



ASIA KNIGHT BERHAD
(71024-T)

Annual Report 2018

A Brighter Future Awaits

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A Brighter Future Awaits

Asia Knight Berhad strives to transform to greater heights by setting targets beyond the horizon in order to gain more strength to shape a better path in the near future. To achieve this position as a formidable company in the international market filled with strong competitions, Asia Knight Berhad must grab the opportunities and understand the ever-changing demands and rapid evolution in its environment. Standing on a stage of transformation, Asia Knight Berhad has strong visions for the years to come as we move forward.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of the Company will be held at Pangkor Room, Hotel Jen Penang, Jalan Magazine, 10300 George Town, Pulau Pinang on Thursday, 20 December 2018 at 11.30 a.m. for the following purposes:

AGENDA

1. To receive the Audited Financial Statements for the year ended 30 June 2018 together with the reports of the Directors and Auditors thereon. *(Please refer to Note A)*
2. To approve the payment of Directors' Fee of RM123,000 for the year ended 30 June 2018. *(Ordinary Resolution 1)*
3. To approve an increase of the Directors' Fee from RM123,000 to RM229,500 for the period from 1 July 2018 until the next Annual General Meeting (AGM) of the Company. *(Ordinary Resolution 2)
(Please refer to Note B)*
4. To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:
 - a) See Teck Wah Article 78 *(Ordinary Resolution 3)*
 - b) See Han Liong Article 78 *(Ordinary Resolution 4)*
 - c) Lee Soo Ching Article 85 *(Ordinary Resolution 5)*
 - d) Lim Seat Hoe Article 85 *(Ordinary Resolution 6)*
 - e) Dato' Ir. Low Keng Kok Article 85 *(Ordinary Resolution 7)*
5. To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM9,000 from 1 January 2019 until the next AGM of the Company. *(Ordinary Resolution 8)*
6. To re-appoint Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. *(Ordinary Resolution 9)*

7. AS SPECIAL BUSINESSES

To consider and if thought fit, to pass the following resolution:

ORDINARY RESOLUTIONS

a) Continue in Office as an Independent Non-Executive Director(s)

"That authority be and is hereby given to Mr. Seah Cheong Wei to continue to serve as Independent Non-Executive Director of the Company." *(Ordinary Resolution 10)*

b) Authority to Issue Shares

(Ordinary Resolution 11)

"That pursuant to Companies Act 2016 and approvals from the Bursa Malaysia Securities Berhad ("Bursa Securities") and other relevant governmental/regulatory authorities where such authority shall be necessary, the Board of Directors be authorised to issue and allot shares in the Company from time to time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Board of Directors may, in its absolute discretion, deem fit provided that the aggregate number of shares to be issued shall not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, and that the Board of Directors be empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Securities."

Notice of Annual General Meeting (Cont'd)

7. AS SPECIAL BUSINESSES (Cont'd)

SPECIAL RESOLUTION

- c) Proposed Change of Company Name from "Asia Knight Berhad" to "RGT Berhad" (Special Resolution)

"That the name of the Company be changed from ASIA KNIGHT BERHAD to RGT BERHAD with effect from the date of the issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia;

AND THAT the Memorandum and Articles of Association of the Company be amended accordingly wherever the name of the Company appears;

AND THAT the Directors be and are hereby authorised to carry out all the necessary documentations and actions in effecting the Proposed Change of Name."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board
HOW WEE LING (MAICSA 7033850)
OOI EAN HOON (MAICSA 7057078)
Secretaries

Penang
Date: 31 October 2018

NOTES:

- A. *This Agenda item is meant for discussion only as the provision of Section 340(1)(a) of the Companies Act 2016 and the Company's Articles of Association do not require a formal approval of the shareholders and hence, is not put forward for voting.*
- B. *The proposed increase in Director's Fee was only made to Chairman's Fee from RM1,500/month to RM3,000/month. Save for such proposed Fee increment, the total amount of the Directors' Fee of RM229,500 was calculated based on 18-month provision.*

Proxy

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 10 December 2018. Only a depositor whose name appears on the Record of Depositors as at 10 December 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.*
- A member shall be entitled to appoint at least (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.*
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.*
- The instrument appointing a proxy shall be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Penang, not less than 24 hours before the time appointed for holding the Meeting or any adjournments thereof.*

Notice of Annual General Meeting (Cont'd)

Explanatory Note on Special Business:

1. Ordinary Resolution 10 - Continue in Office as Independent Non-Executive Director(s)

The terms of service of Mr. Seah Cheong Wei would come to a cumulative term of nine years in November 2019.

The Board had assessed the performance and independence of Mr. Seah and recommended that the approval of the shareholders be sought for Mr. Seah to continue to serve as the Independent Non-Executive Director of the Company, based on the following justification:

- i) He fulfilled the criteria under the definition of an Independent Director as stated in the Main Market Listing Requirements of Bursa Securities. Mr. Seah has demonstrated throughout the terms of his office to be independent by exercising independent judgment when a matter is put before him for decision. Thus, he would be able to function as check and balance, provide broader view and brings an element of objectivity to the Board;
- ii) His vast experience in the finance, accounting and taxation areas enabled him to provide the Board with a diverse set of experience, expertise and independent judgement and thereby, able to make informed decision and participate actively and contribute positively during deliberations or discussions at Board Meetings.
- iii) He has performed his duty diligently and in the best interest of the Company and provides a broader view, independent and balanced assessment of proposals from the Management.

The proposed Ordinary Resolution 10, if passed, will enable Mr. Seah Cheong Wei to continue to act as Independent Non-Executive Director of the Company. Otherwise, he will be re-designated as a Non-Independent Non-Executive Director and relinquish his position as an Independent Non-Executive Director of the Company upon his expiry term of nine years in November 2019.

2. Ordinary Resolution 11 - the Authority to issue Shares

The proposed Ordinary Resolution No. 11, if passed, will grant a renewed general mandate (Mandate 2018) and empower the Directors of the Company to issue and allot shares up to an amount not exceeding in total ten per centum (10%) of the total number of issued shares of the Company from time to time and for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM of the Company.

The Mandate 2018 will provide flexibility to the Company for allotment of shares for any possible fund raising activities, including but not limited for further placing of shares, for the purpose of funding future investment(s), acquisition(s) and/or working capital.

As at the date of this Notice, the Company did not issue any shares pursuant to the mandate granted to the Directors at the 36th AGM. Pursuant to the Circular to Shareholders in relation to the Regularisation Plan dated 22 December 2017, the proceeds raised from the Rights Issue with Warrants amounting to RM34.88 million, mainly earmarked for the part financing of the Purchase Consideration. Please refer to page 31 of the Annual Report 2018 for further details on the utilisation of proceeds raised.

3. Special Resolution - Change of Company Name

The Proposed Special Resolution, if passed, will allow the Company to change its name from "Asia Knight Berhad" to "RGT Berhad" with effect from the date of the issuance of the Notice of Registration of New Name by the Companies Commission of Malaysia. The Proposed Change of Company Name is to reflect a new corporate identity for a brighter future of the Company.

Corporate Information

BOARD OF DIRECTORS

DATO' IR. LOW KENG KOK	: Independent Non-Executive Chairman *
SEE TECK WAH	: Managing Director **
LIM SEAT HOE	: Executive Director */Chief Executive Officer ***
SEE HAN LIONG	: Executive Director
LEE SOO CHING	: Executive Director *
SEAH CHEONG WEI	: Independent Non-Executive Director
LIM HENG GAUL	: Independent Non-Executive Director
TAN TENG CHEOK	: Senior Independent Non-Executive Director (Resigned on 1 August 2018)
SEE SENG HONG, PJK	: Executive Director (Resigned on 23 August 2018)

* Appointed on 30 May 2018

** Resigned as Chairman on 30 May 2018

*** Further appointed as Chief Executive Officer on 24 August 2018

AUDIT COMMITTEE

SEAH CHEONG WEI	: Chairman (Appointed on 1 August 2018)
DATO' IR. LOW KENG KOK	: Member (Appointed on 1 August 2018)
LIM HENG GAUL	: Member
TAN TENG CHEOK	: Chairman (Resigned on 1 August 2018)

NOMINATION COMMITTEE

DATO' IR. LOW KENG KOK	: Chairman (Appointed on 1 August 2018)
SEAH CHEONG WEI	: Member
LIM HENG GAUL	: Member
TAN TENG CHEOK	: Chairman (Resigned on 1 August 2018)

REMUNERATION COMMITTEE

DATO' IR. LOW KENG KOK	: Chairman (Appointed on 1 August 2018)
SEAH CHEONG WEI	: Member
LIM HENG GAUL	: Member (Appointed on 1 August 2018)
TAN TENG CHEOK	: Member (Resigned on 1 August 2018)
SEE TECK WAH	: Chairman (Resigned on 1 August 2018)

RISK MANAGEMENT COMMITTEE (Established on 24 August 2018)

SEAH CHEONG WEI	: Chairman
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COMPANY SECRETARIES

HOW WEE LING	: (MAICSA 7033850)
OOI EAN HOON	: (MAICSA 7057078)

REGISTERED OFFICE

57-G Persiaran Bayan Indah,
Bayan Bay, Sungai Nibong,
11900 Bayan Lepas, Penang
Tel: 604 640 8933
Fax: 604 643 8911

SHARE REGISTRAR

Symphony Share Registrars Sdn Bhd (Company No.
378993-D)
Level 6, Symphony House,
Pusat Dagangan Dana 1,
Jalan PJU 1A/46,
47301 Petaling Jaya,
Selangor Darul Ehsan
Tel: 603 7841 8000
Fax: 603 7841 8008

AUDITORS

Crowe Malaysia (formerly known as Crowe Horwath)
(AF:1018)
Chartered Accountants
Level 6, Wisma Penang Garden,
42, Jalan Sultan Ahmad Shah,
10050 Penang
Tel: 604 227 7061
Fax: 604 229 8011

PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd
Alliance Bank Malaysia Berhad
Public Bank Berhad

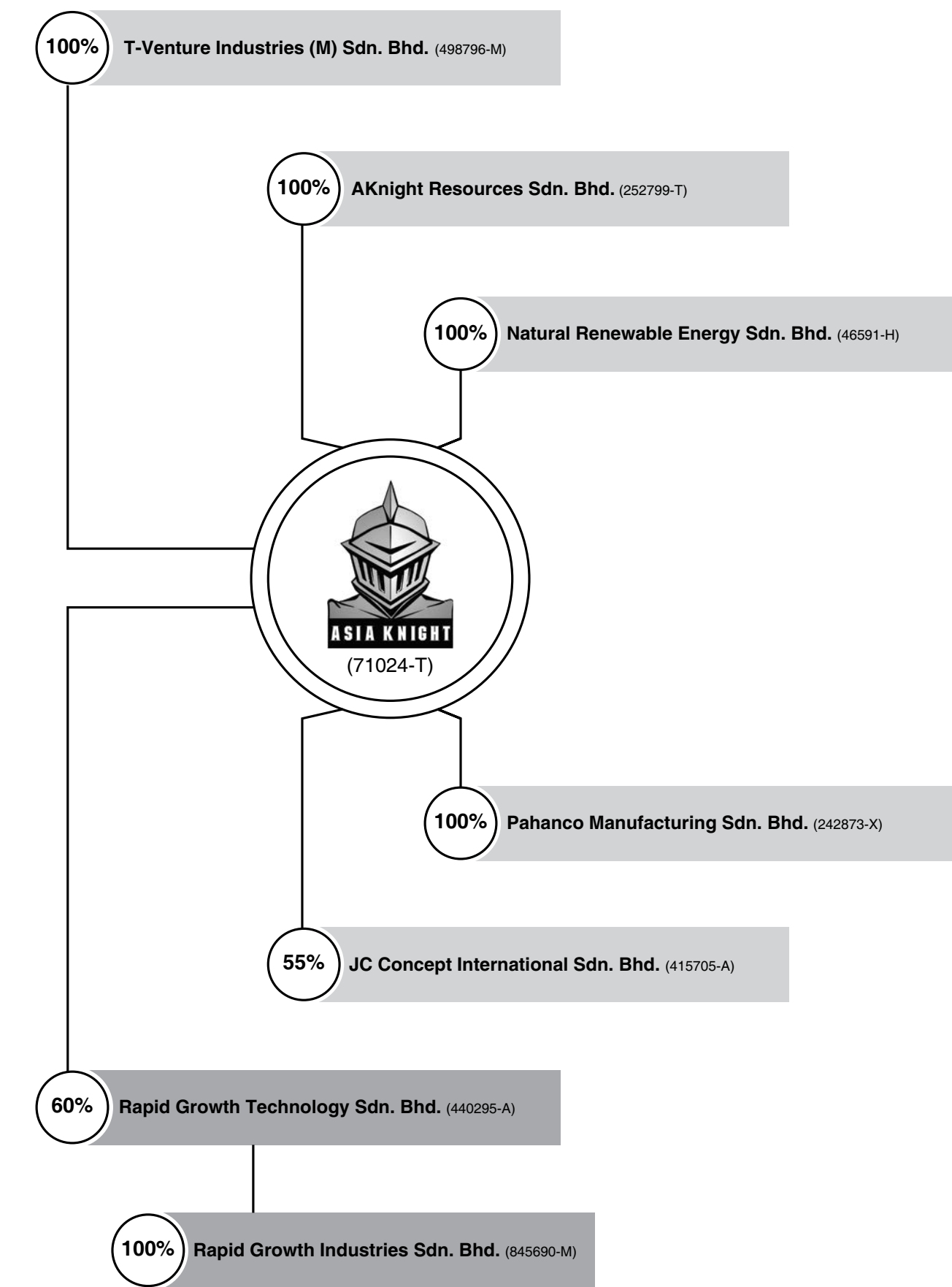
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Name: AKNIGHT
Stock Code: 9954

WEBSITE

www.asiaknight.com

Group Structure



Profile of Directors

DATO' IR. LOW KENG KOK

*Independent Non-Executive Chairman
Malaysian, aged 64, Male*

Dato' Ir. Low Keng Kok, was appointed as an Independent Non-Executive Director of the Company on 30 May 2018. He is also the Chairman of Nomination and Remuneration Committee and a member of the Audit Committee.

Dato' Ir. Low graduated from the University of Malaya with a Bachelor of Engineering (Hons) Degree in Civil Engineering. He is a Chartered Engineer and Chartered Environmentalist (U.K.). He is a Fellow of the Institution of Engineers, Malaysia and the Institution of Highways and Transportation, U.K.

He is a corporate member of the Chartered Institution of Water and Environmental Management, U.K. (MCIWEM) and the Institution of Civil Engineers, U.K. (M.I.C.E.).

Dato' Ir. Low has more than 39 years of experience in management of major building and infrastructural projects. Dato' Ir. Low is also the Chairman of Fajarbaru Builder Group Berhad, a Director of Fitters Diversified Berhad, a director of Universiti Teknologi Malaysia (UTM) and an advisor for Contractors Intelligence and Contract Variation Committee (CICVC) of Penang Development Corporation (PDC). He was the Managing Director of Road Builder (M) Holdings Berhad from 1998 to 2007.

LIM SEAT HOE

*Executive Director/Chief Executive Officer ("CEO")
Malaysian, aged 69, Male*

Mr. Lim Seat Hoe, was appointed to the Board of Directors of the Company on 30 May 2018 and further appointed as CEO of the Company on 24 August 2018.

Mr. Lim graduated from Chung Ling High School with O-Level certificate in 1966.

He started his career as a Sales Representative in 1967 and joined various companies before joining Teo Guan Lee Sdn Bhd as General Manager in 1988. He left for Hong Kong in 1992 and joined Mizuno Corporation HK Ltd holding the position as President of the company.

During his tenure with Mizuno Corporation, he had to oversee the operations of Mizuno Group of Companies in China ranging from sales & marketing, supply chain management and research & development. He was the CEO and President of Mizuno Corporation China Ltd before returning to Malaysia to join Rapid Growth Technology Sdn Bhd ("RGT") in 2012 as CEO.

He is currently in-charge of the day-to-day operations of the business, making strategic business decisions and implementing Board policies for Asia Knight Berhad ("AKB" or "the Company").

SEE TECK WAH

*Managing Director
Malaysian, aged 69, Male*

Mr. See Teck Wah, was appointed to the Board of Directors of the Company on 21 November 1981. On 6 May 2009, he was appointed Chairman of the Company but relinquished this position on 30 May 2018.

Mr. See graduated from Pin Hwa High School with O-Level certificate in 1968.

He started working in 1969 in wood-based industries and has accumulated many years of management experience. He also sits on the Board of several private limited companies and a public non-listed company.

SEE HAN LIONG

*Executive Director
Malaysian, aged 42, Male*

Mr. See Han Liong, was appointed to the Board of Directors of the Company 19 October 2012.

He obtained his Bachelor of Business (Economics and Finance) from Royal Melbourne Institute of Technology University in 2000.

He joined Star Cruises in the finance department from 2000 to 2002. He joined AKB in 2002 and is responsible for the supervision and management of moulded plastic parts manufacturing division. He also sits on the Board of several private limited companies and a public non-listed company.

Profile of Directors *(Cont'd)*

LEE SOO CHING

*Executive Director
Malaysian, aged 41, Female*

Ms. Lee Soo Ching, was appointed to the Board of Directors of the Company on 30 May, 2018.

She graduated from Deakin University in Australia with a Bachelor of Commerce, majoring in Marketing and Business Systems Management in 2003.

Upon graduation, she joined I.Bor (M) Sdn Bhd, a company that specialises in plastic injection moulding, as a Factory Manager. I.Bor (M) Sdn Bhd has ceased operations as at 3 September 2016. In 2010, she joined RGT as a Key Account Manager and in 2012, she was promoted to Executive Director of RGT where she is responsible for overseeing the overall strategic business development and supply chain management of RGT.

She is the daughter of Hor Lim Chee, one the major shareholders of the Company.

SEAH CHEONG WEI

*Independent Non-Executive Director
Malaysian, aged 45, Male*

Mr. Seah Cheong Wei, was appointed as an Independent Non-Executive Director of the Company on 18 November 2010. He is also the Chairman of the Audit Committee and Risk Management Committee, a member of the Nomination and Remuneration Committees.

He completed Master of Business Administration (MBA) and Bachelor of Commerce in Accounting. He obtained his Chartered Accountant membership from Malaysian Institute of Accountants and Institute of Chartered Accountants of New Zealand. Currently he run his own firm providing services in auditing, accounting, company secretarial and consultancy works.

Currently, he is also an Independent Non-Executive Director of Metro Healthcare Berhad.

LIM HENG GAUL

*Independent Non-Executive Director
Malaysian, aged 58, Male*

Mr. Lim Heng Gaul, was appointed as an Independent Non-Executive Director of the Company on 19 November 2014. He is a member of Audit Committee, Nomination Committee and Remuneration Committee.

He obtained a Bachelor of Science (Hons), Geology from University of Malaya in 1985.

Upon graduation, he joined University of Malaya as Tutor in the Geology Department from 1985 to 1987. Subsequently, he served in the United States offshore oil exploration companies based in Singapore i.e. Exploration Logging Ltd., USA as Mud-logger from 1988 to 1989 and Inteq (Baker Hughes) Ltd., USA as Pressure Evaluation Geologies from 1990 to 1993. He is a Licensed Commissioned Dealer's Representative under Bursa Malaysia Security Berhad from 1995 until to-date.

Additional Information on the Directors

Family relationship with any director and/or major shareholder
Save for the undermentioned, the above Directors have no family relationship with any other Directors and/or major shareholders of AKB:

- (i) See Teck Wah is the father of See Han Liong
- (ii) Lee Soo Ching (a daughter of Hor Lim Chee, a major shareholder of the Company)

Convictions for offences (within the past 5 years other than traffic offences, if any)

None of the Directors have any convictions for offences other than traffic offences within the past 5 years.

Particulars of any public sanction or penalty imposed by the relevant regulatory bodies during the financial year, if any

None of the Directors were penalized or sanctioned by any regulatory bodies during the financial year.

Conflict of Interest

The Directors have not entered into any transaction, whether directly or indirectly, which has a conflict of interest with the Company.

Securities held in the Company

The details are disclosed on page 88 of this Annual Report.

Key Senior Management Information

NG CHOON KEAT

*Managing Director of RGT
Malaysian, aged 51, Male*

Mr. Ng Choon Keat, is a Co-founder of RGT since 25 July 1997. He assumed the position of Executive Director of RGT in 2004 and was promoted to his present position in 2010. He is responsible for overseeing the overall operations of RGT.

He completed his studies in Mechanical Engineering from Chiba University in Japan in 1992.

He started his career as an engineer in Yano Electronics (M) Sdn Bhd where he was involved in the metal stamping and assembly processes for video players and car stereos. In 1997, he joined Promooi Plastic Industries Sdn Bhd as a Manager and his responsibilities include overseeing the overall production activities and business development of the company.

In the same year, he co-founded RGT with his other partners and was appointed as RGT's Non-Executive Director.

LAM KIM GOON

*Finance Director of RGT
Malaysian, aged 47, Male*

Mr. Lam Kim Goon, is the Finance Director of RGT since May, 2018.

He graduated with a Bachelor of Business (Accounting) from Deakin University, Australia. He is currently a Chartered Accountant registered with the Malaysian Institute of Accountants and a Certified Practising Accountant registered with the CPA Australia.

He started his career as an audit assistant with Arthur Andersen & Co in 1994 and subsequently joined Ernst & Young. He left Ernst & Young as an Audit Manager in 2003.

In 2004, he joined Texchem Corporation Sdn Bhd as a Group Finance Manager where he was in charge of the financial matters for Texchem Resources Berhad and was promoted to Head of Group Finance of Texchem-Pack Holdings (S) Ltd, a company listed on the Main Board of Singapore Stock Exchange.

In 2008, he left Texchem Group and joined D'nonce Technology Bhd as its Chief Financial Officer before leaving to join RGT in May, 2018. Both D'nonce Technology Bhd and Texchem Resources Bhd are listed on the Main Board of Bursa Malaysia Securities Berhad.

ONG ENG KEONG

*Deputy Operations Director of RGT
Malaysian, aged 45, Male*

Mr. Ong Eng Keong, was appointed as the current position in 2016 and is responsible for overseeing the engineering facilities of RGT.

He graduated from Politeknik Sultan Abdul Halim Mu'adzam Shah with a Diploma in Electro-Mechanical Engineering in 1995.

Mr. Ong started his career as an Assistant Engineer with Nikko Electronics Sdn Bhd in 1996. He joined TC (Malaysia) Sdn Bhd in 1999 as a Mechanical Engineer and he was promoted to various positions and his last position was Senior Research and Development Manager in-charge of Asia Pacific Region before joining RGT.

He joined RGT as a Senior Engineering Manager in 2013 but left in 2014 to join Ban Seng Plastic Industries & Assembly Sdn Bhd as a General Manager. In 2016, he returned to RGT to assume his present role until to date.

Additional Information on the Key Senior Management

None of the Key Senior Management has:

- any family relationship with any Director and/or major shareholder of AKB.
- any conflict interest with AKB.
- any conviction for offences within the past five (5) years other than traffic offences.
- any directorship in public company and listed issuer.
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Chairman's Statement

On behalf of the Board of Directors ("the Board"), I am pleased to present the Annual Report and Audited Financial Statements of Asia Knight Berhad ("AKB" or "the Group") for the financial year ended 30 June 2018 ("FYE 2018").

The Group's performance during the current year has improved as the overall revenue has increased by 151.24% compared to previous year. The loss before tax for the current year has also reduced from RM1.42 million in financial year ended 2017 to RM0.85 million in FYE 2018. This increase in revenue and reduction in losses are mainly due to the acquisition of Rapid Growth Technology Sdn Bhd ("RGT") in May 2018 which contributed a revenue of RM14.49 million and profit before tax of RM2.34 million respectively.

AKB will continue to improve its businesses to gain market share against the backdrop of continued volatility and uncertainty in the world economy. The results of the improvement in this year demonstrated that the pro-active plans carried out by the management has contributed to both the top and bottom line of AKB after the completion of Regularisation Plan as detailed below:-

REGULARISATION PLAN

The Company had undertaken and completed the undermentioned regularisation plan to rectify its PN17 status in May 2018 with the followings:

- (i) Reduction of the Company's share capital pursuant to Section 116 of the Companies Act 2016;
- (ii) Renounceable rights issue of 348,797,448 new ordinary shares ("Rights Shares") together with 174,398,724 free detachable warrants ("Warrants") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing ordinary share held on an entitlement date; and
- (iii) Acquisition of 9,000,000 ordinary shares in RGT (representing 60% equity interest in RGT) for a purchase consideration of RM48,000,000 to be satisfied via issuance of 170,000,000 shares at an issue price of RM0.10 per share and cash payment of RM31,000,000.

ECONOMIC OUTLOOK AND PROSPECTS

AKB has laid the foundations for the future growth through the implementation of the various action plans taken and these on-going activities will reinforce and continue to drive the growth and expansion of the Group.

The Malaysia National Sources and International Monetary Fund in their Second Quarter 2018 has updated that the World GDP grew by 3.5% in 2018 (Quarter 2, 2017: 3.4%). However, we remain cautious that the uncertainty and volatility in the global financial markets and business challenges such as volatility in exchange rates and raw material pricing will continue to persist. We will continue to monitor these developments closely to ensure that the volatility is duly managed in a prudent and effective manner.

On the Malaysian Economy, the Economic Growth expanded by 4.5% (Quarter 2, 2017: 5.8%) in the second quarter of 2018. The growth was supported by domestic demand particularly the private sector expenditure. On the supply side, all sectors registered a positive growth rate except agriculture and mining. The manufacturing sector grew 4.9% supported by higher production of Electrical and Electronics, petroleum, chemical, rubber and plastic products and transport equipment.

It was a mixed performance for the Malaysian Ringgit during the second quarter of 2018. The Malaysia Ringgit depreciated against the US Dollar by 4.4%, however, appreciated against the Pound Sterling by 2.3%, Thai Baht (1.6%), the Euro (1.2%), the Chinese Yuan Renminbi (1%) and the Korean Won (0.4%). Overall, the performance of the Malaysian Ringgit was contributed by continued non-resident outflows, concerns over global geopolitical conflicts and the US monetary policy normalisation during the quarter. Most major and regional currencies weakened against the US Dollar within the range of 2.2% - 5.8%.

AKB has the confidence to address these risks and has also taken steps by setting out appropriate business strategies to mitigate these risks. The Company will continue to remain prudent and exercise discipline in carrying out its functions whilst enhancing its own competency to achieve sustainable growth in the coming years.

Chairman's Statement *(Cont'd)*

CORPORATE GOVERNANCE

The Board recognises the importance of Corporate Governance and is committed in ensuring that good corporate governance is practised throughout the Group by adopting the principles set out in the Malaysian Code of Corporate Governance.

SUSTAINABILITY

This is the first year we are presenting our Sustainability Statement. We recognise that we have immense commitment to our stakeholders in ensuring that we operate in a safe and healthy environment, take care of our employees wellbeing, customers, suppliers and other stakeholders while operating the business with integrity and responsibility including providing opportunities for the local communities as well as protecting and caring for the environment.

DIVIDENDS

The Board has not approved any dividend payout as at the date of this Annual Report.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express our appreciation to Mr. See Seng Hong, Mr. Tan Teng Cheok and Mr. Andrew Su Meng Kit who have resigned from the Board for their valuable contribution and guidance during their tenure as Board members. The Board would also like to congratulate Mr. Lim Seat Hoe on his appointment as the Chief Executive Officer of the Company on 24 August 2018.

I would like to take this opportunity to extend my admiration and sincere thanks to my fellow Board members for their valuable input and contribution.

Lastly, the Board would also like to thank our shareholders, valued customers, business partners for your continuous and overwhelming support and to our dedicated management team and staffs for their commitment and hard work.

DATO' IR. LOW KENG KOK
CHAIRMAN

Management Discussion & Analysis

REVIEW OF FINANCIAL RESULTS

For the financial year ended 30 June 2018 ("FYE 2018"), Asia Knight Berhad ("AKB" or the "Group") recorded revenue of RM26.43 million and loss before tax of RM0.85 million respectively.

Increase in revenue for the FYE 2018 by RM15.92 million to RM26.43 million as compared to revenue of RM10.51 million recorded in the previous financial year was mainly attributable to the revenue contributed by newly acquired 60% owned subsidiary, Rapid Growth Technology Sdn Bhd ("RGT") in May 2018 ("the Acquisition"). Total revenue contribution from RGT to AKB for FYE 2018 was RM14.49 million mainly derived from revenue generated from customers in United States of America and Switzerland.

The Group's loss before tax reduced from RM1.42 million in financial year ended 30 June 2017 ("FYE 2017") to RM0.85 million in FYE 2018 was mainly due to the contribution by RGT since the Acquisition and partially offset against the increase in professional fees incurred in relation to the Regularisation Plan of the Group.

The Group's cash and cash equivalent stood at RM23.71 million as at 30 June 2018 (FYE 2017: RM3.72 million) and net assets of RM79.94 million (FYE 2017: RM2.76 million). AKB generated positive net operating cash flow of RM11.64 million in FYE 2018 compared to negative net operating cash flow of RM2.67 million in FYE 2017. The improvement are due to the Regularisation Plan as mentioned below:

REGULARISATION PLAN

The Company is an Affected Listed Issuer ("PN 17 status") pursuant to:

- Paragraph 2.1(d) of the Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR") as the Company's previous auditors have expressed disclaimer opinion in the Company's audited financial statements for the 18-month financial period ended 30 June 2014;
- Paragraph 2.1(a) of the Practice Note 17 of the MMLR based on the Company's audited financial statements for the financial year ended 30 June 2015.

The Company had on 14 August 2017 announced the undermentioned regularisation plan to rectify its PN17 status ("the Regularisation Plan") with the followings:

- (i) Reduction of the Company's share capital pursuant to Section 116 of the Companies Act 2016 ("Capital Reduction");
- (ii) Renounceable rights issue of 348,797,448 new ordinary shares ("Rights Shares") together with 174,398,724 free detachable warrants ("Warrants") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing ordinary share held on an entitlement date ("Rights Issue with Warrants"); and
- (iii) Acquisition of 9,000,000 ordinary shares in RGT (representing 60% equity interest in RGT) for a purchase consideration of RM48,000,000 to be satisfied via issuance of 170,000,000 shares ("Consideration Shares") at an issue price of RM0.10 per Consideration Share and cash payment of RM31,000,000.

The Regularisation Plan was approved by Bursa Malaysia Securities Berhad on 23 November 2017 and by shareholders at an Extraordinary General Meeting of the Company held on 17 January 2018. The High Court of Malaya had on 19 March 2018 granted an order confirming the Capital Reduction and the sealed Court Order was then lodged with the Registrar of Companies on 26 March 2018, following which the Capital Reduction became effective and was deemed completed.

The listing and quotation of 348,797,448 Rights Shares and 174,398,724 Warrants were completed on 21 May 2018. On the same date, 170,000,000 Consideration Shares has been granted listing and quotation. The Regularisation Plan had been completed on 22 May 2018 following the cash payment of RM31,000,000 was made to Hor Lim Chee, Ng Choon Keat, Tan Song Chai, Lim Seat Hoe and Tan Ann Chee collectively on that day.

BUSINESS OVERVIEW

The Group currently manufactures products based on the product design, and specifications provided by their customers. The Group aims to expand its services to include Original Design Manufacturer ("ODM") services for moulded plastic products. This will increase its industry standing in the plastics manufacturing industry as after the Acquisition, this would enable the Group to provide value-added services, in the form of product design to its customers.

With its internal R&D division, the Group can leverage on its technical expertise accumulated to collaborate with its customers in the product design and development stage. This experience in product design and development will provide the Group with the knowledge base to expand into ODM services.

Management Discussion & Analysis *(Cont'd)*

BUSINESS OVERVIEW *(cont'd)*

With the completion of the Acquisition, the Group can also leverage on its existing expertise in manufacturing of moulded plastic products to diversify its customer base into other industries especially into the Medical and other industries. RGT presently produces products which are mainly in the air-care and hygiene-care industries and the core competencies extend beyond these products in the enlarged Group.

FUTURE DIRECTION

The Group's vision is to be a Leading Global One-Stop Solution Business Partner.

The Group's main focus and aim is to realise and deliver the Group's potentials and enhance our shareholders' values through innovation, development and production of top quality products and services to our customers. Following the completion of the Acquisition, the Group is able to establish a stronger presence in its field.

RISK MANAGEMENT

Foreign Exchange Risks

The Group is exposed to foreign exchange risk arising mainly from USD and SGD which are the main currencies used for export sales and import purchases. The Group is subject to currency risks as it is dominantly an export based entity. Any adverse movements in USD/SGD against RM may affect the financial performance of the Group.

To mitigate the risk, the Group uses forward exchange contract to hedge its foreign currency risk and the remaining is being monitored closely to ensure that the net exposure is at an acceptable level. There are some natural hedge element as the Group also incur purchases in USD.

Competition Risk

The Group's business faces intense global and local competition on the emergence of new players penetrating into this business segment.

We rely on our customer's demand and it may fluctuate periodically and this may result in the Group not able to enjoy the optimum capacity and this will result us not being able to enjoy the optimum cost benefits in certain period. The Management seeks to limit the risk through, amongst others, prudent financial policies and continuous review of operation to improve efficiency.

FUTURE OUTLOOK AND PROSPECTS

The Group faces challenges such as the intense competition from existing and new players and the volatile prices of raw materials. The Group will continue to embark on the development of new and innovative products and giving emphasis on product quality in order to stay competitive in the market.

With the Acquisition, the Group has a team with many years of experience collectively in the plastic industry and also expand its services to include ODM services for moulded plastic product. To remain competitive in the market and to meet the expectation to be a market leader in this business, the Group will reinforce its positioning in the ODM sector by increasing its production capacity and innovating and enhancing its design capabilities by applying new technology to its customers.

The Group is expected to improve further, in light of the growing demand for companies to provide value-added services to Malaysia and global markets.

The Group is expecting a healthy growth in financial year 2019 and beyond.

DIVIDENDS

The Board has not approved any dividend payout as at the date of this Annual Report.

CONCLUSION

The Management is pleased to provide their knowledge and prospect towards the Group's objectives in order to help investors in making informed investment decisions and to give shareholders a better understanding on the Group's business operations and financial performance.

The Management Discussion & Analysis was made in accordance with a Board resolution dated 5 October 2018.

Sustainability Statement

We are presenting our first Sustainability Statement ("this Statement") to include disclosures on the governance structure which we have put in place to manage the Economic, Environmental and Social programmes.

It is the Board of Directors' ("Board") commitment in building a sustainable business that delivers value for all shareholders and stakeholders especially employees, our business partners, society and our environment. In ensuring long term sustainability of our businesses and the creation of greater public trust in our Company, the Board continuously ensures that sound principles of sustainable governance are integrated into the work environment and business processes of our Group.

We are committed to be transparent in our sustainability performance, which is based upon the following principles:-

- (i) To observe and comply with all relevant legislation, regulations and code of practice,
- (ii) To consider sustainability issues and integrate these considerations into our business decisions,
- (iii) To promote and ensure all employees are aware of, and are committed to implement and measure sustainability activities as part of the Group's strategy, taking into consideration of Economic Performance, Environment and Social, and
- (iv) To strive for governance aspects.

SCOPE AND BASIS

The scope on this Statement covers our activities for the financial year ended 30 June 2018 ("FYE 2018") by embedding sustainability considerations into the Group's business strategy.

The disclosure in this Statement covers its subsidiary, Rapid Growth Technology Sdn Bhd ("RGT") as the activities relating to Economic, Environment and Social are more substantial compared to the other subsidiary companies in the Group. The information disclosed in this Statement encompasses our activities related to manufacturing of plastic parts and filling and assembly of finished products for our customers.

STAKEHOLDER ENGAGEMENT

We value our stakeholders contribution in our business strategy by engaging an open communication and understanding their expectations. We have identified and will continue to use the following platforms to engage with all our different stakeholders as indicated in the table below:-

Stakeholders	Engagement	Frequency
Customers	Feedback survey	On going
	Customer Audits	On going
	Face-to-face interaction	On going
	Conference Calls	On going
	Customer site visit	On going
	Regular meetings	On going
Employees	Health and Safety briefing	On going
	In-house Trainings	On going
	Corporate/Staff memo	On going
	Performance evaluations	Annually
	Regular meetings	On going
Management	Monthly operation review	Monthly
	Half yearly operation review	Half yearly
	Preparation of Budget	Annually
	Round table discussion	Monthly
	Regular meetings	On going
Suppliers	Evaluation of suppliers	On going
	Face-to-face interaction	On going
	Supplier audit	On going

Sustainability Statement *(Cont'd)*

STAKEHOLDER ENGAGEMENT *(Cont'd)*

Stakeholders	Engagement	Frequency
Investors	Quarterly Bursa Announcements	Quarterly
	Annual General Meetings	Annually
	Press releases	As requested
	Corporate websites	On going
Government and regulators	Site visit and meeting	As requested
	Participation of Government/Regulator organised events	On going
Community	Donations	On going
	Sponsorship	On going

A. ECONOMIC

The sustainability of our business depends on the quality of our products as we have placed extensive and substantiate emphasis on our stringent quality control at every station of our manufacturing processes. At the same time, we also have to innovate our manufacturing processes to keep in pace with the technological advancements.

Another important sustainability point is knowing, understanding and responding to customers' needs. We view the relationships with our customers as one of our main priorities. We pay particular attention to our customers' needs and continuously improving our supply chain to effectively meet all their demands.

Economic Performance

We understand that a good financial performance is vital for the success of the sustainability of the Group.

During the year, we have acquired 60% shareholdings in RGT. The enlarged Group will be principally involved in a more comprehensive range of plastic manufacturing services and this will enhance our competitiveness.

The acquisition will offer opportunities for further expansion as well as benefits arising from complementary synergies, such as:-

- (i) The enlarged Group will be able to offer more expansive product offerings
- (ii) The enlarged Group may be able to streamline its supply chain and gain better bargaining power through bulk purchases
- (iii) The enlarged Group can provide cross selling services to existing and new customers; and
- (iv) Creation of complementary synergies of which knowledge can be shared across T-Venture Industries (M) Sdn Bhd.

This acquisition is also expected to strengthen the Group's financial position and contribute positively to the Group's future earnings. RGT is expected to remain profitable and provide the Group with a steady stream of future cash flows.

Business Ethics

We are committed to ensure that the highest standards of good corporate governance and ethical conduct is practised in the group in the way we conduct our business matters. We have our Employee Handbook – Code of Conduct which outlines the code of conduct components such as compliance with laws, rules and regulations in the workplace, protection of Company's property, professionalism in all business practices and etc. which promotes integrity and ethical behaviour in all aspect of the Group's operations.

Our Group has also adopted a Whistleblowing Policy emphasizing on carrying out its business in accordance to the highest standards of professionalism, honesty, integrity and ethics.

Sustainability Statement *(Cont'd)*

A. ECONOMIC *(Cont'd)*

Business Ethics *(Cont'd)*

The Policy is:

- (i) To help develop a culture of accountability and integrity within the Group,
- (ii) To provide a safe and confidential avenue for all stakeholders to raise concerns about any poor or unacceptable practise or misconduct,
- (iii) To reassure whistleblowers that they will be protected from detrimental action or unfair treatment for disclosing concerns in good faith; and
- (iv) To deter misconduct and promote standards of good corporate practices.

For more information on the Whistleblowing Policy, please refer to our website at www.asiaknight.com.

Product and Service Quality

We strive to deliver quality products and services to our customers. We have the following certifications and subject to stringent audits by the following boards:-

(i) ISO 9001:2015 (Quality Management Systems)

This ISO specifies requirements for a quality management system where our organization:-

- has the ability to consistently provide product that meets customer and applicable statutory and regulatory requirements; and
- enhance customer satisfaction through the effective application of the system, including processes for continual improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

(ii) ISO 13485:2016, Medical devices (Quality Management Systems)

This is an internationally agreed standard that sets out the requirements for a quality management system where our organisation has the ability to provide medical devices and related services that consistently meet customer and applicable regulatory requirements.

(iii) C-TPAT (Customs – Trade Partnership against Terrorism)

Our organization complies to supply chain security audits against all Customs-Trade Partnership against Terrorism (C-TPAT global and regional requirements) ensuring the followings:-

- Outside Barriers and Physical Security
- Factory Internal Security
- Factory Employee Security
- Shipping Dock Security
- Key and Seal Controls
- Security Processes
- Container and Merchandise Movement
- Computer Systems Security and Controls

(iv) SEDEX Members Ethical Trade Audit (SMETA) – 4 Pillars

We are a partner to SEDEX (Supplier Ethical Data Exchange) where they help organizations manage data on labour practices on their supply chain.

SEDEX members have agreed the Best Practice Guide, a common methodology to improve audit standards and promote mutual acceptance of audit reports. SMETA also review performance against the right to work of migrant workers, management systems and implementation, sub-contracting and home working and environmental issues.

SMETA 4-pillars was developed in order to meet the changing needs of consumer goods organisations and focuses on the four pillars of Labour Standards, Environmental Management, Health and Safety, and Business Integrity.

Sustainability Statement *(Cont'd)*

A. ECONOMIC *(Cont'd)*

Product and Service Quality *(Cont'd)*

(v) NSF International Certified

NSF International is an independent public health and safety organization whose influence and stringent standards in standardising food safety and sanitation protocols to promote public health.

NSF International is accredited as an independent, third-party certification company that tests and analyses products to make sure that they meet high safety standards.

B. ENVIRONMENT MANAGEMENT

Our Company is also committed to manage environmental impact as an integral part of our operations. Our Company has established a Safety, Health & Environmental Committee ("SHE Committee") which is tasked to take into consideration the environmental integrity of our operations and facilities at all times.

We are also complying to Environmental Quality Act and adhering to the following principles:-

- (i) A Scheduled Waste Competent subcontractor to handle all the scheduled waste as per legal requirements.
- (ii) Changing to LED lights to reduce carbon emission and reduce electricity usage.
- (iii) Monitoring of discharge of industrial effluent to ensure below the Permissible Exposure Limit.
- (iv) Reuse, Reduce and Recycling and to minimise the amount of waste we produce and reduce our carbon footprint.
- (v) Formation of "Why Not" challenge to all employees to suggest improvements on our daily operations for cost savings and reward is given as encouragement.
- (vi) Continually seek opportunities to improve our environmental performance including but not limited to energy, water, paper etc.

C. SOCIAL

We are committed to provide a safe and healthy working environment to all employees as our success relies on a motivated workforce and to provide the best we can to our employees.

Our Company has implemented many programmes and activities and we have been registered under SEDEX Members Ethical Trade Audit (SMETA) compliance. SMETA is a compilation of best practices in ethical audit. SMETA audits use the ETI Base Code and is founded on the conventions of the International Labour Organisation (ILO) which is an internationally recognised code of labour practice. SMETA audits can be conducted against 2 or 4 auditing pillars but our Company is audited using the 4 pillars compliance. The two pillars mandatory for any SMETA audit are Labour Standards and Health & Safety. We have added 2 additional pillars to a 4-pillar audit to further deepen the social responsibility aspect of SMETA audits to include Environmental assessment (extended) and Business Ethics.

In short, SMETA is one of the largest collaborative platform in the world to help its members to take control of the information to do business in an increasingly transparent world. Our Company is subjected to be audited by an independent party on an annual basis. This gives assurance to our stakeholders that we respect Labour and Human Rights.

Employee's Welfare and Workplace

Our Company offers competitive compensation & fringe benefits to our staff and our Discrimination Policy, Sexual Harassment Policy and Business Code of Conduct is established for us to apply fair practice in our organisation.

These are some of the benefits we provide:-

- (i) The working condition in our Group is fully air-conditioned and production workers are seated.
- (ii) All employees are fully trained before being assigned to any new engagements.
- (iii) Subsequent trainings will be conducted for improvement to increase competency.
- (iv) Opportunity will be opened to undergraduates for internship training.
- (v) All employees irrespective of permanent or temporary will be given opportunity to participate in any sports events organized by our internal Sports Committee. This is to foster a closer relationship and get-to-know each other amongst all department; and
- (vi) All our employees are covered under the Social Security Act (SOCSO) and also additional insurance coverage under our company's Group Hospitalisation & Surgical and Group Personal Accident Plans.

Sustainability Statement *(Cont'd)*

C. SOCIAL *(Cont'd)*

Occupational Safety & Health

The safety and health of our employees is our company's main priority. We continuously improve to provide a safe working environment to all employees and instilling awareness of a safe work culture.

The Company complies with the Occupational Safety & Health Act, 1994 ("OSHA") for workplace safety & health requirements and maintain occupational safety and health standards that equal or exceed the best practices.

The SHE Committee, consisting of Committee Chairman, management and employee representatives, whose responsibility includes identifying hazards and unsafe work practices, removing obstacles to prevent accidents, and helping evaluate the company's effort to achieve an accident-and-injury-free workplace.

Our Company are carrying out the followings:

- Identification of chemicals hazardous to health by conducting Chemical Health Risk Assessment (CHRA).
- Complying with permissible exposure limits.
- Taking action in Hazard Identification, Risk Assessment and Risk Control (HIRARC).
- Labelling and relabelling chemicals hazardous to health.
- Providing information, instructions and training.
- Monitoring employee exposure and clean air at the place of work.
- Conducting health surveillance and audiometric test recommended in CHRA.
- Posting warning signage at chemical storage areas and work hazard areas.
- Provide mechanical and physical safeguards wherever they are necessary.
- Our 5S + Safety audit team will conduct routine cleanliness, safety and health inspections to find and eliminate unsafe working conditions and control health hazards.
- Provide employees with necessary personal protective equipment and train them to use and care for it properly.
- Strive to prevent accident from happening and target zero-accident in our Key Performance Index.
- Investigate accidents to determine the cause and prevent similar accidents.
- Conducting Fire Drill twice a year.
- Carry out maintenance on all fire-fighting equipment as per schedule.

We also have in-house Emergency Response Team (ERT) who are ready to respond in emergency situations. They are trained to provide the followings:

- (i) Safe and efficient evacuation of all personnel
- (ii) First Aid
- (iii) Responding to Chemical Spills
- (iv) Fire-fighting trainings

This Statement was made in accordance with a resolution of the Board dated 5 October 2018.

Corporate Governance Overview Statement

The Board of Directors ("the Board") of Asia Knight Berhad ("AKB") is committed in ensuring that good corporate governance is practised throughout the Group by adopting the principles set out in the Malaysian Code of Corporate Governance which took effect on 26 April 2017 ("MCCG" or the "Code"). The Corporate Governance are applied herewith to safeguard the stakeholder's interest and enhancing its shareholders' value. A good corporate governance adopted by the Group is important for the long-term success and sustainability of the Group.

The Corporate Governance Overview Statement ("The Statement") is prepared in compliance with Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and it is to be read together with the CG Report 2018 of the Company ("CG Report") which is available on AKB's website at www.asiaknight.com.

The CG Report provides the details on how the Company has applied each Practice as set out in the MCCG during the financial year ended 30 June 2018 ("FYE 2018").

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

The Board has an important role in setting directions through strategic planning by leading and directing the Group's business operations to enhance the shareholders' value. The Board discharges its responsibilities by promoting good corporate governance, ensuring shareholders are kept informed of the Group's performance and major developments, monitors implementation plans, ensuring the systems of risk management and internal control are in place and effective. The Board has delegated specific responsibilities to the main committees namely the Audit Committee ("AC"), Remuneration Committee ("RC") and Nomination Committee ("NC"). On 24 August, 2018, the Board has formed a Risk Management Committee ("RMC"). These committees operate within the defined terms of reference approved by the Board.

The management is accountable to the Board for the execution of the Board's strategic plans and directions. The management carries out and executes the day-to-day business and operational matters or such other matters to meet the Board's directions and eventually to achieve the Board's goals of enhancing the shareholder's value.

The Board ensures that the Senior Management has the necessary skills and experience to manage the financial and non-financial risk, ensures there are orderly succession plans of Board and Senior Management and ensuring integrity of the Company's financial and non-financial reporting. The Board has also direct access to Senior Management and has unrestricted and immediate access to information relating to the Group's business and affairs in the discharge of their duties. The Board will consider inviting the Senior Management to attend meetings for reporting on major issues relating to their respective responsibility.

The Chairman, Managing Director and CEO are held by different individuals. There is a clear division of responsibilities between the Chairman, Managing Director and CEO.

Key responsibilities of the Chairman are ensuring the Board's effectiveness and conduct. He also promotes an open environment for debate and ensures effective contributions from the Non-Executive Directors. At a general meeting, the Chairman plays a role in fostering constructive dialogue between shareholders, Board and Management.

The Managing Director's role is to exercise control over the quality, quantity and timeliness of information flow between the Board and Management whereas, the CEO, who is also an Executive Director, is in charge of the day-to-day operations of the business, making strategic business decision and implementing Board policies.

The roles of the Chairman, Managing Director and CEO are mentioned in the Board Charter which is made available in the Company's website at www.asiaknight.com.

The Company's Board Charter sets out the duties, responsibilities and functions of the Board in accordance with the principles of good corporate governance. The Board reviewed its Charter on 24 August 2018 and the revised Board Charter is published in the Company's website.

During the financial year, all Board committees have held meetings on a regular basis or as and when required to discuss various issues that came within the Term of Reference of each Board committee. Their findings or recommendation are then tabled to the Board for deliberations for further actions.

The Board meets on a quarterly basis with additional meetings convened if there are urgent issues or matters that require attention from the Board.

The Board has formalised a Code of Conduct and Ethics for Directors and Employees in discharging its roles and responsibilities effectively. The Code of Ethics require all Directors to observe high ethical business standards, to always act and must not have any conflict of interest situation with the Company and must ensure ethical behaviour in compliance with law and regulations.

Corporate Governance Overview Statement *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(Cont'd)*

I. Board Responsibilities *(Cont'd)*

The Company has a Whistleblowing Policy to foster an environment where integrity and ethical behaviour are maintained and any illegal or improper action and/or wrong doings in the Company can be addressed promptly. This policy underlines its protection and reporting channels.

Further details relating to the Board Charter, Code of Ethics and the Whistleblowing Policy are available at the Company's website at www.asiaknight.com.

All Directors have direct access to the advisory services of the former and current Company Secretaries who are qualified to act as Company Secretary under Section 235(2) of the Companies Act 2016 ("CA"). In addition to the administrative matters, Company Secretaries also advised the Board on CG issues, compliance with the relevant policies and procedures, laws and regulatory requirements.

II. Board Composition

The Board acknowledges that an appropriate mix of knowledge, skills, industry experience, gender, ethnicity and age is fundamental to the right board composition to ensure that diverse perspectives and insights are expressed in the decision making process for the best interest of the Company.

The Board is assisted by NC which is chaired by an Independent Director to review, amongst other, the size and composition of the Board. NC reviews the effectiveness of the Board and performance of each individual director and assesses the independence of Non-Executive Directors of the Company on an annual basis to determine if the Board has the right size and sufficient diversity with independence elements that meet the Company's objectives and strategic goal.

On 24 August 2018, an assessment of the effectiveness of the Board, respective Board Committee and Independence were carried out in respect of the FYE 2018. Appraisal form which comprising quantitative and qualitative performance criteria to evaluate the performance of each member of the Board as well as each Board Committee, were being circulated at the Meeting for assessment. The NC reviewed the required mix of skills, experience and other qualities of the Board and Board Committee and agreed that it has the necessary mix of skill, experience and other necessary qualities to serve effectively.

Notwithstanding the recommendation of the Code, the Board is presently of the view that there is no necessity to fix a maximum tenure limit for Independent Non-Executive Directors as there are significant advantages to be gained from the long-serving Directors who possess tremendous insight and knowledge of the Company's businesses and affairs.

The Board is supportive of the gender boardroom diversity. The Board shall endeavour to maintain at least one female director to possibility provide alternative views where applicable. During the year, the Company has appointed one (1) female director, Ms. Lee Soo Ching as a member of the Board.

The diversity in the age, ethnicity and gender of the Board were as follows:

As at 30 June 2018

Directorate		Age			Ethnicity		Gender	
Independent Non-Executive	Executive	40-49	50-59	60 and above	Bumiputra	Chinese	M	F
4	5	4	1	4	0	9	8	1

During FYE 2018, the Company complied with Paragraph 15.02 of the MMLR as:-

- there were three (3) Independent Directors out of the total of nine (9) members in the Board; and
- none of the Independent Directors resigned which resulting in non-compliance of Paragraph 15.02 (1) of the MMLR.

As at the date of the Annual Report

Directorate		Age			Ethnicity		Gender	
Independent Non-Executive	Executive	40-49	50-59	60 and above	Bumiputra	Chinese	M	F
3	4	3	1	3	0	7	6	1

Corporate Governance Overview Statement *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(Cont'd)*

II. **Board Composition** *(Cont'd)*

The Board size was reduced from nine (9) members on 30 June 2018 to seven (7) members. Due to the reduction of members, the percentage of women representation on the Board of AKB has increased to 14% as of 23 August 2018. The independence elements of the Board was reduced from 44% (FYE 2018) to 43% as of 23 August 2018 which is depart from Practice 4.1 of the Code.

Attendance in Board Meetings

The number of Board meeting attended by the respective Directors during the financial year are as follows:

Name of Directors	Number of Board Meetings Attended/Held	Percentage of Attendance
See Teck Wah	6/6	100%
See Han Liong	6/6	100%
Seah Cheong Wei	6/6	100%
Lim Heng Gaul	6/6	100%
Dato' Ir. Low Keng Kok (appointed on 30/5/2018)	-	-
Lim Seat Hoe (appointed on 30/5/2018)	-	-
Lee Soo Ching (appointed on 30/5/2018)	-	-
See Seng Hong, PJK (resigned on 23/8/2018)	5/6	83%
Tan Teng Cheok (resigned on 1/8/2018)	5/6	83%
Andrew Su Meng Kit (resigned on 3/10/2017)	0/1	0%

The Board is satisfied with the commitment given by the Directors in fulfilling their roles and responsibilities as Directors of the Company based on their attendance in Board Meetings.

Directors' Training

The training programmes or seminars attended by the Directors during FYE 2018 are as follows:

Name of Director	Training Programmes/Seminars attended	No. of Hours/Day spent
See Teck Wah	Board Briefing on 2017 Malaysian Code of Corporate Governance	2 hours
See Han Liong	Board Briefing on 2017 Malaysian Code of Corporate Governance	2 hours
Seah Cheong Wei	(i) Practical Auditing Methodology for SMPs	2 days
	(ii) MATRADE's services Export Fund and Market Development Grant	4 hours
Lim Heng Gaul	(i) AMLA 2001 and Market Conduct of CMSRL Holders	8 hours
	(ii) FinTech and its impact to Capital Market	8 hours
Dato' Ir. Low Keng Kok (appointed on 30/5/2018)	(i) Corporate Governance Breakfast Series with Director:- "Integrating an Innovation Mindset with Effective Governance"	3 hours
	(ii) Seminar Pemantapan Tadbir Urus: Lembaga Pengarah Universiti Awam Siri 1/2017	1 day
Lim Seat Hoe (appointed on 30/5/2018)	Mandatory Accreditation Programme for Directors of Public Listed Companies	2 days
Lee Soo Ching (appointed on 30/5/2018)	Mandatory Accreditation Programme for Directors of Public Listed Companies	2 days

Corporate Governance Overview Statement *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(Cont'd)*

III. Remuneration

It is the Company's policy to remunerate Directors adequately to attract and retain the Directors of the necessary caliber to manage its business in promoting business stability and growth. The determination of the remuneration of each Independent, Non-Executive Director is decided by the Board as a whole. The Board reimburses any reasonable expense incurred by these Directors in the course of their duties as Directors.

The RC is responsible to recommend to the Board on the remuneration framework as well as the remuneration package of Executive Directors to ensure that rewards commensurate with their contributions to the Group's growth and profitability in order to align the interest of the Directors with those of the shareholders. The RC also ensures the level of remuneration for Non-Executive Directors and Executive Directors are linked to their level of responsibilities undertaken and contributions to the effective functioning of the Board.

The current Board Remuneration was approved by the shareholders at the 36th Annual General Meeting of the Company ("AGM") held on 21 November 2017.

On 24 August 2018, the RC undertake a review of the Board Remuneration with the view to determine its competitiveness and sufficiency to attract, retain and motivate individuals with strong credentials, high calibre and astute insights to serve on the Board. The Board approved the recommendation by the RC in respect to the revisions to the Board Remuneration which will be put forth to the shareholders for approval at the 37th AGM, in accordance with Sections 230 and 340(1)(c) of the CA.

A summary of the Directors' remuneration paid or payable to all Directors of the Company and the Group is set out below:

	Fees	Salaries	Bonuses, Allowances* and Other Emoluments	Statutory Contributions	Total
The Company					
Dato' Ir. Low Keng Kok	1,500	-	500	-	2,000
See Teck Wah	18,000	182,800	20,500	21,936	243,236
Lim Seat Hoe	1,500	-	-	-	1,500
See Han Liong	18,000	40,000	20,808	4,800	83,608
Lee Soo Ching	1,500	-	-	-	1,500
Seah Cheong Wei	18,000	-	2,500	-	20,500
Lim Heng Gaul	18,000	-	2,500	-	20,500
See Seng Hong, PJK	18,000	55,800	2,549	-	76,349
Tan Teng Cheok	24,000	-	2,500	-	26,500
Andrew Su Meng Kit	4,500	-	18,500	-	23,000
TOTAL	123,000	278,600	70,357	26,736	498,693

* Including working allowance paid to Executive Directors

Corporate Governance Overview Statement *(Cont'd)*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(Cont'd)*

III. Remuneration *(Cont'd)*

	Fees	Salaries	Bonuses, Allowances* and Other Emoluments	Statutory Contributions	Total
The Group (Company and Subsidiaries)					
Dato' Ir. Low Keng Kok	1,500	-	500	-	2,000
See Teck Wah	54,000	188,400	20,500	22,664	285,564
Lim Seat Hoe	1,500	33,000	22,918	4,724	62,142
See Han Liong	114,000	120,000	21,376	14,400	269,776
Lee Soo Ching	1,500	22,000	13,262	4,223	40,985
Seah Cheong Wei	18,000	-	2,500	-	20,500
Lim Heng Gaul	18,000	-	2,500	-	20,500
See Seng Hong, PJK	18,000	55,800	2,549	-	76,349
Tan Teng Cheok	24,000	-	2,500	-	26,500
Andrew Su Meng Kit	4,500	-	18,500	-	23,000
TOTAL	255,000	419,200	107,105	46,011	827,316

* Including working allowance paid to Executive Directors

The Board is of the view that disclosure of Top 3 key management personnel's remuneration on a named basis and in bands of RM50,000 each may not be in the best interest of the Group due to confidentiality and sensitivity of the information. Thus, the Board has opted not to disclose it.

Terms of reference of RC are available at the Company's website at www.asiaknight.com.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC comprises three (3) members, all of whom are Independent Directors and is chaired by an Independent Non-Executive Director. The Chairman of the AC is not the Chairman of the Board to ensure the effectiveness and independence of the Committee. During FYE 2018, the Chairman of the AC was Mr. Tan Teng Cheok, the Senior Independent Non-Executive Director. Following the resignation of Mr. Tan Teng Cheok on 1 August 2018, Mr. Seah Cheong Wei, an Independent Non-Executive Director was appointed as the Chairman of the AC.

Mr. Seah is a member of the Malaysian Institute of Accountants. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the MMLR. All of the AC members have an accounting qualification or experience in the field of finance to enable them to understand and ask probing questions on the Company's financial reporting process, financial information and transactions.

The Board noted on the practice that requires a former key audit partner to observe a cooling-off period of at least two years before being appointed as a member of the AC. Nonetheless, there was no former key audit partner being appointed as an Independent Director nor member of AC. The Terms of Reference of the AC has been amended and approved by the Board on 24 August 2018 to reflect the requirements in Practice 8.2 of the MCCG.

In the annual assessment on the suitability, objectivity and independence of the External Auditor, the AC is guided by, amongst others, External Auditors Performance and Independence Checklist recommended by MCCG Guide 2nd Edition, Paragraph 15.21 of the MMLR. The Company has established a policy to assess the suitability, objectivity and independence of the External Auditor on 24 August 2018.

Corporate Governance Overview Statement *(Cont'd)*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT *(Cont'd)*

II. Risk Management and Internal Control Framework

During FYE 2018, the Board met its responsibilities in the risk governance and oversight functions in order to manage the overall risk exposure of the Group. The Board has on 24 August 2018, formed a RMC and is chaired by Mr. Seah.

During FYE 2018, the Company has engaged an external professional firm, IA Essential Sdn Bhd to carry out internal audit function and provide independent assurance on the adequacy and effectiveness of the risk management and internal control of the Group. The AC reviewed and deliberated on the findings together with the recommendation and management action plan from Internal Auditors. On 24 August 2018, the Group has changed to BDO Governance Advisory Sdn Bhd, an independent professional accounting and consulting firm.

On 24 August 2018, the Board received assurance from the Managing Director and the respective Executive Director/ person responsible for the financial affairs that the Group's risk management and internal control system in place during 2018, is operating adequately and effectively to safeguard the Group's assets, as well as shareholders' investments, and the interests of other stakeholders. The details of the Risk Management and Internal Control Framework are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with Stakeholders

AKB recognised the importance of timely and thorough dissemination of information to shareholders and stakeholders. The Company provides relevant and timely information regarding the release of quarterly financial results, annual report and circular to shareholders on our website or through Bursa Securities' website. The Company's website also serves as a communication channel between the Company and its shareholders and stakeholders.

II. Conduct of General Meetings

The Board acknowledges that AGM is an important means of communicating with its shareholders. Therefore, AKB dispatched its notice of the 36th AGM to shareholders more than 21-days before the AGM, in advance of the notice period as required under the CA and MMLR. The Code was issued in April 2017 and in line with the CG practice, the notice of the 37th AGM will be issued to the shareholders at least 28 days before the AGM date.

At the 36th AGM of the Company held on 21 November 2017, all members of the Board, representatives of the Management and External Auditors attended the meeting to respond to the questions raised by the shareholders or proxies.

At the same AGM, all resolutions had put for poll-voting. Announcement of the detailed results of the poll voting had been made to the public accordingly.

This Statement was made in accordance with a resolution of the Board dated 5 October 2018.

Statement on Risk Management and Internal Control

INTRODUCTION

Pursuant to Paragraph 15.26 (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"), the Board of Directors ("Board") is pleased to present the Statement on Risk Management and Internal Control ("this Statement") for the financial year ended 30 June 2018 ("FYE 2018") which was prepared in accordance with Practice 9.1 and 9.2 of the Malaysian Code on Corporate Governance ("MCCG" or the "Code") and Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines") which is issued by the Task Force on Internal Control with the support and endorsement of Bursa Malaysia Securities Berhad.

BOARD AND MANAGEMENT RESPONSIBILITIES IN RISK MANAGEMENT AND INTERNAL CONTROL

The Board recognises the importance of maintaining a sound risk management framework and internal control system to cover controls relating to risk management, financial, operational and compliance to achieve the following objectives:

- (a) Safeguard the shareholders' interest and assets of the Group
- (b) Identify and manage risks affecting the Group
- (c) Ensure compliance with regulatory requirements
- (d) Ensure the effectiveness and efficiency of operations to achieve objectives of the Group
- (e) Ensure the integrity and reliability of financial information

Functionally, risk management is the responsibility of all executive directors and management staff members. The Executive Directors and Senior Management organise informal meetings and discussions to discuss and manage business risks of the Group to ensure that businesses are under control.

The Board has instituted the Audit Committee ("AC") to review the adequacy and effectiveness of internal controls through the internal audits conducted by the Internal Auditors. The audit findings/weaknesses, audit recommendations and management responses are tabled by the Internal Auditors during the AC meetings and thereafter escalated to the Board. In addition, the AC obtained feedback from the External Auditors on the audit risk and control issues highlighted by them in the course of their statutory audit.

Management from accounts and finance function supplements the AC's review on control and risk when presenting their quarterly financial performance and results to the AC. With management's consultation, the AC reviews the interim financial results in corroboration with the business development and the performance of its subsidiary companies as well as the integrity of the financial results and audited financial statements.

The Board is aware of the COSO Enterprise Risk Management framework and the ISO31000 standard on risk management which are the internationally recognised risk management framework presently. The Board will review and adopt one of these frameworks and embed it into its risk management processes going forward. The Board will also will enhance its current risk management by defining and formalising risk appetite which will be used as parameters for assessment of the risk across its segmental businesses.

The Group's system of risk management presently focuses on operational risks, particularly pertaining to quality of manufacturing; credit risks which are the regular subject matters of meetings of Management and the Board.

KEY ELEMENTS OF INTERNAL CONTROL

The Group has put in place the following key elements of internal controls processes to manage the risk to achieve the established goals and provide reasonable assurance to safeguard the Group's assets against losses:

- **Group Organisation Structure**

The Board has established a clear organisation structure with defined lines of responsibility and accountability aligned to the Group's business and operations requirements.

- **Oversight by Respective Board Committee**

The Board has delegated specific duties, roles and responsibilities to respective Board Committee, namely AC, Nomination Committee and Remuneration Committee. These Committees have the authority to examine all matters within the scope defined in their respective terms of reference and report their recommendations to the Board.

Statement on Risk Management and Internal Control *(Cont'd)*

KEY ELEMENTS OF INTERNAL CONTROL *(Cont'd)*

- **Limit of Authorities**

Limit of authorities imposed on Executive Directors and Management within the Group in respect of the day-to-day operation, investment, acquisitions and disposal of assets.

- **Standard Operating Policies and Procedures**

Policies and procedures are set out in operations manuals, guidelines and directives issued by the Group that govern the key business processes such as production, business development, procurement, finance, information technology and etc. which are updated from time to time to ensure compliance with internal controls and the relevant laws and regulations.

- **Human Resource Guidelines**

There are guidelines within the Group for hiring and termination of staff, formal training and development programmes for staff and annual performance appraisals to ensure that the staff are kept up to date with the necessary competencies in carrying out their duties and responsibilities.

- **Code of Ethics and Employee Handbook**

Code of ethics are established and adopted for the Directors while the employee handbook where employment issues are dealt with fairly and consistently to ensure standards of good practice and ethical values in all business practices to be observed by all employees of the Group.

- **Whistleblowing Policy**

Whistleblowing policy to provide an avenue for employees to report any suspected fraud, unethical behaviour and improper conduct in the workplace in a safe and confidential manner.

- **Periodical Meetings**

Executive Directors together with senior management hold monthly management meetings to discuss and monitor each business unit's financial performance, business overview, direction and development and resolve any major issues arising from operations, change of business environment and plan for corrective actions.

The Board conducts regular visits to the generating units.

- **Audits**

- (a) The Board has outsourced the internal audit function to IA Essential Sdn Bhd, an independent professional firm of consultants. Internal Audit is responsible for the evaluation of the adequacy and effectiveness of risk management and internal control system.

The Internal Audit adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on the risk profile which has been updated from time to time. The audit focuses on high risk areas to assess if adequate action plans has been put in place to address the risks associated with audit findings. The audit ascertains that the risks are effectively mitigated by the existing controls or the internal auditors will recommend further controls to mitigate the risks. The internal auditor conducts their reviews and the findings, recommendations for improvements and management responses are reported with periodic follow-up on the implementation of action plans.

During the year under review, the Internal Auditors have not reported any significant weaknesses in the system of internal controls of the Group.

- (b) The External Auditors' annual planning memorandum and audit review memorandum are tabled annually to the AC for deliberation and approval.
- (c) The Internal Audit team is required to conduct assessments of the internal control system pertaining to the processes of the relevant business/functional units which have a bearing on the financial information of the Group, to ensure the reliability and integrity of such information.

Statement on Risk Management and Internal Control *(Cont'd)*

KEY ELEMENTS OF INTERNAL CONTROL *(Cont'd)*

- **Insurance**

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly policy renewal exercise is undertaken by Management to review the coverage of the assets as recorded in the current fixed asset register and their respective net book values and "replacement values", that is the prevailing market price for the same or similar item, where applicable.

- **Compliance Management**

The compliance management covers compliance to all legal obligations imposed on the Group, in particular laws, regulations, rules and major identified guidelines or legal requirements. It also covers risk-based compliance to internal policies and procedures, code of ethics and business conduct.

In FYE2018, there were no major non-compliance issues encountered.

BOARD ASSURANCE AND LIMITATION

The Board has received assurance from the Managing Director and the Executive Director/Persons who are responsible for the financial affairs of the Group that the Group's risk management and internal control system are operating adequately and effectively in all material aspect, based on the risk management and internal control system of the Group.

The Board is satisfied that the existing level of risk management and internal control system are effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require separate disclosure in the Annual Report.

The Board is committed to continuously strengthen the Group's risk management and internal control systems with the evolving business development. Nonetheless, it should be noted that all risk management and of internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, these systems of risk management and internal control of the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

In summary, the system of risk management and internal control which has been put in place could only provide reasonable but would not be an absolute assurance against any material misstatement, fraud and/or financial loss.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement for the inclusion in the 2018 Annual Report. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 issued by MIA. Based on their procedures performed, the External Auditors have reported to the Board that nothing has come to their attention which causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Guidelines and Practice 9.1 and 9.2 of the MCGG, nor is it factually inaccurate.

CONCLUSION

The Board is of the view that the system of risk management and internal control is in place for financial year ended 30 June 2018, and up to the date of approval of this Statement, accords with the Guidelines and that it is adequate to achieve the Group's objectives stated above is sound and sufficient to safeguard the Group's assets, as well as the shareholders' investments, and the interests of customers, regulators, employees and other stakeholders.

This Statement was made in accordance with a resolution of the Board dated 5 October 2018.

Audit Committee Report

The Board of Directors ("Board") is pleased to present the Audit Committee ("AC" or "Committee") Report for the financial year ended 30 June 2018 ("FYE 2018").

COMPOSITION

The members of the Audit Committee comprises the following Directors:

Chairman: **Seah Cheong Wei**
(Independent Non-Executive Director)
(Appointed on 1 August 2018)
Tan Teng Cheok
(Senior Independent Non-Executive Director)
(Resigned on 1 August 2018)

Member : **Lim Heng Gaul**
(Independent Non-Executive Director)
Dato Ir. Low Keng Kok
(Independent Non-Executive Director)
(Appointed on 1 August 2018)

This composition meets the requirements of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("MMLR"). Both Tan Teng Cheok (the former Chairman of AC) and Seah Cheong Wei (the current Chairman), are members of the Malaysian Institute of Accountants. Accordingly, the Company complies with Paragraph 15.09(1) (c)(i) of the MMLR.

TERMS OF REFERENCE

The AC discharged their duties in accordance with its terms of reference which is available in the Company's website at www.asiaknight.com.

ATTENDANCE OF MEMBERS

The AC held 6 meetings in FYE 2018. The details of the attendance of each member are as follows:

Committee Members	Number of Meetings Attended/ Total Number of Meetings Held	Percentage of Attendance
Seah Cheong Wei	6/6	100%
Lim Heng Gaul	6/6	100%
Tan Teng Cheok (resigned on 1 August 2018)	5/6	83%
Dato Ir. Low Keng Kok (Appointed on 1 August 2018)	-	-

The meetings were held on 22 August 2017, 12 October 2017, 21 November 2017, 9 February 2018, 23 February 2018 and 30 May 2018.

Audit Committee Report *(Cont'd)*

SUMMARY OF WORK PERFORMED BY THE AUDIT COMMITTEE

The activities carried out by the AC during the FYE 2018 in the discharge of its duties and responsibilities are as follows:

1. Financial Reporting

In overseeing the Company's financial reporting, the AC reviewed the quarterly financial statements for the 4th quarter of 2017 and the annual audited financial statements of financial year ended 30 June 2017 ("FYE 2017") at its meeting held on 22 August 2017 and 12 October 2017 respectively.

The unaudited quarterly report for the 1st, 2nd and 3rd quarters of 2018, which were prepared in accordance with the requirements as set out in Appendix 9B of the MMLR and in compliance with Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting issued by Malaysian Accounting Standards Board, were reviewed at the AC meetings held on 21 November 2017, 23 February 2018 and 30 May 2018 respectively. On 24 August 2018, the Committee reviewed the unaudited quarterly report for the 4th quarter of FYE 2018. The Committee's recommendations were presented for approval at the subsequent Board of Directors ("Board") meeting.

2. External Audit

The Committee had on 22 August 2017, 12 October 2017, 30 May 2018 and 24 August 2018 respectively met with the External Auditors without the presence of the Executive Members.

On 22 August 2017, the former External Auditors, M/S Baker Tilly Monteiro Heng ("BTMH") met up with the Committee to update the status of audit progress for FYE 2017. The Committee also deliberated on the action plans required to address the issues raised by the BTMH.

On 12 October 2017, the AC noted that the identified key audit matters by BTMH and was presented in its Independent Auditors' Report.

On 11 December 2017, the Committee proposed to the Board for the appointment of a new External Auditors, M/S Crowe Horwath (now known as Crowe Malaysia) ("CM") in place of BTMH, for the financial year ending 30 June 2018.

On 30 May 2018, CM tabled the Audit Planning Memorandum prior to the commencement of audit of financial statements for FYE 2018, more particularly outlined the nature and scope of audit, audit timetable, list of management communication team and audit engagement team to the Committee.

During the meeting held on 24 August 2018, CM briefed the Committee on the status of audit completion briefing FYE 2018 of the Group and the outstanding audit areas as summarised in the Audit Review Memorandum.

At the same meeting, copies of the External Auditors Performance and Independence Checklist in respect for the FYE 2018 were being distributed at the Meeting for review ("the Assessment"). The Committee concluded that based on the Assessment, amongst others as set out below, the new External Auditors Performance for year 2018 was found adequate and thereby recommended the re-appointment of CM as the External Auditors of the Group to the Board for approval by its shareholders at the forthcoming 37th AGM:

- after having satisfied with its audit independence and the performance of CM throughout its course of audit FYE 2018;
- satisfied that the quality processes/performance of External Auditors;
- able to give adequate technical support when audit issue arise; and
- adequate experience and resources of CM and audit engagements.

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION

The Group has engaged the services of an independent professional consulting firm, IA Essential Sdn Bhd (IAE) to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control. IAE reports directly to the Committee on its activities based on the approved annual Internal Audit Plans. Its principal role is to provide independent assurance on the adequacy and effectiveness of governance, risk management and internal control processes. The costs incurred for the internal audit function for FYE 2018 was RM20,000.

The Internal Auditors conducted its audit work in respect of the FYE 2018 and presented its findings together with recommendation and management action plan to the Committee for review on 24 August 2018.

Audit Committee Report *(Cont'd)*

SUMMARY OF WORK PERFORMED BY INTERNAL AUDIT FUNCTION *(Cont'd)*

Throughout the year, IAE performed the followings on T-Venture Industries (M) Sdn Bhd covering:

- (a) Purchasing and Payment cycle;
- (b) Sales and Credit Control; and
- (c) Follow-up audit on those unresolved internal control recommendations reported in FYE 2017

The AC reviewed the Statement on Risk Management and Internal Control in respect of FYE 2018 on 5 October 2018 for publication in the Annual Report 2018. Information pertaining to the Company's system on risk management and internal control is shown in the Statement on Risk Management and Internal Control and is set out on page 25 to 27 of this Annual Report.

Additional Compliance Information

UTILISATION OF PROCEEDS FROM RIGHTS ISSUE WITH WARRANTS

Pursuant to Circular to Shareholders in relation to the Regularisation Plan dated 22 December 2017 ("the Circular"), the status of utilisation of the proceeds raised from the Rights Issue with Warrants amounting to RM34.88 million up to 30 June 2018 is as follows:

	Proposed utilisation RM'000	Actual utilisation RM'000	Balance RM'000	Deviation RM'000	Estimated timeframe for utilisation from completion of Rights Issue
To part finance the Purchase Consideration	31,000	(31,000)	-	-	Immediate
Working capital	1,380	(1,380)	-	-	Within 12 months
Corporate exercise expenses in relation to Regularisation Plan	2,500	(2,500)	-	-	Immediate
	<u>34,880</u>	<u>(34,880)</u>	<u>-</u>	<u>-</u>	

The utilisation of the proceeds as disclosed above should be read in conjunction with the Circular.

AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees incurred for services rendered to the Company and its subsidiaries for the financial year ended 30 June 2018 by the Company's Auditors, or a firm or company affiliated to the Auditors' firm are as follows:

Category	Audit Fee (RM)	Non-Audit [^] Fees (RM)
Company	87,000	70,000
Subsidiaries	<u>47,250</u>	<u>16,667</u>
Total	<u>134,250</u>	<u>86,667</u>

[^] Non-audit fees consists of review of Statement on Risk Management and Internal Control, tax services, special audit for Rapid Growth Technology Sdn Bhd for the purpose of purchase price allocation and final billing for services provided as reporting accountant for regularisation plan.

EMPLOYEES SHARE OPTION SCHEME

There was no Employees Share Option Scheme implemented by the Company during the financial year.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiary companies involving the interest of the directors', chief executive's (who is not a director or major shareholders) and major shareholders' interest either still subsisting as at 30 June 2018 or entered into since the end of the previous financial year.

RECURRENT RELATED PARTY TRANSACTION DURING THE FINANCIAL YEAR

There were no recurrent related party transactions during the financial year.

Statement of Directors' Responsibilities

Pursuant to Paragraph 15.26(a) of Main Market Listing Requirements of the Bursa Malaysia Securities Berhad, the Board of Directors ("Board") are required to issue a statement explaining their responsibilities for preparing the annual audited financial statements.

The Board has prepared the audited financial statements which gave a true and fair view of the state of affairs, its results and cash flows, of the Group and the Company. In preparing the financial statements, the Board has considered the following:

- That the Group and the Company have used appropriate accounting policies, and these are applied consistently;
- That reasonable and prudent judgements and estimates were made;
- That the approved accounting standards in Malaysia have been adopted; and
- That the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company and subsidiary companies maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Group and the Company.

The Board has general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and the Company, and to prevent and detect fraud and other irregularities.

This Statement was made in accordance with a Board resolution dated 5 October 2018.

Directors' Report

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2018.

Principal Activities

The principal activity of the Company is investment holding. The principal activities and other details of the subsidiaries are disclosed in Note 6 to the financial statements.

Results

	The Group RM	The Company RM
(Loss)/Profit for the financial year attributable to:		
- Owners of the Company	(1,831,295)	(2,858,324)
- Non-controlling interests	798,185	0
	<u>(1,033,110)</u>	<u>(2,858,324)</u>

Dividends

No dividends were recommended, declared or paid by the Company since the end of the previous financial year.

Reserves And Provisions

All material transfers to or from reserves or provisions during the financial year have been disclosed in the financial statements.

Issue or Shares or Debentures

During the financial year, upon obtaining the approvals from the relevant authorities and the shareholders, the Company:

- (i) undertook a renounceable rights issue of 348,797,448 new ordinary shares ("Rights Share(s)") together with 174,398,724 free detachable warrants ("Warrant(s)") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing ordinary share held by entitled shareholders, at an issue price of RM0.10 per Rights Share; and
- (ii) issued 170,000,000 new ordinary shares at an issue price of RM0.10 each, as part of the purchase consideration for the acquisition of 9,000,000 ordinary shares in Rapid Growth Technology Sdn. Bhd. ("RGT"), representing 60% equity interest of RGT.

The principal features of the Warrants are disclosed in Note 16 to the financial statements.

The Company did not issue any debentures during the financial year.

Share Options

The Company did not grant any share options during the financial year.

Bad and Doubtful Debts

Before the financial statements were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent.

Directors' Report *(Cont'd)*

Current Assets

Before the financial statements were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records have been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group or the Company misleading or inappropriate.

Contingent and Other Liabilities

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability which has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Group or the Company to meet their obligations when they fall due.

Change of Circumstances

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

Items Of an Unusual Nature

The results of the operations of the Group and the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group or the Company for the financial year in which this report is made.

Directors

The directors in office since the beginning of the financial year are:

Directors of the Company

See Teck Wah

See Han Liong

Seah Cheong Wei

Lim Heng Gaul

Dato' Ir. Low Keng Kok (Appointed on 30.5.2018)

Lim Seat Hoe (Appointed on 30.5.2018)

Lee Soo Ching (Appointed on 30.5.2018)

Andrew Su Meng Kit (Resigned on 3.10.2017)

Tan Teng Cheok (Resigned on 1.8.2018)

See Seng Hong, PJK (Resigned on 23.8.2018)

Directors' Report *(Cont'd)*

Directors *(Cont'd)*

Directors of Subsidiaries* (Other Than Directors of the Company)

Ng Choon Keat
Hor Lim Chee
Tan Song Chai

* The subsidiaries were acquired on 28 May 2018

Directors' Interests

According to the Register of Directors' Shareholdings, the interests in shares in the Company and a subsidiary of the directors in office at the end of the financial year are as follows:

Name of Director	Number of Ordinary Shares in the Company					
	Direct Interest			Deemed Interest		
	Balance at 1.7.2017/*	Allotted	(Sold)	Balance at 30.6.2018	Balance at 1.7.2017/*	Balance at 30.6.2018
See Teck Wah	3,479,812	20,878,872	0	24,358,684	28,371,433	198,600,031
See Seng Hong, PJK	429,000	2,574,000	0	3,003,000	17,608,060	123,256,420
See Han Liong	1,118,300	6,709,800	0	7,828,100	28,371,433	198,600,031
Lim Seat Hoe	*17,000,000	0	0	17,000,000	*0	0

Name of Director	Number of Warrants Over Ordinary Shares in the Company					
	Direct Interest			Deemed Interest		
	Balance at 1.7.2017	Allotted	(Exercised)	Balance at 30.6.2018	Balance at 1.7.2017	Balance at 30.6.2018
See Teck Wah	0	10,439,436	0	10,439,436	0	85,114,299
See Seng Hong, PJK	0	1,287,000	0	1,287,000	0	52,824,180
See Han Liong	0	3,354,900	0	3,354,900	0	85,114,299

Name of Director	Number of Ordinary Shares in a Subsidiary, Rapid Growth Technology Sdn. Bhd.					
	Direct Interest			Deemed Interest		
	Balance at 1.7.2017/*	Allotted	(Sold)	Balance at 30.6.2018	Balance at 1.7.2017/*	Balance at 30.6.2018
Lim Seat Hoe	*600,000	0	0	600,000	*0	0

* Date of appointment

By virtue of their interests in shares in the Company, See Teck Wah, See Seng Hong, PJK and See Han Liong are deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 8 of the Companies Act 2016.

Save as disclosed above, none of the other directors in office at the end of the financial year held any interests in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no director has received or become entitled to receive any benefit (other than the directors' remuneration as disclosed in Note 20 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Directors' Report *(Cont'd)*

Directors' Benefits *(Cont'd)*

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Indemnity and Insurance for Directors and Officers

There was no indemnity given to or liability insurance effected for any director or officer of the Group or the Company during the financial year.

Auditors

The auditors, Messrs. Crowe Malaysia (formerly known as Crowe Horwath), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 19 to the financial statements. There was no indemnity given to or liability insurance effected for the auditors during the financial year.

Signed in Accordance with a Resolution of the Directors Dated 5 October 2018

See Teck Wah

See Han Liong

Statement by Directors

In the opinion of the directors, the financial statements set out on pages 42 to 83 give a true and fair view of the financial position of the Group and the Company as at 30 June 2018 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed in Accordance with a Resolution of the Directors Dated 5 October 2018

See Teck Wah

See Han Liong

Statutory Declaration

I, See Teck Wah, being the director primarily responsible for the financial management of Asia Knight Berhad, do solemnly and sincerely declare that the financial statements set out on pages 42 to 83 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed See Teck Wah at
Georgetown in the State of Penang on this
5 October 2018

See Teck Wah

Before me

Mok Cheng Yoon PJK
No: P 140
Commissioner for Oaths

Independent Auditors' Report

to the Members of Asia Knight Berhad

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Asia Knight Berhad, which comprise the statements of financial position as at 30 June 2018 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 42 to 83.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 30 June 2018, and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matters

The financial statements of the Group and the Company for the financial year ended 30 June 2017 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 12 October 2017.

Independence and Other Ethical Responsibilities

We are independent of the Group and the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and the Company of the current period. These matters were addressed in the context of our audit of the financial statements of the Group and the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<u>Impairment of goodwill (Refer to Notes 3 and 5 to the financial statements)</u>	Our audit procedures included, among others: • Evaluating whether the method used by the Group in measuring the recoverable amount is appropriate in the circumstances. • Making enquiries of and challenging management on the key assumptions and inputs used in the measurement method. • Evaluating whether the key assumptions and inputs used are reasonable and consistent by taking into consideration the past performance, future growth, market development, etc. • Performing stress tests and sensitivity analyses to assess the impacts of those key assumptions and inputs on the measurement of recoverable amount.

The Group carries significant goodwill. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc.

Independent Auditors' Report

to the Members of Asia Knight Berhad (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Key Audit Matters (Cont'd)

Key audit matter	How our audit addressed the key audit matter
<u>Valuation of inventories (Refer to Notes 3 and 7 to the financial statements)</u> The Group carries significant inventories. The assessment of inventory write-downs due to excess quantities, obsolescence and decline in net realisable value below cost involves judgements and estimation uncertainty in forming expectations about future sales and demands.	Our audit procedures included, among others: • Obtaining an understanding of: • the Group's inventory management process; • how the Group identifies and assesses inventory write-downs; and • how the Group makes the accounting estimates for inventory write-downs. • Reviewing the ageing analysis of inventories and testing the reliability thereof. • Examining the perpetual records for inventory movements and to identify slow moving aged items. • Making inquiries of management regarding the action plans to clear slow moving aged and obsolete inventories. • Reviewing the net realisable value of major inventories. • Evaluating the reasonableness and adequacy of the allowance for inventories recognised for identified exposures.
<u>Impairment of receivables (Refer to Notes 3 and 8 to the financial statements)</u> The Group carries significant receivables and is subject to major credit risk exposures. The assessment of recoverability of receivables involves judgements and estimation uncertainty in analysing historical bad debts, customer concentration, customer creditworthiness, current economic trends, customer payment terms, etc.	Our audit procedures included, among others: • Obtaining an understanding of: • the Group's control over the receivable collection process; • how the Group identifies and assesses the impairment of receivables; and • how the Group makes the accounting estimates for impairment. • Reviewing the ageing analysis of receivables and testing the reliability thereof. • Reviewing subsequent cash collections for major receivables and overdue amounts. • Making inquiries of management regarding the action plans to recover overdue amounts. • Comparing and challenging management's view on the recoverability of overdue amounts to historical patterns of collections. • Examining other evidence including customer correspondences, proposed or existing settlement plans, repayment schedules, etc. • Evaluating the reasonableness and adequacy of the allowance for impairment recognised for identified exposures.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report, which is expected to be made available to us after that date.

Our opinion on the financial statements of the Group and the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Independent Auditors' Report

to the Members of Asia Knight Berhad (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Information Other than the Financial Statements and Auditors' Report Thereon (Cont'd)

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and request that a correction be made. If the directors refuse to make the correction, we shall take appropriate action considering our legal rights and obligations, to seek to have the uncorrected material misstatement appropriately brought to the attention of users for whom our auditors' report is prepared.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and the Company, including the disclosures, and whether the financial statements of the Group and the Company represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditors' Report

to the Members of Asia Knight Berhad (Cont'd)

Report on the Audit of the Financial Statements (Cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and the Company of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Malaysia

Firm No.: AF 1018

Chartered Accountants

Date: 5 October 2018

Penang

Eddy Chan Wai Hun

Approval No.: 02182/10/2019 J

Chartered Accountant

Consolidated Statement of Financial Position

as at June 2018

	Note	2018 RM	2017 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	44,486,258	2,175,106
Goodwill	5	17,147,367	0
		61,633,625	2,175,106
CURRENT ASSETS			
Inventories	7	9,566,672	880,147
Receivables	8	20,317,688	3,182,251
Prepayments		672,080	3,950
Current tax assets		2,103,654	6,609
Cash and cash equivalents	9	23,705,401	3,716,271
		56,365,495	7,789,228
CURRENT LIABILITIES			
Payables	10	14,848,891	3,483,134
Loans and borrowings - secured	11	2,018,937	0
Financial liabilities at fair value through profit or loss	12	324,123	0
Provisions	13	1,007,340	3,545,173
Advance payments from customers		8,660,696	0
Current tax liabilities		43,000	171,981
		26,902,987	7,200,288
NET CURRENT ASSETS		29,462,508	588,940
NON-CURRENT LIABILITIES			
Loans and borrowings - secured	11	6,101,766	0
Deferred tax liabilities	14	5,050,311	0
		11,152,077	0
NET ASSETS		79,944,056	2,764,046
EQUITY			
Share capital	15	49,351,705	60,596,851
Warrant reserve	16	8,818,511	0
Accumulated losses		(2,215,874)	(57,384,579)
Equity attributable to owners of the Company		55,954,342	3,212,272
Non-controlling interests	17	23,989,714	(448,226)
TOTAL EQUITY		79,944,056	2,764,046

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

for the Financial Year Ended 30 June 2018

	Note	2018 RM	2017 RM
Revenue	18	26,425,761	10,514,467
Cost of goods sold		(21,849,938)	(9,102,163)
Gross profit		4,575,823	1,412,304
Other income		1,704,692	224,899
Administrative and general expenses		(7,061,697)	(3,053,840)
Finance costs		(67,809)	0
Loss before tax	19	(848,991)	(1,416,637)
Tax expense	21	(184,119)	(50,269)
Loss for the financial year		(1,033,110)	(1,466,906)
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		(1,033,110)	(1,466,906)
(Loss)/Profit for the financial year attributable to:			
- Owners of the Company		(1,831,295)	(1,462,321)
- Non-controlling interests	17	798,185	(4,585)
		(1,033,110)	(1,466,906)
Total comprehensive income for the financial year attributable to:			
- Owners of the Company		(1,831,295)	(1,462,321)
- Non-controlling interests		798,185	(4,585)
		(1,033,110)	(1,466,906)
Loss per share:	22		
- Basic (sen)		(1.47)	(2.52)
- Diluted (sen)		(1.47)	(2.52)

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the Financial Year Ended 30 June 2018

	Share capital RM	Non-distributable Share premium RM	Warrant reserve RM	Accumulated losses RM	Equity attributable to owners of the Company RM	Non-controlling interests RM	Total equity RM
Balance at 1 July 2016	58,132,908	2,463,943	0	(55,922,258)	4,674,593	(443,641)	4,230,952
Transfer of share premium upon abolition of par value	2,463,943	(2,463,943)	0	0	0	0	0
Loss (representing total comprehensive income) for the financial year	0	0	0	(1,462,321)	(1,462,321)	(4,585)	(1,466,906)
Balance at 30 June 2017	60,596,851	0	0	(57,384,579)	3,212,272	(448,226)	2,764,046
Capital reduction	(57,000,000)	0	0	57,000,000	0	0	0
Issue of shares and warrants	47,359,051	0	9,127,694	0	56,486,745	0	56,486,745
Equity issue transaction costs	(1,604,197)	0	(309,183)	0	(1,913,380)	0	(1,913,380)
Total transactions with owners	(11,245,146)	0	8,818,511	0	54,573,365	0	54,573,365
Acquisition of subsidiary	0	0	0	0	0	23,639,755	23,639,755
(Loss)/Profit (representing total comprehensive income) for the financial year	0	0	0	(1,831,295)	(1,831,295)	798,185	(1,033,110)
Balance at 30 June 2018	49,351,705	0	8,818,511	(2,215,874)	55,954,342	23,989,714	79,944,056

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the Financial Year Ended 30 June 2018

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(848,991)	(1,416,637)
Adjustments for:-			
Depreciation of property, plant and equipment		971,988	378,754
Gain on disposal of property, plant and equipment		(13,093)	(5,648)
Impairment loss on receivables		11,361	7,118
Interest expense		67,809	0
Interest income		(102,616)	(160,358)
Inventories written down		407,783	0
Property, plant and equipment written off		30,017	581
Unrealised gain on foreign exchange		(364,807)	(27,776)
Unrealised loss on financial instruments at fair value through profit or loss		290,953	0
Waiver of debts		(41,500)	0
Operating profit/(loss) before working capital changes		408,904	(1,223,966)
Changes in:-			
Inventories		245,263	(539,389)
Receivables and prepayments		4,618,787	(324,521)
Payables and advance payments		7,860,831	251,685
Provisions		(895,029)	(57,449)
Financial instruments at fair value through profit or loss		3,130	0
Cash generated from/(absorbed by) operations		12,241,886	(1,893,640)
Tax paid		(607,619)	(779,030)
Tax refunded		1,980	0
Net cash from/(used in) operating activities		11,636,247	(2,672,670)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary, net of cash acquired	6	(26,954,715)	0
Interest received		102,616	160,358
Proceeds from disposal of property, plant and equipment		13,094	5,650
Purchase of property, plant and equipment		(300,231)	(701,246)
Net cash used in investing activities		(27,139,236)	(535,238)

The annexed notes form an integral part of these financial statements.

Consolidated Statement of Cash Flows

for the Financial Year Ended 30 June 2018 (Cont'd)

	Note	2018 RM	2017 RM
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity issue transaction costs paid		(1,913,380)	0
Interest paid		(67,809)	0
Issue of shares		34,879,745	0
Placement of cash and cash equivalents pledged as security (net)		(17,134)	0
Repayment of hire purchase obligations	23	(86,093)	0
Repayment of term loans	23	(258,963)	0
Net cash from financing activities		32,536,366	0
Effect of exchange rate changes on cash and cash equivalents		(42,185)	27,776
Net increase/(decrease) in cash and cash equivalents		16,991,192	(3,180,132)
Cash and cash equivalents brought forward		3,716,271	6,896,403
Cash and cash equivalents carried forward	9	20,707,463	3,716,271

The annexed notes form an integral part of these financial statements.

Statement of Financial Position

as at 30 June 2018

	Note	2018 RM	2017 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	47,879	65,912
Investments in subsidiaries	6	56,863,430	3,206,364
Receivables	8	80,201	191,283
		56,991,510	3,463,559
CURRENT ASSETS			
Receivables	8	448,121	104,274
Current tax assets		0	187
Cash and cash equivalents	9	20,400	160,991
		468,521	265,452
CURRENT LIABILITIES			
Payables	10	6,012,356	2,353,573
Provisions	13	0	1,642,804
		6,012,356	3,996,377
NET CURRENT LIABILITIES		(5,543,835)	(3,730,925)
NET ASSETS/(LIABILITIES)		51,447,675	(267,366)
EQUITY			
Share capital	15	49,351,705	60,596,851
Warrant reserve	16	8,818,511	0
Accumulated losses		(6,722,541)	(60,864,217)
TOTAL EQUITY		51,447,675	(267,366)

The annexed notes form an integral part of these financial statements.

Statement of Comprehensive Income

for the Financial Year Ended 30 June 2018

	Note	2018 RM	2017 RM
Revenue		0	0
Other income		211,556	1,418
Administrative and general expenses		(3,069,693)	(1,668,487)
Loss before tax	19	(2,858,137)	(1,667,069)
Tax expense	21	(187)	0
Loss for the financial year		(2,858,324)	(1,667,069)
Other comprehensive income for the financial year		0	0
Total comprehensive income for the financial year		(2,858,324)	(1,667,069)

The annexed notes form an integral part of these financial statements.

Statement of Changes in Equity

for the Financial Year Ended 30 June 2018

	Share capital RM	Share premium RM	Non-distributable Warrant reserve RM	Accumulated losses RM	Total equity RM
Balance at 1 July 2016	58,132,908	2,463,943	0	(59,197,148)	1,399,703
Transfer of share premium upon abolition of par value	2,463,943	(2,463,943)	0	0	0
Loss (representing total comprehensive income) for the financial year	0	0	0	(1,667,069)	(1,667,069)
Balance at 30 June 2017	60,596,851	0	0	(60,864,217)	(267,366)
Capital reduction	(57,000,000)	0	0	57,000,000	0
Issue of shares and warrants	47,359,051	0	9,127,694	0	56,486,745
Equity issue transaction costs	(1,604,197)	0	(309,183)	0	(1,913,380)
Total transactions with owners	(11,245,146)	0	8,818,511	57,000,000	54,573,365
Loss (representing total comprehensive income) for the financial year	0	0	0	(2,858,324)	(2,858,324)
Balance at 30 June 2018	49,351,705	0	8,818,511	(6,722,541)	51,447,675

The annexed notes form an integral part of these financial statements.

Statement of Cash Flows

for the Financial Year Ended 30 June 2018

	Note	2018 RM	2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before tax		(2,858,137)	(1,667,069)
Adjustments for:-			
Depreciation of property, plant and equipment		19,074	24,047
Impairment loss on receivables		659,716	377,744
Interest income		(6,287)	(1,418)
Property, plant and equipment written off		4,109	0
Reversal of impairment loss on receivables		(205,269)	0
Operating loss before working capital changes		(2,386,794)	(1,266,696)
Changes in:			
Receivables		(4,302)	0
Payables		62,172	(127,095)
Net cash used in operating activities		(2,328,924)	(1,393,791)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of subsidiary		(32,050,066)	0
Interest received		6,287	1,418
Net advances to subsidiaries		(682,910)	(669,302)
Purchase of property, plant and equipment		(5,150)	(4,960)
Net cash used in investing activities		(32,731,839)	(672,844)
CASH FLOWS FROM FINANCING ACTIVITIES			
Equity issue transaction costs paid		(1,913,380)	0
Issue of shares		34,879,745	0
Net advances from subsidiaries	23	1,953,807	2,020,000
Net cash from financing activities		34,920,172	2,020,000
Net decrease in cash and cash equivalents		(140,591)	(46,635)
Cash and cash equivalents brought forward		160,991	207,626
Cash and cash equivalents carried forward	9	20,400	160,991

The annexed notes form an integral part of these financial statements.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018

1. General Information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

The registered office of the Company is located at 57-G, Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Penang and its principal place of business is located at 7-3, Galeri Empire, Jalan Empayar, Off Persiaran Sultan Ibrahim/KU1, 41150 Klang, Selangor Darul Ehsan.

The consolidated financial statements set out on pages 42 to 46 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 47 to 50 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 5 October 2018.

2. Significant Accounting Policies

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
Amendments to MFRS 12 <i>Disclosure of Interests in Other Entities</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation of Financial Statements (Cont'd)

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
MFRS 16 <i>Leases</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 1 <i>First-time Adoption of Malaysian Financial Reporting Standards</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 3 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	1 January 2018
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred
Amendments to MFRS 11 <i>Previously Held Interest in a Joint Operation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 15 <i>Clarifications to MFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 112 <i>Income Tax Consequences of Payments on Financial Instruments Classified as Equity</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to MFRS 123 <i>Borrowing Costs Eligible for Capitalisation</i> (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)	1 January 2019
Amendments to MFRS 128 <i>Investments in Associates and Joint Ventures</i> (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)	1 January 2018
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.1 Basis of Preparation of Financial Statements

Management foresees that the initial application of the above MFRSs will not result in any significant changes in the accounting policies of the Group and the Company except as follows:

MFRS 9 Financial Instruments

MFRS 9, which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*, sets out the requirements for recognising and measuring financial instruments. The major changes introduced by MFRS 9 (that are relevant to the Group and the Company) relate to the classification and measurement of financial assets. Under MFRS 9:-

- (i) Financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the business model within which they are held and their contractual cash flow characteristics. Based on management's assessment, the adoption of the new guidance will not significantly affect the existing classification and measurement of financial assets of the Group and the Company.
- (ii) Impairment loss on financial assets is recognised using a new "expected credit loss" model as opposed to the "incurred credit loss" model currently used in MFRS 139. Under the new model, expected credit losses are recognised for financial assets using reasonable and supportable historical and forward-looking information even before a loss event occurs. Based on management's assessment, any additional impairment losses to be recognised using the new impairment model are not expected to be material to the Group and the Company.

The Group and the Company will apply the new requirements of MFRS 9 from 1 July 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 139.

MFRS 15 Revenue from Contracts with Customers

MFRS 15, which replaces MFRS 111 *Construction Contracts*, MFRS 118 Revenue and other related interpretations, establishes a single comprehensive model for revenue recognition. Under MFRS 15, revenue is recognised when (or as) the entity satisfies a performance obligation by transferring a promised good or service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of that asset. Revenue is recognised either over time or at a point in time depending on the timing of transfer of control. Based on management's assessment, the adoption of the new revenue recognition model will not significantly affect the current practice of recognising revenue from the sale of goods based on the transfer of risks and rewards which generally coincides with the transfer of control at a point in time.

The Group and the Company will apply the new requirements of MFRS 15 from 1 July 2018 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 118.

MFRS 16 Leases

MFRS 16, which replaces MFRS 117 *Leases* and other related interpretations, eliminates the distinction between finance and operating leases for lessees. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group and the Company will apply the new requirements of MFRS 16 from 1 July 2019 with any cumulative effect of initial application recognised at that date without restating the comparative information presented under MFRS 117.

2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.2 Basis of Consolidation (Cont'd)

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method. Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

(a) the aggregate of:

- (i) the acquisition-date fair value of the consideration transferred;
- (ii) the amount of any non-controlling interests; and
- (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.

(b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Leasehold land is depreciated on a straight-line basis over the lease terms of 49 to 50 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2% - 10%
Computer	40%
Machinery	10%
Motor vehicles	15% - 20%
Office equipment, furniture, fittings and renovation	10%
Tools and equipment	10% - 20%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.4 Investments in Subsidiaries

As required by the Companies Act 2016, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.5.

2.5 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss. An impairment loss on goodwill is not reversed.

2.6 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.7 Financial Assets

Financial assets of the Group and the Company consist of receivables, derivatives and cash and cash equivalents.

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Financial assets at fair value through profit or loss

All derivatives, except for those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets classified under loans and receivables is impaired. If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.7 Financial Assets (Cont'd)

Recognition and Measurement (Cont'd)

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

2.8 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and derivatives (including financial guarantee contracts).

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less, in the case of a financial liability not at fair value through profit or loss, directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial liabilities at fair value through profit or loss and financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process.

(i) Financial liabilities at fair value through profit or loss

All derivatives, except for financial guarantee contracts or those designated as hedges, are classified as held for trading under this category. After initial recognition, such financial liabilities are measured at fair value. Any gain or loss arising from a change in the fair value is recognised in profit or loss.

(ii) Financial guarantee contracts

After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.9 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

For lawsuit provisions, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

2.10 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.10 Leases (Cont'd)

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

2.11 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

2.12 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.13 Warrant Reserve

The warrant reserve relates to the portion of proceeds from the rights issue ascribed to the attached warrants. The proceeds are allocated between the share capital and warrant reserve based on the respective fair value of the two types of equity instruments issued. As and when the warrants are exercised, the related balance in the warrant reserve will be transferred to the share capital account.

2.14 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.14 Fair Value Measurement (Cont'd)

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of forward exchange contract is measured using present value technique by discounting the difference between contractual forward price and observable current market forward price using risk-free interest rate (i.e. Level 2).

2.15 Income Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.

Interest income is recognised using the effective interest method.

2.16 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

2.17 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

2. Significant Accounting Policies (Cont'd)

2.18 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.19 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, term deposits that are withdrawable on demand and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

3. Judgements and Estimation Uncertainty

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management is not aware of any judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of goodwill

Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. The impairment test involves significant judgements and estimation uncertainty in making key assumptions about future market and economic conditions, growth rates, profit margins, discount rate, etc. The carrying amount of goodwill is disclosed in Note 5.

Valuation of inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 7.

Impairment of receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of receivables. Allowance is applied to receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, customer concentration, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of receivables as disclosed in Note 8.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

4. Property, Plant and Equipment

The Group

	Leasehold land RM	Buildings RM	Computer RM	Machinery RM	Motor vehicles RM	Office equipment, furniture, fittings and renovation RM	Tools and equipment RM	Total RM
Cost								
Balance at 1 July 2016	0	0	0	7,214,170	857,777	4,127,200	0	12,199,147
Additions	0	0	0	643,973	0	57,273	0	701,246
Disposals/Write-offs	0	0	0	(840)	(87,999)	(89,084)	0	(177,923)
Balance at 30 June 2017	0	0	0	7,857,303	769,778	4,095,389	0	12,722,470
Acquisition of subsidiary	11,515,000	20,039,999	1,926,826	11,267,340	2,684,490	2,301,090	4,618,409	54,353,154
Additions	0	0	42,785	214,375	0	9,761	33,310	300,231
Disposals/Write-offs	0	0	0	(4,535,696)	(623,378)	(3,626,652)	(4,000)	(8,789,726)
Balance at 30 June 2018	11,515,000	20,039,999	1,969,611	14,803,322	2,830,890	2,779,588	4,647,719	58,586,129
Depreciation and Impairment Losses								
Balance at 1 July 2016	0	0	0	5,346,034	775,271	3,855,686	0	9,976,991
Accumulated depreciation	0	0	0	201,146	0	167,813	0	368,959
Accumulated impairment losses	0	0	0	5,547,180	775,271	4,023,499	0	10,345,950
Depreciation	0	0	0	313,938	22,500	42,316	0	378,754
Disposals/Write-offs	0	0	0	(438)	(87,999)	(88,903)	0	(177,340)
Balance at 30 June 2017	0	0	0	5,659,534	709,772	3,809,099	0	10,178,405
Accumulated depreciation	0	0	0	201,146	0	167,813	0	368,959
Accumulated impairment losses	0	0	0	5,860,680	709,772	3,976,912	0	10,547,364
Acquisition of subsidiary	0	0	1,623,183	6,169,472	838,178	1,030,367	1,679,027	11,340,227
Depreciation	40,263	93,434	46,109	496,830	106,118	61,832	127,402	971,988
Disposals/Write-offs	0	0	0	(4,525,317)	(623,376)	(3,610,649)	(366)	(8,759,708)
Balance at 30 June 2018	40,263	93,434	1,669,292	8,001,665	1,030,692	1,458,462	1,806,063	14,099,871
Accumulated depreciation	0	0	0	0	0	0	0	0
Accumulated impairment losses	40,263	93,434	1,669,292	8,001,665	1,030,692	1,458,462	1,806,063	14,099,871

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

4. Property, Plant and Equipment (Cont'd)

The Group (Cont'd)

	Leasehold land RM	Buildings RM	Computer RM	Machinery RM	Motor vehicles RM	Office equipment, furniture, fittings and renovation RM	Tools and equipment RM	Total RM
<u>Carrying Amount</u>								
Balance at 1 July 2016	0	0	0	1,666,990	82,506	103,701	0	1,853,197
Balance at 30 June 2017	0	0	0	1,996,623	60,006	118,477	0	2,175,106
Balance at 30 June 2018	11,474,737	19,946,565	300,319	6,801,657	1,800,198	1,321,126	2,841,656	44,486,258

The leasehold land and buildings have been pledged as security for credit facilities granted to the Group.

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	The Group	
	2018 RM	2017 RM
Motor vehicles	1,645,238	0
Tools and equipment	50,556	0
	<u>1,695,794</u>	<u>0</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

4. Property, Plant and Equipment (Cont'd)

The Company

	Motor vehicles RM	Office equipment, furniture and fittings RM	Total RM
<u>Cost</u>			
Balance at 1 July 2016	715,576	331,772	1,047,348
Additions	0	4,960	4,960
Balance at 30 June 2017	715,576	336,732	1,052,308
Additions	0	5,150	5,150
Write-offs	(565,576)	(334,150)	(899,726)
Balance at 30 June 2018	150,000	7,732	157,732
<u>Accumulated Depreciation</u>			
Balance at 1 July 2016	633,072	329,277	962,349
Depreciation	22,500	1,547	24,047
Balance at 30 June 2017	655,572	330,824	986,396
Depreciation	16,875	2,199	19,074
Write-offs	(565,576)	(330,041)	(895,617)
Balance at 30 June 2018	106,871	2,982	109,853
<u>Carrying Amount</u>			
Balance at 1 July 2016	82,504	2,495	84,999
Balance at 30 June 2017	60,004	5,908	65,912
Balance at 30 June 2018	43,129	4,750	47,879

5. Goodwill

The Group

	RM
Balance at 1 July 2017	0
Acquisition of subsidiary	17,147,367
Balance at 30 June 2018	17,147,367

Goodwill is attributable to a subsidiary, Rapid Growth Technology Sdn. Bhd., which represents a separate cash-generating unit ("CGU").

The recoverable amount of the CGU was determined based on its value in use calculated using cash flow projections. The cash flow projections were based on the most recent financial budgets/forecasts approved by management which covered a period of 5 years. A 0% growth rate was used to extrapolate the cash flow projections beyond the 5 years covered by the financial budgets/forecasts. A discount rate of 9.87% per annum was applied to the cash flow projections.

Barring any unforeseen circumstances, management believes that no reasonably possible change in the above key assumptions would cause the carrying amount of the CGU to materially exceed its recoverable amount.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

6. Investments in Subsidiaries

The Company

	2018 RM	2017 RM
Unquoted shares, at cost	71,380,954	17,723,888
Impairment losses	(14,517,524)	(14,517,524)
	<u>56,863,430</u>	<u>3,206,364</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2018	2017	
AKnight Resources Sdn. Bhd.	Malaysia	100%	100%	Inactive
JC Concept International Sdn. Bhd.	Malaysia	55%	55%	Inactive
Natural Renewable Energy Sdn. Bhd.	Malaysia	100%	100%	Inactive
Pahanco Manufacturing Sdn. Bhd.	Malaysia	100%	100%	Inactive
T-Venture Industries (M) Sdn. Bhd.	Malaysia	100%	100%	Manufacture of moulded plastic products
Rapid Growth Technology Sdn. Bhd. ("RGT")	Malaysia	60%	0%	Manufacture and sale of air freshener dispenser and plastic parts

Subsidiary of RGT

Rapid Growth Industries Sdn. Bhd.	Malaysia	60%	0%	Inactive
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Acquisition of Subsidiary

During the financial year, the Company entered into a share sale agreement to acquire 60% equity interest of RGT via issuance of 170,000,000 ordinary shares in the Company and cash consideration of RM31,000,000. The fair value of RM170,000,000 ordinary shares on the issuance date amounted to RM0.1271 per share, resulting in a total fair value of purchase consideration amounting to RM52,607,000. The acquisition gave rise to a goodwill of RM17,147,167.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

6. Investments in Subsidiaries (Cont'd)

Acquisition of Subsidiary (Cont'd)

The amounts recognised at the acquisition date for each major class of assets acquired and liabilities assumed are as follows:-

	RM
Property, plant and equipment	43,012,927
Inventories	9,339,571
Receivables	20,979,478
Prepayments	1,007,397
Current tax assets	1,634,506
Cash and cash equivalents (including RM2,980,804 pledged)	7,026,089
Payables	(10,524,470)
Loans and borrowings	(8,465,759)
Financial liabilities at fair value through profit or loss	(30,040)
Deferred tax liabilities	(4,880,311)
Net assets	59,099,388
Non-controlling interests	(23,639,755)
Share of net assets acquired	35,459,633
Fair value of consideration transferred	(52,607,000)
Goodwill	(17,147,367)

RGT consolidated revenue and profit since the acquisition date included in the consolidated statement of comprehensive income amounted to RM14,492,167 and RM1,799,723 respectively. Had the acquisition date been 1 July 2017, management estimates that the Group's revenue and profit for the financial year would have been approximately RM99,020,698 and RM9,352,643 respectively. The effects of the acquisition on the consolidated statement of cash flows are as follows:-

	RM
Purchase consideration settled in cash	31,000,000
Cash and cash equivalents acquired, net of those pledged	(4,045,285)
Acquisition of subsidiary, net of cash acquired	26,954,715

7. Inventories

The Group

	2018 RM	2017 RM
Raw materials	6,187,758	402,698
Work-in-progress	1,428,908	136,195
Finished goods	536,749	341,254
Goods-in-transit	1,413,257	0
	<u>9,566,672</u>	<u>880,147</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

8. Receivables

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade receivables	19,278,549	3,358,103	0	321,887
Allowance for impairment	0	(584,349)	0	(321,887)
	19,278,549	2,773,754	0	0
Subsidiaries	0	0	36,525,109	35,842,199
Allowance for impairment	0	0	(36,005,088)	(35,550,641)
	0	0	520,021	291,558
Other receivables	1,039,139	443,520	8,301	13,844
Allowance for impairment	0	(35,023)	0	(9,845)
	1,039,139	408,497	8,301	3,999
	<u>20,317,688</u>	<u>3,182,251</u>	<u>528,322</u>	<u>295,557</u>
Disclosed as:				
- Non-current assets	0	0	80,201	191,283
- Current assets	20,317,688	3,182,251	448,121	104,274
	<u>20,317,688</u>	<u>3,182,251</u>	<u>528,322</u>	<u>295,557</u>

The currency profile of receivables is as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Ringgit Malaysia	3,359,266	2,845,247	528,322	295,557
US Dollar	16,638,454	61,690	0	0
Singapore Dollar	319,968	275,314	0	0
	<u>20,317,688</u>	<u>3,182,251</u>	<u>528,322</u>	<u>295,557</u>

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Balance at 1 July	584,349	584,349	321,887	321,887
Impairment loss written off	(584,349)	0	(321,887)	0
Balance at 30 June	<u>0</u>	<u>584,349</u>	<u>0</u>	<u>321,887</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

8. Receivables (Cont'd)

Trade Receivables (Cont'd)

The ageing analysis of trade receivables not impaired is as follows:

	The Group	
	2018	2017
	RM	RM
Not past due	15,808,468	1,410,522
Past due 1 to 30 days	3,173,606	843,776
Past due 31 to 120 days	255,844	519,456
Past due more than 120 days	40,631	0
	<u>19,278,549</u>	<u>2,773,754</u>

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 30 June 2018, there were 2 (2017: 2) major customers that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major customers amounted to RM12,981,171 (2017: RM1,278,485). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2018	2017
	RM	RM
Malaysia	2,320,127	2,436,750
Other Asian countries	776,407	337,004
United States of America	9,997,550	0
Switzerland	4,805,423	0
Others	1,379,042	0
	<u>19,278,549</u>	<u>2,773,754</u>

Subsidiaries

The amounts owing by subsidiaries are unsecured, non-interest bearing and repayable on demand except for an unimpaired amount of RM158,191 (2017: RM291,558) which bears interest at 2.80% (2017: 2.80%) per annum and repayable over 2 (2017: 3) years.

The movements in allowance for impairment are as follows:-

	The Company	
	2018	2017
	RM	RM
Balance at 1 July	35,550,641	35,172,897
Impairment loss recognised	659,716	377,744
Impairment loss reversed	(205,269)	0
Balance at 30 June	<u>36,005,088</u>	<u>35,550,641</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

8. Receivables (Cont'd)

Other Receivables

Other receivables are unsecured, non-interest bearing and mainly consist of refundable deposits and advances which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Balance at 1 July	35,023	33,482	9,845	9,845
Impairment loss recognised	11,361	7,118	0	0
Impairment loss written off	(46,384)	(5,577)	(9,845)	0
Balance at 30 June	0	35,023	0	9,845

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

9. Cash and Cash Equivalents

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Highly liquid investments	9,892,595	194,716	0	0
Term deposits (fixed rate)	2,141,325	2,571,578	0	0
Cash and bank balances	11,671,481	949,977	20,400	160,991
	23,705,401	3,716,271	20,400	160,991

The carrying amounts of cash and cash equivalents pledged as security for credit facilities granted to the Group and not freely available for use are as follows:-

	The Group	
	2018	2017
	RM	RM
Highly liquid investments	1,159,148	0
Term deposits (fixed rate)	1,838,790	0
	2,997,938	0

The effective interest rates of term deposits as at 30 June 2018 ranged from 3.15% to 3.60% (2017: 3.00% to 3.50%) per annum.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

9. Cash and Cash Equivalents (Cont'd)

The currency profile of cash and cash equivalents is as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	18,736,736	3,131,034	20,400	160,991
US Dollar	4,595,644	73,822	0	0
Singapore Dollar	342,336	511,415	0	0
Others	30,685	0	0	0
	<u>23,705,401</u>	<u>3,716,271</u>	<u>20,400</u>	<u>160,991</u>

For the purpose of statement of cash flows, cash and cash equivalents are presented net of those pledged as security as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and cash equivalents	23,705,401	3,716,271	20,400	160,991
Cash and cash equivalents pledged as security	(2,997,938)	0	0	0
	<u>20,707,463</u>	<u>3,716,271</u>	<u>20,400</u>	<u>160,991</u>

10. Payables

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade payables	10,153,125	2,728,339	0	0
Subsidiaries	0	0	3,973,807	2,020,000
Other payables	4,695,766	754,795	2,038,549	333,573
	<u>14,848,891</u>	<u>3,483,134</u>	<u>6,012,356</u>	<u>2,353,573</u>

The currency profile of payables is as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	13,478,707	3,483,134	6,012,356	2,353,573
US Dollar	587,695	0	0	0
Others	782,489	0	0	0
	<u>14,848,891</u>	<u>3,483,134</u>	<u>6,012,356</u>	<u>2,353,573</u>

Payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

10. Payables (Cont'd)

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

Subsidiaries

The amounts owing to subsidiaries are unsecured, non-interest bearing and repayable on demand.

Other Payables

Other payables are unsecured, non-interest bearing and mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 60 days.

11. Loans and Borrowings - Secured

The Group

	2018 RM	2017 RM
Hire purchase payables (fixed rate)	1,554,642	0
Term loans (floating rate)	6,566,061	0
	<u>8,120,703</u>	<u>0</u>
Disclosed as:		
- Current liabilities	2,018,937	0
- Non-current liabilities	6,101,766	0
	<u>8,120,703</u>	<u>0</u>

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Term loans are secured against the leasehold land and buildings (Note 4) and certain cash and cash equivalents (Note 9).

The effective interest rates of loans and borrowings as at 30 June 2018 ranged from 3.91 to 7.20% (2017: NIL) per annum.

Hire Purchase Payables

Hire purchase payables are repayable over 3 to 5 years. The repayment analysis is as follows:-

	2018 RM	2017 RM
Minimum hire purchase payments:		
- Within 1 year	476,454	0
- Later than 1 year and not later than 2 years	386,346	0
- Later than 2 years and not later than 5 years	829,671	0
Total contractual undiscounted cash flows	1,692,471	0
Future finance charges	(137,829)	0
Present value of hire purchase payables:		
- Within 1 year	419,734	0
- Later than 1 year and not later than 2 years	344,771	0
- Later than 2 years and not later than 5 years	790,137	0
	<u>1,554,642</u>	<u>0</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

11. Loans and Borrowings - Secured (Cont'd)

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

Term Loans

Term loans are repayable over 5 to 10 years. The repayment analysis is as follows:-

	2018 RM	2017 RM
Gross loan instalments:-		
- Within 1 year	1,888,536	0
- Later than 1 year and not later than 2 years	1,675,043	0
- Later than 2 years and not later than 5 years	2,666,927	0
- Later than 5 years	1,389,082	0
Total contractual undiscounted cash flows	7,619,588	0
Future finance charges	(1,053,527)	0
Present value of term loans:-		
- Within 1 year	1,599,203	0
- Later than 1 year and not later than 2 years	1,428,979	0
- Later than 2 years and not later than 5 years	2,250,708	0
- Later than 5 years	1,287,171	0
	6,566,061	0

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

12. Financial Liabilities at Fair Value Through Profit or Loss

The Group

	2018 RM	2017 RM
Derivatives classified as held for trading, at fair value	324,123	0

Derivatives consist of forward exchange contracts which are used to hedge the exposure to currency risk. The Group does not apply hedge accounting. As at 30 June 2018, the Group had contracts with financial institutions due within 1 year to buy RM12,204,000 (2017: NIL) and sell USD3,098,000 (2017: NIL) at contractual forward rates.

The fair values of forward exchange contracts were quoted by the financial institutions, which normally measured the fair values using present value technique by discounting the differences between contractual forward prices and observable current market forward prices using risk-free interest rate (i.e. Level 2).

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

13. Provisions

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Provision for import duties and sales tax liabilities				
Balance at 1 July	1,902,369	1,959,818	0	0
Payment	(846,996)	0	0	0
Offset with GST refundable	(48,033)	(57,449)	0	0
Balance at 30 June	1,007,340	1,902,369	0	0
Provision for utility liability				
Balance at 1 July	1,642,804	1,642,804	1,642,804	1,642,804
Reclassification to other payables	(1,642,804)	0	(1,642,804)	0
Balance at 30 June	0	1,642,804	0	1,642,804
	<u>1,007,340</u>	<u>3,545,173</u>	<u>0</u>	<u>1,642,804</u>

Provision for Import Duties and Sales Tax Liabilities

On 5 August 2015, a subsidiary of the Company; T-Venture Industries (M) Sdn. Bhd. ("TVI") was served with two notices of demand from Royal Malaysian Customs ("RMC") for the recovery of purported unpaid import duties and sales tax amounting to RM714,751 and RM273,805 respectively, in which both amounts had been provided since financial year 2015.

On 2 December 2015, TVI received revised notices of demand from RMC for the revision of import duties and sales tax from RM714,751 and RM273,805 to RM719,751 and RM242,694 respectively.

TVI had appealed against the claim to the Director General of RMC (but was forwarded by RMC to Ministry of Finance) and was rejected by Ministry of Finance vide their letter dated 13 April 2016. TVI had further appealed to the Ministry of Finance vide letter dated 30 May 2016 and the appeal was rejected on 15 August 2016.

During the financial year ended 30 June 2015, a further import duties and sales tax amounted to RM1,582,132 had been provided in the financial statements. However, during the financial year ended 30 June 2016, TVI had assessed the provision and an amount of import duties based on 20% of unsold inventories amounted to RM156,885 had been provided and an amount of RM767,755 had been reversed from the provision for import duties based on the following reasons:

- (i) Letter by TVI to RMC to apply for the cancellation of the LMW license dated 21 August 2014;
- (ii) Letter by the Company to RMC for ASEAN Trade In Goods Agreement ("ATIGA") status application dated 5 September 2014;
- (iii) Cessation of injection production line of the Company on 26 October 2014; and
- (iv) Legal advice from a solicitor which confirmed that the cancellation of LMW license was effective upon cessation of TVI's injection production line.

On 14 November 2016, TVI had filed an application for leave for judicial review to Shah Alam High Court.

On 16 January 2017, High Court had granted leave to TVI to commence Judicial Review proceedings under Order 53 Rules of Court 2012.

On 13 July 2017, High Court had dismissed the application with an order as to costs in a sum of RM4,000 to the Minister of Finance. TVI filed an appeal to the Court of Appeal against the decision of the High Court for not considering the issue of double taxation.

On 15 March 2018, the Company decided not to continue with the appeal to Court of Appeal and opted to settle the sum claimed in June 2018.

As at 30 June 2018, the provision was RM1,007,340 after taking into consideration that there was high probability that an outflow of resources embodying economic benefits will be required to settle the provision in the foreseeable future.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

13. Provisions (Cont'd)

Provision for Utility Liability

In September 2013, a utility company initiated legal proceedings against the Company for alleged malfunction of the electricity meter which caused the meter to record readings inconsistent with electricity supplied to the factory at each material time. The utility company had calculated and claimed the amount of RM1,642,804 as the alleged discrepancies.

On 24 April 2018, the Federal Court dismissed the Company's application for leave to appeal and uphold the judgement of the Court of Appeal dated 20 February 2017 where the Company was ordered to pay the utility company the claim sum of RM1,642,804. Accordingly, the sum of RM1,642,804 was reclassified to other payables (Note 10) during the financial year under review.

14. Deferred Tax Liabilities

The Group

	2018 RM	2017 RM
Balance at 1 July	0	0
Acquisition of subsidiary	4,880,311	0
Deferred tax expense relating to origination and reversal of temporary differences	157,000	0
Deferred tax liabilities underprovided in prior year	13,000	0
Balance at 30 June	<u>5,050,311</u>	<u>0</u>
In respect of taxable/(deductible) temporary differences of:-		
- Property, plant and equipment	5,077,311	0
- Inventories	(38,000)	0
- Financial instruments	11,000	0
	<u>5,050,311</u>	<u>0</u>

Save as disclosed above, as at 30 June 2018, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group and the Company to the extent of approximately RM367,000 (2017: RM304,000) and RM4,000 (2017: RM5,000) respectively. No further deferred tax assets have been recognised for the excess of the unused capital allowances and tax losses over the taxable temporary differences as follows:-

	The Group		The Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Unused capital allowances	20,265,000	19,619,000	0	0
Unused tax losses	29,604,000	29,600,000	14,623,000	14,623,000
Taxable temporary differences of property, plant and equipment	(1,531,000)	(1,265,000)	(15,000)	(21,000)
	<u>48,338,000</u>	<u>47,954,000</u>	<u>14,608,000</u>	<u>14,602,000</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

15. Share Capital

	No. of ordinary shares	RM
<u>Authorised</u>		
Balance at 1 July 2016*	100,000,000	100,000,000
Cancellation upon abolition of par value	(100,000,000)	(100,000,000)
Balance at 30 June 2017/30 June 2018	<u>0</u>	<u>0</u>

	No. of ordinary shares	RM
<u>Issued and fully paid</u>		
Balance at 1 July 2016*	58,132,908	58,132,908
Transfer from share premium upon abolition of par value	<u>0</u>	<u>2,463,943</u>
Balance at 30 June 2017**	58,132,908	60,596,851
Capital reduction	<u>0</u>	<u>(57,000,000)</u>
Issue of shares**	518,797,448	47,359,051
Share issue transaction costs	<u>0</u>	<u>(1,604,197)</u>
Balance at 30 June 2018**	<u>576,930,356</u>	<u>49,351,705</u>

* Ordinary shares of RM1 each

** Ordinary shares with no par value

During the financial year, upon obtaining the approvals from the relevant authorities and shareholders, the Company:-

- (i) undertook a capital reduction exercise which entailed the reduction of the share capital by RM57,000,000 against the accumulated losses;
- (ii) undertook a renounceable rights issue of 348,797,448 new ordinary shares ("Rights Share(s)") together with 174,398,724 free detachable warrants ("Warrant(s)") on the basis of 6 Rights Shares together with 3 free Warrants for every 1 existing ordinary share held by entitled shareholders, at an issue price of RM0.10 per Rights Share; and
- (ii) issued 170,000,000 new ordinary shares at an issue price of RM0.10 each, as part of the purchase consideration for the acquisition of 9,000,000 ordinary shares in Rapid Growth Technology Sdn. Bhd. ("RGT"), representing 60% equity interest of RGT.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

16. Warrant Reserve

The Group and the Company	No. of warrants	RM
Balance at 1 July 2016/30 June 2017	0	0
Issue of warrants	174,398,724	9,127,694
Warrant issue transaction costs	0	(309,183)
Balance at 30 June 2018	174,398,724	8,818,511

During the financial year, the Company issued 174,398,724 Warrants in connection with the rights issue.

The salient features of the Warrants are as follows:-

- (i) The Warrants are detachable and separately tradable.
- (ii) Each Warrant entitles the holder to subscribe for 1 new ordinary share in the Company at an exercise price of RM0.10.
- (iii) The Warrants are exercisable over a period of 5 years until 14 May 2023.
- (iv) The exercise price of the Warrants may be adjusted in accordance with the terms and conditions set out in the Deed Poll governing the Warrants.

17. Non-Controlling Interests ("NCI")

The Group

	Accumulated NCI		Profit/(Loss) Allocated to NCI	
	2018	2017	2018	2017
	RM	RM	RM	RM
JC Concept International Sdn. Bhd.	(369,930)	(448,226)	78,296	(4,585)
Rapid Growth Technology Sdn. Bhd. and its subsidiary	24,359,644	0	719,889	0
	<u>23,989,714</u>	<u>(448,226)</u>	<u>798,185</u>	<u>(4,585)</u>

The details of the subsidiaries that have NCI are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI		Principal Activity
		2018	2017	
JC Concept International Sdn. Bhd. ("JCI")	Malaysia	45%	45%	Inactive

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

17. Non-Controlling Interests ("NCI") (Cont'd)

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest Held by NCI 2018	2017	Principal Activity
Rapid Growth Technology Sdn. Bhd. ("RGT")	Malaysia	40%	0%	Manufacture and sale of air freshener dispenser and plastic parts

Subsidiary of RGT

Rapid Growth Industries Sdn. Bhd.	Malaysia	40%	0%	Inactive
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The financial information of JCI has not been disclosed as its NCI are not material to the Group. The summarised financial information of RGT and its subsidiary is as follows:

	2018 RM
Non-current assets	42,517,875
Current assets	51,583,184
Non-current liabilities	(11,152,077)
Current liabilities	(22,049,871)
Net assets	60,899,111
Revenue	*14,492,167
Profit (representing total comprehensive income)	*1,799,723
Net cash from operating activities	*16,243,945
Net cash used in investing activities	*(27,252)
Net cash used in financing activities	*(429,699)
Net cash inflow	<u>*15,786,944</u>

* From the date of acquisition to 30 June 2018

18. Revenue

The Group

Revenue represents income from the sale of goods.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

19. Loss Before Tax

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Loss before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	137,250	118,000	87,000	82,000
- Prior year	(5,000)	2,000	0	0
Depreciation of property, plant and equipment	971,988	378,754	19,074	24,047
Employee benefits expense (Note 20)	4,241,227	1,646,867	527,811	552,293
Fee expense for financial instruments not at fair value through profit or loss	16,433	8,694	0	2,731
Impairment loss on receivables:-				
- Subsidiaries	0	0	659,716	377,744
- Unrelated parties	11,361	7,118	0	0
Interest expense for financial liabilities not at fair value through profit or loss	67,809	0	0	0
Inventories written down	407,783	0	0	0
Loss on financial instruments at fair value through profit or loss (classified as held for trading)	294,083	0	0	0
Property, plant and equipment written off	30,017	581	4,109	0
Rental expense	382,056	384,054	20,256	16,801
and crediting:-				
Gain on disposal of property, plant and equipment	13,093	5,648	0	0
Gain on foreign exchange:-				
- Realised	599,892	8,899	0	0
- Unrealised	364,807	27,776	0	0
Interest income for financial assets not at fair value through profit or loss	102,616	160,358	6,287	1,418
Reversal of impairment loss on receivables:-				
- Subsidiaries	0	0	205,269	0
Waiver of debts	41,500	0	0	0

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

20. Employee Benefits Expense (Including Directors' Remuneration)

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the Company:-				
- Fees	255,000	138,000	123,000	138,000
- Other short-term employee benefits	526,305	690,109	348,957	355,880
- Defined contribution plans	46,011	37,092	26,736	21,600
	827,316	865,201	498,693	515,480
Directors of subsidiaries:-				
- Fees	12,000	0	0	0
- Other short-term employee benefits	310,588	0	0	0
- Defined contribution plans	37,896	0	0	0
	360,484	0	0	0
Other employees:-				
- Short-term employee benefits	2,810,996	712,563	25,998	33,677
- Defined contribution plans	242,431	69,103	3,120	3,136
	3,053,427	781,666	29,118	36,813
	4,241,227	1,646,867	527,811	552,293

21. Tax Expense

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Tax based on results for the year:-				
Current tax	421,017	38,486	0	0
Deferred tax	157,000	0	0	0
	578,017	38,486	0	0
Tax under/(over) provided in prior year:-				
Current tax	30,987	11,783	187	0
Real property gains tax	(437,885)	0	0	0
Deferred tax	13,000	0	0	0
	184,119	50,269	187	0

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

21. Tax Expense (Cont'd)

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	%	%	%	%
Applicable tax rate	(24.00)	(24.00)	(24.00)	(24.00)
Non-deductible expenses	112.21	32.36	25.67	24.00
Non-taxable income	(26.41)	(0.47)	(1.72)	0.00
Tax incentives claimed	(4.62)	0.00	0.00	0.00
Increase/(Decrease) in unrecognised deferred tax assets	10.90	(5.17)	0.05	0.00
Average effective tax rate	68.08	2.72	0.00	0.00

22. Loss Per Share

The Group

The basic loss per share is calculated by dividing the Group's loss for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:-

	2018	2017
Loss for the financial year attributable to owners of the Company (RM)	(1,831,295)	(1,462,321)
Number of shares in issue as at 1 July	58,132,908	58,132,908
Effect of shares issued	66,804,055	0
Weighted average number of shares	124,936,963	58,132,908
Basic loss per share (sen)	(1.47)	(2.52)

The diluted loss per share equals the basic loss per share due to the anti-dilutive effect of the warrants which has been ignored in calculating the diluted loss per share.

23. Notes to Statement of Cash Flows

Hire Purchase Payables

	The Group	
	2018	2017
	RM	RM
Balance at 1 July	0	0
Acquisition of subsidiary	1,640,735	0
Repayments	(86,093)	0
Balance at 30 June (Note 11)	1,554,642	0

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

23. Notes to Statement of Cash Flows (Cont'd)

Term Loans

	The Group	
	2018	2017
	RM	RM
Balance at 1 July	0	0
Acquisition of subsidiary	6,825,024	0
Repayments	(258,963)	0
Balance at 30 June (Note 11)	<u>6,566,061</u>	<u>0</u>

Amounts Owing to Subsidiaries

	The Company	
	2018	2017
	RM	RM
Balance at 1 July	2,020,000	0
Net cash flow changes	<u>1,953,807</u>	<u>2,020,000</u>
Balance at 30 June (Note 10)	<u>3,973,807</u>	<u>2,020,000</u>

24. Related Party Disclosures

Transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Key management personnel compensation:-				
- Short-term employee benefits	781,305	828,109	471,957	493,880
- Defined contribution plans	46,011	37,092	26,736	21,600
	<u>827,316</u>	<u>865,201</u>	<u>498,693</u>	<u>515,480</u>
Interest charged to subsidiary	<u>0</u>	<u>0</u>	<u>6,287</u>	<u>1,418</u>

25. Segment Reporting

The Group

Operating Segments

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacture and sale of plastic parts and products.

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

25. Segment Reporting (Cont'd)

Geographical Information

The Group operates principally in Malaysia and generates revenue from the following geographical locations of customers:-

	External Revenue	
	2018 RM	2017 RM
Malaysia	10,434,172	9,044,207
Other Asian countries	1,573,578	1,470,260
United States of America	12,011,868	0
Switzerland	2,256,979	0
Others	149,164	0
	<u>26,425,761</u>	<u>10,514,467</u>

Major Customers

For the financial year ended 30 June 2018, there were 2 (2017: 3) major customers that contributed 10% or more of the Group's total revenue and the total revenue generated from these major customers amounted to RM11,343,397 (2017: RM4,361,556).

26. Contractual Commitments

The Group

Capital Commitments

	2018 RM	2017 RM
Purchase of property, plant and equipment	<u>686,000</u>	<u>56,000</u>

Operating Lease Commitments

The Group has entered into commercial leases for its premises and equipment. The leases have tenure of 1 to 5 years with renewal options included in the contracts.

The future minimum lease payments under the non-cancellable operating leases are as follows:-

	2018 RM	2017 RM
Within 1 year	362,250	367,200
Later than 1 year and not later than 2 years	361,800	302,250
Later than 2 years and not later than 5 years	300,450	2,250
	<u>1,024,500</u>	<u>671,700</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

27. Financial Guarantee Contract

The Company has entered into financial guarantee contract to provide financial guarantee to a trade supplier for credit facilities granted to a subsidiary up to a total limit of RM2,000,000 (2017: RM2,000,000). As at 30 June 2018, these credit facilities have not been utilised.

The aforementioned financial guarantee contract should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.8. After considering that the probability of the subsidiary defaulting on the credit lines is remote, the financial guarantee contract has not been recognised as the fair value on initial recognition is not expected to be material.

28. Financial Risk Management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

Credit Risk

The Group's exposure to credit risk arises mainly from receivables, derivative financial assets and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantee provided for credit facilities granted to a subsidiary.

As the Group only deals with reputable financial institutions, the credit risk associated with derivative financial assets and deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into in currencies other than its functional currency, i.e. Ringgit Malaysia ("RM"). The major foreign currencies transacted are US Dollar ("USD") and Singapore Dollar ("SGD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

28. Financial Risk Management (Cont'd)

Currency Risk (Cont'd)

	The Group	
	(Increase)/ Decrease in Loss	(Increase)/ Decrease in Loss
	2018	2017
	RM	RM
Appreciation of USD against RM by 10%	1,569,127	13,551
Depreciation of USD against RM by 10%	(1,569,127)	(13,551)
Appreciation of SGD against RM by 10%	50,335	78,673
Depreciation of SGD against RM by 10%	<u>(50,335)</u>	<u>(78,673)</u>

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely term deposits and loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	(Increase)/ Decrease in Loss	(Increase)/ Decrease in Loss
	2018	2017
	RM	RM
Increase in interest rates by 50 basis points	(24,951)	0
Decrease in interest rates by 50 basis points	<u>24,951</u>	<u>0</u>

Notes to the Financial Statements

for the Financial Year Ended 30 June 2018 (Cont'd)

29. Capital Management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:-

	The Group	
	2018 RM	2017 RM
Total loans and borrowings	8,120,703	0
Total equity	79,944,056	2,764,046
Total capital	88,064,759	2,764,046
Debt-to-equity ratio	10%	0%

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

30. Significant Events During The Reporting Period

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's previous auditors have expressed disclaimer opinion in the Company's 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 ("PN 17 status").

The Company had on 14 August 2017 announced the regularisation plan to rectify its PN17 status. The regularisation plan entailed the followings:-

- (i) Reduction of the Company's share capital pursuant to Section 116 of the Companies Act, 2016 ("Capital Reduction");
- (ii) Renounceable rights issue of 348,797,448 new ordinary shares together with 174,398,724 free detachable warrants on the basis of 6 rights shares together with 3 free warrants for every 1 existing ordinary shares held on an entitlement date ("Rights Issue with Warrants"); and
- (iii) Acquisition of 9,000,000 ordinary shares in Rapid Growth Technology Sdn. Bhd. ("RGTT") (representing 60% equity interest) for a purchase consideration of RM48,000,000 to be satisfied via issuance of 170,000,000 shares ("Consideration Shares") at an issue price of RM0.10 per Consideration Shares and cash payment of RM31,000,000.

The 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.

The High Court of Malaya at Kuala Lumpur had on 19 March 2018 granted an order confirming the Capital Reduction and the sealed order was then lodged with the Registrar of Companies on 26 March 2018, following which the Capital Reduction became effective and was deemed completed.

The listing and quotation of 348,797,448 rights shares and 174,398,724 warrants were completed on 21 May 2018. On the same date, 170,000,000 Consideration Shares has been granted listing and quotation. The regularisation plan had been completed on 22 May 2018 following the cash payment of RM31,000,000 on that day.

List of Properties

as at 30 June 2018

Location	Description of property/ Existing Use	Type of land/tenure (Year of expiry for leasehold)	Approximate land area (square metre)	Built-up area (square metre)	Age of building (years) as at 30 June 2018	Carrying amount as at 30 June 2018 (RM'000)	Date of acquisition*
Registered Owner:-							
Rapid Growth Technology Sdn. Bhd. ("RGT")							
Plot 170 & 170A, Jalan Perindustrian Bukit Minyak, Kawasan Perindustrian Bukit Minyak, MK13, 14100 Bukit Mertajam, S.P.T Penang	Factory building and land/ Head office, manufacturing facility, warehouse	Leasehold (2067 & 2068)	17,837	7,432	11	28,786	27.11.2008
11A, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	28.5.2007
15, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	28.5.2007
17, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	28.5.2007
19, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	28.5.2007
21, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	28.5.2007
39, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	11.5.2011
41, Lorong Juru 11, Pusat Perniagaan Juru Jaya, 14000 Bukit Mertajam, Penang	Double-storey terraced house/ Employee hostel	Freehold	130	204	11	376	11.5.2011

* The last revaluation of the above-mentioned properties were made on 30 April 2018 prior to the acquisition of RGT by the Company

Analysis of Shareholdings

as at September 28, 2018

SHARE CAPITAL

Total number of issued shares : 576,930,356

Class of Share : Ordinary Shares

Voting Rights : One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDERS

Holdings	No. of Holders	Total Holdings	%
1 - 99	44	553	0.00
100 - 1,000	72	37,362	0.01
1,001 - 10,000	559	1,929,149	0.33
10,001 - 100,000	415	16,658,969	2.89
100,001 - 28,846,516	287	267,479,862	46.36
28,846,517 and above	6	290,824,461	50.41
Total	1,383	576,930,356	100.00

WARRANTS 2018/2023

Unit of Warrants in Issue : 174,398,724

DISTRIBUTION OF WARRANTS

Holdings	No. of Holders	Total Holdings	%
1 - 99	5	167	0.00
100 - 1,000	6	1,842	0.00
1,001 - 10,000	61	371,407	0.21
10,001 - 100,000	134	6,764,250	3.88
100,001 - 8,719,935	129	83,707,996	48.00
8,719,936 and above	5	83,553,062	47.91
Total	340	174,398,724	100.00

Analysis of Shareholdings

as at September 28, 2018 (cont'd)

THIRTY LARGEST ORDINARY SHARES ACCOUNT HOLDERS

Name	Shareholdings	%
1. Vertical Portal Sdn Bhd	78,000,000	13.52
2. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Qualifier: Hor Lim Chee	68,000,000	11.79
3. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Qualifier: Ng Choon Keat	42,500,000	7.37
4. Pahangply Holdings Berhad	35,924,461	6.23
5. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Qualifier: Tan Song Chai	34,000,000	5.89
6. Goodwill Hexagon Sdn Bhd	32,400,000	5.62
7. See Seng Lai & Sons Realty Sdn Bhd	27,714,817	4.80
8. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Qualifier: Lim Seat Hoe	17,000,000	2.95
9. Hee Yen Phin	13,053,252	2.26
10. Teh Swee See	11,200,000	1.94
11. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Qualifier: Tan Ann Chee	8,500,000	1.47
12. See Teck Wah	8,403,000	1.46
13. See Han Liong	7,827,470	1.36
14. SJ SEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Lim Hooi Kheng (SJ10)	6,400,000	1.11
15. Yu Mee Lin	6,209,900	1.08
16. Tan Boon How	6,000,000	1.04
17. Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chun Sau Chin (M02)	4,987,500	0.86
18. NGE Leasing & Credit Sdn Berhad	3,848,649	0.67
19. Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Elite Trend Sdn Bhd (ELI0029C)	3,540,200	0.61
20. AFFIN Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For How Kim Lian (HOW0026C)	3,473,300	0.60
21. See Seng Hong	3,003,000	0.52
22. Hee Ching Hock	3,000,072	0.52
23. Lim Tuan	2,924,300	0.51
24. Nanyang General Enterprises Sdn Bhd	2,333,310	0.40
25. Chun Sau Chin	2,252,200	0.39
26. Fam Kwee Hin	2,200,000	0.38
27. Prime Forest Products (M) Sdn Bhd	2,175,542	0.38
28. Nanyang Timber Industry Sdn Berhad	2,100,000	0.36
29. Ong Choon Heng	2,100,000	0.36
30. Chee Kuat Ping	2,000,000	0.35

Analysis of Shareholdings

as at September 28, 2018 (cont'd)

THIRTY LARGEST WARRANTS ACCOUNT HOLDERS

Name	Warrant holdings	%
1. Vertical Portal Sdn Bhd	39,000,000	22.36
2. Goodwill Hexagon Sdn Bhd	16,200,000	9.29
3. Pahangply Holdings Berhad	9,824,769	5.63
4. See Seng Lai & Sons Realty Sdn Bhd	9,563,493	5.48
5. Yong Swee Koon	8,964,800	5.14
6. Hee Yen Phin	6,526,626	3.74
7. Teh Swee See	4,800,000	2.75
8. Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Elite Trend Sdn Bhd (ELI0029C)	4,298,800	2.46
9. Liew Jiew Choo	3,429,300	1.97
10. See Han Liong	3,354,630	1.92
11. Tan Boon How	3,000,000	1.72
12. Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chun Sau Chin (M02)	2,137,500	1.23
13. Tan Chye Lai	2,068,800	1.19
14. NGE Leasing & Credit Sdn Berhad	1,649,421	0.95
15. Yu Mee Lin	1,610,200	0.92
16. Hee Ching Hock	1,589,436	0.91
17. Affin Hwang Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For How Kim Lian (HOW0026C)	1,481,650	0.85
18. SJ SEC Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Lim Hooi Kheng (SJ10)	1,332,000	0.76
19. See Seng Hong	1,287,000	0.74
20. Tan Kheak Geai	1,250,000	0.72
21. Tan Tak Chuang	1,100,000	0.63
22. Maybank Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Loh Kim Seng	1,088,100	0.62
23. Chee Kuat Ping	1,000,000	0.57
24. Chong Chun Chieh	1,000,000	0.57
25. Ko Chong Hang @ Koh Chong Heong	1,000,000	0.57
26. Lim Boon Tiang	1,000,000	0.57
27. Lim Chiow Hoo	1,000,000	0.57
28. Low Chee Min	1,000,000	0.57
29. Nee Choong Sing	1,000,000	0.57
30. Public Nominees (Tempatan) Sdn Bhd Qualifier: Pledged Securities Account For Chan Kam Choon (E-JBU)	1,000,000	0.57

Analysis of Shareholdings

as at September 28, 2018 (cont'd)

SUBSTANTIAL SHAREHOLDERS

Name	Direct No. of shares held	%	Indirect^ No. of shares held	%	Notes
See Teck Wah	9,479,812	1.64	193,374,879	33.52	1, 2, 3, 4, 5, 6, 7, 8, 9 & 11
See Han Liong	7,828,100	1.36	195,026,591	33.80	1, 2, 3, 4, 5, 6, 7, 8, 9 & 10
See Seng Hong	3,003,000	0.52	123,256,420	21.36	1, 2, 6, 7, 8 & 9
Pahangply Holdings Berhad	35,924,461	6.23	78,000,000	13.52	2
See Seng Lai & Sons Realty Sdn Bhd	27,714,817	4.80	32,400,000	5.62	4
Goodwill Hexagon Sdn Bhd	32,400,000	5.62			-
Vertical Portal Sdn Bhd	78,000,000	13.52	-	-	-
Hor Lim Chee	68,000,000	11.79	-	-	-
Tan Song Chai	34,000,000	5.89	-	-	-
Ng Choon Keat	42,500,000	7.37	-	-	-

DIRECTORS' SHAREHOLDINGS

Name	Direct No. of shares held	%	Indirect^ No. of shares held	%	Notes
Dato' Ir. Low Keng Kok	-	-	-	-	-
See Teck Wah	9,479,812	1.64	193,374,879	33.52	1, 2, 3, 4, 5, 6, 7, 8, 9 & 11
Lim Seat Hoe	17,000,000	2.95	-	-	-
See Han Liong	7,828,100	1.36	195,026,591	33.80	1, 2, 3, 4, 5, 6, 7, 8, 9 & 10
Lee Soo Ching	-	-	-	-	-
Seah Cheong Wei	-	-	-	-	-
Lim Heng Gaul	-	-	-	-	-

DIRECTORS' WARRANTHOLDINGS

Name	Direct No. of unit held	%	Indirect^ No. of unit held	%	Notes
Dato' Ir. Low Keng Kok	-	-	-	-	-
See Teck Wah	-	-	81,942,573	46.99	1, 2, 3, 4, 5, 6, 7, 8, 9 & 11
Lim Seat Hoe	-	-	-	-	-
See Han Liong	3,354,900	1.92	78,587,673	45.06	1, 2, 3, 4, 5, 6, 7, 8, 9 & 10
Lee Soo Ching	-	-	-	-	-
Seah Cheong Wei	-	-	-	-	-
Lim Heng Gaul	-	-	-	-	-

Analysis of Shareholdings

as at September 28, 2018 (cont'd)

^ Notes for Indirect interest held through:

Note	Name	No. of Shares held	No. of Warrants unit held
1	Pahangply Holdings Berhad*	35,924,461	9,824,769
2	Vertical Portal Sdn Bhd*~	78,000,000	39,000,000
3	See Seng Lai & Sons Realty Sdn Bhd*	27,714,817	9,563,493
4	Goodwill Hexagon Sdn Bhd* @	32,400,000	16,200,000
5	Prime Forest Products (M) Sdn Bhd*	2,175,542	-
6	NGE Leasing & Credit Sdn Bhd*	3,848,649	1,649,421
7	Nanyang General Enterprises Sdn Bhd*	2,333,310	999,990
8	Nanyang Timber Industry Sdn Berhad*	2,100,000	900,000
9	Far East Navigation (Malaysia) Sdn Berhad*	1,050,000	450,000
10	See Teck Wah#	9,479,812	-
11	See Han Liong#	7,828,100	3,354,900

* Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of his substantial interest

Deemed interest by virtue of the interest held by his father/son

~ a wholly-owned subsidiary of Pahangply Holdings Berhad

@ a wholly-owned subsidiary of See Seng Lai & Sons Realty Sdn Bhd

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PROXY FORM



ASIA KNIGHT BERHAD
(Company No. 71024-T)
(Incorporated in Malaysia)

No. of ordinary shares held		CDS Account No.	
Contact No.		Email Address	

I/We, _____ (NRIC / Passport No. _____)
_____ of _____
being a Member of the above Company hereby appoint (Proxy 1) _____
(NRIC No. _____) of _____
_____ and*/or failing him* (Proxy 2), _____
(NRIC No. _____) of _____
_____ and*/or failing him*, the Chairman of
the Meeting, as my/our proxy(ies), to vote for me/us on my/our behalf at the 37th ANNUAL GENERAL MEETING of the Company
to be held at Pangkor Room, Hotel Jen Penang, Jalan Magazine, 10300 George Town, Pulau Pinang on Thursday, 20 December
2018 at 11.30 a.m. and at any adjournment thereof as indicated below:

The proportions of *my/our holdings to be represented by *my/our proxy(ies) are as follows:

Proxy 1		%	Proxy 2		%
---------	--	---	---------	--	---

In case of a vote by show of hands, Proxy 1*/Proxy 2* shall vote on my/our behalf.

* I/We hereby indicate with an "X" in the spaces provided how *I/we wish *my/our votes to be cast. (Unless otherwise instructed, the proxy may vote, as he thinks fit)

* *Strike out whichever is inapplicable*

Ordinary Resolutions		For	Against
1.	To approve the payment of Directors' Fee of RM123,000 for the year ended 30 June 2018.		
2.	To approve an increase of the Directors' Fee from RM123,000 to RM229,500 for the period from 1 July 2018 until the next Annual General Meeting (AGM) of the Company.		
	To re-elect the following directors retiring under the respective provision of the Articles of Association of the Company, and who being eligible, offered themselves for re-election:		
3.	See Teck Wah Article 78		
4.	See Han Liong Article 78		
5.	Lee Soo Ching Article 85		
6.	Lim Seat Hoe Article 85		
7.	Dato' Ir. Low Keng Kok Article 85		
8.	To approve the benefits payable (excluding Directors' Fees) to the Non-Executive Directors up to an amount of RM9,000 from 1 January 2019 until the next AGM of the Company.		
9.	To re-appoint Messrs. Crowe Malaysia (formerly known as Crowe Horwath) as auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
	<u>Special Business</u>		
	<u>Ordinary Resolutions</u>		
10.	To authorise Mr. Seah Cheong Wei to continue to serve as Independent Non-Executive Director of the Company.		
11.	To approve the resolution pursuant to Authority to Issue Shares.		
Special Resolution			
Proposed Change of Company Name from "Asia Knight Berhad" to "RGT Berhad"			

Signed this ____ day of _____, 2018.

Signature of Member: _____

Proxy

- For the purpose of determining a member who shall be entitled to attend and vote at the AGM, the Company shall be requesting the Record of Depositors as at 10 December 2018. Only a depositor whose name appears on the Record of Depositors as at 10 December 2018 shall be entitled to attend, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend and vote on his/her stead.
- A member shall be entitled to appoint at least (1) proxy to attend and vote at the same meeting. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there shall be no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under Seal or under the hand of an officer or attorney duly authorised.
- The instrument appointing a proxy shall be deposited at the Registered Office, 57-G Persiaran Bayan Indah, Bayan Bay, Sungai Nibong, 11900 Bayan Lepas, Penang, not less than 24 hours before the time appointed for holding the Meeting or any adjournments thereof.

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Affix
Stamp

The Company Secretaries
Asia Knight Berhad (71024-T)
57-G Persiaran Bayan Indah
Bayan Bay, Sungai Nibong
11900 Bayan Lepas
Penang

Fold this flap for sealing

ASIA KNIGHT BERHAD (71024-T)

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