

ASIA KNIGHT BERHAD (71024 T)

Interim Financial report on the consolidated results for the third quarter of the financial period ended 31 March 2016 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 9 MONTHS FINANCIAL PERIOD ENDED 31 MARCH 2016**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | CURRENT YEAR QUARTER 31-3-2016 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31-3-2015 RM'000 | CURRENT YEAR QUARTER 31-3-2016 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31-3-2015 RM'000 |
| Revenue | 2,567 | 2,367 | 7,624 | 8,320 |
| Cost of sales | (2,234) | (2,133) | (6,797) | (7,671) |
| Operating expenses | (1,292) | (1,404) | (2,512) | (20,770) |
| Other Operating Income/(loss) | 30 | (662) | 168 | 2,018 |
| | ----- | ----- | ----- | ----- |
| Profit/(loss) from operations | (929) | (1,832) | (1,517) | (18,103) |
| Finance cost | - | - | - | (164) |
| | ----- | ----- | ----- | ----- |
| Profit/(loss) before taxation | (929) | (1,832) | (1,517) | (18,267) |
| Taxation | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| Results from operating activities, net of tax | (929) | (1,832) | (1,517) | (18,267) |
| Loss after tax from discontinued activity | 56 | - | (312) | - |
| | ----- | ----- | ----- | ----- |
| Profit/(loss) for the period | (873) | (1,832) | (1,829) | (18,267) |
| | ===== | ===== | ===== | ===== |
| Attributable to: | | | | |
| Equity holders of the parent | (873) | (1,832) | (1,829) | (18,267) |
| Non-controlling interest | - | - | - | - |
| | ----- | ----- | ----- | ----- |
| | (873) | (1,832) | (1,829) | (18,267) |
| | ===== | ===== | ===== | ===== |
| Earning/(loss) per share (sen) | | | | |
| Basic | (1.5) | (3.2) | (3.1) | (31.4) |
| Diluted | (1.5) | (3.2) | (3.1) | (31.4) |

The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Statements for the financial year ended 30 June 2015.

ASIA KNIGHT BERHAD (71024 T)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

| | As At End of Current Quarter 31-3-2016 RM'000 (Unaudited) | As At Preceding Financial Year Ended 30-6-2015 RM'000 (Audited) |
|---|--|--|
| | ----- | ----- |
| ASSETS | | |
| Non-current assets | | |
| Property , plant and equipment | 2,010 | 2,220 |
| Current assets | | |
| Inventories | 557 | 590 |
| Trade receivables | 2,532 | 1,791 |
| Other receivables | 295 | 1,048 |
| Tax recoverable | 173 | 149 |
| Cash and bank balances | 1,302 | 1,064 |
| Fixed Deposit with licensed bank | 6,360 | 592 |
| | 11,219 | 5,234 |
| Assets held for sale - Property, plant and equipment | - | 17,000 |
| | ----- | ----- |
| TOTAL ASSETS | 13,229 | 24,454 |
| | ===== | ===== |
| 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 | (55,426) | (53,597) |
| | ----- | ----- |
| | 5,210 | 7,039 |
| | ----- | ----- |
| Non-current liabilities | | |
| Deferred taxation | - | 1,130 |
| Current liabilities | | |
| Trade payables | 2,767 | 2,095 |
| Other payables, accruals and provisions | 5,218 | 14,127 |
| Provision for taxation | 34 | 63 |
| | 8,019 | 16,285 |
| Total Liabilities | 8,019 | 17,415 |
| | ----- | ----- |
| TOTAL EQUITY AND LIABILITIES | 13,229 | 24,454 |
| | ===== | ===== |
| Net assets per share attributable to ordinary equity holders of the parent (RM) | 0.09 | 0.12 |

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2015.

ASIA KNIGHT BERHAD (71024 T)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 9 MONTHS PERIOD ENDED 31-3-2016

| | Period Ended 31-3-2016 RM'000 (Unaudited) | FYE 30-6-2015 RM'000 (Audited) |
|--|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Loss before taxation from continuing operation | (1,517) | (23,264) |
| Add : Loss before taxation from discontinued operation | (1,442) | (1,372) |
| Adjustment for: | (2,959) | (24,636) |
| Depreciation | 261 | 884 |
| Interest expenses | - | 164 |
| Interest income | (80) | (1) |
| Impairment loss on receivables | - | 448 |
| Bad debts written off | - | 3 |
| Gain on disposal of assets held for sale | - | (2,357) |
| (Gain)/Loss on disposal of property, plant and equipment | (47) | 10 |
| Gain on disposal of quoted investment | - | (5) |
| Gain on foreign exchange - unrealised | - | (31) |
| Reversal of impairment loss on trade receivables | - | (5) |
| Reversal of waiver of amount owing to a related party | - | 1,459 |
| Property, plant and equipment/stocks written off | 35 | 1 |
| Impairment on property, plant and equipment | - | 605 |
| Assets held for sale written off | - | 15,544 |
| | (2,790) | (7,917) |
| (Increase)/decrease in inventories | (2) | 507 |
| (Increase)/decrease in trade and other receivables | 8 | 60 |
| Increase/(decrease) in trade and other payables | (8,237) | 1,965 |
| Cash generated from operations | (11,021) | (5,385) |
| Interest paid | - | (164) |
| Net income tax paid | (53) | (61) |
| Net cash from operating activities | (11,074) | (5,610) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (52) | (70) |
| Proceeds from disposal of property, plant and equipment | 51 | 438 |
| Interest received | 80 | 1 |
| Proceeds from disposal of assets held for sale | 17,000 | 11,893 |
| Net cash used in investing activities | 17,079 | 12,262 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net repayment of Banker's acceptance | - | (4,628) |
| Proceeds from disposal of quoted investment | - | 11 |
| Net cash used in financing activities | - | (4,617) |
| Net increase / (decrease) in cash and cash equivalents | 6,005 | 2,035 |
| Effect on foreign exchange | - | 12 |
| Cash and cash equivalents at beginning of period | 1,657 | (390) |
| Cash and cash equivalents at end of period | 7,662 | 1,657 |
| CASH AND CASH EQUIVALENTS COMPRISE: | | |
| Fixed deposit | 6,360 | 592 |
| Cash and bank balances | 1,302 | 1,065 |
| | 7,662 | 1,657 |

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2015

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 9 MONTHS PERIOD ENDED 31-3-2016

<-- 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 01-07-2015 | 58,133 | 2,503 | (53,597) | 7,039 | - | 7,039 |
| Loss for the period | - | - | (1,829) | (1,829) | - | (1,829) |
| Balance as at 31-3-2016 | 58,133 | 2,503 | (55,426) | 5,210 | - | 5,210 |

<-- 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 | - | - | (24,278) | (24,278) | - | (24,278) |
| Balance as at 30-6-2015 | 58,133 | 2,503 | (53,597) | 7,039 | - | 7,039 |

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 30 June 2015.

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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 financial year ended 30 June 2015. The unaudited interim financial statements include the adoption of 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 2015 was not qualified. Notwithstanding this, the financial statements comprise the following emphasis of matter paragraph in the auditors’ report:

Without qualifying our opinion, we draw attention to Note 1.1 to the financial statements which discloses the premise upon which the Group and the Company have prepared its financial statements by applying the going concern assumption, notwithstanding that the Group and the Company incurred net losses of RM23,278,186 and RM13,471,280 respectively, thereby indicating the existence of a material uncertainty which may cast significant doubt the Group’s and the Company’s ability to continue as going concerns.

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 31-3-2016.

A7. Dividend paid during the period ended 31-3-2016 - 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) | - | (1,737) | 192 |
| Manufacturing (plastic parts) | 7,624 | 228 | 6,624 |
| Trading | - | (8) | 6 |
| | ----- | ----- | ----- |
| | 7,624 | (1,517) | 6,822 |
| Discontinued activity -Hotel operation * | 484 | (1,442) | 6,407 |
| | ----- | ----- | ----- |
| Total | 8,108 | (2,959) | 13,229 |
| | ----- | ----- | ----- |

* 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. Hence, the result from the hotel operation division was classified under discontinued activity. The disposal was completed on 20 October 2015. Set out below was loss attributed to the discontinued hotel operation for reference purpose.

| | 9 months FYE 30.6.2016 (Unaudited) RM | FYE 30.6.2015 (Audited) RM |
|----------------------------------|--|----------------------------------|
| Revenue | 484 | 2,489 |
| Cost of sales | (624) | (2,062) |
| Operating expenses | (1,302) | (1,799) |
| | ----- | ----- |
| Profit/(loss) before taxation | (1,442) | (1,372) |
| Taxation | 1,130 | 358 |
| | ----- | ----- |
| Net profit/(loss) for the period | (312) | (1,014) |
| | ===== | ===== |

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 litigations 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 March 2016

B1. Review of performance

The Group incurred loss before tax of RM0.929 million in the current quarter compared to the loss before tax of RM1.832 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM2.567 million against the revenue of RM2.367 million in the preceding year corresponding quarter. The lower loss recorded in the current quarter was mainly due to the improved performance of the manufacturing of plastic parts business.

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

During the current quarter, the Group generated revenue of RM2.567 million and incurred loss before tax of RM0.929 million compared to the revenue of RM2.727 million and loss before tax of RM0.384 million in the immediate preceding quarter. The higher loss before tax in the current quarter was mainly due to provision for contingent liabilities for legal case with Skykod Polyscience Sdn Bhd of RM0.350 million.

B3. Prospect of the Group

The prospect of the Group is expected to improve with the contribution from the manufacturing of plastic parts business of T-Venture Industries (M) Sdn Bhd and upon the completion of the 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 latest 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.

Bursa Malaysia Securities Berhad had on 14 March 2016 granted the Company an extension of time up to 30 June 2016 to submit a regularisation plan to the regulatory authorities. The Company had on 5 April 2016 and 14 April 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.

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 on discontinued operations | 1,130 | 1,130 |
| | <u>1,130</u> | <u>1,130</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.

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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. The disposal was completed on 20 October 2015.

Proposed Regularisation Plan

The Company had on 13 October 2015 announced the proposed regularisation plan, including proposed capital reduction, proposed share premium reduction, proposed rights issue with warrants, proposed acquisition, proposed exemption, proposed placement, proposed employees' share option scheme, 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 Company had on 18 November 2015 received the approval from Bursa Malaysia Securities Berhad for the extension of time until 29 February 2016 to submit its proposed regularisation plan. Subsequently, the proposed regularization plan was called off as the Company and the vendors had entered into a deed of termination on 15 February 2016 to mutually terminate and rescind the share sale agreement under the proposed acquisition.

The Company had submitted an application to Bursa Malaysia Securities Berhad on 17 February 2016 for a proposed extension of time of up to four (4) months from 29 February 2016 to 30 June 2016 to submit its new proposed regularisation plan. Bursa Malaysia Securities Berhad had on 14 March 2016 granted the Company an extension of time up to 30 June 2016 to submit a regularisation plan to the regulatory authorities, subject to the Company entering into a definitive agreement and a requisite announcement being made by 29 April 2016.

Subsequently, the Company had on 5 April 2016 and 14 April 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.

B9. Status of Utilisation of Proceeds from the Disposal of Citiview Hotel

| | Purpose | Proposed Utilisation RM'000 | Amount received @ 31.12.15 RM'000 | Actual Utilisation @ 31.3.2016 RM'000 | Unutilised Amount @ 31.3.2016 RM'000 | Intended Timeframe for utilisation | Deviation Amount RM/% |
|-------|--|--|--|--|---|---|----------------------------------|
| (i) | To acquire new business/assets to be identified | 5,000 | 5,000 | - | 5,000 | Within 12 months from completion | - |
| (ii) | Working capital | 11,000 | 11,000 | 10,061 (a) | 939 | Within 12 months from completion | - |
| (iii) | Defray of estimated expenses in relation to the disposal | 1,000 | 1,000 | 1,000 | - | Immediately Upon completion | - |
| | Total | 17,000 | 17,000 | 11,061 | 5,939 | | - |

(a) Included in the actual utilization for working capital was settlement of other creditors (amount owing to related parties) of RM6.48 million.

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.

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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 (“Defendant”) 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 Kuantan High Court had on 2 February 2016 dismissed the Plaintiff’s claim with costs of RM40,000, after considering all the evidences given by the witnesses of the Plaintiff and Defendant, after reading submissions by both parties and further considering the facts and law of the matter.

Subsequently, the Plaintiff filed an appeal to the Court of Appeal and the matter is fixed for case management on 9 June 2016.

- (b) AKnight (“Company”) had been served with a Writ of Summons and Statement of Claim both dated 4 January 2016 by Skykod Polyscience Sdn Bhd (“Plaintiff”).

The Company had entered into a conditional Share Sales Agreement (“SSA”) dated 9 November 2012 with the vendors of the Plaintiff for the acquisition of the entire equity interest in the Plaintiff in accordance with the terms and conditions contained in the SSA (please refer to our announcement dated 9 November 2012 for further information). The SSA expired on 9 November 2013 as the parties to the SSA did not fulfil the conditions precedent stipulated in the SSA within the period of twelve (12) months commencing from the date of the SSA (please refer to our announcement dated 8 November 2013 for further information).

In the Statement of Claim, the Plaintiff claims against the Defendant for the following:

- (a) A declaration that the termination on 30 October 2013 of the SSA is wrongful and invalid;
- (b) General damages for wrongful termination and refusal to complete the SSA;
- (c) Alternatively, damages to be assessed for wrongful termination and or refusal to complete the SSA;
- (d) Exemplary and aggravated damages;
- (e) The sum of RM610,943.14 being reimbursement of due diligence charges pursuant to Defendant’s letter of undertaking;
- (f) Interest at 5% per annum on RM610,943.14 from 10 June 2013 or date of breach of agreement till the date of full and final settlement;
- (g) Interest on general damages and/or exemplary at 5% per annum from the date of this writ of summons till date of full and final settlement;
- (h) Costs; and
- (i) Any other order and or relief which this Honourable Court deems fit, just and proper.

The litigation had been settled amicably out of court wherein the Plaintiff agreed to accept the sum of RM350,471.57 as full and final settlement on 14 April 2016. Consequently, the Plaintiff withdrew the suit without liberty to file afresh and with no order as to costs on 21 April 2016.

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.

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 March 2016.

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.

B15. Disclosure of realized and unrealized profits and losses

| | 31.3.2016 | 30.6.2015 |
|---|-----------|-----------|
| | RM'000 | RM'000 |
| Total Accumulated losses of Asia Knight Group | | |
| - Realised | (131,979) | (129,020) |
| - Unrealised | 30,835 | 29,705 |
| | ----- | ----- |
| | (101,144) | (99,315) |
| Less : Consolidation adjustment | 45,718 | 45,718 |
| | ----- | ----- |
| | (55,426) | (53,597) |
| | ===== | ===== |

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 | 124 | 261 |
| (b) Interest income | 58 | 80 |
| (c) Foreign exchange gain | 3 | 42 |
| (d) Inventory written off | - | 35 |
| (e) Provision for and write off of receivables | 284 | 284 |

BY ORDER OF THE BOARD

SEE TECK WAH
Chairman

Date : 24 May 2016