive at total liabilities reported in the consolidated statement of financial position:

	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Inter-segment liabilities	(38,184,427)	(35,495,125)

- (f) Geographical information

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical location is not presented.

- (g) Major customers

Revenue from three (3) major customers in the manufacturing segment represents approximately RM4,361,556 (2016: RM4,465,484) or 41% (2016: 44%) of the Group's revenue.

**23. FINANCIAL INSTRUMENTS**

- (a) Categories of financial instruments

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Financial Assets</b>				
<b>Loans and receivables</b>				
Trade and other receivables, net of prepayments	3,182,251	2,857,630	295,557	3,999
Cash and cash equivalents	3,716,271	6,896,403	160,991	207,626
	<u>6,898,522</u>	<u>9,754,033</u>	<u>456,548</u>	<u>211,625</u>
<b>Financial Liabilities</b>				
<b>Other financial liabilities</b>				
Trade and other payables	3,483,134	3,231,449	2,353,573	460,668

- (b) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short term receivables and payables are reasonably approximate to their fair values due to relatively short term nature of these financial instruments.

The fair value of amount due from a subsidiary is determined using the discounted cash flows method based on discount rate that reflects the issuer's borrowing rate as at the end of the reporting period.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group and of the Company are subject to a variety of financial risks, including credit risk, liquidity risk and foreign currency risk. The Group and the Company have adopted a financial risk management framework whose principal objective is to minimise the Group's and the Company's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group and of the Company.

**(a) Credit risk**

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. The Company's exposure to credit risk arises principally from loan and advances to subsidiaries.

The management has in place a credit procedure to monitor and minimise the exposure of default. Trade and other receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Credit risk concentration profile

At the end of the reporting period, approximately 59% (2016: 60%) of the Group's trade receivables were due from four (2016: four) major customers who are involved in agriculture, chemicals and timber industries.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables.

The Group maintains a level of cash and cash equivalents to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying Amount RM	Contractual -<Undiscounted Cash Flows-> On demand or within 1 year RM		Total RM
<b>2017</b>				
<b>Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	3,483,134	3,483,134		3,483,134
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	2,353,573	2,353,573		2,353,573

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

**(b) Liquidity risk (continued)**

	Carrying Amount RM	Contractual <-Undiscounted Cash Flows-> On demand or within 1 year RM		Total RM
<b>2016 Group</b>				
<b>Financial liabilities</b>				
Trade and other payables	3,231,449	3,231,449		3,231,449
<b>Company</b>				
<b>Financial liabilities</b>				
Trade and other payables	460,668	460,668		460,668

**(c) Foreign currency risk**

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales that are denominated in currencies other than the respective functional currencies of Group's entities. The foreign currencies in which these transactions are denominated are mainly Singapore Dollar ("SGD") and United States Dollar ("USD").

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the reporting date, such foreign currency balances (mainly in SGD and USD) amounted to RM585,237 (2016: RM709,086).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss net of tax to a reasonably possible change in the SGD and USD exchange rates against the functional currency of the Group, with all other variables held constant:

	Group Loss net of tax	
	2017 RM	2016 RM
SGD/RM - strengthen by 5% (2016: 5%)	29,896	29,986
- weaken by 5% (2016: 5%)	(29,896)	(29,986)
USD/RM - strengthen by 5% (2016: 5%)	5,149	9,288
- weaken by 5% (2016: 5%)	(5,149)	(9,288)

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**25. CAPITAL MANAGERMENTS**

The primary objective of the Group's and the Company's capital management is to build and maintain a strong capital base so as to maintain healthy capital ratios and at the same time be able to leverage on the capital to provide the funds to fund their expansion and growth.

The Group and the Company manage their capital structure, and make adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust dividend payment to shareholders, return capital to shareholders or issue new shares, raise new debts and reduce existing debts. No changes were made in the objectives, policies and processes during the financial years ended 30 June 2017 and 30 June 2016.

The capital structure of the Group and of the Company consists of equity attributable to owners of the Company, comprising share capital, retained earnings and total debts.

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Trade and other payables	3,483,134	3,231,449	2,353,573	460,668
Less: Cash and cash equivalents	(3,716,271)	(6,896,403)	(160,991)	(207,626)
Net (cash)/debt	(233,137)	(3,664,954)	2,192,582	253,042
Total equity	2,764,046	4,230,952	(267,366)	1,399,703
	<u>2,530,909</u>	<u>565,998</u>	<u>1,925,216</u>	<u>1,652,745</u>
Gearing ratio	*	*	114%	15%

The Company is also required to comply with the disclosure and necessary capital requirements as prescribed in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

\* Not meaningful as the Group is in net cash position.

**26. MATERIAL LITIGATION**

In September 2013, a utility company initiated legal proceedings against the Company for alleged malfunction of the electricity meter which caused the meter to record readings inconsistent with electricity supplied to the factory at each material time. The utility company had calculated and claimed the amount of RM1,642,804 as the alleged discrepancies. The Company had filed its defence and the legal proceedings are ongoing and a provision of RM1,642,804 has been recognised in the financial statements in the previous financial year.

The Company had filed its defence and the legal proceedings are ongoing. The Federal Court has fixed a new case management on 10 November 2017 to update the Court on the status of Ground of Judgement.



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****27. CONTINGENT LIABILITIES (UNSECURED)**

On 5 August 2015, a subsidiary of the Company, T-Venture Industries (M) Sdn. Bhd. ("T-Venture") was served with two notices of demand from Royal Malaysian Customs ("RMC") for the recovery of purported unpaid import duties and sales tax amounting to RM714,751 and RM273,805 respectively, in which both amounts had been provided during the previous financial year as disclosed in Note 20 to the financial statements.

On 2 December 2015, T-Venture had received revised notices of demand from RMC for the revision of import duties and sales tax from RM714,751 and RM273,805 to RM719,751 and RM242,694 respectively.

T-Venture had appealed against the claim to the Director General of RMC (but was forwarded by RMC to Ministry of Finance) and was rejected by Ministry of Finance vide their letter dated 13 April 2016. T-Venture had further appealed to the Ministry of Finance vide letter dated 30 May 2016 and the appeal was rejected on 15 August 2016.

During the financial year ended 30 June 2015, a further import duties and sales tax amounted to RM1,582,132 had been provided in the financial statements. However, during the financial year ended 30 June 2016, the directors had assessed the provision and an amount of import duties based on 20% of unsold inventories amounted to RM156,885 had been provided and an amount of RM767,755 had been reversed from the provision for import duties based on the following reasons:

- (i) Letter by T-Venture to RMC to apply for the cancellation of the LMW license dated 21 August 2014;
- (ii) Letter by T-Venture to RMC for ASEAN Trade In Goods Agreement ("ATIGA") status application dated 5 September 2014;
- (iii) Cessation of injection production line of T-Venture on 26 October 2014; and
- (iv) Legal advice from a solicitor which confirmed that the cancellation of LMW license was effective upon cessation of injection production line of T-Venture.

On 14 November 2016, T-Venture had filed an application for leave for judicial review to Shah Alam High Court.

On 16 January 2017, High Court had granted leave to T-Venture to commence Judicial Review proceedings under Order 53 Rules of Court 2012.

On 13 July 2017, High Court had dismissed the application with an order as to costs in a sum of RM4,000 to the Minister of Finance. T-Venture is currently in the process of appealing to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation.

The directors assessed that the total import duties would be approximately an additional RM2.6 million in addition to the amount already provided should the application is not accepted by the Court of Appeal.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**28. GUARANTEE**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Financial guarantees given by the Company in favour of a third party material supplier for annual credit term granted to a subsidiary	<u>2,000,000</u>	<u>-</u>

**29. CAPITAL COMMITMENTS**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
In respect of capital expenditure:		
Plant and equipment		
- approved and contracted for	<u>55,827</u>	<u>-</u>

**30. OPERATING LEASE COMMITMENTS**

The Group has entered into commercial leases for its factory, hostel and photocopier machine. These leases have tenure of 1 to 5 years with a renewal option included in the contract. There are no restrictions placed upon the Group by entering into these leases.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>
Not later than one year	367,200	301,800
Later than one year but not later than five years	<u>304,500</u>	<u>5,850</u>
	<u>671,700</u>	<u>307,650</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)****31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR**

On 16 January 2017, the High Court had granted leave to the Company's wholly-owned subsidiary, T-Venture Industries (M) Sdn. Bhd. ("T-Venture")("Applicant") to commence Judicial Review proceedings under Order 53 Rules of Court 2012 to seek the following reliefs:

- (a) An Order of certiorari to quash the decision of the Minister of Finance vide their letter dated 15.08.2016 in rejecting the appeal made by T-Venture against the claim raised by Royal Malaysian Customs ("RMC")("Respondent") in respect of import duty and sales tax pursuant to Section 17 of Customs Act 1972 and Section 30 of Sales Tax Act 1972 respectively; and
- (b) A declaration that T-Venture as a manufacturer registered under Sales Tax Act 1972 and subsequently under Section 65/65A of Customs Act 1967 is not liable to pay the import duty and sales tax raised by the RMC on manufactured goods sold in the domestic market using locally procured raw materials.

**32. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

- (i) On 13 July 2017, High Court had dismissed T-Venture's application with an order as to costs in a sum of RM4,000 to the Minister of Finance. T-Venture is currently in the process of appealing to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation.
- (ii) On 14 August 2017, the Company had entered into a share sale agreement with Hor Lim Chee, Ng Choon Keat, Tan Song Chai, Lim Seat Hoe and Tan Ann Chee ("Vendors") for the purposes of undertaking and implementing the Proposed Acquisition. The Company had also formally served a notice of termination to the Vendors on even date to terminate and rescind the share sale agreement dated 5 April 2016 and the supplemental share sale agreement dated 14 April 2016 for the previous proposed acquisition which forms part of the Company's previous regularisation plan.
- (iii) On 15 August 2017, the Company has submitted its Proposed Regularisation Plan to Bursa Securities for approval. The Company proposed to undertake the following proposals to regularise the financial position of the Company:-
  - (i) Proposed reduction of the Company's share capital pursuant to Section 116 of the Companies Act, 2016 ("Proposed Capital Reduction");
  - (ii) Proposed renounceable rights issue of 348,797,448 new ordinary shares in Asia Knight ("Asia Knight Shares" or "Shares") ("Rights Shares") together with 174,398,724 free detachable warrants in Asia Knight ("Warrants") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing Asia Knight Share held by entitled shareholders of Asia Knight on an entitlement date to be determined later ("Proposed Rights Issue with Warrants"); and
  - (iii) Proposed acquisition of 9,000,000 ordinary shares in Rapid Growth Technology Sdn Bhd ("RGT") (representing 60% equity interest) for a purchase consideration of RM48.0 million to be satisfied via issuance of 170,000,000 Asia Knight Shares ("Consideration Shares") at an issue price of RM0.10 per Consideration Share and cash payment of RM31.0 million ("Proposed Acquisition").

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

**SUPPLEMENTARY INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFITS OR LOSSES**

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive pursuant to paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the retained earnings or accumulated losses as at the end of the reporting period, into realised and unrealised profits and losses.

The following analysis of realised and unrealised profits or losses included in the retained earnings of the Group and the Company as at 30 June 2017 and 30 June 2016 is presented in accordance with the directive of Bursa Malaysia Securities Berhad and prepared in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total accumulated losses of the Group and of the Company				
- Realised	(105,579,800)	(101,693,093)	(60,864,217)	(59,197,148)
- Unrealised	27,776	6,935	-	-
	<u>(105,552,024)</u>	<u>(101,686,158)</u>	<u>(60,864,217)</u>	<u>(59,197,148)</u>
Less: Consolidation adjustments	48,167,445	45,763,900	-	-
Total accumulated losses	<u>(57,384,579)</u>	<u>(55,922,258)</u>	<u>(60,864,217)</u>	<u>(59,197,148)</u>

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

Pursuant to Section 251(2) of the Companies Act 2016

We, **SEE TECK WAH** and **SEE HAN LIONG**, being two of the directors of ASIA KNIGHT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 6 to 59 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 60 has been prepared in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:



**SEE TECK WAH**  
Director



**SEE HAN LIONG**  
Director

Klang

Date: 12 October 2017

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**STATUTORY DECLARATION**

Pursuant to Section 251(1) of the Companies Act 2016

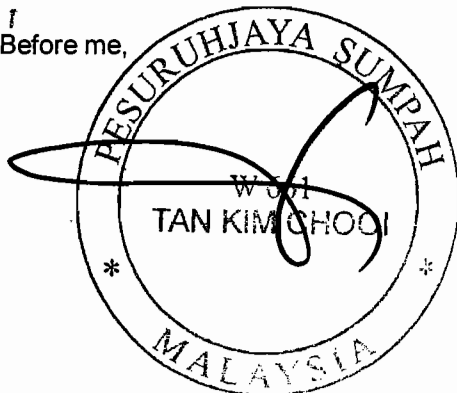
I, **SEE TECK WAH**, being the director primarily responsible for the financial management of ASIA KNIGHT BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 6 to 59 and the supplementary information set out on page 60 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



**SEE TECK WAH**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 12 October 2017.

I  
Before me,



16TH FLOOR, WISMA SIME DARBY  
ALAN RAJA LAUT, 50350 KUALA LUMPUR

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**



Baker Tilly Monteiro Heng  
Chartered Accountants (AF0117)  
Baker Tilly MH Tower  
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD**  
(Incorporated in Malaysia)

**Opinion**

We have audited the financial statements of Asia Knight Berhad, which comprise the statements of financial position as at 30 June 2017 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 6 to 59.

In our opinion, the accompanying financial statements give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2017 and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

**Basis for Opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD (continued)**  
(Incorporated in Malaysia)

**Key Audit Matters (continued)**

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**Provision for liabilities (Note 20 to the financial statements)**

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During the financial year, the Group had filed an application for leave for judicial review to Shah Alam High Court against the decision of Minister of Finance in rejecting the appeal made by the Group against the claim raised by Royal Malaysian Customs. Subsequent to the end of the financial year, High Court had dismissed the application on 13 July 2017 with an order as to costs in a sum of RM4,000 to the Minister of Finance. T-Venture is currently in the process of appealing to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation. Judgement is required to assess the likelihood of these liabilities crystallising, so as to assess whether a liability should be recognised and, if so, the amount of that liability.

**Our audit response:**

Our audit procedures included, among others:

- reviewing the design and implementation of the controls over the identification and calculation of the provisions;
- evaluating the Group's assessment of the nature and status of this case and considering the probability of a liability crystallising.
- reading legal opinion obtained by management;
- discussing with the management and reading of subsequent correspondences; and
- obtaining correspondence from external solicitor and discussing with the external solicitor for the more significant cases.



**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD (continued)  
(Incorporated in Malaysia)**

**Key Audit Matters (continued)**

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**Going concern (Note 2.7 to the financial statements)**

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During the financial year ended 30 June 2017, the Group incurred a net loss of RM1,466,906.

The directors have continued to adopt the going concern basis in preparing the financial statements after having prepared a cash flow projection supporting the assertion that the Group will have sufficient resources to continue for a period of at least 12 months from the end of the financial year.

The directors' assessment on the Group's ability to continue as a going concern was an area of focus as the assessment requires the exercise of significant judgement by the directors on assumptions supporting the cash flow projection, including the revenue and profit margin, and these are fundamental to the appropriateness of the going concern basis which was adopted for the preparation of the financial statements.

**Our audit response:**

Our audit procedures included, among others:

- considering management's going concern paper which was prepared by the directors of the Company;
- comparing the actual results with previous cash flow projections to assess the performance of the business and historical accuracy of the projections;
- reviewing the cash flow projection by comparing the Group's assumptions to our assessments in relation to key inputs such as revenue and profit margin;
- testing the mathematical accuracy of the cash flow projection calculation; and
- evaluating the disclosures in relation to going concern.

**Information Other than the Financial Statements and Auditors' Report Thereon**

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD (continued)**  
(Incorporated in Malaysia)

**Responsibilities of Directors for the Financial Statements**

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**APPENDIX VII – AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP  
FOR THE FYE 30 JUNE 2017 (CONT'D)**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD (continued)  
(Incorporated in Malaysia)**

**Auditor's Responsibilities for the Audit of the Financial Statements (continued)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
ASIA KNIGHT BERHAD** (continued)  
(Incorporated in Malaysia)

**Auditor's Responsibilities for the Audit of the Financial Statements** (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Reporting Responsibilities**

The supplementary information set out in page 60 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

  
Baker Tilly Monteiro Heng  
No. AF 0117  
Chartered Accountants

  
Kenny Yeoh Khi Khen  
No. 03229/09/2018 J  
Chartered Accountant

Kuala Lumpur

Date: 12 October 2017

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017**

**ASIA KNIGHT BERHAD (71024 T)**

Interim financial report on the consolidated results for the second quarter of the financial period ended 31 December 2017 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-12-2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2016 RM'000	CURRENT YEAR QUARTER 31-12-2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2016 RM'000
Revenue	3,038	2,441	6,574	4,962
Cost of sales	(2,817)	(2,118)	(5,929)	(4,350)
Operating expenses	(2,350)	(708)	(3,297)	(1,293)
Other operating income	16	42	39	95
Loss from operations	(2,113)	(343)	(2,613)	(586)
Finance cost	-	-	-	-
Loss before taxation	(2,113)	(343)	(2,613)	(586)
Tax expenses	-	-	-	-
Loss after taxation	(2,113)	(343)	(2,613)	(586)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	(2,113)	(343)	(2,613)	(586)
Attributable to:				
Equity holders of the parent	(2,111)	(342)	(2,611)	(585)
Non-controlling interest	(2)	(1)	(2)	(1)
Loss after taxation	(2,113)	(343)	(2,613)	(586)
Loss per share (sen)				
Basic	(3.6)	(0.6)	(4.5)	(1.0)
Diluted	(3.6)	(0.6)	(4.5)	(1.0)

The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Statements for the financial year ended 30 June 2017.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2017**

	As At End of Current Quarter 31-12-2017 RM'000 (Unaudited)	As At Preceding Financial Year Ended 30-6-2017 RM'000 (Audited)
	-----	-----
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	2,098	2,175
<b>Current assets</b>		
Inventories	954	880
Trade receivables	2,691	2,770
Other receivables	381	416
Tax recoverable	9	7
Cash and bank balances	1,325	950
Fixed deposit with licensed banks	699	2,766
	<u>6,059</u>	<u>7,789</u>
<b>Total assets</b>	<u>8,157</u>	<u>9,964</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity – attributable to equity holders of the parent</b>		
Share capital	60,597	60,597
Accumulated loss	(59,996)	(57,385)
<b>Shareholders' equity</b>	<u>601</u>	<u>3,212</u>
Non-controlling interests	(450)	(448)
<b>Total equity</b>	<u>151</u>	<u>2,764</u>
<b>Non-current liabilities</b>	-	-
<b>Current liabilities</b>		
Trade payables	2,449	2,728
Other payables, accruals and provisions	5,550	4,300
Tax liabilities	7	172
	<u>8,006</u>	<u>7,200</u>
<b>Total liabilities</b>	<u>8,006</u>	<u>7,200</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>8,157</u>	<u>9,964</u>
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.003	0.06

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2017.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)**  
**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 31-12-2017**

	Period Ended 31-12-2017 RM'000 (Unaudited)	FYE 30-6-2017 RM'000 (Audited)
	-----	-----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(2,613)	(1,417)
Adjustment for:		
Depreciation	200	379
Interest income	(30)	(160)
Deposits written off	-	6
(Gain)/Loss on disposal of property, plant and equipment	-	(6)
Gain on foreign exchange - unrealised	-	(28)
Impairment loss on other receivables	-	1
Plant and equipment written off	-	1
	-----	-----
	(2,443)	(1,224)
(Increase)/decrease in inventories	(74)	(539)
(Increase)/decrease in trade and other receivables	114	(325)
Increase/(decrease) in trade and other payables	803	194
	-----	-----
Cash generated from operations	(1,600)	(1,894)
Net income tax paid	1	(779)
	-----	-----
Net cash from operating activities	(1,599)	(2,673)
	-----	-----
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(123)	(701)
Proceeds from disposal of property, plant and equipment	-	6
Interest received/Pledged deposit	30	160
	-----	-----
Net cash used in investing activities	(93)	(535)
	-----	-----
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net cash used in financing activities	-	-
	-----	-----
Net increase/ (decrease) in cash and cash equivalents	(1,692)	(3,208)
Effect on foreign exchange	-	28
Cash and cash equivalents at beginning of period	3,716	6,896
	-----	-----
Cash and cash equivalents at end of period	2,024	3,716
	-----	-----
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Fixed deposit	699	2,766
Cash and bank balances	1,325	950
	-----	-----
	2,024	3,716
	-----	-----

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2017

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 31-12-2017**

	<-- Attributable to Equity Holders of the Parent -- >					
	Share Capital	Capital Reserve	(Accumulated Losses)	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-07-2017	60,597	-	(57,385)	3,212	(448)	2,764
Loss for the period	-	-	(2,611)	(2,611)	(2)	(2,613)
Balance as at 31-12-2017	60,597	-	(59,996)	601	(450)	151

	<-- Attributable to Equity Holders of the Parent -- >					
	Share Capital	Capital Reserve	(Accumulated Losses)	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-07-2016	58,133	2,464	(55,922)	4,675	(444)	4,231
Loss for the period	-	-	(1,463)	(1,463)	(4)	(1,467)
Transfer pursuant to S618(2) of CA 2016	2,464	(2,464)	-	-	-	-
Balance as at 30-6-2017	60,597	-	(57,385)	3,212	(448)	2,764

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 30 June 2017.



**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)  
NOTES TO THE INTERIM FINANCIAL REPORT**

**Part A: Explanation notes**

A1. Accounting policies and methods of computation.

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and Chapter 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The accounting policies and method of computation adopted for the interim financial Reports were consistent with those adopted for the audited financial statements for the financial year ended 30 June 2017. The unaudited interim financial statements include the adoption of the new/revised/amendments to MFRS and IC Interpretation applicable to the Group. The adoption of the new/revised/amendments to MFRS and IC Interpretation does not have any material financial effect on the Group.

A2. The audited financial statements for the preceding financial year ended 30 June 2017 was not qualified.

A3. The business operation of the Group is not affected by any seasonal or cyclical factors.

A4. Save for the corporate proposals as disclosed in Section B8 below, there were no items of unusual nature affecting the assets, liabilities, equity, net income or cash flows.

A5. There were no estimates of amounts reported in prior interim periods of the current financial year or in prior financial year.

A6. There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, during the period ended 31-12-2017.

A7. Dividend paid during the period ended 31-12-2017 - Nil

A8. Segment information for the relevant financial period-to-date.

	Revenue	Profit/(Loss)	Assets
	RM'000	Before Taxation	Employed
<u>Industry segment</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Investment holdings	-	(2,657)	234
Manufacturing (moulded plastic products)	6,574	170	7,477
Dormant subsidiaries	-	(126)	446
	-----	-----	-----
Total	6,574	(2,613)	8,157
	-----	-----	-----

Information on the Group's operation by geographical segments has not been presented as the Group operates principally in Malaysia.

A9. The valuations of properties, plant and equipment has been brought forward without any amendment from the previous annual financial statements.

A10. In the opinion of the Directors, save for the proposed regularisation plan as disclosed in Section B8 below, there are no items, transactions or event of the material and/or unusual nature has arisen which would affect substantially the results of the Group and of the company's operations subsequent to the end of the current quarter.

A11. There were no changes in the composition of the Group for the current quarter.

A12. Contingent Liabilities

Save for a corporate guarantee of RM2.00 million in favour of a supplier for provision of goods to our wholly-owned subsidiary, the Directors are of the opinion that the Group has no contingent liabilities, which upon crystallization, would have any material effect on the financial and business position of the Group.

A13. Capital Commitments

The Group has no material capital commitment in respect of property, plant and equipment as at the end of current quarter.

A14. Recurrent Related Party Transaction

There were no recurrent related party transactions for the current quarter.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)**

**Part B: Additional information required by Bursa Securities Listing Requirements for Quarterly report ended 31 December 2017**

B1. Review of performance

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	CURRENT YEAR	PRECEDING YEAR			CURRENT YEAR	PRECEDING YEAR		
	QUARTER 31-12-2017 RM'000	CORRESPONDING QUARTER 31-12-2016 RM'000	RM'000	%	QUARTER 31-12-2017 RM'000	CORRESPONDING QUARTER 31-12-2016 RM'000	RM'000	%
Revenue	3,038	2,441	597	24.46	6,574	4,962	1,612	32.49
Loss before taxation	(2,113)	(343)	1,770	516.03	(2,613)	(586)	2,027	345.90
Loss for the period	(2,113)	(343)	1,770	516.03	(2,613)	(586)	2,027	345.90
Loss attributable to equity holders of the Company	(2,111)	(342)	1,769	517.25	(2,611)	(585)	2,026	346.32

The Group recorded loss before tax of RM2.113 million in the current quarter compared to the loss before tax of RM0.343 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM3.038 million against the revenue of RM2.441 million in the preceding year corresponding quarter. The Group achieved higher revenue for the current quarter mainly due to the increase in demand and production capacity through additional one blowing moulding machine. However, the higher loss for the current quarter was mainly due to professional fees incurred in relation to the regularization exercise.

B2. Material Changes in the Quarter Results compared to the preceding Quarter

	INDIVIDUAL QUARTER		Variance RM'000	%
	CURRENT QUARTER 31-12-2017 RM'000	IMMEDIATE PRECEDING QUARTER 30-9-2017 RM'000		
Revenue	3,038	3,536	498	14.08
Loss before taxation	(2,113)	(500)	1,613	322.60
Loss for the period	(2,113)	(500)	1,613	322.60
Loss attributable to equity holders of the parent	(2,111)	(499)	1,612	323.05

During the current quarter, the Group recorded revenue of RM3.038 million and loss before taxation of RM2.113 million as compared to the revenue of RM3.536 million and loss before taxation of RM0.500 million in the immediate preceding quarter. The Group's revenue decline by 14.08% or RM0.498 million was mainly due to festive holidays in December month. The higher loss recorded in the current quarter was mainly due to professional fees incurred in relation to the regularization exercise.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)**

**B3. Prospect of the Group**

The prospect of the Group is expected to improve with the contribution from the manufacturing of moulded plastic products business of T-Venture Industries (M) Sdn Bhd and upon the completion of the new proposed regularisation plan.

The Company is an Affected Listed Issuer pursuant to Paragraph 2.1(d) of the Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the Company Auditors have expressed disclaimer opinion in the Company's latest audited financial statements for the 18 months financial period ended 30 June 2014. Based on the Company's audited financial statements for the financial year ended 30 June 2015, the Company has also triggered Paragraph 2.1(a) of the Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

For further updates on the Company's status of regularisation plan, please refer to Note B8 below.

**B4. Variance of the actual profit from forecast profit.**

Not applicable.

**B5. Taxation**

	Current quarter RM'000	Year to-date RM'000
Provision for current year	-	-
Under provision in prior year	-	-
	<u>-</u>	<u>-</u>

**B6. There were no sales of unquoted investments for the current quarter.**

**B7. There were no purchase and sales of quoted securities in the current quarter.**

**B8. The status of corporate proposal**

**Proposed Regularisation Plan**

The Company had on 5 April 2016, 14 April 2016 and 15 June 2016 announced the proposed regularisation plan, including proposed capital reduction, proposed share premium reduction, proposed rights issue with warrants, proposed acquisition, proposed increase in the authorised share capital and proposed amendments to the Memorandum and Articles of Association of the Company to regularise its financial position.

The application in relation to the Proposed Regularisation Plan had been submitted to Bursa Malaysia Securities Berhad for approval on 15 June 2016. However, the Company had on 7 October 2016 submitted a request to withdraw its application together with an application for an extension of time of up to four (4) months from 7 October 2016 to 6 February 2017. The Company had on 24 May 2017 made an application to Bursa Malaysia Securities Berhad for an extension of time up to 15 August 2017 to submit the regularisation plan.

The Company had on 14 August 2017 announced the new proposed regularisation plan which comprises of proposed capital reduction, proposed rights issue with warrants and proposed acquisition. The application in respect of the new regularisation plan was approved by Bursa Malaysia Securities Berhad on 23 November 2017 and by shareholders at an extraordinary general meeting of the Company on 17 January 2018. Subsequently, the capital reduction application was submitted and accepted by Shah Alam High Court on 22 January 2018. The next Court hearing was fixed on 19 March 2018.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)**

B9.	The Group borrowings	RM'000
	(a) Short term borrowings	Nil
	(b) Long term borrowings	Nil

B10. There were no financial instruments with off balance sheet risk being transacted or contracted to the date of this report.

B11. Material Litigation

(a) Tenaga Nasional Berhad (“TNB”) vs Asia Knight

TNB has filed an action against Asia Knight at the Shah Alam High Court for RM1,642,803.57 as at 13 September 2013 being outstanding electricity bills as indicated in TNB’s running account.

Asia Knight has made an application to transfer the proceeding to the Kuantan High Court and the Shah Alam High Court has granted the application on 7 January 2014. The Kuantan High Court has conducted trial and on 5 February 2016 dismissed TNB’s claim with cost of RM40,000.00.

TNB filed an appeal dated 29 February 2016 at the Court of Appeal at Putrajaya, appealing against the decision of the High Court. The appeal has been allowed by the Court of Appeal on 20 February 2017 and the High Court Order dated 5 February 2016 has been set aside.

In response to the above, Asia Knight has instructed its lawyer to file for appeal against decision of the Court of Appeal. Application for leave for appeal has been filed on 16 March 2017. The Federal Court has fixed the hearing date for the said leave application on 20 April 2018.

(b) T-Venture vs Menteri Kewangan Malaysia and Pengarah Kastam Negeri Selangor (“Selangor Customs”) High Court; and  
Kerajaan Malaysia vs T-Venture, Wong Tze Peng, See Teck Wah, See Han Liong, Andrew Su Meng Kit and Ch’ng Huat Seng, Shah Alam Session Court

On 5 August 2015, T-Venture was served with two notices of demand from the Selangor Customs for the recovery of purported unpaid import duties and sales tax amounting to RM714,751.27 and RM273,804.52 respectively.

On 25 August 2015, T-Venture appealed to the Director General of Customs against the said claim and on 7 September 2015, T-Venture was informed by the Selangor Customs that the import duty claim was revised to RM719,751.27 (instead of RM714,751.27).

Subsequently on 2 December 2015, T-Venture was also informed by the Selangor Customs that the sales tax claim was revised to RM242,694.03 (instead of RM273,804.52).

Pursuant to the appeal dated 25 August 2015 to the Director General of Customs against the claims raised by the Selangor Customs we subsequently received a reply from the Ministry of Finance (“MOF”) through its letter dated 13 April 2016 rejecting T-Venture’s appeal. T-Venture on 31 May 2016 re-appealed the same to the MOF and was rejected vide their letter dated 15 August 2016 (received on 22 August 2016).

T-Venture had on 14 November 2016 filed an application for leave for judicial review to the Shah Alam High Court, seeking, amongst others, an Order of certiorari to quash the decision of MOF in rejecting the appeal made by T-Venture against the claim raised by Selangor Customs in respect of import duties and sales tax. On 2 June 2017 the application for Judicial Review was heard and on 13 July 2017 the High Court delivered judgement and dismissed the application with costs and T-Venture has filed an appeal to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation and case management is fixed on 18 December 2017.

On 2 December 2017 (date of sealed copy), the Malaysia Government had filed a writ of action for the recovery of the duty/tax payable on the similar matter in the Session Court claiming RM709,783.29 and RM242,694.03 for the purported unpaid import duties and sales tax respectively and all the directors at the material time were named as defendants together with T-Venture. A trial at the Session Court on 6 February 2018, the Court has decided in favour of Kerajaan Malaysia. T-Venture will file an appeal to the said decision.

Save as above, neither the Company nor any of its subsidiary companies is involved in any material litigation as at the latest practicable date, which has a material effect on the financial position of the Group.

**APPENDIX VIII – UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF ASIA KNIGHT GROUP FOR THE 6-MONTH FPE 31 DECEMBER 2017 (CONT'D)**

**ASIA KNIGHT BERHAD (71024 T)****B12. Dividends**

The Board of Directors does not recommend any payment of dividend.

**B13. The basic loss per share is calculated by dividing the net loss in the current quarter and cumulative quarter attributable to equity holders of the Company by the number of 58,132,908 ordinary shares in issue for the current quarter and for the cumulative quarter as at 31 December 2017.**

The diluted loss per share is the same as the basic loss per share as the effects of anti-dilutive potential ordinary shares are ignored in calculating diluted loss per share.

**B14. Disclosure of realized and unrealized profits and losses**

	31.12.2017	30.6.2017
	RM'000	RM'000
Total accumulated losses of Asia Knight Group		
- Realised	(181,166)	(105,580)
- Unrealised	-	28
	-----	-----
	(181,166)	(105,552)
Less : Consolidation adjustment	48,170	48,167
	-----	-----
Total Group accumulated losses	<u>(59,996)</u>	<u>(57,385)</u>

**B15. The following relevant amounts have been included in arriving at loss before tax:**

Additional Disclosures	Current Quarter RM'000	Year to-date RM'000
(a) Depreciation	(101)	(200)
(b) Interest income	10	30
(c) Foreign exchange gain/(loss)	(8)	(34)
(d) Inventory written off	-	-
(e) Dividend income/Investment income	-	-
(f) Interest expenses	-	-
(g) Provision for and write off of receivables	-	-
(h) Gain/(loss) on disposal of investment/property	-	-
(i) Impairment of assets	-	-
(j) Gain/(loss) on derivatives	-	-

**BY ORDER OF THE BOARD**

SEE TECK WAH  
Chairman

Date : 23 February 2018

## APPENDIX IX – SALIENT TERMS OF THE SSA

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### 1. Salient terms of the SSA

#### (a) Conditions Precedent

##### (i) Matters to be satisfied

The obligations of the Vendors to sell and of Asia Knight to buy the Sale Shares on the terms of the SSA are conditional on:-

- (aa) proof of evidence to Asia Knight that the submission of the tax returns and settlement of tax liabilities of RGT with the Inland Revenue Authority of Malaysia are up-to-date;
- (bb) Shareholders' approval of Asia Knight for the Regularisation Plan is obtained;
- (cc) completion of the Capital Reduction;
- (dd) approval from Bursa Securities for the listing and quotation of new Asia Knight Shares to be issued pursuant to the Regularisation Plan on the Main Market of Bursa Securities;
- (ee) approval from Bursa Securities and/or any other authorities for the Regularisation Plan on the terms and conditions (if any) acceptable to both parties;
- (ff) other government, public or regulatory authorities or bankers of RGT whose approvals are considered necessary or expedient by Asia Knight in relation to the sale and purchase of the RGT Shares have been obtained on terms and conditions (if any) acceptable to both parties.

(collectively, referred as to the "**Condition(s)**")

##### (ii) Unconditional Date

The SSA shall become unconditional on the date when the Conditions have been fulfilled ("**Unconditional Date**") unless otherwise waived by Asia Knight.

#### (b) Profit Guarantee

The Vendors warrant, represent and undertake to Asia Knight that:-

- (i) The Vendors unconditionally and irrevocably guarantees that the aggregate audited net PAT in respect of RGT Group for both FYEs 31 December 2017 and 2018 shall be RM20 million ("**Profit Guarantee**").
- (ii) In the event the audited net PAT in respect of RGT Group for the FYE 31 December 2017 ("**PAT 2017**") is less than RM10 million, the Vendors shall within 14 business days upon written demand by Asia Knight pay the amount equal to the shortfall (being the difference between RM10 million and PAT 2017) ("**Shortfall Amount 2017**") in accordance to the terms of the SSA to a stakeholder to be appointed by the Vendors and Asia Knight to hold as a stakeholder ("**Shortfall Stakeholder**").

**APPENDIX IX – SALIENT TERMS OF THE SSA (CONT'D)**

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- (iii) In the event the aggregate audited net PAT in respect of RGT Group for the FYEs 31 December 2017 and 2018 (“**Aggregate Audited PAT**”) is less than RM20 million, the Vendors shall within 14 business days upon written demand by Asia Knight pay to RGT directly the amount equal to the shortfall (being the difference between RM20 million and Aggregate Audited PAT) (“**Aggregate Shortfall**”) after deducting the Shortfall Amount 2017 (if any) (“**Shortfall Amount 2018**”) in accordance to the terms of the SSA. For the avoidance of doubt, if the Aggregate Shortfall is equal or less than the Shortfall Amount 2017, the Vendors are not required to pay any amount to RGT.
- (iv) The Shortfall Stakeholder is irrevocably authorised by the parties within 14 Business Days upon receipt of the audited financial statements for the FYE 31 December 2018 of RGT from Asia Knight:-
  - (aa) to refund all the Shortfall Amount 2017 to the Vendors in accordance to the terms of the SSA in the event the Aggregate Audited PAT is equal or more than RM20 million;
  - (bb) to pay all the Shortfall Amount 2017 to the Company if the Aggregate Audited PAT is less than RM20 million provided that the Shortfall Amount 2017 is equal or less than the Aggregate Shortfall; or
  - (cc) to pay part of the Shortfall Amount 2017 equal to the Aggregate Shortfall and the remaining of the Shortfall Amount 2017 shall be refunded to the Vendors in accordance to the terms of the SSA.
- (v) The Profit Guarantee shall be secured by the Vendors depositing 170,000,000 Consideration Shares (“**Pledged Shares**”) into a securities account which is operated by the trustee company in a central depository or its nominee company. A trustee company mutually agreed by the Vendors and Asia Knight will be appointed by Asia Knight to operate the account (“**Trustee**”).
- (vi) If the Vendors fail to pay all or part of the Shortfall Amount 2017 within the stipulated period as stated in the above paragraph (b)(ii), Asia Knight is irrevocably authorised by the Vendor at its sole discretion to instruct the Trustee to sell all or such portion of the Pledged Shares equivalent to the Shortfall Amount 2017 and to forward the sale of proceed of the Pledged Shares to the Shortfall Stakeholder.
- (vii) If the Vendors fail to pay all or part of the Shortfall Amount 2018 within the stipulated period as stated in above paragraph (b) (iii), Asia Knight is irrevocably authorised by the Vendor at its sole discretion to instruct the Trustee to sell all or such portion of the Pledged Shares equivalent to the Shortfall Amount 2018 and to forward the sale of proceed of the Pledged Shares to RGT.
- (viii) Subject to the Profit Guarantee being met, the Trustee is irrevocably authorised by the parties within 14 business days upon receipt of the audited financial statements 2018 of RGT from Asia Knight, transfer back the Pledged Shares in their custody to the Vendors in accordance to the terms of the SSA.

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**APPENDIX IX – SALIENT TERMS OF THE SSA (CONT'D)**

The Profit Guarantee mechanism is illustrated based on the few scenarios below:-

<b>Scenario</b>	<b>A1</b>	<b>A2</b>	<b>A3</b>
PAT 2017	RM9 million		
Vendors pays Shortfall Stakeholder <sup>(1)</sup>	Yes, RM1 million		
PAT 2018	RM9 million	RM10 million	RM11 million
<b>Aggregate Audited PAT (PAT 2017 + PAT 2018)</b>	<b>RM18 million</b>	<b>RM19 million</b>	<b>RM20 million</b>
Vendors pays to RGT <sup>(1)</sup>	Yes, RM1 million	No	No
Shortfall Stakeholder release to RGT	Yes, RM1 million	Yes, RM1 million	No
Shortfall Stakeholder refund to Vendors	No	No	Yes, RM1 million

<b>Scenario</b>	<b>B1</b>	<b>B2</b>	<b>B3</b>
PAT 2017	RM10 million		
Vendors pays Shortfall Stakeholder <sup>(1)</sup>	No		
PAT 2018	RM9 million	RM10 million	RM11 million
<b>Aggregate Audited PAT (PAT 2017 + PAT 2018)</b>	<b>RM19 million</b>	<b>RM20 million</b>	<b>RM21 million</b>
Vendors pays to RGT <sup>(1)</sup>	Yes, RM1 million	No	No
Shortfall Stakeholder release to RGT	No		
Shortfall Stakeholder refund to Vendors	No		

**Note:-**

- (1) In the event that the Vendors does not pay to the Shortfall Stakeholder/RGT the Shortfall Amount 2017 and/or Aggregate Shortfall within the stipulated timeframe, the Trustee may, at the sole discretion of Asia Knight, sell such number of the Pledged Shares equivalent to the shortfall. The proceeds will be forwarded to the Shortfall Stakeholder and/or RGT, as the case may be.

**(c) Termination**

Without prejudice to Asia Knight's or the Vendors' rights under the general or common law, Asia Knight or the Vendors may (but shall not be obliged to) at any time by notice to the other party to terminate the SSA if:-

- (i) any of the Conditions is not satisfied by the last day of the period of 10 months from the date of the SSA with 2 months extension or such other extended period as may be agreed by both parties in writing from the date of the SSA; or
- (ii) any of the approvals referred to in any of such Conditions are approved on terms and/or conditions which are not acceptable to either party; or
- (iii) it appears that any of the Warranties is or has become inaccurate or misleading (save as disclosed); or
- (iv) any material breach of the provisions of the SSA,



**APPENDIX IX – SALIENT TERMS OF THE SSA (CONT'D)**

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and on such notice being given, the following shall apply:-

- (aa) Asia Knight shall deliver to the Vendors all documents which were furnished by the Vendors to Asia Knight under the SSA;
- (bb) the Vendors shall refund or cause to refund any part of the purchase price paid by Asia Knight (if any) without interest within 14 days from the date of the termination of the SSA; and
- (cc) subject and without prejudice to the above paragraphs (aa) and (bb) and to any claim which either party may have against the other in respect of any antecedent breach of the SSA, the SSA shall be of no further force and effect and neither party shall have any further claim against the other under or in respect of the SSA or otherwise howsoever.

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## APPENDIX X – ADDITIONAL INFORMATION

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### 1. SHARE CAPITAL

- (i) Save for the Rights Shares, Warrants and new Shares to be issued pursuant to the exercise of the Warrants, no securities will be allotted or issued on the basis of this Abridged Prospectus later than 12 months after the date of the issuance of this Abridged Prospectus.
- (ii) As at the date of this Abridged Prospectus, there is only 1 class of shares in the Company, namely ordinary shares of the Company, all of which rank equally with one another.
- (iii) As at the LPD, save for the Rights Shares and Warrants, no person has been or is entitled to be granted an option to subscribe for any securities of the Company and no capital of the Company is under any option at the date of this Abridged Prospectus.

### 2. DIRECTORS' REMUNERATION

An extract of the provisions in the Company's Constitution (formerly known as Articles of Association) in relation to the remuneration of its directors are as follows:-

#### **Article 87**

- (a) The fees payable to the directors shall from time to time be determined by an ordinary resolution of the Company in general meeting. Provided that such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice of the proposed increase has been given in the notice convening the meeting.
- (b) Executive director(s) shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one way and partly in another) as the directors may from time to time determine. All remuneration (whether by way of salary, commission or partly in one way or partly in another), payable to the non-executive director(s) shall be determined by a resolution of the Company in general meeting.
- (c) Fees payable to non-executive directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover.
- (d) Salaries payable to executive director(s) may not include a commission on or percentage of turnover.
- (e) Any fee paid to an alternate director shall be such as shall be agreed between himself and the director nominating him and shall be paid out of the remuneration of the latter.

#### **Article 88**

- (a) The directors shall be paid all their travelling and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending Board meetings of the Company.

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## APPENDIX X – ADDITIONAL INFORMATION (CONT'D)

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- (b) If any director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of directors, the Company may remunerate the director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Company in general meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the directors. Extra remuneration payable to non-executive director(s) shall not include a commission on or percentage of turnover or profits.

### 3. MATERIAL CONTRACTS

#### 3.1 Asia Knight Group

Save for the SSA and Underwriting Agreement, the Board confirmed that Asia Knight Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the 2 years preceding the date of this Abridged Prospectus.

#### 3.2 RGT Group

The Board of RGT confirmed that RGT Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) during the 2 years preceding the date of this Abridged Prospectus.

### 4. MATERIAL LITIGATION

#### 4.1 Asia Knight Group

Save as disclosed below, as at the LPD, the Board confirmed that neither Asia Knight nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of Asia Knight Group and the Board of Asia Knight does not know of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially affect the position or business of Asia Knight Group:-

##### (i) TNB vs Asia Knight

###### ***Federal Court Civil Application No. 08(F)-13203/2017(C)***

TNB has filed an action against Asia Knight at the Shah Alam High Court for RM1,642,803.57 as at 13 September 2013 being outstanding electricity bills as indicated in TNB's running account.

Asia Knight has made an application to transfer the proceeding to the Kuantan High Court and the Shah Alam High Court has granted the application on 7 January 2014. The Kuantan High Court has conducted trial and on 5 February 2016 dismissed TNB's claim with cost of RM40,000.00.

TNB filed an appeal dated 29 February 2016 at the Court of Appeal at Putrajaya, appealing against the decision of the High Court. The appeal has been allowed by the Court of Appeal on 20 February 2017 and the High Court Order dated 5 February 2016 has been set aside.

**APPENDIX X – ADDITIONAL INFORMATION (CONT'D)**

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In response to the above, Asia Knight has instructed its lawyer to file for appeal against decision of the Court of Appeal. Application for leave for appeal has been filed on 16 March 2017. As at the LPD, the Federal Court had fixed the hearing date on 24 April 2018.

Asia Knight's lawyers acting in this case are of the opinion that Asia Knight has a fair chance of success.

**(ii) T-Venture vs Menteri Kewangan Malaysia and Pengarah Kastam Negeri Selangor ("Royal Malaysian Customs")**

***Court of Appeal Suit No. B-01(A)-282-08-2017  
(Appeal from High Court No: BA-25-143-11/2016)***

***Kerajaan Malaysia vs T-Venture, Wong Tze Peng, See Teck Wah, See Han Liong, Andrew Su Meng Kit and Ch'ng Huat Seng, Shah Alam Session  
High Court Suit No. BA-12GS-1-02/2018  
(Appeal from Session Court No: BA-51GS-24-12/2016)***

On 5 August 2015, T-Venture was served with two notices of demand from the Royal Malaysian Customs for the recovery of purported unpaid import duties and sales tax amounting to RM714,751.27 and RM273,804.52 respectively.

On 25 August 2015, T-Venture appealed to the Director General of Customs against the said claim and on 7 September 2015, T-Venture was informed by the Royal Malaysian Customs that the import duty claim was revised to RM719,751.27 (instead of RM714,751.27).

Subsequently on 2 December 2015, T-Venture was also informed by the Royal Malaysian Customs that the sales tax claim was revised to RM242,694.03 (instead of RM273,804.52).

Pursuant to the appeal dated 25 August 2015 to the Director General of Customs against the claims raised by the Royal Malaysian Customs we subsequently received a reply from the Ministry of Finance ("MOF") through its letter dated 13 April 2016 rejecting T-Venture's appeal. T-Venture on 31 May 2016 re-appealed the same to the MOF and was rejected vide their letter dated 15 August 2016 (received on 22 August 2016).

T-Venture had on 14 November 2016 filed an application for leave for judicial review to the Shah Alam High Court, seeking, amongst others, an order of certiorari to quash the decision of MOF in rejecting the appeal made by T-Venture against the claim raised by Royal Malaysian Customs in respect of import duties and sales tax. On 2 June 2017 the application for Judicial Review was heard and on 13 July 2017 the High Court delivered judgement and dismissed the application with costs and T-Venture has filed an appeal to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation. However, T-Venture has decided to discontinue with the appeal to Court of Appeal (Suit No. B-01(A)282-08/2017) and Notice of Discontinuance to Court of Appeal was filed on 15 March 2018.

**APPENDIX X – ADDITIONAL INFORMATION (CONT'D)**

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On 2 December 2016 (date of sealed copy), the Malaysia Government had filed a writ of action for the recovery of the duty/tax payable on the similar matter in the Session Court claiming RM709,783.29 and RM242,694.03 for the purported unpaid import duties and sales tax respectively ("**Sums**") and all the directors at the material time were named as defendants together with T-Venture. After the full trial, the decision of the Session Court (Suit No. BA-51GS-24-12-2016) was in favour of the plaintiff (Kerajaan Malaysia) and defendants are to pay to the plaintiff the Sums with interest at 5% per year until full settlement. An appeal to the High Court in Shah Alam (Suit No. BA-12GS-1-02/2018) was filed on 9 February 2018 against the decision of the Session Court in Shah Alam. The case management is now fixed on 19 April 2018.

T-Venture's lawyers acting for this case are of the opinion that if the issue of double taxation is taken into consideration by the High Court, then it might favour T-Venture in the substantial reduction of duty/tax.

**4.2 RGT Group**

As at the LPD, the Board of RGT confirmed that neither RGT nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of RGT Group.

**5. GENERAL**

- (i) There are no service contracts or proposed service contracts between the Directors and the Company or any of its subsidiaries, excluding contracts expiring or determinable by the employing company without payment or compensation (other than statutory compensation) within 1 year from the date of this Abridged Prospectus;
- (ii) Save as disclosed in this Abridged Prospectus, the financial condition and operations of the Group are not affected by any of the following:-
  - (a) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the Group's liquidity;
  - (b) any material commitment for capital expenditure of the Group;
  - (c) unusual, infrequent events or transactions or any significant economic changes which materially affect the amount of reported income from operations;
  - (d) known trends or uncertainties which have had or that the Group reasonably expects to have a material favourable or unfavourable impact on the revenues or operating income; and
  - (e) material information, including all special trade factors or risks, which are unlikely to be known or anticipated by the general public and which could materially affect the Group's profits.

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## APPENDIX X – ADDITIONAL INFORMATION (CONT'D)

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### 6. CONSENTS

- (i) The written consents of the Principal Adviser, Sole Underwriter, Financial Adviser, Reporting Accountant, Company Secretaries, Share Registrar, Solicitors for the Rights Issue with Warrants, Auditors, Independent Market Researcher and Principal Banker for the inclusion in this Abridged Prospectus of their names and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.

For information purposes, the Company has appointed BDO Capital Consultants Sdn Bhd as its Financial Adviser for the Regularisation Plan. BDO Capital Consultants Sdn Bhd's role as the Financial Adviser includes advising on the structure, terms and conditions of the Regularisation Plan with due regard to the overall objective of the exercise as well as assisting in the preparation of the consultation paper(s) to the SC, Bursa Securities and any other relevant authorities (where applicable) to seek their preliminary views on the Regularisation Plan.

- (ii) The written consent of Baker Tilly Monteiro Heng, being the Auditors for the FYE 30 June 2017, for the inclusion in this Abridged Prospectus of their names, letter and report relating to the audited consolidated financial statements of Asia Knight for the FYE 30 June 2017 and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.
- (iii) The written consent of the Reporting Accountants for the inclusion in this Abridged Prospectus of their names, letter and report relating to the pro forma consolidated statements of financial position of Asia Knight as at 30 June 2017, the Accountants' Report on RGT and all references thereto in the form and context in which they appear have been given before the issuance of this Abridged Prospectus and have not been subsequently withdrawn.
- (iv) The written consent of Bloomberg for the inclusion in this Abridged Prospectus of its name and citation of the market data made available to its subscribers in the form and context in which such name and market data appear has been given before the issuance of this Abridged Prospectus and has not been subsequently withdrawn.

### 7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of the Company following the date of this Abridged Prospectus during normal business hours from Monday to Friday (except public holidays) for a period of 12 months from the date of this Abridged Prospectus:-

- (i) the Constitutions of Asia Knight and RGT;
- (ii) the audited financial statements of Asia Knight Group for FYE 30 June 2016 and FYE 30 June 2017 as well as the latest unaudited consolidated financial statements for 6-month FPE 31 December 2017;
- (iii) the audited financial statements of RGT Group for past 3 FYEs 31 December 2015, 2016 and 2017;
- (iv) the pro forma consolidated statements of financial position of the Group as at 30 June 2017 together with the Reporting Accountants' letter thereon as set out in Appendix III;
- (v) the Accountants' Report on RGT Group as set out in Appendix IV;
- (vi) the Directors' report as set out in Appendix V;

**APPENDIX X – ADDITIONAL INFORMATION (CONT'D)**

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- (vii) the letters of consent referred to in Section 6 of this Appendix X;
- (viii) SSA and Underwriting Agreement referred to in Section 3 above of this Appendix X;
- (ix) the relevant cause papers in respect of the material litigation of the Company referred to in Section 4 of this Appendix X;
- (x) independent market research report dated 26 March 2018 prepared by Smith Zander;
- (xi) Undertaking Letters; and
- (xii) Deed Poll.

**8. RESPONSIBILITY STATEMENT**

- (i) The Board has seen and approved this Abridged Prospectus, together with the NPA and RSF and they, collectively and individually, accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.
- (ii) Mercury Securities, being the Principal Adviser for the Rights Issue with Warrants, acknowledges that, based on all available information, and to the best of their knowledge and belief, this Abridged Prospectus constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.