



CN ASIA CORPORATION BHD

(Company No.: 399442-A)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000	6 Months Ended 30.06.2018 RM'000	6 Months Ended 30.06.2017 RM'000
Revenue	5,579	5,620	10,277	10,109
Cost of sales	(4,193)	(4,331)	(7,610)	(7,560)
Gross profit	1,386	1,289	2,667	2,549
Selling and distribution expenses	(65)	(47)	(110)	(109)
Administrative expenses	(936)	(853)	(1,793)	(1,745)
Other operating expenses	(6)	(4)	(21)	(6)
Other income	210	245	421	525
Profit from operations before interest	589	630	1,164	1,214
Finance costs	(17)	(6)	(29)	(10)
Profit before tax	572	624	1,135	1,204
Tax expense	(30)	41	(80)	41
Profit after tax for the period	542	665	1,055	1,245
Other comprehensive loss, net of tax that may be reclassified subsequently to profit and loss				
Foreign currency translation differences	(2)	(9)	(6)	(14)
Total comprehensive income for the period	540	656	1,049	1,231
Net profit for the period attributable to: -				
Owners of the Company	542	665	1,055	1,245
Non-controlling interests	-	-	-	-
	542	665	1,055	1,245
Total comprehensive income for the period attributable to: -				
Owners of the Company	540	656	1,049	1,231
Non-controlling interests	-	-	-	-
	540	656	1,049	1,231
Earnings per share (sen)				
- Basic	1.19	1.47	2.32	2.74
- Diluted	1.19	1.47	2.32	2.74

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	As At End of Current Quarter 30.06.2018 RM'000	As At Preceding Financial Year Ended 31.12.2017 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	10,957	11,307
<i>Other investment</i>	-	-
<i>Deferred tax assets</i>	685	685
	<u>11,642</u>	<u>11,992</u>
Current Assets		
<i>Inventories</i>	3,222	4,051
<i>Amount owing by contract customer</i>	1,259	834
<i>Trade and other receivables</i>	4,520	3,709
<i>Current tax asset</i>	6	6
<i>Fixed deposits with licensed banks</i>	23,459	23,030
<i>Cash and bank balances</i>	1,873	969
	<u>34,339</u>	<u>32,599</u>
TOTAL ASSETS	<u><u>45,981</u></u>	<u><u>44,591</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	38,385	38,385
<i>Reserves</i>	3,082	2,034
Shareholders' Equity	<u>41,468</u>	<u>40,419</u>
Liabilities		
Non-current Liability		
<i>Finance lease liabilities</i>	92	197
	<u>92</u>	<u>197</u>
Current Liabilities		
<i>Trade and other payables</i>	2,733	3,099
<i>Short-term borrowings</i>	1,484	676
<i>Current tax liabilities</i>	204	200
	<u>4,421</u>	<u>3,975</u>
TOTAL LIABILITIES	<u>4,513</u>	<u>4,172</u>
TOTAL EQUITY AND LIABILITIES	<u><u>45,981</u></u>	<u><u>44,591</u></u>
Net Assets Per Share (RM)	<u><u>0.91</u></u>	<u><u>0.89</u></u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018**

	← 6 Months Ended →	
	30.06.2018	30.06.2017
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit Before Tax	1,135	1,204
Adjustments For:-		
Depreciation of property, plant and equipment	347	377
Loss / (Gain) on foreign exchange - Unrealised	15	(36)
Interest expenses	28	9
Interest income	(421)	(487)
	(31)	(137)
Operating Profit Before Working Capital Changes	1,104	1,067
Changes In Working Capital		
Inventories	829	(102)
Amount owing by contract customer	(425)	-
Trade and other receivables	(827)	(2,066)
Trade and other payables	(366)	(2,636)
Cash Generated From/ (Used In) Operations	315	(3,737)
Interest paid	(28)	(9)
Tax Paid	(76)	-
Net Cash Generated From / (Used In) Operating Activities	211	(3,746)
Cash Flows From Investing Activities		
Interest received	421	487
Purchase of property, plant and equipment	-	(67)
Net Cash Generated From Investing Activities	421	420
Cash Flows From Financing Activities		
Net proceeds / (repayments) of bankers' acceptance	834	(1,225)
Net repayments of finance lease liabilities	(131)	(48)
Real property gains tax paid	-	(351)
Net Cash Generated From / (Used In) Financing Activities	703	(1,624)
Net Increase / (Decrease) In Cash And Cash Equivalents	1,335	(4,950)
Effects of Change in Foreign Exchange Differences	(2)	15
Cash And Cash Equivalents At Beginning Of The Financial Year	13,499	19,251
Cash And Cash Equivalents At End Of The Financial Period	14,832	14,316
	<u>14,832</u>	<u>14,316</u>
Cash and cash equivalents at end of the financial period comprise:		
Fixed deposits with licensed banks	23,459	22,861
Cash and bank balances	1,873	1,225
Bank overdrafts	-	(270)
	25,332	23,816
Less: Deposits pledged as security	(10,500)	(9,500)
	<u>14,832</u>	<u>14,316</u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2018**

	-----Attributable to owners of the Company-----				
	-----Non-distributable -----			Distributable	
	SHARE CAPITAL RM'000	SHARE PREMIUM RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
Current financial period ended 30 June 2018					
At 1 January 2018	38,385	-	241	1,793	40,419
Movement during the period (cumulative)					
- Profit for the period	-	-	-	1,055	1,055
Other comprehensive loss					
- Foreign currency translation difference	-	-	(6)	-	(6)
Total comprehensive (loss) / income for the period	-	-	(6)	1,055	1,049
At 30 June 2018	38,385	-	235	2,848	41,468
Preceding financial period ended 30 June 2017					
At 1 January 2017	45,382	3,492	266	(9,748)	39,392
Reclassification pursuant to S618(2) of CA2016 (Note 1)	3,492	(3,492)	-	-	-
	48,874	-	266	(9,748)	39,392
Movement during the period(cumulative)					
- Profit for the period	-	-	-	1,245	1,245
Other comprehensive loss					
- Foreign currency translation difference	-	-	(14)	-	(14)
Total comprehensive (loss) / income for the period	-	-	(14)	1,245	1,231
At 30 June 2017	48,874	-	252	(8,503)	40,623

Note 1: Pursuant to the Companies Act, 2016 ("CA2016") which came into effect on 31 January 2017, the credit amounts in the share premium account had been transferred to the share capital account. The Group may exercise its right to utilise the credit amounts transferred from the share premium account within 24 months after the commencement of the CA2016.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018**

Part A: Explanatory Notes Pursuant To MFRS 134

1. Corporate information

CN ASIA CORPORATION BHD is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

2. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities. 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 for the financial year ended 31 December 2017.

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 2017 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations that are applicable to the Group effective 1 January 2018:-

MFRS 9: Financial Instruments (IFRS 9 as issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers
MFRS 16: Clarifications to MFRS 15
Annual Improvements to MFRS Standards 2014-2016 Cycle
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations do not have any material impact to the Group’s financial statements.

3. Auditors’ report on preceding annual financial statements

The auditor’s report of the Group’s annual audited financial statements of the preceding financial year was not subject to any qualification.

4. Comments on 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.

5. Items of an unusual nature

There was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual due to their nature, size or incidence.

6. Material changes in estimates

There were 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.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part A: Explanatory Notes Pursuant To MFRS 134 (Cont'd)

7. Debts and equity securities

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

8. Dividend paid

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

9. Segmental information

For management purposes, the Group is organised into business units based on their products and services provided. The Group's main business segments are as follows: -

- (a) Manufacturing
Manufacture tanks and related products, engineering and fabrication works.
- (b) Construction
Construction as sub-contractors related to civil engineering works.
- (c) Investment
Investment holdings and comprise companies providing management services and dormant companies.

Business segments

	Manufacturing RM'000	Construction RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	9,076	1,201	-	-	10,277
Inter-segment revenue	-	-	30	(30)	-
Total revenue	<u>9,076</u>	<u>1,201</u>	<u>30</u>	<u>(30)</u>	<u>10,277</u>
Results					
Segment results	705	211	(173)	-	743
Finance costs	(29)	-	-	-	(29)
Interest income	421	-	-	-	421
Profit before tax	<u>1,097</u>	<u>211</u>	<u>(173)</u>	<u>-</u>	<u>1,135</u>
Tax expense	(80)	-	-	-	(80)
Profit after tax	<u>1,017</u>	<u>211</u>	<u>(173)</u>	<u>-</u>	<u>1,055</u>
Assets					
Segment assets	<u>44,467</u>	<u>1,259</u>	<u>255</u>	<u>-</u>	<u>45,981</u>
Liabilities					
Segment liabilities	<u>4,413</u>	<u>-</u>	<u>100</u>	<u>-</u>	<u>4,513</u>
Included in the measure of segment assets					
Capital expenditure	199	-	-	-	199
Depreciation	<u>350</u>	<u>-</u>	<u>(3)</u>	<u>-</u>	<u>347</u>

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part A: Explanatory Notes Pursuant To MFRS 134 (cont'd)

Segmental information (Cont'd)

Geographical information

	Malaysia RM'000	Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	10,277	-	-	10,277
Inter-segment revenue	30	-	(30)	-
Total revenue	<u>10,307</u>	<u>-</u>	<u>(30)</u>	<u>10,277</u>
Results				
Segment results	743	-	-	743
Finance costs	(29)	-	-	(29)
Interest income	421	-	-	421
Profit before tax	<u>1,135</u>	<u>-</u>	<u>-</u>	<u>1,135</u>
Tax expense	(80)	-	-	(80)
Profit after tax	<u>1,055</u>	<u>-</u>	<u>-</u>	<u>1,055</u>
Assets				
Segment assets	<u>45,742</u>	<u>239</u>	<u>-</u>	<u>45,981</u>
Liabilities				
Segment liabilities	<u>4,513</u>	<u>-</u>	<u>-</u>	<u>4,513</u>
Included in the measure of segment assets				
Capital expenditure	199	-	-	199
Depreciation	<u>347</u>	<u>-</u>	<u>-</u>	<u>347</u>

10. Trade and other receivables

	Current Quarter Ended 30.06.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
Trade receivables		
Non-related parties	4,075	3,273
Other receivables, deposits and prepayments		
Other receivables	81	20
Deposits	139	142
Prepayments	225	274
	<u>445</u>	<u>436</u>
Total trade and other receivables	<u>4,520</u>	<u>3,709</u>

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part A: Explanatory Notes Pursuant To MFRS 134 (Cont'd)

Trade and other receivables (Cont'd)

The trade receivables of the Group as at the end of the current quarter amounted to RM4.1 million can be analysed as follows: -

	Within credit period	Exceeding credit period			Total
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	> 60 days past due but not impaired	
Trade receivables (RM'000)	3,411	44	100	520	4,075
% of total trade receivables (%)	84	1	2	13	100

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. For the current financial quarter ended 30 June 2018, the trade receivables that are past due for more than 60 days amount to RM0.5 million, representing 13% of the total trade receivables of the Group. These receivables are not impaired as they are creditworthy receivables.

11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported on that has not been reflected in the financial statements for the period.

12. Changes in the composition of the Group

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

13. Changes in contingent liabilities

	Current Quarter Ended 30.06.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	238	177
	238	177

14. Capital commitments

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

15. Significant related party transactions

There were no significant transactions entered into between the Group and other related parties during the current quarter under review.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities

1. Performance review

	Individual Quarter				Cumulative Quarter			
	3 Months Ended	3 Months Ended	Changes		6 Months Ended	6 Months Ended	Variance	
	30.06.2018	30.06.2017	Amount		30.06.2018	30.06.2017	Amount	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	5,579	5,620	(41)	(1)	10,277	10,109	168	2
Profit before interest and tax	589	630	(41)	(7)	1,164	1,214	(50)	(4)
Profit before tax	572	624	(52)	(8)	1,135	1,204	(69)	(6)
Profit after tax	542	665	(123)	(18)	1,055	1,245	(190)	(15)
Profit attributable to owners of the Company	542	665	(123)	(18)	1,055	1,245	(190)	(15)

There was no material fluctuation on the Group's revenue for the current quarter as compared to the preceding year corresponding quarter. However, there was a switch of revenue stream during the period under review, whereby revenue from road tankers and storage tanks decreased by RM0.6 million and RM0.4 million respectively whereas revenue from mechanical and engineering and metal forming services increased by RM0.8 million and RM0.5 million respectively.

The Group's profit before tax for the current quarter decreased by 8% as compared to the preceding year corresponding quarter mainly due to a 10% increase in administrative expense during the current quarter under review.

For the current financial year-to-date, the Group's revenue increased by RM0.2 million or 2% as compared to the preceding financial year-to-date. However, the Group's profit before tax decreased by 6% mainly due to decrease in other income by 20% during the current financial year-to-date.

2. Comments on results against the immediate preceding quarter

	3 Months Current Quarter	3 Months Preceding Quarter	Variance	
	30.06.2018	31.03.2018	Amount	
	RM'000	RM'000	RM'000	%
Revenue	5,579	4,698	881	19
Profit before interest and tax	589	575	14	2
Profit before tax	572	563	9	2
Profit after tax	542	513	29	6
Profit attributable to owners of the Company	542	513	29	6

The Group's revenue for the current quarter of RM5.6 million was 19% higher than the preceding quarter, mainly due to increase in revenue from storage tanks, metal forming services, mechanical and engineering and road tankers collectively by RM1.6 million and offset with the decrease in revenue from LPG vessels by RM0.7 million during the quarter under review.

Despite the increase in revenue, there was no material fluctuation on the Group's profit before tax as compared to the preceding quarter. This is mainly due to increase in administrative and selling and distribution expenses by RM0.1 million during the quarter under review.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities (Cont'd)

3. Commentary of prospects

The Directors foresee the continued uncertainty in the global economic situation and the volatility of Malaysian Ringgit will be challenging to the Group. Nevertheless, the Group will continue its effort to enhance the revenue and profits of the Group.

Barring unforeseen circumstances, the Directors are cautiously optimistic that the Group's performance will remain sustainable for the current financial year.

4. Profit forecast or profit guarantee

Not applicable as no profit forecast was announced or disclosed in any public document.

5. Tax expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000	6 Months Ended 30.06.2018 RM'000	6 Months Ended 30.06.2017 RM'000
Income tax – Current year	(30)	-	(80)	-
Real property gains tax overprovided in prior year	-	41	-	41
	<u>(30)</u>	<u>41</u>	<u>(80)</u>	<u>41</u>

The tax expense for the current quarter was in respect of tax provided on interest revenue earned from placement of fixed deposits. The Group's effective tax rate for the quarter was lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.

6. Status of corporate proposals

Except for the following disclosures, there were no corporate proposals that has been announced by the Company and not completed as at the date of this quarterly report. The status of utilisation of proceeds of RM36,682,500 from the Proposed Disposals as at 11 July 2018 is as follows: -

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised		Intended time frame for utilisation
				RM'000	%	
i Real property gains tax	1,100	(1,700)	600	-	-	2 months
ii Repayment of bank borrowings	11,786	(11,786)	-	-	-	3 months
iii Relocation and construction costs	6,000	(199)	-	5,801	97	36 months
iv Pledge to secure banking facilities	5,000	(5,000)	-	-	-	12 months
v Working capital	11,797	(11,125)	(672)	-	-	12 months
vi To defray estimated expenses for the Proposed Disposals	1,000	(1,072)	72	-	-	1 month
	<u>36,683</u>	<u>30,882</u>	<u>-</u>	<u>5,801</u>		

* The excess expenses on the Disposals are reallocated from working capital.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities (Cont'd)

7. Group borrowings

	Current Quarter Ended 30.06.2018 RM'000	Financial Year Ended 31.12.2017 RM'000
<u>SECURED</u>		
Short term		
Finance lease liabilities	75	101
Bankers' acceptance	1,409	575
	<hr/> 1,484	<hr/> 676
Long term		
Finance lease liabilities	92	197
Total Borrowings	<hr/> <hr/> 1,576	<hr/> <hr/> 873

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

8. Material litigation

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

9. Dividend

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

10. Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000	6 Months Ended 30.06.2018 RM'000	6 Months Ended 30.06.2017 RM'000
Profit after tax for the period	542	665	1,055	1,245
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Earnings per share (sen)				
- Basic	<hr/> 1.19	<hr/> 1.47	<hr/> 2.32	<hr/> 2.74
- Diluted	<hr/> <hr/> 1.19	<hr/> <hr/> 1.47	<hr/> <hr/> 2.32	<hr/> <hr/> 2.74

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2018 (Cont'd)**

Part B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities (Cont'd)

11. Additional disclosure on profit before tax

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2018 RM'000	3 Months Ended 30.06.2017 RM'000	6 Months Ended 30.06.2018 RM'000	6 Months Ended 30.06.2017 RM'000
Profit before tax is derived after charging/(crediting) amongst others, the following items: -				
Depreciation of property, plant and equipment	173	189	347	377
Interest expenses	16	5	28	9
Interest income	(210)	(209)	(421)	(487)
Loss / (Gain) on foreign exchange				
- Unrealised	3	(35)	15	(36)
- Realised	3	2	4	3

12. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 18 July 2018.

BY ORDER OF THE BOARD

**LIM PAIK GOOT (MIA 13304)
WONG CHOOI FUN (MAICSA 7027549)
GOH CHOOI WOAN (MAICSA 7056110)
Company Secretaries
Selangor, 18 July 2018**