

ASIA KNIGHT BERHAD (71024 T)

Interim financial report on the consolidated results for the second quarter of the financial period ended 31 December 2017 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-12-2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2016 RM'000	CURRENT YEAR QUARTER 31-12-2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2016 RM'000
Revenue	3,038	2,441	6,574	4,962
Cost of sales	(2,817)	(2,118)	(5,929)	(4,350)
Operating expenses	(2,350)	(708)	(3,297)	(1,293)
Other operating income	16	42	39	95
	-----	-----	-----	-----
Loss from operations	(2,113)	(343)	(2,613)	(586)
Finance cost	-	-	-	-
	-----	-----	-----	-----
Loss before taxation	(2,113)	(343)	(2,613)	(586)
Tax expenses	-	-	-	-
	-----	-----	-----	-----
Loss after taxation	(2,113)	(343)	(2,613)	(586)
Other comprehensive income	-	-	-	-
	-----	-----	-----	-----
Total comprehensive loss for the period	(2,113)	(343)	(2,613)	(586)
	=====	=====	=====	=====
Attributable to:				
Equity holders of the parent	(2,111)	(342)	(2,611)	(585)
Non-controlling interest	(2)	(1)	(2)	(1)
	-----	-----	-----	-----
Loss after taxation	(2,113)	(343)	(2,613)	(586)
	=====	=====	=====	=====
Loss per share (sen)				
Basic	(3.6)	(0.6)	(4.5)	(1.0)
Diluted	(3.6)	(0.6)	(4.5)	(1.0)

The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Statements for the financial year ended 30 June 2017.

ASIA KNIGHT BERHAD (71024 T)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	As At End of Current Quarter 31-12-2017 RM'000 (Unaudited)	As At Preceding Financial Year Ended 30-6-2017 RM'000 (Audited)
ASSETS	-----	-----
Non-current assets		
Property, plant and equipment	2,098	2,175
Current assets		
Inventories	954	880
Trade receivables	2,691	2,770
Other receivables	381	416
Tax recoverable	9	7
Cash and bank balances	1,325	950
Fixed deposit with licensed banks	699	2,766
	6,059	7,789
	-----	-----
Total assets	8,157	9,964
	=====	=====
EQUITY AND LIABILITIES		
Equity – attributable to equity holders of the parent		
Share capital	60,597	60,597
Accumulated loss	(59,996)	(57,385)
	-----	-----
Shareholders' equity	601	3,212
Non-controlling interests	(450)	(448)
	-----	-----
Total equity	151	2,764
	=====	=====
Non-current liabilities	-	-
Current liabilities		
Trade payables	2,449	2,728
Other payables, accruals and provisions	5,550	4,300
Tax liabilities	7	172
	8,006	7,200
	-----	-----
Total liabilities	8,006	7,200
	-----	-----
TOTAL EQUITY AND LIABILITIES	8,157	9,964
	=====	=====
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.003	0.06

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2017.

ASIA KNIGHT BERHAD (71024 T)
CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE 6 MONTHS PERIOD ENDED 31-12-2017

	Period Ended 31-12-2017 RM'000 (Unaudited)	FYE 30-6-2017 RM'000 (Audited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(2,613)	(1,417)
Adjustment for:		
Depreciation	200	379
Interest income	(30)	(160)
Deposits written off	-	6
(Gain)/Loss on disposal of property, plant and equipment	-	(6)
Gain on foreign exchange - unrealised	-	(28)
Impairment loss on other receivables	-	1
Plant and equipment written off	-	1
	(2,443)	(1,224)
(Increase)/decrease in inventories	(74)	(539)
(Increase)/decrease in trade and other receivables	114	(325)
Increase/(decrease) in trade and other payables	803	194
Cash generated from operations	(1,600)	(1,894)
Net income tax paid	1	(779)
Net cash from operating activities	(1,599)	(2,673)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(123)	(701)
Proceeds from disposal of property, plant and equipment	-	6
Interest received/Pledged deposit	30	160
Net cash used in investing activities	(93)	(535)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net cash used in financing activities	-	-
Net increase/ (decrease) in cash and cash equivalents	(1,692)	(3,208)
Effect on foreign exchange	-	28
Cash and cash equivalents at beginning of period	3,716	6,896
Cash and cash equivalents at end of period	2,024	3,716
CASH AND CASH EQUIVALENTS COMPRISE:		
Fixed deposit	699	2,766
Cash and bank balances	1,325	950
	2,024	3,716

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the financial year ended 30 June 2017

ASIA KNIGHT BERHAD (71024 T)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE 6 MONTHS PERIOD ENDED 31-12-2017

<-- Attributable to Equity Holders of the Parent -- >

	Share Capital	Capital Reserve	(Accumulated Losses)	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-07-2017	60,597	-	(57,385)	3,212	(448)	2,764
Loss for the period	-	-	(2,611)	(2,611)	(2)	(2,613)
Balance as at 31-12-2017	60,597	-	(59,996)	601	(450)	151

<-- Attributable to Equity Holders of the Parent -- >

	Share Capital	Capital Reserve	(Accumulated Losses)	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-07-2016	58,133	2,464	(55,922)	4,675	(444)	4,231
Loss for the period	-	-	(1,463)	(1,463)	(4)	(1,467)
Transfer pursuant to S618(2) of CA 2016	2,464	(2,464)	-	-	-	-
Balance as at 30-6-2017	60,597	-	(57,385)	3,212	(448)	2,764

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 30 June 2017.

ASIA KNIGHT BERHAD (71024 T)
NOTES TO THE INTERIM FINANCIAL REPORT

Part A: Explanation notes

A1. Accounting policies and methods of computation.

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and Chapter 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The accounting policies and method of computation adopted for the interim financial Reports were consistent with those adopted for the audited financial statements for the financial year ended 30 June 2017. The unaudited interim financial statements include the adoption of the new/revised/amendments to MFRS and IC Interpretation applicable to the Group. The adoption of the new/revised/amendments to MFRS and IC Interpretation does not have any material financial effect on the Group.

A2. The audited financial statements for the preceding financial year ended 30 June 2017 was not qualified.

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

A4. Save for the corporate proposals as disclosed in Section B8 below, there were no items of unusual nature affecting the assets, liabilities, equity, net income or cash flows.

A5. There were no estimates of amounts reported in prior interim periods of the current financial year or in prior financial year.

A6. There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, during the period ended 31-12-2017.

A7. Dividend paid during the period ended 31-12-2017 - Nil

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

	Revenue	Profit/(Loss) Before Taxation	Assets Employed
<u>Industry segment</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Investment holdings	-	(2,657)	234
Manufacturing (moulded plastic products)	6,574	170	7,477
Dormant subsidiaries	-	(126)	446
Total	6,574	(2,613)	8,157

Information on the Group’s operation by geographical segments has not been presented as the Group operates principally in Malaysia.

A9. The valuations of properties, plant and equipment has been brought forward without any amendment from the previous annual financial statements.

A10. In the opinion of the Directors, save for the proposed regularisation plan as disclosed in Section B8 below, there are no items, transactions or event of the material and/or unusual nature has arisen which would affect substantially the results of the Group and of the company’s operations subsequent to the end of the current quarter.

A11. There were no changes in the composition of the Group for the current quarter.

A12. Contingent Liabilities

Save for a corporate guarantee of RM2.00 million in favour of a supplier for provision of goods to our wholly-owned subsidiary, the Directors are of the opinion that the Group has no contingent liabilities, which upon crystallization, would have any material effect on the financial and business position of the Group.

A13. Capital Commitments

The Group has no material capital commitment in respect of property, plant and equipment as at the end of current quarter.

A14. Recurrent Related Party Transaction

There were no recurrent related party transactions for the current quarter.

ASIA KNIGHT BERHAD (71024 T)

Part B: Additional information required by Bursa Securities Listing Requirements for Quarterly report ended 31 December 2017

B1. Review of performance

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	CURRENT YEAR	PRECEDING YEAR			CURRENT YEAR	PRECEDING YEAR		
	QUARTER 31-12-2017 RM'000	CORRESPONDING QUARTER 31-12-2016 RM'000	RM'000	%	QUARTER 31-12-2017 RM'000	CORRESPONDING QUARTER 31-12-2016 RM'000	RM'000	%
Revenue	3,038	2,441	597	24.46	6,574	4,962	1,612	32.49
Loss before taxation	(2,113)	(343)	1,770	516.03	(2,613)	(586)	2,027	345.90
Loss for the period	(2,113)	(343)	1,770	516.03	(2,613)	(586)	2,027	345.90
Loss attributable to equity holders of the Company	(2,111)	(342)	1,769	517.25	(2,611)	(585)	2,026	346.32

The Group recorded loss before tax of RM2.113 million in the current quarter compared to the loss before tax of RM0.343 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM3.038 million against the revenue of RM2.441 million in the preceding year corresponding quarter. The Group achieved higher revenue for the current quarter mainly due to the increase in demand and production capacity through additional one blowing moulding machine. However, the higher loss for the current quarter was mainly due to professional fees incurred in relation to the regularization exercise.

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

	INDIVIDUAL QUARTER		Variance RM'000	%
	CURRENT QUARTER 31-12-2017 RM'000	IMMEDIATE PRECEDING QUARTER 30-9-2017 RM'000		
Revenue	3,038	3,536	498	14.08
Loss before taxation	(2,113)	(500)	1,613	322.60
Loss for the period	(2,113)	(500)	1,613	322.60
Loss attributable to equity holders of the parent	(2,111)	(499)	1,612	323.05

During the current quarter, the Group recorded revenue of RM3.038 million and loss before taxation of RM2.113 million as compared to the revenue of RM3.536 million and loss before taxation of RM0.500 million in the immediate preceding quarter. The Group's revenue decline by 14.08% or RM0.498 million was mainly due to festive holidays in December month. The higher loss recorded in the current quarter was mainly due to professional fees incurred in relation to the regularization exercise.

B3. Prospect of the Group

The prospect of the Group is expected to improve with the contribution from the manufacturing of moulded plastic products business of T-Venture Industries (M) Sdn Bhd and upon the completion of the new proposed regularisation plan.

The Company is an Affected Listed Issuer pursuant to Paragraph 2.1(d) of the Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as the Company Auditors have expressed disclaimer opinion in the Company's latest audited financial statements for the 18 months financial period ended 30 June 2014. Based on the Company's audited financial statements for the financial year ended 30 June 2015, the Company has also triggered Paragraph 2.1(a) of the Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

For further updates on the Company's status of regularisation plan, please refer to Note B8 below.

B4. Variance of the actual profit from forecast profit.

Not applicable.

B5. Taxation

	Current quarter RM'000	Year to-date RM'000
Provision for current year	-	-
Under provision in prior year	-	-
	<u>-</u>	<u>-</u>

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

B7. There were no purchase and sales of quoted securities in the current quarter.

B8. The status of corporate proposal

Proposed Regularisation Plan

The Company had on 5 April 2016, 14 April 2016 and 15 June 2016 announced the proposed regularisation plan, including proposed capital reduction, proposed share premium reduction, proposed rights issue with warrants, proposed acquisition, proposed increase in the authorised share capital and proposed amendments to the Memorandum and Articles of Association of the Company to regularise its financial position.

The application in relation to the Proposed Regularisation Plan had been submitted to Bursa Malaysia Securities Berhad for approval on 15 June 2016. However, the Company had on 7 October 2016 submitted a request to withdraw its application together with an application for an extension of time of up to four (4) months from 7 October 2016 to 6 February 2017. The Company had on 24 May 2017 made an application to Bursa Malaysia Securities Berhad for an extension of time up to 15 August 2017 to submit the regularisation plan.

The Company had on 14 August 2017 announced the new proposed regularisation plan which comprises of proposed capital reduction, proposed rights issue with warrants and proposed acquisition. The application in respect of the new regularisation plan was approved by Bursa Malaysia Securities Berhad on 23 November 2017 and by shareholders at an extraordinary general meeting of the Company on 17 January 2018. Subsequently, the capital reduction application was submitted and accepted by Shah Alam High Court on 22 January 2018. The next Court hearing was fixed on 19 March 2018.

ASIA KNIGHT BERHAD (71024 T)

- B9. The Group borrowings RM'000
- | | | |
|--|---------------------------|-----|
| | (a) Short term borrowings | Nil |
| | (b) Long term borrowings | Nil |
- B10. There were no financial instruments with off balance sheet risk being transacted or contracted to the date of this report.
- B11. Material Litigation
- (a) Tenaga Nasional Berhad (“TNB”) vs Asia Knight
- TNB has filed an action against Asia Knight at the Shah Alam High Court for RM1,642,803.57 as at 13 September 2013 being outstanding electricity bills as indicated in TNB’s running account.
- Asia Knight has made an application to transfer the proceeding to the Kuantan High Court and the Shah Alam High Court has granted the application on 7 January 2014. The Kuantan High Court has conducted trial and on 5 February 2016 dismissed TNB’s claim with cost of RM40,000.00.
- TNB filed an appeal dated 29 February 2016 at the Court of Appeal at Putrajaya, appealing against the decision of the High Court. The appeal has been allowed by the Court of Appeal on 20 February 2017 and the High Court Order dated 5 February 2016 has been set aside.
- In response to the above, Asia Knight has instructed its lawyer to file for appeal against decision of the Court of Appeal. Application for leave for appeal has been filed on 16 March 2017. The Federal Court has fixed the hearing date for the said leave application on 20 April 2018.
- (b) T-Venture vs Menteri Kewangan Malaysia and Pengarah Kastam Negeri Selangor (“Selangor Customs”) High Court; and
Kerajaan Malaysia vs T-Venture, Wong Tze Peng, See Teck Wah, See Han Liong, Andrew Su Meng Kit and Ch’ng Huat Seng, Shah Alam Session Court
- On 5 August 2015, T-Venture was served with two notices of demand from the Selangor Customs for the recovery of purported unpaid import duties and sales tax amounting to RM714,751.27 and RM273,804.52 respectively.
- On 25 August 2015, T-Venture appealed to the Director General of Customs against the said claim and on 7 September 2015, T-Venture was informed by the Selangor Customs that the import duty claim was revised to RM719,751.27 (instead of RM714,751.27).
- Subsequently on 2 December 2015, T-Venture was also informed by the Selangor Customs that the sales tax claim was revised to RM242,694.03 (instead of RM273,804.52).
- Pursuant to the appeal dated 25 August 2015 to the Director General of Customs against the claims raised by the Selangor Customs we subsequently received a reply from the Ministry of Finance (“MOF”) through its letter dated 13 April 2016 rejecting T-Venture’s appeal. T-Venture on 31 May 2016 re-appealed the same to the MOF and was rejected vide their letter dated 15 August 2016 (received on 22 August 2016).
- T-Venture had on 14 November 2016 filed an application for leave for judicial review to the Shah Alam High Court, seeking, amongst others, an Order of certiorari to quash the decision of MOF in rejecting the appeal made by T-Venture against the claim raised by Selangor Customs in respect of import duties and sales tax. On 2 June 2017 the application for Judicial Review was heard and on 13 July 2017 the High Court delivered judgement and dismissed the application with costs and T-Venture has filed an appeal to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation and case management is fixed on 18 December 2017.
- On 2 December 2017 (date of sealed copy), the Malaysia Government had filed a writ of action for the recovery of the duty/tax payable on the similar matter in the Session Court claiming RM709,783.29 and RM242,694.03 for the purported unpaid import duties and sales tax respectively and all the directors at the material time were named as defendants together with T-Venture. A trial at the Session Court on 6 February 2018, the Court has decided in favour of Kerajaan Malaysia. T-Venture will file an appeal to the said decision.
- Save as above, neither the Company nor any of its subsidiary companies is involved in any material litigation as at the latest practicable date, which has a material effect on the financial position of the Group.

ASIA KNIGHT BERHAD (71024 T)

B12. Dividends

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

B13. The basic loss per share is calculated by dividing the net loss in the current quarter and cumulative quarter attributable to equity holders of the Company by the number of 58,132,908 ordinary shares in issue for the current quarter and for the cumulative quarter as at 31 December 2017.

The diluted loss per share is the same as the basic loss per share as the effects of anti-dilutive potential ordinary shares are ignored in calculating diluted loss per share.

B14. Disclosure of realized and unrealized profits and losses

	31.12.2017	30.6.2017
	RM'000	RM'000
Total accumulated losses of Asia Knight Group		
- Realised	(181,166)	(105,580)
- Unrealised	-	28
	-----	-----
	(181,166)	(105,552)
Less : Consolidation adjustment	48,170	48,167
	-----	-----
Total Group accumulated losses	(59,996)	(57,385)
	=====	=====

B15. The following relevant amounts have been included in arriving at loss before tax:

Additional Disclosures	Current Quarter RM'000	Year to-date RM'000
(a) Depreciation	(101)	(200)
(b) Interest income	10	30
(c) Foreign exchange gain/(loss)	(8)	(34)
(d) Inventory written off	-	-
(e) Dividend income/Investment income	-	-
(f) Interest expenses	-	-
(g) Provision for and write off of receivables	-	-
(h) Gain/(loss) on disposal of investment/property	-	-
(i) Impairment of assets	-	-
(j) Gain/(loss) on derivatives	-	-

BY ORDER OF THE BOARD

SEE TECK WAH
Chairman

Date : 23 February 2018