

**Asia Knight Berhad (formerly known as Pahanco Corporation Berhad) (71024 T)**

Interim Financial report on the consolidated results for the fourth quarter of the financial period ended 31 December 2013 (The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE 12 MONTHS FINANCIAL PERIOD ENDED 31 DECEMBER 2013**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31-12-2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2012 RM'000	CURRENT YEAR QUARTER 31-12-2013 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31-12-2012 RM'000 (Audited)
Revenue	637	1,886	7,953	6,339
Cost of sales	(1,407)	(2,526)	(9,793)	(9,165)
Operating expenses	(414)	(2,061)	(1,669)	(4,265)
Other Operating Income/(loss)	34	(174)	579	492
Profit/(loss) from operations	(1,150)	(2,875)	(2,930)	(6,599)
Finance cost	(78)	(98)	(347)	(474)
Profit/(loss) before taxation	(1,228)	(2,973)	(3,277)	(7,073)
Taxation	-	(87)	-	(87)
Profit/(loss) for the period	(1,228)	(3,060)	(3,277)	(7,160)
Attributable to:				
Equity holders of the parent	(1,129)	(3,066)	(3,253)	(7,175)
Non-controlling interest	(99)	6	(24)	15
	(1,228)	(3,060)	(3,277)	(7,160)
Earning/(loss) per share (sen)				
Basic	(2.5)	(6.9)	(7.3)	(16.3)
Diluted	(2.5)	(6.9)	(7.3)	(16.3)

- (i) The Condensed Consolidated Income Statement should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.
- (ii) The Company had on 6 December 2013 announced the change of its financial year end from 31 December to 30 June. The first set of financial statements with the new financial year end will be for the 18 months period ending 30 June 2014.

Asia Knight Berhad (formerly known as Pahanco Corporation Berhad) (71024 T)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2013

	As At End Of Current Quarter 31-12-2013 RM'000 (Unaudited)	As At Preceding Financial Year Ended 31-12-2012 RM'000 (Audited)
<b>ASSETS</b>	-----	-----
<b>Non-current assets</b>		
Property , plant and equipment	44,767	47,625
Quoted investment	6	6
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	44,773	47,631
	-----	-----
<b>Current assets</b>		
Inventories	1,031	1,091
Trade receivables	2,548	1,993
Other receivables	2,626	843
Tax recoverable	53	14
Cash and bank balances	495	506
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	6,753	4,447
	-----	-----
<b>TOTAL ASSETS</b>	51,526	52,078
	=====	=====
<b>EQUITY AND LIABILITIES</b>		
<b>Equity – attributable to equity holders of the parent</b>		
Share capital	45,813	44,083
Capital reserve	39	39
Accumulated loss	(22,904)	(19,651)
	-----	-----
	22,948	24,471
Non-controlling interest	76	100
	-----	-----
	23,024	24,571
<b>Non-current liabilities</b>		
Deferred taxation	415	415
<b>Current liabilities</b>		
Trade payables	2,267	2,283
Other payables	19,928	17,877
Short term borrowings	5,068	6,048
Bank overdraft	823	837
Provision for taxation	2	47
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	28,088	27,092
	-----	-----
<b>Total Liabilities</b>	28,503	27,507
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<b>TOTAL EQUITY AND LIABILITIES</b>	51,526	52,078
	=====	=====
Net assets per share attributable to ordinary equity holders of the parent (RM)	0.50	0.56

The Condensed Consolidated Balance Sheet should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.

**Asia Knight Berhad (formerly known as Pahanco Corporation Berhad) (71024 T)**

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE PERIOD ENDED 31-12-2013**

	31-12-2013 RM'000	31-12-2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(3,277)	(7,074)
Adjustment for:		
Depreciation	3,098	3,150
Interest expenses	347	474
Rental Income	-	(242)
Allowance for doubtful debts	-	183
Impairment loss of fixed assets	-	1,000
Inventories written off	-	288
Gain on disposal of fixed assets	(1,055)	(184)
Reversal of allowance for diminution in value of quoted investments	-	(1)
Gain on disposal of investment in subsidiary	-	(1)
Reversal of general impairment loss of fixed assets	(1,000)	-
	(1,887)	(2,407)
Decrease in inventories	60	78
Increase in trade and other receivables	(321)	(2,072)
Increase in trade and other payables	2,035	5,682
Cash generated from operations	233	1,281
Interest paid	(347)	(474)
Income tax paid	(21)	(134)
Net cash from operating activities	(601)	673
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(187)	(30)
Proceeds from disposal of fixed assets	41	357
Rental received	-	32
Net cash used in investing activities	(146)	359
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Drawdown of term loan	-	(275)
Net repayment of Banker's acceptance	(980)	(757)
Proceeds from disposal of investment in subsidiaries	-	85
Proceeds from Placement of shares	1,730	-
Net cash used in financing activities	750	(947)
Net increase / (decrease) in cash and cash equivalents	3	85
Cash and cash equivalents at beginning of period	(331)	(416)
Cash and cash equivalents at end of period	(328)	(331)
<b>CASH AND CASH EQUIVALENTS COMPRISE:</b>		
Bank overdraft	(823)	(837)
Cash and bank balances	495	506
	(328)	(331)

The condensed consolidated cash flow statement should be read in conjunction with the annual Financial Report for the year ended 31st December 2012

Asia Knight Berhad (formerly known as Pahanco Corporation Berhad) (71024 T)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31-12-2013

	<-- Attributable to Equity Holders of the Parent -- >					
	Share Capital	Capital Reserve	(Accumulated Losses)	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-01-2013	44,083	39	(19,651)	24,471	100	24,571
Issue of Placement Shares	1,730	-	-	1,730	-	1,730
Loss for the period	-	-	(3,253)	(3,253)	(24)	(3,277)
Balance as at 31-12-2013	45,813	39	(22,904)	22,948	76	23,024

	Share Capital	Capital Reserve	(Accumulated Losses)	Revaluation Surplus	Total	Non- Controlling Interest	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 01-01-2012	44,083	39	(43,310)	30,835	31,647	-	31,647
Effect on transition to MFRS	-	-	30,835	(30,835)	-	-	-
Loss for the period	-	-	(7,176)	-	(7,176)	15	(7,161)
Disposal of non- controlling interest	-	-	-	-	-	85	85
Balance as at 31-12-2012	44,083	39	(19,651)	-	24,471	100	24,571

The Condensed Consolidated Statement of changes in Equity should be read in conjunction with the annual Financial Report for the year ended 31st December 2012.

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### Part A: Explanation notes as per MFRS 134

A1. Accounting policies and methods of computation.

The unaudited interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and Chapter 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”). The accounting policies and method of computation adopted for the interim financial Reports were consistent with those adopted for the audited financial statements for the year ended 31<sup>st</sup> December 2012. The unaudited interim financial statements include the adoption of new/revised/amendments to MFRS and IC Interpretation applicable to the Group.

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
Revised MFRS 127	Separate Financial Statements
Revised MFRS 128	Investments in Associates and Joint Ventures
Amendments to MFRS 7	Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 10, 11 and 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
Amendments to MFRS 101	Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income
Amendment to MFRS 119	Employee Benefits
Amendments to MFRS 132	Financial Instruments : Presentation
Amendments to MFRS 134	Interim Financial Reporting
Annual Improvements to MFRSs 2009 - 2011 Cycle	

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

A2. The audited annual financial statements for the preceding year ended 31<sup>st</sup> December 2012 was not qualified.

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

A4. There were no items of unusual nature affecting the assets, liabilities, equity, net income or cash flows.

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

A6. Save for the Placement of 1,730,000 ordinary shares of RM1.00 each in AKnight as disclosed in Section B8(b) below, there were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities, during the period ended 31-12-2013.

A7. Dividend paid during the period ended 31-12-2013 - Nil

A8. Segment information for the current financial year-to-date.

	Revenue	Profit/(Loss) Before taxation	Assets Employed
Industry segment	RM'000	RM'000	RM'000
Manufacturing	21	(3,380)	30,138
Hotel operation	2,817	156	18,920
Trading	5,115	(53)	2,468
	-----	-----	-----
	7,953	(3,277)	51,526
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Information on the Group’s operation by geographical segments has not been presented as the Group operates principally in Malaysia. The Group is in the midst of streamlining its manufacturing operation.

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

A10. In the opinion of the Directors, no items, transactions or event of the material and/or unusual nature has arisen which would affect substantially the results of the Group and of the company’s operations subsequent to the end of the current quarter.

A11. There were no changes in the composition of the Group for the current quarter. However, the Company had on 6 December 2013 announced the change of its financial year end from 31 December to 30 June. The first set of financial statements with the new financial year end will be for the 18 months financial period ending 30 June 2014. Approval from Suruhanjaya Syarikat Malaysia was granted on 30 December 2013 for an extension of time to hold the annual general meeting of the Company up to 31 December 2014 pursuant to Section 143(2) of the Companies Act 1965.

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A12. Contingent Liabilities.

Save for the litigation as disclosed in Section B12 below, the Directors are of the opinion that the Group has no contingent liabilities, which upon crystallization, would have any material effect on the financial and business position of the Group.

A13. Recurrent Related Party Transaction Nil

**Part B: Additional information required by Bursa Securities Listing Requirements for Quarterly report ended 31 December 2013**

B1. Review of performance

The Group incurred loss before tax of RM1.228 million in the current quarter compared to the Group loss before tax of RM2.973 million in the preceding year corresponding quarter. The revenue of the Group for the current quarter is RM0.637 million against the revenue of RM1.886 million in preceding year corresponding quarter mainly due to decrease in revenue from fashion wear trading division.

The loss during the current quarter is mainly due to depreciation of machinery from manufacturing division.

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

During the current quarter, the Group generated revenue of RM0.637 million and incurred loss before tax of RM1.228 million compared to the revenue of RM1.955 million and loss before tax of RM0.703 million in the immediate preceding quarter.

The loss before tax in the current quarter is mainly due to depreciation of machinery from manufacturing division.

B3. Prospect of the Group

The prospect of the Group may improve with the contribution of fashion wear business from JC Concept International Sdn Bhd.

B4. Variance of the actual profit from forecast profit.

Not applicable.

B5. Taxation

	Current quarter RM'000	Year to-date RM'000
Provision for current year	-	-
Over provision in prior year	-	-
Transfer from / (to) deferred taxation	-	-
	<u>-</u>	<u>-</u>

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

B7. (a) There were no purchase and sales of quoted securities for the current quarter.

(b) Investments in quoted Securities as at 31-12-2013

	RM'000
(i) at cost less allowance for diminution in value	6
(ii) at market value	7

B8. The status of corporate proposals

- (a) On 6 December 2012, the Group announced proposed joint venture with Nine Avenue Development Sdn Berhad ("NADSB" or "Developer") for the proposed development of mixed commercial property on 1 parcel of leasehold land owned by Asia Knight Berhad held under title PN 2487 Lot 9461 in the Mukim of Kuala Kuantan District of Kuantan State of Pahang measuring approximately 15.73 acres ("Kuantan Land I") and 1 parcel of leasehold land owned by Natural Renewable Energy Sdn Bhd held under title PN 4663 Lot 16600 in the Mukim of Kuala Kuantan District of Kuantan State of Pahang measuring approximately 1.1 acres ("Kuantan Land II")(Collectively known as "Kuantan Land") ("Joint Venture") and the relocation of existing business to another location to be identified.

The Joint Venture was approved by AKnight shareholders at an Extraordinary General Meeting held on 25 October 2013.

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

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- (b) On 6 August 2013, the Group announced proposed private placement of up to 10% of the issued and paid-up share capital of AKnight to third party investors to be identified, at an issue price to be determined at a later date.

Bursa Malaysia Securities Berhad (“Bursa Malaysia”) had vide its letter dated 27 August 2013 (which was received on 28 August 2013) approved the proposed private placement of up to 4,408,320 ordinary shares of RM1.00 each (“Placement Shares”) in AKnight.

On 26 September 2013, the Board fixed the issue price for the first tranche of the Placement Shares, comprising of 1,730,000 Placement Shares at RM1.00 per share. The first tranche of the Placement Shares were listed on the Main Market of Bursa Malaysia on 16 October 2013.

On 27 February 2014, Bursa Malaysia has granted the Company an extension of time of six (6) months up to 27 August 2014 to complete the implementation of the Private Placement.

- (c) On 17 December 2013, the Group announced proposed settlement of debt owing to Prime Forest Products (M) Sdn Bhd and See Seng Lai & Sons Realty Sdn Bhd via issuance of 12,319,708 new ordinary shares of RM1.00 each in AKnight, representing approximately 21.2% of the enlarged issued and paid-up share capital of the Company, at an issue price of RM1.20 per share. The Company had on 11 February 2014 submitted the additional listing application to Bursa Malaysia and is pending reply from Bursa Malaysia.

### B9. Status of Utilisation of Proceeds Raised from Private Placement

The status of utilization of the proceeds from the Private Placement is as follows:

	<b>Purpose</b>	<b>Proposed Utilisation RM'000</b>	<b>Funds Raised from 1<sup>st</sup> Tranche Placement RM'000</b>	<b>Actual Utilisation @ 31.12.2013 RM'000</b>	<b>Unutilised Amount @ 31.12.2013 RM'000</b>	<b>Intended Timeframe for utilisation</b>	<b>Deviation Amount RM/%</b>
(i)	Repayment of bank borrowings	2,150		838		Within 3 months	
(ii)	Working capital						
	-payment of staff cost	1,460		474		Within 12 months	
	-utilities	638		162		Within 12 months	
(iii)	Estimated expenses in relation to the Private Placement	160		63		Upon completion	
	<b>Total</b>	<b>4,408</b>	<b>1,730</b>	<b>1,537</b>	<b>193</b>		<b>-</b>

### B10. The Group borrowings

- (a) The borrowings are secured by legal charge over certain property of the Group and corporate guarantee of the Company.

(b)	Short term borrowings	RM'000
	(i) Short term trade finance and overdraft	5,891
	(ii) Term loan	-
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		5,891
		-----

- (c) Long term borrowings

- (d) The borrowing is in Ringgit Malaysia.

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B11. There were no financial instruments with off balance sheet risk being transacted or contracted to the date of this report.

B12. Material Litigation

Tenaga Nasional Berhad (“Plaintiff”) has commenced legal proceeding against AKnight at the Shah Alam High Court under suit no. 22NCVC–594–09/2013. The Plaintiff’s Statement of Claim and the Writ of Summons served on A-Knight are dated 22 August 2013 and 13 September 2013 respectively. The Plaintiff alleged that an inspection conducted on 29 September 2010 on the meter installation in AKnight’s premise at Kawasan Perindustrian Batu 3, Jalan Gambang, 25150 Kuantan, Pahang has revealed the existence of perturbation to the meter installation, which resulted in malfunction of AKnight’s meter and its failure to record accurate reading in consistence with the electricity supplied at each material time.

In its Statement of Claim, the Plaintiff claims for amongst others, the amount of RM1,642,803.57 (being the aggregate of the alleged total revenue loss of RM1,637,556.11 and operation cost of RM5,247.46 in respect of the alleged unrecorded electricity power usage for the period approximately from 28 September 2008 to 29 September 2010), as well as interests and costs.

AKnight has filed its defence dated 25 October 2013 at the Shah Alam High Court to defend the allegations by the Plaintiff.

AKnight had also *vide* the Notice of Application dated 31 October 2013 applied to transfer the suit from Shah Alam High Court to Kuantan High Court. Shah Alam High Court had on 7 January 2014 allowed the said suit to be transferred and be heard in the Kuantan High Court.

The solicitors acting for AKnight are unable to assess the probability of success in the said suit at this juncture as the Plaintiff has yet to file its bundle of documents. The suit is now pending case management date to be fixed by the Kuantan High Court.

The suit mentioned above is for additional information as the amount claimed is approximately 6.7% of AKnight’s net tangible assets as at 31 December 2012 of RM24.47 million. The Company is of the view that the cause of the claim is remote.

Save as above, neither the Company nor any of its subsidiary companies is involved in any material litigation as at the latest practicable date, which has a material effect on the financial position of the Group.

B13. Dividends

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

B14. The basic loss per share is calculated by dividing the net loss in the current quarter and cumulative quarter attributable to equity holders of the parent by the weighted average number of 45,531,135 ordinary shares in issue for the current quarter and 44,448,159 ordinary shares in issue for the cumulative quarter as at 31 December 2013.

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

B15. Disclosure of realized and unrealized profits and losses

	31.12.2013	31.12.2012
	RM’000	RM’000
Total Accumulated losses of Asia Knight Group		
- Realised	(90,019)	(86,766)
- Unrealised	30,420	30,420
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	(59,599)	(56,346)
Less : Consolidation adjustment	36,695	36,695
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	(22,904)	(19,651)
	=====	=====



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B16. The following relevant amounts have been included in arriving at loss before tax:

Additional Disclosure	Current Quarter RM'000	Year to-date RM'000
(a) Depreciation	764	3,098
(b) Interest expenses	78	347

BY ORDER OF THE BOARD

SEE TECK WAH  
Chairman

Date : 25 February 2014