

CN ASIA CORPORATION BHD (Company No.: 399442-A)
(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014**

CN ASIA CORPORATION BHD
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FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2014

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 30/09/2014 RM'000	Preceding Year Quarter Ended 30/09/2013 RM'000	Current Financial 9 Months Ended 30/09/2014 RM'000	Preceding Financial 9 Months Ended 30/09/2013 RM'000
Revenue	4,032	6,148	12,625	13,626
Cost of sales	(3,199)	(4,024)	(13,688)	(12,670)
Gross profit / (loss)	833	2,124	(1,063)	956
Selling & distribution	(27)	(29)	(116)	(87)
Administrative expenses	(947)	(709)	(2,472)	(2,113)
Other operating expenses	(19)	(21)	(89)	(25)
Other operating income	-	-	233	1
(Loss) / Profit from operations	(160)	1,365	(3,507)	(1,268)
Finance cost	(171)	(148)	(505)	(432)
Share of loss of associated company	-	(4)	(29)	(29)
(Loss) / Profit before taxation	(331)	1,213	(4,041)	(1,729)
Taxation	-	-	-	-
Net (loss) / profit after taxation for the period	(331)	1,213	(4,041)	(1,729)
Other comprehensive (expenses) / income				
Foreign exchange translation differences	(35)	6	17	6
Total comprehensive (loss) / profit for the period	(366)	1,219	(4,024)	(1,723)
Net (loss) / profit for the period attributable to:-				
Equity holders of the Company	(331)	1,213	(4,041)	(1,729)
Minority interests	-	-	-	-
	(331)	1,213	(4,041)	(1,729)
Total comprehensive (loss) / profit for the period attributable to:-				
Equity holders of the Company	(366)	1,219	(4,024)	(1,723)
Minority interests	-	-	-	-
	(366)	1,219	(4,024)	(1,723)
(Loss) / Profit per share (sen)				
- Basic	(0.7)	2.7	(8.9)	(3.8)
- Fully diluted	N/A	N/A	N/A	N/A

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As At End of Current Quarter 30/09/2014 RM'000	As At Preceding Financial Year Ended 31/12/2013 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant & equipment</i>	27,764	27,694
<i>Non-current assets held for resale</i>	-	380
<i>Interest in associated company</i>	-	29
<i>Goodwill on consolidation</i>	77	77
	<u>27,841</u>	<u>28,180</u>
Current Assets		
<i>Inventories</i>	3,704	4,956
<i>Amount due from customer for contract work</i>	2,496	3,439
<i>Trade and other receivables</i>	2,751	3,992
<i>Tax recoverable</i>	6	42
<i>Fixed deposit with licensed bank</i>	224	224
<i>Cash at banks and in hand</i>	402	628
	<u>9,583</u>	<u>13,281</u>
TOTAL ASSETS	<u><u>37,424</u></u>	<u><u>41,461</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	45,382	45,382
<i>Reserves</i>	(21,791)	(17,767)
Shareholders' Equity	<u>23,591</u>	<u>27,615</u>
Liabilities		
Non-current Liabilities		
<i>Hire Purchase Payables</i>	511	418
	<u>511</u>	<u>418</u>
Current Liabilities		
<i>Trade and other payables</i>	1,540	2,188
<i>Amount owing to an associated company</i>	-	60
<i>Amount owing to a director</i>	693	-
<i>Overdraft and short term borrowings</i>	11,089	11,180
	<u>13,322</u>	<u>13,428</u>
TOTAL LIABILITIES	<u>13,833</u>	<u>13,846</u>
TOTAL EQUITY AND LIABILITIES	<u><u>37,424</u></u>	<u><u>41,461</u></u>
Net Assets Per Share (RM)	<u>0.52</u>	<u>0.61</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial 9 Months Ended 30/09/2014 RM'000	Preceding Financial 9 Months Ended 30/09/2013 RM'000
Cash Flows From Operating Activities		
Loss Before Tax But After Minority Interest	(4,041)	(1,729)
Adjustments For:-		
Allowance for impairment of receivables	18	-
Amortisation of intangible assets	-	19
Depreciation of property, plant and equipment	884	822
Gain on foreign exchange - Unrealised	(2)	(1)
Interest expenses	502	432
(Gain) / Loss on disposal of property, plant and equipment	(37)	26
Gain on disposal of investment property	(93)	-
Share of losses of associated company	29	30
Translation adjustment	-	(27)
	<u>1,301</u>	<u>1,301</u>
Operating Loss Before Working Capital Changes	<u>(2,740)</u>	<u>(428)</u>
Changes In Working Capital		
Inventories	1,252	355
Amount Due For Contract Work	943	(180)
Trade and Other Receivables	1,224	(2,966)
Bankers' acceptance	(33)	1,842
Trade and Other Payables	(648)	293
Cash Used In Operations	<u>(2)</u>	<u>(1,084)</u>
Interest paid	(502)	(432)
Tax refunded	36	-
Net Cash Used In Operating Activities	<u>(468)</u>	<u>(1,516)</u>
Cash Flows From Investing Activities		
Capital Work-in-progress Incurred	(522)	-
Proceeds from disposal of property, plant & equipment	64	62
Proceeds from disposal of investment property	473	-
Purchase of property, plant and equipment (<i>Note 1</i>)	(274)	(227)
Net Cash Used In Investing Activities	<u>(259)</u>	<u>(165)</u>
Cash Flows From Financing Activities		
Net repayment to an associated company	(60)	(69)
Net advance from a director	693	-
Net payments of finance lease liabilities	(70)	(104)
Net Cash Generated From / (Used In) Financing Activities	<u>563</u>	<u>(173)</u>
Net Decrease In Cash And Cash Equivalents	(164)	(1,854)
Effects of Exchange Translation Differences on Cash and Cash Equivalent	18	3
Cash And Cash Equivalents At Beginning Of The Financial Year	(4,369)	(3,384)
Cash And Cash Equivalents At End Of The Financial Quarter	<u>(4,515)</u>	<u>(5,235)</u>

Note 1: Purchase of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM459K (2013: RM717K) of which RM185K (2013: RM490K) was acquired by means of finance lease and the balance was made by cash payments.

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	SHARE CAPITAL (RM'000)	SHARE PREMIUM (RM'000)	TRANSLATION RESERVE (RM'000)	ACCUMULATED LOSSES (RM'000)	TOTAL SHAREHOLDERS' FUND (RM'000)
Current Year 9 Months					
Ended 30/09/2014					
Balance at beginning of the period	45,382	3,492	14	(21,273)	27,615
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(4,041)	(4,041)
Other comprehensive expenses	-	-	-	-	-
- Translation difference	-	-	17	-	17
	-	-	17	(4,041)	(4,024)
Balance at end of the period	45,382	3,492	31	(25,314)	23,591
Preceding Year 9 Months					
Ended 30/09/2013					
Balance at beginning of the period	45,382	3,492	8	(20,547)	28,335
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(1,729)	(1,729)
Other comprehensive expenses	-	-	-	-	-
- Translation difference	-	-	6	-	6
	-	-	6	(1,729)	(1,723)
Balance at end of the period	45,382	3,492	14	(22,276)	26,612

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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Notes To The Quarterly Report For The Third Financial Quarter Ended 30 September 2014

PART A: Selected Explanatory Notes Pursuant To Malaysian Financial Reporting Standards ("MFRS") 134

1. Basis of Preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group as at and for the year ended 31 December 2013. The accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with the audited financial statements of the Group for the financial year ended 31 December 2013 except for the adoption of the following Amendments to MFRSs with a date of initial applications on 1 January 2014:-

MFRS 10	Consolidated Financial Statements: Investment Entities
MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
MFRS 127	Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above Amendments to MFRSs do not have any material financial impact on the Group.

The audited financial statements of the Group for the year ended 31 December 2013, which were prepared in accordance with MFRSs, are available upon request from the Company's registered office at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

MFRSs, Amendments to MFRSs and Interpretations issued but not yet effective

At the date of authorisation of these financial statements, the following MFRSs, Amendments to MFRSs and Interpretations were issued but not yet effective and have not been applied by the Company :

MFRS, Amendments to MFRS and Interpretations	Effective for financial period beginning on or after
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009)) To be announced by MASB
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in October 2010)	
MFRS 9 : Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 & MFRS 139)	
MFRS 9 : Financial Instruments: Mandatory Effective Date of MFRS 9, MFRS 7 and MFRS 139 (Amendment to MFRS 9 and MFRS 7)	
Amendments to MFRS 119 : Defined Benefits Plans - Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014

The management anticipate that the adoption of the above MFRSs will not have significant impact on the financial position and financial performance of the Company.

2. Qualification Of Financial Statements

There was no qualification on audit report of preceding annual financial statements.

3. Seasonal And Cyclical Factors

The business operations of the Group were not significantly affected by any seasonal and cyclical factors in the current quarter and financial year-to-date.

4. Items Of An Unusual Nature

There was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

5. Changes In Estimates Reported

There was no changes in estimates reported in prior interim periods of the current financial year or prior financial year, which have a material effect in the current interim period.

6. Changes In Equity

There were no issuances, cancellation, repurchase, resale and repayments of debts and equity securities for the current financial year-to-date.

7. Dividend Paid

There was no dividend paid during the financial year-to-date.

Notes To The Quarterly Report For The Third Financial Quarter Ended 30 September 2014 (cont'd)

8. Segmental Information

(a) By Activities

	Manufacturing and marketing of tanks, engineering and fabrication works RM'000	Repairing and renting of transportable containers for hazardous chemicals RM'000	Investment holdings and others RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	12,602	23	-	-	12,625
Inter-segment revenue	-	-	45	(45)	-
Total revenue	12,602	23	45	(45)	12,625
Results					
Segment results	(3,366)	10	(151)	-	(3,507)
Finance cost	(505)	-	-	-	(505)
Share of losses of associated company	-	-	-	-	(29)
Loss attributable to equity holders of the Company					(4,041)
Other information					
Segment assets	33,956	830	2,555	-	37,341
Unallocated assets	-	-	-	-	77
Tax assets	-	-	6	-	6
Investment in associated company	-	-	-	-	-
Consolidated total assets					37,424
Segment liabilities	2,200	1	32	-	2,233
Interest bearing liabilities	11,600	-	-	-	11,600
Deferred taxation liabilities	-	-	-	-	-
Consolidated total liabilities					13,833
Capital expenditure	981	-	-	-	981
Depreciation and amortisation	855	5	24	-	884

(b) By Geographical

	Malaysia RM'000	The People's Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	12,625	-	-	12,625
Inter-segment revenue	45	-	(45)	-
Total revenue	12,670	-	(45)	12,625
Results				
Segment results	(3,481)	(26)	-	(3,507)
Finance cost	(505)	-	-	(505)
Share of losses of associated company	-	-	-	(29)
Loss attributable to equity holders of the Company				(4,041)
Other information				
Segment assets	36,814	527	-	37,341
Unallocated assets	-	-	-	77
Tax assets	6	-	-	6
Investment in associated company	-	-	-	-
Consolidated total assets				37,424
Segment liabilities	2,223	10	-	2,233
Interest bearing liabilities	11,600	-	-	11,600
Deferred taxation liabilities	-	-	-	-
Consolidated total liabilities				13,833
Capital expenditure	981	-	-	981
Depreciation and amortisation	860	24	-	884

9. Material Subsequent Events

There were no material events subsequent to the end of the quarter reported on that have not been reflected in the financial statements for the period.

10. Changes In The Composition

There were no changes in the composition of the company for the current quarter and financial year-to-date.

11. Changes In Contingent Liabilities

	Period Ended 30.09.2014 RM'000	Year Ended 31.12.2013 RM'000
In respect of corporate guarantee for credit facilities granted to a subsidiary company	11,426	13,602

12. Capital Commitments

There were no capital expenditure approved and contracted for in the current quarter and the financial year-to-date.

Notes To The Quarterly Report For The Third Financial Quarter Ended 30 September 2014 (cont'd)

13. Significant Related Party Transactions

During the financial year-to-date, the Group has the following significant transaction with the following related parties, in which a director of the Company, Mr Ho Cheng San is also a director and has substantial financial interest:-

	Current Financial Quarter 30/09/2014 RM'000	Preceding Financial Quarter 30/09/2013 RM'000	Current Financial Year-To-Date 30/09/2014 RM'000	Preceding Financial Year-To-Date 30/09/2013 RM'000
Rental of premises paid to				
- Crystal Bond Sdn Bhd	24	24	72	72
- Marvellous Production Sdn Bhd	84	84	252	252

PART B: Explanatory Notes Required By Bursa Malaysia Securities Main Market Listing Requirements

1. Review Of Performance Of The Group

During the quarter under review, the Group recorded a loss before taxation of RM331K as compared to a profit before taxation of RM1.2 million over the preceding corresponding quarter due to a 34% reduction in revenue and a 33% increase in administrative expenses coupled with low margin on projects executed during the period under review. The reduction in revenue during the quarter was mainly caused by delay in commencement of major projects.

For the financial year-to-date, the Group recorded a loss before taxation of RM4.0 million as compared to a loss before taxation of RM1.7 million in the preceding year corresponding period due to lower revenue and lower margin on projects executed during the financial year-to-date. The Group's performance was further impacted by the increase in administrative expenses as well as weakening of Malaysia Ringgit against other major foreign currencies.

2. Variation Of Results Against Preceding Quarter

The Group registered a loss before taxation of RM331K for the quarter as compared to a loss before taxation of RM2.4 million for the preceding quarter as a result of a 45% increase in volume of business during the quarter.

3. Current Year Prospects

The Directors are of the view that the current financial year will be challenging to the Group due to fierce competition and the Group will continue to undertake precautionary measures and manage its cost exposure to enhance its performance for the current financial year.

4. Variance Of Actual Profit From Forecast Profit And Shortfall In Profit Guarantee

There is no profit forecast provided in any public document.

5. Additional Disclosure on Loss Before Taxation

	Current Financial Quarter 30/09/2014 RM'000	Preceding Financial Quarter 30/09/2013 RM'000	Current Financial Year-To-Date 30/09/2014 RM'000	Preceding Financial Year-To-Date 30/09/2013 RM'000
(Loss) / Profit before taxation is derived after charging / (crediting) amongst others, the following items:-				
Allowance for impairment of receivables	-	-	18	-
Amortisation of intangible assets	-	1	-	19
Depreciation of property, plant and equipment	297	282	884	822
Interest expenses	171	148	502	432
Gain on disposal of property, plant and equipment	-	-	(37)	-
Gain on disposal of investment property	-	-	(93)	-
(Gain) / Loss on foreign exchange				
- Unrealised	-	-	(2)	(1)
- Realised	12	(13)	66	(32)

6. Taxation

	Current Financial Quarter 30/09/2014 RM'000	Current Financial Year-To-Date 30/09/2014 RM'000
Based on results for the financial year-to-date	-	-

7. Corporate Proposal Status

(i) Memorandum of Understanding

In relation to the Framework Agreement entered between CN Asia Capital Sdn Bhd, a wholly-owned subsidiary of the Company, and KenMakmur Holdings Sdn Bhd for the proposed production of liquefied petroleum gas and condensate from the nature gas supplied by the Rakushechnoye Oil/Gas Field ("Framework Agreement"), the Company on 23 September 2014 announced that the Parties to the Framework Agreement had collectively agreed not to extend the timeframe for the execution of the subject matter to the Framework Agreement which therefore resulted in the lapse of the Framework Agreement.

The lapse of the Framework Agreement will not have any effect on the earnings per share and net assets per share of the Company.

Notes To The Quarterly Report For The Third Financial Quarter Ended 30 September 2014 (cont'd)

7. Corporate Proposal Status (cont'd)

(ii) Proposed Private Placement

On 7 October 2014, M& A Securities Sdn Bhd on behalf of the Company had announced that Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter dated 7 October 2014, approved the listing and quotation for up to 4,538,200 new ordinary shares of RM1.00 each in CN Asia Corporation Bhd to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities subject to the terms and condition stipulated therein.

The Proposed Private Placement will enable CN Asia to raise additional fund for its working capital requirements including the repayment of its bank borrowings and the day to day operations and administrative expenses of the Group.

8. Group Borrowings

	As At End of Current Quarter 30/09/2014 RM'000
(i) Short Term	
<u>SECURED</u>	
Hire Purchase	101
Bank Overdrafts	4,723
Bankers Acceptance	5,851
	<u>10,675</u>
<u>UNSECURED</u>	
Bank Overdrafts	194
Bankers Acceptance	220
	<u>414</u>
Total Short Term Borrowings	<u>11,089</u>
(ii) Long Term	
<u>SECURED</u>	
Hire Purchase	511
TOTAL GROUP BORROWINGS	<u>11,600</u>

There was no foreign currency borrowings included in the above balances.

9. Material Litigation

There was no pending material litigation against the Group at the date of this report.

10. Dividend

There was no interim dividend declared during the current quarter and financial year-to-date.

11. (Loss) / Profit Per Share

	Current Financial Quarter 30/09/2014 RM'000	Preceding Financial Quarter 30/09/2013 RM'000	Current Financial Year-To-Date 30/09/2014 RM'000	Preceding Financial Year-To-Date 30/09/2013 RM'000
Net (loss) / profit after taxation for the period	(331)	1,213	(4,041)	(1,729)
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Basic (loss) / profit per share (sen)	<u>(0.7)</u>	<u>2.7</u>	<u>(8.9)</u>	<u>(3.8)</u>

12. Realised and Unrealised Accumulated Losses

	As At End of Current Quarter 30/09/2014 RM'000	As At Preceding Financial Year Ended 31/12/2013 RM'000
Group and Subsidiary Companies		
Accumulated losses		
- Realised	(25,153)	(21,155)
- Unrealised	(2)	12
Associated Company		
- Realised	(159)	(130)
Total consolidated accumulated losses	<u>(25,314)</u>	<u>(21,273)</u>

BY ORDER OF THE BOARD

LIM PAIK GOOT
KOH MUI TEE
Company Secretaries
Selangor, 19 November 2014