

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

**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2016**

CN ASIA CORPORATION BHD
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FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2016

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 30/06/2016 RM'000	Preceding Year Quarter Ended 30/06/2015 RM'000	Current Financial 6 Months Ended 30/06/2016 RM'000	Preceding Financial 6 Months Ended 30/06/2015 RM'000
Revenue	4,129	1,587	9,466	7,154
Cost of sales	(2,847)	(2,979)	(7,420)	(8,843)
Gross profit / (loss)	1,282	(1,392)	2,046	(1,689)
Selling & distribution	(18)	(10)	(77)	(23)
Administrative expenses	(905)	(849)	(1,858)	(1,738)
Other operating expenses	(52)	7	(111)	(16)
Other operating income	3	1	3	1
Profit / (Loss) from operations	310	(2,243)	3	(3,465)
Finance cost	(176)	(150)	(368)	(343)
Share of loss of associated company	(1)	(5)	(1)	(12)
Profit / (Loss) before taxation	133	(2,398)	(366)	(3,820)
Taxation	-	-	-	-
Net profit / (loss) after taxation for the period	133	(2,398)	(366)	(3,820)
Other comprehensive (expenses) / income				
Foreign exchange translation differences	(4)	12	32	50
Total comprehensive profit / (loss) for the period	129	(2,386)	(334)	(3,770)
Net profit / (loss) for the period attributable to:-				
Equity holders of the Company	133	(2,398)	(366)	(3,820)
Minority interests	-	-	-	-
	133	(2,398)	(366)	(3,820)
Total comprehensive profit / (loss) for the period attributable to:-				
Equity holders of the Company	129	(2,386)	(334)	(3,770)
Minority interests	-	-	-	-
	129	(2,386)	(334)	(3,770)
Earnings / (Loss) per share (sen)				
- Basic	0.3	(5.3)	(0.8)	(8.4)
- 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 2015 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 30/06/2016 RM'000	As At Preceding Financial Year Ended 31/12/2015 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant & equipment</i>	12,320	26,163
<i>Interest in an associated company</i>	15	16
	12,335	26,179
Current Assets		
<i>Inventories</i>	2,803	3,915
<i>Amount due from customer for contract work</i>	658	708
<i>Trade and other receivables</i>	1,952	2,314
<i>Tax recoverable</i>	6	6
<i>Cash at banks and in hand</i>	653	421
	6,072	7,364
Non-current assets held for sale	13,436	-
TOTAL ASSETS	31,843	33,543
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	45,382	45,382
<i>Reserves</i>	(28,450)	(28,116)
Shareholders' Equity	16,932	17,266
Liabilities		
Non-current Liabilities		
<i>Finance lease liabilities</i>	347	396
	347	396
Current Liabilities		
<i>Trade and other payables</i>	3,022	3,968
<i>Amount owing to an associated company</i>	34	34
<i>Overdraft and short term borrowings</i>	11,508	11,879
	14,564	15,881
TOTAL LIABILITIES	14,911	16,277
TOTAL EQUITY AND LIABILITIES	31,843	33,543
Net Assets Per Share (RM)	0.37	0.38

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 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 6 Months Ended 30/06/2016 RM'000	Preceding Financial 6 Months Ended 30/06/2015 RM'000
Cash Flows From Operating Activities		
Loss Before Tax But After Minority Interest	(366)	(3,820)
Adjustments For:-		
Depreciation of property, plant and equipment	484	558
Loss on foreign exchange - Unrealised	17	2
Interest expenses	368	342
Gain on disposal of property, plant and equipment	(3)	-
Share of loss of associated company	1	12
	867	914
Operating Profit / (Loss) Before Working Capital Changes	501	(2,906)
Changes In Working Capital		
Inventories	1,112	655
Amount Due For Contract Work	50	1,230
Trade and Other Receivables	352	189
Trade and Other Payables	(936)	1,440
Cash Generated From Operations	1,079	608
Interest paid	(368)	(342)
Net Cash Generated From Operating Activities	711	266
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	3	-
Purchase of property, plant and equipment (<i>Note 1</i>)	(5)	(41)
Net Cash Used In Investing Activities	(2)	(41)
Cash Flows From Financing Activities		
Withdrawal of pledged fixed deposits	-	231
Net repayment of bankers' acceptance	(268)	(139)
Net repayment to an associated company	-	(19)
Net payments of finance lease liabilities	(46)	(53)
Net Cash (Used In) / Generated From Financing Activities	(314)	20
Net Increase In Cash And Cash Equivalents	395	245
Effects of Exchange Translation Differences on Cash and Cash Equivalent	(59)	33
Cash And Cash Equivalents At Beginning Of The Financial Year	(4,755)	(4,213)
Cash And Cash Equivalents At End Of The Financial Quarter	(4,419)	(3,935)
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	653	434
Bank overdraft	(5,072)	(4,369)
	(4,419)	(3,935)

Note 1: Purchase of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM5K (2015: RM41K) via 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 2015 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2016

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 6 Months					
<u>Ended 30/06/2016</u>					
Balance at beginning of the period	45,382	3,492	187	(31,795)	17,266
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(366)	(366)
Other comprehensive expenses					
- Translation difference	-	-	32	-	32
	-	-	32	(366)	(334)
Balance at end of the period	45,382	3,492	219	(32,161)	16,932
Preceding Year 6 Months					
<u>Ended 30/06/2015</u>					
Balance at beginning of the period	45,382	3,492	102	(25,511)	23,465
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(3,820)	(3,820)
Other comprehensive expenses					
- Translation difference	-	-	50	-	50
	-	-	50	(3,820)	(3,770)
Balance at end of the period	45,382	3,492	152	(29,331)	19,695

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.)

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Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2016

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 2015.

The significant 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 2015.

2. Qualification Of Financial Statements

The auditors expressed a qualified opinion on the preceding annual financial statements of their doubt about the Group's ability to continue as a going concern in view of the accumulated losses and the net current liabilities position of the Group.

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.

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	9,466	-	-	-	9,466
Inter-segment revenue	-	-	30	(30)	-
Total revenue	<u>9,466</u>	<u>-</u>	<u>30</u>	<u>(30)</u>	<u>9,466</u>
Results					
Segment results	161	(1)	(157)	-	3
Finance cost	(368)	-	-	-	(368)
Share of losses of associated company	-	-	(1)	-	(1)
Loss attributable to equity holders of the Company					<u>(366)</u>
Other information					
Segment assets	28,762	491	2,569	-	31,822
Unallocated assets	-	-	-	-	-
Tax assets	-	-	6	-	6
Investment in associated company	-	-	15	-	15
Consolidated total assets					<u>31,843</u>
Segment liabilities	2,988	4	64	-	3,056
Interest bearing liabilities	11,855	-	-	-	11,855
Deferred taxation liabilities	-	-	-	-	-
Consolidated total liabilities					<u>14,911</u>
Capital expenditure	5	-	-	-	5
Depreciation and amortisation	471	-	13	-	484

Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2016 (cont'd)

(b) By Geographical

	Malaysia RM'000	The People's Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	9,466	-	-	9,466
Inter-segment revenue	30	-	(30)	-
Total revenue	<u>9,496</u>	<u>-</u>	<u>(30)</u>	<u>9,466</u>
Results				
Segment results	20	(17)	-	3
Finance cost	(368)	-	-	(368)
Share of losses of associated company	(1)	-	-	<u>(1)</u>
Loss attributable to equity holders of the Company				<u>(366)</u>
Other information				
Segment assets	31,119	703	-	31,822
Unallocated assets	-	-	-	-
Tax assets	6	-	-	6
Investment in associated company	15	-	-	<u>15</u>
Consolidated total assets				<u>31,843</u>
Segment liabilities	3,056	-	-	3,056
Interest bearing liabilities	11,855	-	-	11,855
Deferred taxation liabilities	-	-	-	-
Consolidated total liabilities				<u>14,911</u>
Capital expenditure	5	-	-	5
Depreciation and amortisation	484	-	-	484

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 except for the proposed disposal of the land and buildings which was reclassified from property, plant & equipment to non-current assets held for sale as at the end of the current quarter. The details of the proposed disposal is disclosed in Note 7(iii) of Part B of this report.

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 30.06.2016 RM'000	Year Ended 31.12.2015 RM'000
In respect of corporate guarantee for credit facilities granted to a subsidiary company	<u>10,142</u>	<u>11,853</u>

12. Capital Commitments

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

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 two of the directors of the Company, namely Mr Ho Cheng San and Madam Angeline Chan Kit Fong, are also the directors and have substantial financial interest:-

	Current Financial Quarter 30/06/2016 RM'000	Preceding Financial Quarter 30/06/2015 RM'000	Current Financial Year-To-Date 30/06/2016 RM'000	Preceding Financial Year-To-Date 30/06/2015 RM'000
Rental of premises paid to				
- Crystal Bond Sdn Bhd	24	24	48	48
- Marvellous Production Sdn Bhd	<u>84</u>	<u>84</u>	<u>168</u>	<u>168</u>

PART B: Explanatory Notes Required By Bursa Malaysia Securities Main Market Listing Requirements1. Review Of Performance Of The Group

During the quarter under review, the Group recorded a profit before taxation of RM0.1 million as compared to a loss before taxation of RM2.4 million for the preceding corresponding quarter mainly due to a 160% increase in revenue recorded during the quarter. Besides, the improved results was also due to better margin on projects executed and the continuous intensive cost control measures undertaken by the Group during the current quarter.

The loss before taxation for the Group for the current financial year to-date reduced to RM0.4 million as compared to RM3.8 million loss before taxation for the preceding corresponding financial year-to-date mainly due to a 32% increase in revenue in the current financial year-to-date. Besides, the improved results was also due to better margin on projects executed and the continuous intensive cost control measures undertaken by the Group during the financial year-to-date.

Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2016 (cont'd)

2. Variation Of Results Against Preceding Quarter

The Group registered a profit before taxation of RM0.1 million for the quarter as compared to a loss before taxation of RM0.5 million for the preceding quarter despite a 23% decline in revenue during the current quarter. The improved results was mainly attributable to better margin on projects and effective cost control measures undertaken by the Group.

3. Current Year Prospects

The Directors are of the view that the global economic turmoil and fierce competition coupled with the uncertain local economic outlook will be challenging to the Group for the current financial year. The Group will continue to focus on its core business and undertake precautionary measures and manage its cost exposure effectively so as to enhance its performance for the current financial year.

As an Affected Listed Issuer pursuant to Paragraph 2.1(e) of the Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") since its first announcement on 29 May 2015 ("First Announcement") till the announcement of the approval of Extension of time ("EOT") granted by Bursa Securities, vide its letter dated 16 June 2016, the Company will be due for submission of a plan to regularise the Company's financial condition ("Regularisation Plan") by 28 September 2016. The necessary announcement will be made in due course.

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 Profit / (Loss) Before Taxation

	Current Financial Quarter 30/06/2016 RM'000	Preceding Financial Quarter 30/06/2015 RM'000	Current Financial Year-To-Date 30/06/2016 RM'000	Preceding Financial Year-To-Date 30/06/2015 RM'000
Profit/(Loss) before taxation is derived after charging/ (crediting) amongst others, the following items:-				
Depreciation of property, plant and equipment	235	279	484	558
Interest expenses	176	149	368	342
Gain on disposal of property, plant and equipment	(3)	-	(3)	-
Loss / (Gain) on foreign exchange				
- Unrealised	17	1	17	2
- Realised	21	(7)	74	9

6. Taxation

	Current Financial Quarter 30/06/2016 RM'000	Current Financial Year-To-Date 30/06/2016 RM'000
Based on results for the financial year-to-date	-	-

7. Corporate Proposal Status

(i) Proposed Multiple Proposals (I) Proposed Par Value Reduction; (II) Proposed Rights Issue with Warrants; (III) Proposed Diversification; (IV) Proposed Acquisition; (V) Proposed ESOS; and (VI) Proposed IASC (The "Proposals")

On 29 April 2016, in reference to the announcements dated 22 May 2015, 27 May 2015, 29 May 2015 and 15 June 2015 in relation to the Proposals and the First Announcement, the Board announced that after due consideration, the Board has decided to abort the Proposals.

(ii) Regularisation Plan

On 29 April 2016, in relation to the First Announcement and the various subsequent announcements made pursuant to the requirements under PN 17 ("Announcement"), the Board announced that the Company has appointed TA Securities Holdings Berhad ("TA Securities") as its Principal Adviser to formulate a Regularisation Plan which will not result in a significant change in the business direction or policy of the Company.

On 13 May 2016, TA Securities had, on behalf of the Company, submitted the application for the EOT of 4 months up to 28 September 2016 for the submission of a Regularisation Plan to Bursa Securities of which the EOT was granted vide Bursa Securities' letter dated 16 June 2016.

On 20 June 2016, the Board announced that TA Securities resigned as principal adviser and M&A Securities Sdn Bhd was appointed in its replacement to formulate a Regularisation Plan for the Company.

The necessary announcement in relation to the Regularisation Plan will be made in due course.

(iii) Proposed Disposal of Properties ("Proposed Disposals")

On 13 June 2016, the wholly-owned subsidiaries of the Company, namely Chip Ngai Engineering Works Sdn Bhd ("Chip Ngai") and Douwin Sdn Bhd ("Douwin"), had each entered into a sale and purchase agreement with LTK Properties Sdn Bhd ("LTK Properties"), a wholly-owned subsidiary of LTKM Berhad for the disposal of the following: -

- a parcel of leasehold land measuring approximately 9,669 square metres ("sqm") held under H.S.(M) 20480, PT No. 17040 Tempat Jalan Balakong, Serdang, Mukim and District of Petaling, State of Selangor together with office and factory building erected thereon ("Parcel 1") for a cash consideration of RM21,856,200; and
- a parcel of leasehold land measuring approximately 6,559 sqm held under H.S.(M) 20479, PT No. 17041, Tempat Jalan Balakong, Sedang, Mukim and District of Petaling, State of Selangor ("Parcel 2") for a cash consideration of RM14,826,300.

Concurrently, Chip Ngai and Douwin have each entered into a tenancy agreement with LTK Properties to lease back the Parcel 1 and Parcel 2 for a term of up to 36 months at the rent of RM22,000 and RM8,000 per month respectively.

The necessary announcement in relation to the Proposed Disposals will be made in due course.

Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2016 (cont'd)

8. <u>Group Borrowings</u>	As At End of Current Quarter 30/06/2016 RM'000
(i) Current	
<u>SECURED</u>	
Finance Lease Liabilities	95
Bank Overdrafts	5,072
Bankers Acceptance	5,851
	<u>11,018</u>
<u>UNSECURED</u>	
Bank Overdrafts	-
Bankers Acceptance	490
	<u>490</u>
Total Short Term Borrowings	<u>11,508</u>
(ii) Non-current	
<u>SECURED</u>	
Finance Lease Liabilities	347
TOTAL GROUP BORROWINGS	<u><u>11,855</u></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. Earnings / (Loss) Per Share

	Current Financial Quarter 30/06/2016 RM'000	Preceding Financial Quarter 30/06/2015 RM'000	Current Financial Year-To-Date 30/06/2016 RM'000	Preceding Financial Year-To-Date 30/06/2015 RM'000
Net profit / (loss) after taxation for the period	133	(2,398)	(366)	(3,820)
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Basic earnings / (loss) per share (sen)	<u>0.3</u>	<u>(5.3)</u>	<u>(0.8)</u>	<u>(8.4)</u>

12. Realised and Unrealised Accumulated Losses

	As At End of Current Quarter 30/06/2016 RM'000	As At Preceding Financial Year Ended 31/12/2015 RM'000
Company and Subsidiary Companies		
Total accumulated losses		
- Realised	(25,064)	(24,729)
- Unrealised	(17)	1
	<u>(25,081)</u>	<u>(24,728)</u>
Associated Company		
- Realised	(144)	(143)
	<u>(25,225)</u>	<u>(24,871)</u>
Less: Consolidation adjustments	(6,936)	(6,924)
Total consolidated accumulated losses	<u><u>(32,161)</u></u>	<u><u>(31,795)</u></u>

BY ORDER OF THE BOARD

LIM PAIK GOOT
KOH MUI TEE
Company Secretaries
Selangor, 27 July 2016