

ASIA KNIGHT BERHAD (71024 T)

Interim Financial report on the consolidated results for the sixth quarter of the financial period ended 30 June 2014
(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 18 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-6-2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER RM'000	CURRENT YEAR QUARTER 30-6-2014 RM'000 (18 months)	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2012 RM'000 (12 months)(Audited)
Revenue	2,855	-	11,530	6,339
Cost of sales	(2,708)	-	(13,788)	(9,165)
Operating expenses	(1,723)	-	(6,877)	(4,265)
Other Operating Income/(loss)	125	-	333	492
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Profit/(loss) from operations	(1,451)	-	(8,802)	(6,599)
Finance cost	(63)	-	(483)	(474)
	-----	-----	-----	-----
Profit/(loss) before taxation	(1,514)	-	(9,285)	(7,073)
Taxation	-	-	-	(87)
	-----	-----	-----	-----
Profit/(loss) for the period	(1,514)	-	(9,285)	(7,160)
	=====	=====	=====	=====
Attributable to:				
Equity holders of the parent	(1,515)	-	(9,266)	(7,175)
Non-controlling interest	1	-	(19)	15
	-----	-----	-----	-----
	(1,514)	-	(9,285)	(7,160)
	=====	=====	=====	=====
Earning/(loss) per share (sen)				
Basic	(2.6)	-	(19.7)	(16.3)
Diluted	(2.6)	-	(19.7)	(16.3)

- (i) The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.
- (ii) The Company had on 6 December 2013 announced the change of its financial year end from 31 December to 30 June. The first set of financial statements with the new financial year end will be for the 18 months period ended 30 June 2014.
- (iii) Due to the change of financial year end, there are no comparative figures given for preceding year corresponding quarter in the current report.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	As At End Of Current Quarter 30-6-2014 RM'000 (Unaudited)	As At Preceding Financial Year Ended 31-12-2012 RM'000 (Audited)
ASSETS	-----	-----
Non-current assets		
Property , plant and equipment	45,101	47,625
Goodwill on combination	357	-
Quoted investment	6	6
	-----	-----
	45,464	47,631
	-----	-----
Current assets		
Inventories	1,097	1,091
Trade receivables	3,580	1,993
Other receivables	890	843
Tax recoverable	94	14
Cash and bank balances	477	506
	-----	-----
	6,138	4,447
	-----	-----
TOTAL ASSETS	51,602	52,078
	=====	=====
EQUITY AND LIABILITIES		
Equity – attributable to equity holders of the parent		
Share capital	58,133	44,083
Capital reserve	2,503	39
Accumulated loss	(28,917)	(19,651)
	-----	-----
	31,719	24,471
Non-controlling interest	81	100
	-----	-----
	31,800	24,571
Non-current liabilities		
Deferred taxation	415	415
Current liabilities		
Trade payables	1,867	2,283
Other payables	11,213	17,877
Short term borrowings	4,628	6,048
Bank overdraft	1,688	837
Provision for taxation	11	47
	-----	-----
	19,387	27,092
	-----	-----
Total Liabilities	19,802	27,507
	-----	-----
TOTAL EQUITY AND LIABILITIES	51,602	52,078
	=====	=====
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.55	0.56

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE 15 MONTHS PERIOD ENDED 30-6-2014**

	18 Months Ended 30-6-2014 RM'000 (Unaudited)	12 Months Ended 31-12-2012 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(9,285)	(7,074)
Adjustment for:		
Depreciation	4,890	3,150
Interest expenses	483	474
Rental Income	-	(242)
Allowance for doubtful debts	-	183
Impairment loss of fixed assets	1,000	1,000
Inventories written off/provision	731	288
Gain on disposal of fixed assets	(49)	(184)
Reversal of allowance for diminution in value of quoted investments	-	(1)
Gain on disposal of investment in subsidiary	-	(1)
	(2,230)	(2,407)
Decrease in inventories	(737)	78
Increase in trade and other receivables	(1,714)	(2,072)
Increase in trade and other payables	4,201	5,682
Cash generated from operations	(480)	1,281
Interest paid	(483)	(474)
Income tax paid	(38)	(134)
Net cash from operating activities	(1,001)	673
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(210)	(30)
Proceeds from disposal of fixed assets	41	357
Rental received	-	32
Net cash used in investing activities	(169)	359
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loan	-	(275)
Net repayment of Banker's acceptance	(1,420)	(757)
Proceeds from disposal of investment in subsidiaries	-	85
Proceeds from Placement of shares	1,730	-
Net cash used in financing activities	310	(947)
Net increase / (decrease) in cash and cash equivalents	(860)	85
Cash and cash equivalents at beginning of period	(331)	(416)
Cash and cash equivalents at end of period	(1,191)	(331)
CASH AND CASH EQUIVALENTS COMPRISE:		
Bank overdraft	(1,668)	(837)
Cash and bank balances	477	506
	(1,191)	(331)

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the year ended 31st December 2012

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 15 MONTHS PERIOD ENDED 30-6-2014

	<-- 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 01-01-2013	44,083	39	(19,651)	24,471	100	24,571
Issue of Placement Shares	1,730	-	-	1,730	-	1,730
Issue of Settlement Shares	12,320	2,464	-	14,784	-	14,784
Loss for the period	-	-	(9,266)	(9,266)	(19)	(9,285)
Balance as at 30-6-2014	58,133	2,503	(28,917)	31,719	81	31,800

	Share Capital	Capital Reserve	(Accumulated Losses)	Revaluation Surplus	Total	Non-Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Balance as at 01-01-2012	44,083	39	(43,310)	30,835	31,647	-
Effect on transition to MFRS	-	-	30,835	(30,835)	-	-	-
Loss for the period	-	-	(7,176)	-	(7,176)	15	(7,161)
Disposal of non-controlling interest	-	-	-	-	-	85	85
Balance as at 31-12-2012	44,083	39	(19,651)	-	24,471	100	24,571

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.

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NOTES TO THE INTERIM FINANCIAL REPORT

Part A: Explanation notes as per MFRS 134

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 year ended 31st December 2012. The unaudited interim financial statements include the adoption of new/revised/amendments to MFRS and IC Interpretation applicable to the Group.

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
Revised MFRS 127	Separate Financial Statements
Revised MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendment to MFRS 119	Employee Benefits
Amendments to MFRS 132	Financial Instruments : Presentation
Amendments to MFRS 134	Interim Financial Reporting
Annual Improvements to MFRSs 2009 - 2011 Cycle	

The adoption of the above pronouncements does not have any material financial effect on the Group.

A2. The audited annual financial statements for the preceding year ended 31st December 2012 was not qualified.

A3. The business operation of the Group is not affected by any seasonal or cyclical factors.

A4. 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. Save for the Placement of 1,730,000 ordinary shares of RM1.00 each in Asia Knight Berhad (“AKnight”) and the settlement of debts via issuance of 12,319,708 ordinary shares of RM1.00 each as disclosed in Section B8(b) and Section B8(c) below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, during the period ended 30-6-2014.

A7. Dividend paid during the period ended 30-6-2014 - Nil

A8. Segment information for the relevant financial period-to-date.

	Revenue	Profit/(Loss) Before taxation	Assets Employed
	RM'000	RM'000	RM'000
Industry segment			
Manufacturing (particleboards)	21	(9,703)	25,255
Manufacturing (plastic parts)	2,085	273	6,301
Hotel operation	4,162	187	18,920
Trading	5,262	(42)	1,126
	-----	-----	-----
	11,530	(9,285)	51,602
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Information on the Group’s operation by geographical segments has not been presented as the Group operates principally in Malaysia. The Group is in the midst of streamlining its manufacturing operation.

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, 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.

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A11. There were no changes in the composition of the Group for the current quarter except for the Company had on 7 April 2014 acquired a wholly-owned subsidiary, namely, T-Venture Industries (M) Sdn Bhd (“T-Venture”) as disclosed in Section B8(c). Upon the completion of the acquisition of T-Venture, it gives rise to a goodwill on combination of RM357,000. Also, the Company had on 6 December 2013 announced the change of its financial year end from 31 December to 30 June. The first set of financial statements with the new financial year end will be for the 18 months financial period ended 30 June 2014. Approval from Suruhanjaya Syarikat Malaysia was granted on 30 December 2013 for an extension of time to hold the annual general meeting of the Company up to 31 December 2014 pursuant to Section 143(2) of the Companies Act 1965.

A12. Contingent Liabilities

Save for the litigation as disclosed in Section B12 below, 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. Recurrent Related Party Transaction Nil

Part B: Additional information required by Bursa Securities Listing Requirements for Quarterly report ended 30 June 2014

B1. Review of performance

The Group recorded revenue of RM2.855 million for the current quarter and accumulated revenue of RM11.530 million for the 18 months period-to-date. It incurred loss before tax of RM1.514 million for the current quarter and accumulated loss before tax of RM9.285 million for the 18 months period-to-date.

The loss during the current quarter is mainly due to depreciation of machinery from manufacturing division and impairment loss of fixed assets.

B2. Material Changes in the Quarter Results compared to the preceding Quarter

During the current quarter, the Group generated revenue of RM2.855 million and incurred loss before tax of RM1.514 million compared to the revenue of RM0.722 million and loss before tax of RM4.494 million in the immediate preceding quarter.

The loss before tax in the current quarter is mainly due to depreciation of machinery from manufacturing division and impairment loss of fixed assets.

B3. Prospect of the Group

The prospect of the Group may improve with the contribution of manufacturing of plastic parts business from T-Venture Industries (M) Sdn Bhd.

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	-	-
Over provision in prior year	-	-
Transfer from / (to) deferred taxation	-	-
	<u>-</u>	<u>-</u>

B6. There were no sales of unquoted investments for the current quarter.

B7. (a) There were no purchase and sales of quoted securities for the current quarter.

(b) Investments in quoted Securities as at 30-6-2014

	RM'000
(i) at cost less allowance for diminution in value	6
(ii) at market value	11

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B8. The status of corporate proposals

- (a) On 6 December 2012, the Company announced proposed joint venture with Nine Avenue Development Sdn Berhad (“NADSB” or “Developer”) for the proposed development of mixed commercial property on 1 parcel of leasehold land owned by Asia Knight Berhad held under title PN 2487 Lot 9461 in the Mukim of Kuala Kuantan District of Kuantan State of Pahang measuring approximately 15.73 acres (“Kuantan Land I”) and 1 parcel of leasehold land owned by Natural Renewable Energy Sdn Bhd held under title PN 4663 Lot 16600 in the Mukim of Kuala Kuantan District of Kuantan State of Pahang measuring approximately 1.1 acres (“Kuantan Land II”)(Collectively known as “Kuantan Land”) (“Joint Venture”) and the relocation of existing business to another location to be identified.

The Joint Venture was approved by AKnight shareholders at an Extraordinary General Meeting held on 25 October 2013.

The parties entered into a Supplementary Agreement on 4 December 2013 to vary certain provisions of the Joint Venture Agreement. Subsequently, the Developer elected to pay the property portion of joint venture consideration by way of cash before the property portion settlement date pursuant to the Joint Venture Agreement and the parties had on 11 June 2014 entered into Sale and Purchase Agreement to facilitate the early settlement and land transfer.

- (b) On 6 August 2013, the Company announced proposed private placement of up to 10% of the issued and paid-up share capital of AKnight to third party investors to be identified, at an issue price to be determined at a later date.

Bursa Malaysia Securities Berhad (“Bursa Malaysia”) had vide its letter dated 27 August 2013 (which was received on 28 August 2013) approved the proposed private placement of up to 4,408,320 ordinary shares of RM1.00 each (“Placement Shares”) in AKnight.

On 26 September 2013, the Board fixed the issue price for the first tranche of the Placement Shares, comprising of 1,730,000 Placement Shares at RM1.00 per share. The first tranche of the Placement Shares were listed on the Main Market of Bursa Malaysia on 16 October 2013.

On 27 February 2014, Bursa Malaysia has granted the Company an extension of time of six (6) months up to 27 August 2014 to complete the implementation of the Private Placement.

- (c) On 17 December 2013, the Company announced proposed settlement of debt owing to Prime Forest Products (M) Sdn Bhd and See Seng Lai & Sons Realty Sdn Bhd via issuance of 12,319,708 new ordinary shares of RM1.00 each in AKnight, representing approximately 21.2% of the enlarged issued and paid-up share capital of the Company, at an issue price of RM1.20 per share.

Bursa Malaysia had vide its letter dated 24 February 2014, approved the listing of and quotation for new AKnight shares pursuant to the proposed settlement. Shareholders of AKnight had approved the proposed settlement at an extraordinary meeting held on 19 March 2014. The settlement was completed with the new shares listed on the Main Market of Bursa Malaysia on 31 March 2014.

- (d) On 7 April 2014, the Company announced proposed acquisition of the entire issued and paid-up share capital of T-Venture Industries (M) Sdn Bhd (“T-Venture”) comprising 800,000 ordinary shares of RM1.00 each for a total cash consideration of RM4,800,000. The Acquisition was completed on 17 April 2014 following the fulfillment of all the condition precedents as set out in the share sale agreement. Upon the completion of the acquisition of T-Venture, it gives rise to a goodwill on combination of RM357,000.

B9. Status of Utilisation of Proceeds Raised from Private Placement

The proceeds raised from the first tranche of Private Placement had been fully utilised in the preceding quarter.

B10. The Group borrowings

- (a) The borrowings are secured by legal charge over certain property of the Group and corporate guarantee of the Company.

	RM'000
(b) Short term borrowings	
(i) Short term trade finance and overdraft	6,316
(ii) Term loan	-

	6,316

- (c) Long term borrowings

- (d) The borrowing is in Ringgit Malaysia.

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B11. There were no financial instruments with off balance sheet risk being transacted or contracted to the date of this report.

B12. Material Litigation

- (a) Tenaga Nasional Berhad (“Plaintiff”) has commenced legal proceeding against AKnight at the Shah Alam High Court under suit no. 22NCVC–594–09/2013. The Plaintiff’s Statement of Claim and the Writ of Summons served on AKnight are dated 22 August 2013 and 13 September 2013 respectively. The Plaintiff alleged that an inspection conducted on 29 September 2010 on the meter installation in AKnight’s premise at Kawasan Perindustrian Batu 3, Jalan Gambang, 25150 Kuantan, Pahang has revealed the existence of perturbation to the meter installation, which resulted in malfunction of AKnight’s meter and its failure to record accurate reading in consistence with the electricity supplied at each material time.

In its Statement of Claim, the Plaintiff claims for amongst others, the amount of RM1,642,803.57 (being the aggregate of the alleged total revenue loss of RM1,637,556.11 and operation cost of RM5,247.46 in respect of the alleged unrecorded electricity power usage for the period approximately from 28 September 2008 to 29 September 2010), as well as interests and costs.

AKnight has filed its defence dated 25 October 2013 at the Shah Alam High Court to defend the allegations by the Plaintiff.

AKnight had also *vide* the Notice of Application dated 31 October 2013 applied to transfer the suit from Shah Alam High Court to Kuantan High Court. Shah Alam High Court had on 7 January 2014 allowed the said suit to be transferred and be heard in the Kuantan High Court.

The solicitors acting for AKnight are unable to assess the probability of success in the said suit at this juncture as the Plaintiff has yet to file its bundle of documents. The suit is now pending case management on a date to be fixed.

The suit mentioned above is for additional information as the amount claimed is approximately 6.7% of AKnight’s net tangible assets as at 31 December 2012 of RM24.47 million. The Company is of the view that the cause of the claim is remote.

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.

- (b) Polytainer Industries Sdn Bhd (“Plaintiff”) has commenced a suit against an employee of T-Venture (“D1”) and T-Venture (“D2”) (D1 and D2 are hereinafter collectively referred to as the “Defendants”) at the High Court of Malaya at Shah Alam, Selangor *vide* Suit No. 22NCVC-153-02/2013, making allegations on amongst others, infringement of the Plaintiff’s copyright in the design drawings and/or artistic works of its Polyrak® Jerrycan (“Polyrak® Jerrycan Drawings”) by the Jerrycans produced by D2 (“Infringing Jerrycans”), and the Defendants’ conspiracies (to use the Plaintiff’s Polyrak® Jerrycan Drawings and other confidential information/ trade secrets without its consent and to injure the Plaintiff by unlawful means) and alleged further or in the alternative that the Defendants were joint tort-feasors .

The Defendants have filed their defence and a counter claim seeking for a declaration to invalidate the alleged copyright of the Plaintiff.

The court has fixed 20,21, 23 & 24 October 2014 as the date for the next trial.

The solicitors representing the Defendants are of the view that T-Venture has a good chance in succeeding as the alleged copyright drawings lack artistic value and originality, and these drawings mirror upon the prior photographs of plastic jerrycan which existed in 1980s way before the Plaintiff’s drawings were purportedly created in 1992

B13. Dividends

The Board of Directors does not recommend the payment of dividend.

B14. 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 parent by the weighted average number of 58,132,908 ordinary shares in issue for the current quarter and 46,976,521 ordinary shares in issue for the cumulative quarter as at 30 June 2014.

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.

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B15. Disclosure of realized and unrealized profits and losses

	30.6.2014	31.12.2012
	RM'000	RM'000
Total Accumulated losses of Asia Knight Group		
- Realised	(96,032)	(86,766)
- Unrealised	30,420	30,420
	-----	-----
	(65,612)	(56,346)
Less : Consolidation adjustment	36,695	36,695
	-----	-----
	(28,917)	(19,651)
	=====	=====

B16. The following relevant amounts have been included in arriving at loss before tax:

Additional Disclosure	Current Quarter RM'000	Year to-date RM'000
(a) Depreciation	909	4,890
(b) Interest expenses	63	483
(c) Provision/Write off of inventories	-	731
(d) Impairment of assets	1,000	1,000

BY ORDER OF THE BOARD

SEE TECK WAH
Chairman

Date : 25 August 2014