

ASIA KNIGHT BERHAD (71024 T)

Interim Financial report on the consolidated results for the second quarter of the financial period ended 31 December 2014 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2014**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-12-2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-6-2013 RM'000	CURRENT YEAR QUARTER 31-12-2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30-6-2013 RM'000
Revenue	2,997	3,076	5,953	5,361
Cost of sales	(2,150)	(3,387)	(5,538)	(6,134)
Operating expenses	(18,362)	(223)	(19,366)	(900)
Other Operating Income/(loss)	2,637	507	2,680	507
	-----	-----	-----	-----
Profit/(loss) from operations	(14,878)	(27)	(16,271)	(1,166)
Finance cost	(118)	(91)	(164)	(180)
	-----	-----	-----	-----
Profit/(loss) before taxation	(14,996)	(118)	(16,435)	(1,346)
Taxation	-	-	-	-
	-----	-----	-----	-----
Profit/(loss) for the period	(14,996)	(118)	(16,435)	(1,346)
	=====	=====	=====	=====
Attributable to:				
Equity holders of the parent	(14,996)	(123)	(16,435)	(1,390)
Non-controlling interest	-	5	-	44
	-----	-----	-----	-----
	(14,996)	(118)	(16,435)	(1,346)
	=====	=====	=====	=====
Earning/(loss) per share (sen)				
Basic	(25.8)	(0.3)	(28.3)	(3.1)
Diluted	(25.8)	(0.3)	(28.3)	(3.1)

- (i) The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Report for the period ended 30 June 2014.
- (ii) The Company had on 6 December 2013 announced the change of its financial year end from 31 December to 30 June. Thus, the first set of financial statements with the new financial year end was for the 18 months period ended 30 June 2014.
- (iii) Due to the change of financial year end, the comparative figures given for preceding year corresponding quarter in the current report is 30 June 2013, being the second quarter of the previous financial year end.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014**

	As At End Of Current Quarter 31-12-2014 RM'000 (Unaudited)	As At Preceding Financial Year Ended 30-6-2014 RM'000 (Audited)
ASSETS	-----	-----
Non-current assets		
Property, plant and equipment	20,609	21,088
Quoted investment	6	6
	-----	-----
	20,615	21,094
Assets held for sale		
Property, plant and equipment	-	25,080
	-----	-----
	20,615	46,174
Current assets		
Inventories	925	1,097
Trade receivables	2,500	2,892
Other receivables	3,629	452
Tax recoverable	161	75
Cash and bank balances	148	951
Fixed Deposit with licensed bank	92	92
	-----	-----
	7,455	5,559
	-----	-----
TOTAL ASSETS	28,070	51,733
	=====	=====
EQUITY AND LIABILITIES		
Equity – attributable to equity holders of the parent		
Share capital	58,133	58,133
Capital reserve	2,503	2,502
Accumulated loss	(45,754)	(29,318)
	-----	-----
	14,882	31,317
	-----	-----
Non-current liabilities		
Deferred taxation	1,528	1,528
Other payables, accruals and deposits received	-	670
Current liabilities		
Trade payables	1,495	1,881
Other payables, accruals and provisions	10,145	10,266
Short term borrowings	-	4,628
Bank overdraft	-	1,434
Provision for taxation	20	9
	-----	-----
	11,660	18,218
	-----	-----
Total Liabilities	13,188	20,416
	-----	-----
TOTAL EQUITY AND LIABILITIES	28,070	51,733
	=====	=====
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.26	0.54

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the period ended 30 June 2014.

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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE 3 MONTHS PERIOD ENDED 31-12-2014**

	6 Months Ended 31-12-2014 RM'000 (Unaudited)	18 Months Ended 30-6-2014 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(16,435)	(8,636)
Adjustment for:		
Depreciation	474	4,829
Interest expenses	164	483
Interest income	-	(2)
Allowance for doubtful debts	448	715
Bad debts written off	-	92
Inventories written off/provision	-	729
Gain on disposal of fixed assets	(2,433)	(49)
Reversal of allowance for doubtful debts	-	(73)
Reversal of impairment on property, plant and equipment	-	(463)
Loss on foreign exchange-unrealised	4	10
Goodwill written off	-	357
Waiver of debts	-	(1,459)
General provision for contingent liabilities	1,500	-
Loss on impairment of fixed assets	15,537	-
	(741)	(3,467)
Decrease in inventories	172	46
Increase in trade and other receivables	231	685
Increase in trade and other payables	30	7,504
Cash generated from operations	(308)	4,768
Interest paid	(164)	(483)
Net income tax paid	(66)	(101)
Net cash from operating activities	(538)	4,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(15)	(203)
Proceeds from disposal of fixed assets	5,812	50
Interest received	-	2
Net cash used in investing activities	5,797	(151)
CASH FLOWS FROM FINANCING ACTIVITIES		
Acquisition of subsidiary	-	(4,403)
Net repayment of Banker's acceptance	(4,628)	(1,420)
Proceeds from Placement of shares	-	1,730
Net cash used in financing activities	(4,628)	(4,093)
Net increase / (decrease) in cash and cash equivalents	631	(60)
Cash and cash equivalents at beginning of period	(391)	(331)
Cash and cash equivalents at end of period	240	(391)
CASH AND CASH EQUIVALENTS COMPRISE:		
Fixed deposit	92	92
Bank overdraft	-	(1,434)
Cash and bank balances	148	951
	240	(391)

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the year ended 30 June 2014

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 31-12-2014

<-- 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 01-07-2014	58,133	2,503	(29,319)	31,317	-	31,317
Loss for the period	-	-	(16,435)	(16,435)	-	(16,435)
Balance as at 31-12-2014	58,133	2,503	(45,754)	14,882	-	14,882

<-- 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, 668)	(9,668)	(100)	(9,768)
Balance as at 30-6-2014	58,133	2,503	(29,319)	31,317	-	31,317

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 30 June 2014.

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 period ended 30 June 2014. The unaudited interim financial statements include the adoption of new/revised/amendments to MFRS and IC Interpretation applicable to the Group.

Amendment to MFRS 10	Consolidated Financial Statements
Amendment to MFRS 12	Disclosure of Interests in Other Entities
Amendment to MFRS 127	Separate Financial Statements
Amendment to MFRS 132	Financial Instruments : Presentation
Amendment to MFRS 136	Recoverable Amount Disclosure for Non-Financial Assets
Amendment to MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies
Amendment to MFRS 2	Share-based Payment
Amendment to MFRS 3	Business Combinations
Amendment to MFRS 8	Operating Segments
Amendment to MFRS 13	Fair Value Measurement
Amendment to MFRS 116	Property, plant and Equipment
Amendment to MFRS 119	Employee Benefits
Amendment to MFRS 124	Related Party Disclosures
Amendment to MFRS 138	Intangible Assets
Amendment to MFRS 140	Investment Property

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

A2. The Company auditors do not express an opinion on the audited annual financial statements for the preceding year ended 30 June 2014 in view of the basis of disclaimer stated below:

Extract from Audited Report

During the financial period, the Group and the Company had incurred a net loss of RM9,767,171 and RM12,631,298 respectively, and as of that date, the Group’s current liabilities exceeded its current assets by RM12,658,418. The continuation of the Group as a going concern is dependent on the successful restructuring of the Group’s operations and continued availability of adequate financial support from its shareholders, creditors and bankers. Certain related parties of the Group have confirmed their intention to maintain the Group as a going concern.

As disclosed in Note 33 of the financial statements which details significant matters, in the event that one or several transactions does not materialise in favour of the Group, the consequences may affect the going concern basis on which the financial statements have been prepared.

- (a) *The legal proceedings against the Company by Tenaga Nasional Berhad [Note 33(ii)] involves a claim of RM1.6 million whilst the claim amount in the legal proceedings of the subsidiary [Note 33(iii)] in respect of copyrights cannot be determined.*
- (b) *As disclosed in Note 33(iv) of the financial statements, the machinery of the subsidiary has been classified under assets held for sale totalling RM7.9 million as the Directors are committed to a plan to sell the asset, have actively located a buyer in Cambodia and initiated completion of legal documentation. Should the sale not materialise, the consequence of non impairment of the machinery will impact the results of this financial period.*
- (c) *As stated in Note 33(v) of the financial statements, the factory building is to be demolished pursuant to the Sale and Purchase Agreement of the Company’s leasehold lands. The estimate for the cost of demolition has not been provided and the Directors are also of the view that building materials recovered from the demolition can be recycled and reused for valuable consideration.*
- (d) *The trade receivables of the Group (Note 11) comprise balances past due amounting to RM2,105,181 which have not been impaired as the Directors are of the view that the balances are recoverable.*
- (e) *As stated in Note 19, during the financial period the Directors had arranged to extend the repayment of the banker’s acceptances pending the redemption of the properties and full settlement of the balances due to the bank. We have been unable to verify the banking arrangements.*

- 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. There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, during the period ended 31-12-2014.
- A7. Dividend paid during the period ended 31-12-2014 - Nil
- A8. Segment information for the relevant financial period-to-date.

Industry segment	Revenue RM'000	Profit/(Loss) Before taxation RM'000	Assets Employed RM'000
Manufacturing (particleboards)	-	(15,646)	3,703
Manufacturing (plastic parts)	4,565	(386)	5,517
Hotel operation	1,388	50	18,797
Trading	-	(453)	53
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	5,953	(16,435)	28,070
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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, 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 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

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Part B: Additional information required by Bursa Securities Listing Requirements for Quarterly report ended 31 December 2014

B1. Review of performance

The Group incurred loss before tax of RM14.996 million in the current quarter compared to the Group loss before tax of RM0.118 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM2.997 million against the revenue of RM3.067 million in preceding year corresponding quarter.

The loss during the current quarter is mainly due to impairment of assets relating to the manufacturing of particleboards business such as factory buildings of RM7.631 million and plant and machinery of RM7.906 million. This impairment is necessary due to the negotiation with the Cambodia party which did not materialised by 31 December 2014. The impairment is also due to the completion of the disposal of Kuantan Land. The loss is partially offset by gain on disposal of Kuantan Land of RM2.437 million as further explained in note B8.

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

During the current quarter, the Group generated revenue of RM2.997 million and incurred loss before tax of RM14.996 million compared to the revenue of RM2.956 million and loss before tax of RM1.439 million in the immediate preceding quarter.

The loss during the current quarter is mainly due to impairment of assets relating to the manufacturing of particleboards business such as factory buildings of RM7.631 million and plant and machinery of RM7.906 million. This impairment is necessary due to the negotiation with the Cambodia party which did not materialised by 31 December 2014. The impairment is also due to the completion of the disposal of Kuantan Land. The loss is partially offset by gain on disposal of Kuantan Land of RM2.437 million as further explained in note B8.

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.

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. The Company has a timeframe of 12 months from the date of the first announcement on 31 October 2014 to submit its restructuring plan to regularise its financial condition ("Restructuring Plan"). The Restructuring Plan may comprise a capital reduction exercise, fund raising exercise, disposal of assets, acquisition of assets and/or expansion of existing business. The necessary announcement will be made in due course.

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 31-12-2014

	RM'000
(i) at cost less allowance for diminution in value	6
(ii) at market value	10

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B8. The status of corporate proposals

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”), the consideration for the Kuantan Land under the Joint Venture was RM14,662,180 (“JV Consideration”) and shall be paid in stages in cash portion of RM4,575,407 and in property portion of RM10,086,773.

.A circular to shareholders containing information on the Joint Venture was issued on 1 October 2013 (“Circular”). Pursuant to the Circular, the shareholders of AKnight have approved the Joint Venture at an Extraordinary General Meeting held on 25 October 2013.

The parties entered into a Supplementary Agreement on 4 December 2013, which was announced on 5 December 2013, to vary certain provisions of the Joint Venture Agreement.

Subsequently, on 2 June 2014, NADSB has elected the cash option for the property portion as provided for in the Joint Venture agreement (“Cash Option”). The details of the Cash Option are disclosed in the Circular. Upon the Cash Option being elected by NADSB, the total consideration of the Kuantan Land has been reduced to RM11,892,997.21 (“Cash Option Consideration”). The lower Cash Option Consideration is due to the “Early Payment Discount” provided for in the Joint Venture agreement and disclosed in the Circular. The differential sum between the JV Consideration and the Cash Option Consideration is RM2,769,182.79, being the Early Payment Discount.

In view of the Cash Option being elected by NADSB, the parties entered into sales and purchase agreement for the Cash Option Consideration, to facilitate the early settlement of the redemption sum with HSBC Bank Malaysia Berhad (“HSBC”) and for the ease of land title transfer. The sales and purchase agreement were signed on 11 June 2014 (“SPA”). Consequently, the Joint Venture Agreement lapsed by way of mutual termination in view of the SPA.

The Group has requested NADSB to make an early settlement of RM5.80 million as the redemption sum to HSBC (“Redemption Sum”) before the consents from the state government of Pahang (“State Consents”) are being obtained by NADSB. As compensation to NADSB for the early settlement of the Redemption Sum, NADSB will be paid interest of 6.8% per annum on the RM5.8 million until the State Consents are obtained. We have also provided power attorney (“PA”) to NADSB for the Kuantan Land as security for the early settlement of the Redemption Sum. On 11 November 2014, the parties entered into a supplementary agreement to the SPA to cater for the abovementioned.

NADSB had on 14 November 2014, paid the Redemption Sum to HSBC as a full and final settlement of the AKnight group’s banking facilities with HSBC.

The State Consents (dated 8 December 2014) was received on 12 December 2014 for the transfer of land titles. As such, the Joint Venture exercise has been completed in accordance with the terms of the SPA and supplemental agreement dated 11 November 2014.

B9. Status of Utilisation of Proceeds Raised

The progressive payments of cash portion amounting to RM3.05 million received under the joint venture agreement dated 6 December 2012 in relation to the Kuantan Land had been fully utilised for working capital purposes and defray of expenses related to the joint venture in previous financial period and NADSB had on 14 November 2014 paid RM5.80 million to HSBC for redemption of our banking facilities.

B10. The Group borrowings

	RM’000
(a) Short term borrowings	Nil
(b) Long term borrowings	Nil

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.

The Court has fixed the next hearing dates on 2 March 2015 to 4 March 2015.

The Directors are of the opinion that the Company will succeed in refuting the claim as the cause of the claim is remote.

- (b) Polytainer Industries Sdn Bhd (“PISB” or “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 PISB.

The Plaintiff has obtained judgement against the Defendants on 10 December 2014. The Defendants are in the process of applying to set aside the said judgement and stay of execution. The matter is now awaiting for a date of hearing from the court.

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.

The Directors have on a prudent basis made a general provision of RM1.50 million for litigation in the quarter ended 31 December 2014.

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 number of 58,132,908 ordinary shares in issue for the current quarter and for the cumulative quarter as at 31 December 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

	31.12.2014	30.6.2014
	RM'000	RM'000
Total Accumulated losses of Asia Knight Group		
- Realised	(107,656)	(91,220)
- Unrealised	29,307	29,307
	-----	-----
	(78,349)	(61,913)
Less : Consolidation adjustment	32,595	32,595
	-----	-----
	(45,754)	(29,318)
	=====	=====

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	229	474
(b) Interest expenses	118	164
(c) Provision of doubtful debts	448	448
(d) Impairment of assets	15,537	15,537
(e) Foreign exchange loss	-	4
(f) General provision for contingent liabilities	1,500	1,500

BY ORDER OF THE BOARD

SEE TECK WAH
Chairman

Date : 27 February 2015