

ASIA KNIGHT BERHAD (71024 T)

Interim Financial report on the consolidated results for the fourth quarter of the financial period ended 30 June 2015 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 12 MONTHS FINANCIAL PERIOD ENDED 30 JUNE 2015**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30-6-2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2013 RM'000	CURRENT YEAR QUARTER 30-6-2015 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2013 RM'000
Revenue	1,604	637	8,038	7,953
Cost of sales	(1,870)	(1,407)	(7,986)	(9,793)
Operating expenses	(5,039)	(414)	(25,229)	(1,669)
Other Operating Income/(loss)	45	34	2,063	579
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Profit/(loss) from operations	(5,260)	(1,150)	(23,114)	(2,930)
Finance cost	-	(78)	(164)	(347)
	-----	-----	-----	-----
Profit/(loss) before taxation	(5,260)	(1,228)	(23,278)	(3,277)
Taxation	33	-	33	-
	-----	-----	-----	-----
Results from operating activities, net of tax	(5,227)	-	(23,245)	(3,277)
Loss after tax from discontinued activity	(1,123)	-	(1,372)	-
	-----	-----	-----	-----
Profit/(loss) for the period	(6,350)	(1,228)	(24,617)	(3,277)
	=====	=====	=====	=====
Attributable to:				
Equity holders of the parent	(6,350)	(1,129)	(24,617)	(3,253)
Non-controlling interest	-	(99)	-	(24)
	-----	-----	-----	-----
	(6,350)	(1,228)	(24,617)	(3,277)
	=====	=====	=====	=====
Earning/(loss) per share (sen)				
Basic	(10.9)	(2.5)	(42.3)	(7.3)
Diluted	(10.9)	(2.5)	(42.3)	(7.3)

- (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 31 December 2013, being the fourth quarter of the previous financial year end.

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	As At End Of Current Quarter 30-6-2015 RM'000 (Unaudited)	As At Preceding Financial Year Ended 30-6-2014 RM'000 (Audited)
ASSETS	-----	-----
Non-current assets		
Property, plant and equipment	2,220	21,088
Quoted investment	-	6
	-----	-----
	2,220	21,094
Assets held for sale		
Property, plant and equipment	17,000	25,080
	-----	-----
	19,220	46,174
Current assets		
Inventories	567	1,097
Trade receivables	1,795	2,892
Other receivables	1,040	452
Tax recoverable	179	75
Cash and bank balances	1,064	951
Fixed Deposit with licensed bank	592	92
	-----	-----
	5,237	5,559
	-----	-----
TOTAL ASSETS	24,457	51,733
	=====	=====
EQUITY AND LIABILITIES		
Equity – attributable to equity holders of the parent		
Share capital	58,133	58,133
Capital reserve	2,503	2,503
Accumulated loss	(53,936)	(29,319)
	-----	-----
	6,700	31,317
	-----	-----
Non-current liabilities		
Deferred taxation	1,528	1,528
Other payables, accruals and deposits received	-	670
Current liabilities		
Trade payables	2,094	1,881
Other payables, accruals and provisions	14,115	10,266
Short term borrowings	-	4,628
Bank overdraft	-	1,434
Provision for taxation	20	9
	-----	-----
	16,229	18,218
	-----	-----
Total Liabilities	17,757	20,416
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TOTAL EQUITY AND LIABILITIES	24,457	51,733
	=====	=====
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.12	0.54

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

ASIA KNIGHT BERHAD (71024 T)**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 12 MTHS FPE 30-6-2015**

	12 Months Ended 30-6-2015 RM'000 (Unaudited)	18 Months Ended 30-6-2014 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation from continuing operation	(23,278)	(8,636)
Add : Loss before taxation from discontinued operation	(1,372)	-
Adjustment for:	(24,650)	(8,636)
Depreciation	885	4,829
Interest expenses	164	483
Interest income	-	(2)
Rental income	(10)	-
Allowance for doubtful debts	452	715
Bad debts written off	-	92
Impairment of inventory	237	729
Gain on disposal of fixed assets	(1,387)	(49)
Reversal of allowance for doubtful debts	-	(73)
Reversal of impairment on property, plant and equipment	-	(463)
Loss on foreign exchange-unrealised	(31)	10
Goodwill written off	-	357
Waiver of debts	-	(1,459)
General provision for contingent liabilities	1,643	-
Provision for retrenchment benefit	400	-
Provision for Customs duty	2,026	-
Loss on impairment of fixed assets	16,150	-
	(4,121)	(3,467)
Decrease in inventories	293	46
Increase in trade and other receivables	58	685
Increase in trade and other payables	2,436	7,504
Cash generated from operations	(1,334)	4,768
Interest paid	(164)	(483)
Net income tax paid	(50)	(101)
Net cash from operating activities	(1,548)	4,184
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(69)	(203)
Proceeds from disposal of fixed assets	8,282	50
Interest received	-	2
Rental received	10	2
Net cash used in investing activities	8,223	(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	2,047	(60)
Cash and cash equivalents at beginning of period	(391)	(331)
Cash and cash equivalents at end of period	1,656	(391)
CASH AND CASH EQUIVALENTS COMPRISE:		
Fixed deposit	592	92
Bank overdraft	-	(1,434)
Cash and bank balances	1,064	951
	1,656	(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 12 MONTHS PERIOD ENDED 30-6-2015

<-- 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	-	-	(24,617)	(24,617)	-	(24,617)
Balance as at 30-6-2015	58,133	2,503	(53,936)	6,700	-	6,700

<-- 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.

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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 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. 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 30-6-2015.
- A7. Dividend paid during the period ended 30-6-2015 - Nil
- A8. Segment information for the relevant financial period-to-date.

	Revenue	Profit/(Loss) Before taxation	Assets Employed
Industry segment	RM'000	RM'000	RM'000
Manufacturing (particleboards)	-	(19,795)	533
Manufacturing (plastic parts)	8,038	(3,017)	5,737
Trading	-	(466)	7
	-----	-----	-----
	8,038	(23,278)	6,277
Discontinued activity -Hotel operation *	2,489	(1,372)	18,180
	-----	-----	-----
Total	10,527	(24,650)	24,457
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* The Company had on 3 March 2015 announced that Citiview Hotel Sdn Bhd, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement for the disposal of all that freehold land together with hotel premises. The disposal is expected to be completed by the end of third quarter 2015. Hence, the result from the hotel operation division was classified under discontinued activity. Set out below was profit attributed to the discontinued hotel operation for reference purpose.

	12 months FYE 2015 (Unaudited) RM	18 months FYE 2014 (Audited) RM
Revenue	2,489	4,171
Cost of sales	(2,059)	(3,201)
Operating expenses	(1,802)	(783)
Other Operating Income/(loss)	-	-
	-----	-----
Profit/(loss) before taxation	(1,372)	187
Taxation	-	(1,131)
	-----	-----
Net Profit/(loss) for the period	(1,372)	(944)
	=====	=====

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 B11 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 30 June 2015

B1. Review of performance

The Group incurred loss before tax of RM5.260 million in the current quarter compared to the Group loss before tax of RM1.228 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM1.604 million against the revenue of RM0.637 million in preceding year corresponding quarter. The higher loss during the current quarter was mainly due to impairment of assets, provision for Customs duty and impairment of inventory.

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

During the current quarter, the Group generated revenue of RM1.604 million and incurred loss before tax of RM5.260 million compared to the revenue of RM2.367 million and loss before tax of RM1.837 million in the immediate preceding quarter.

The higher loss during the current quarter was mainly due to impairment of assets, provision for Customs duty and impairment of inventory.

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. The shareholders of the Company have on 29 May 2015 approved the disposal of Citiview Hotel.

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	33	33
Transfer from / (to) deferred taxation	-	-
	<u>33</u>	<u>33</u>

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

B7. There were no purchase and sales of quoted securities for the current quarter except for the disposal of 10,000 shares of SWS Capital Berhad and 1,400 shares of DRB Hicom Berhad for RM10,898.45. There were no investments in quoted securities as at 30.6.2015.

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B8. The status of corporate proposals

Disposal of Citiview Hotel

On 3 March 2015, the Company announced that Citiview Hotel Sdn Bhd, a wholly-owned subsidiary of the Company entered into a sale and purchase agreement with E-Red Hotel Sdn Bhd for the proposed disposal of all that freehold land held under Geran 10609 and Geran 10610, Lot 267 and Lot 268, both of Bandar Kuantan, Daerah Kuantan, Negeri Pahang together with hotel premises erected thereon, bearing postal address Lot 113, Seksyen 19, Jalan Haji Abdul Aziz, 25000 Kuantan, Pahang for a total cash consideration of RM17,000,000.

A circular to shareholders was issued on 12 May 2015 and the shareholders of the Company have approved the disposal at an Extraordinary General Meeting held on 29 May 2015. Our Board had on 31 July 2015 granted the purchaser the extension of time up to 2 September 2015 for the settlement of the balance purchase consideration of RM15.30 million subject to interest rate of 6% per annum calculated on a daily basis.

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

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 1 September 2015 to 2 September 2015.

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

The Directors have on a prudent basis made a general provision of RM1.643 million for the litigation.

ASIA KNIGHT BERHAD (71024 T)**B12. Dividends**

The Board of Directors does not recommend the 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 parent by the number of 58,132,908 ordinary shares in issue for the current quarter and for the cumulative quarter as at 30 June 2015.

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

	30.6.2015 RM'000	30.6.2014 RM'000
Total Accumulated losses of Asia Knight Group		
- Realised	(115,853)	(91,220)
- Unrealised	29,322	29,307
	-----	-----
	(86,531)	(61,913)
Less : Consolidation adjustment	32,595	32,595
	-----	-----
	(53,936)	(29,318)
	=====	=====

B15. 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	204	885
(b) Interest expenses	-	164
(c) Provision/written off of receivables	-	452
(d) Impairment of assets/written off	606	16,150
(e) Foreign exchange loss/(Gain)	(31)	(31)
(f) General provision for contingent liabilities	143	1,643
(g) Gain on disposal of quoted investment	(5)	(5)
(h) Provision for retrenchment benefit	400	400
(i) Impairment of inventory	237	237

BY ORDER OF THE BOARD

SEE TECK WAH
Chairman

Date : 25 August 2015