



**CN ASIA CORPORATION BHD**

(Registration No.: 199601027090 (399442-A))

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2020**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.06.2020 RM'000	3 Months Ended 30.06.2019 RM'000	6 Months Ended 30.06.2020 RM'000	6 Months Ended 30.06.2019 RM'000
Revenue	2,672	4,334	4,562	8,255
Cost of sales	(2,312)	(3,388)	(5,305)	(6,552)
Gross profit/(loss)	360	946	(743)	1,703
Selling and distribution expenses	(32)	(59)	(60)	(101)
Administrative expenses	(880)	(918)	(1,849)	(1,754)
Other operating expenses	(17)	(47)	(621)	(54)
Other income	227	237	472	461
(Loss)/Profit from operations before impairment and interest	(342)	159	(2,801)	255
Finance costs	(60)	(22)	(97)	(40)
(Loss)/Profit before tax	(402)	137	(2,898)	215
Tax expense	(47)	(53)	(94)	(106)
(Loss)/Profit after tax for the period	(449)	84	(2,992)	109
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss				
Foreign currency translation differences	(2)	(1)	4	-
Total comprehensive (expense)/income for the period	(451)	83	(2,988)	109
Net (loss)/profit for the period attributable to: -				
Owners of the Company	(449)	84	(2,992)	109
Non-controlling interests	-	-	-	-
	(449)	84	(2,992)	109
Total comprehensive (expense)/income for the period attributable to: -				
Owners of the Company	(451)	83	(2,988)	109
Non-controlling interests	-	-	-	-
	(451)	83	(2,988)	109
(Loss)/Earnings per share (sen)				
- Basic	(0.90)	0.18	(5.99)	0.23
- Diluted	(0.90)	0.18	(5.99)	0.23

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2020**

	As At End of Current Quarter 30.06.2020 RM'000	As At Preceding Financial Year Ended 31.12.2019 RM'000
<b>ASSETS</b>		
Non-current Assets		
<i>Property, plant and equipment</i>	10,086	10,398
<i>Right-of-use asset</i>	539	719
<i>Other investment</i>	-	-
<i>Deferred tax assets</i>	685	685
	11,310	11,802
Current Assets		
<i>Inventories</i>	4,339	4,085
<i>Trade and other receivables</i>	2,839	2,817
<i>Contract assets</i>	3,188	2,748
<i>Current tax asset</i>	6	6
<i>Cash and cash equivalents</i>	27,481	27,241
	37,853	36,897
<b>TOTAL ASSETS</b>	<b>49,163</b>	<b>48,699</b>
<b>EQUITY AND LIABILITIES</b>		
Equity		
<i>Share capital</i>	42,097	40,200
<i>Reserves</i>	(8)	3,031
<b>Shareholders' Equity</b>	<b>42,089</b>	<b>43,231</b>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	318	552
	318	552
Current Liabilities		
<i>Trade and other payables</i>	1,741	1,738
<i>Contract liabilities</i>	943	360
<i>Lease liability</i>	472	501
<i>Short-term borrowings</i>	3,511	2,245
<i>Current tax liabilities</i>	89	72
	6,756	4,916
<b>TOTAL LIABILITIES</b>	<b>7,074</b>	<b>5,468</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>49,163</b>	<b>48,699</b>
<b>Net Assets Per Share (RM)</b>	<b>0.84</b>	<b>0.89</b>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 2020**

	← 6 Months Ended →	
	30.06.2020	30.06.2019
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
(Loss)/Profit Before Tax	(2,898)	215
Adjustments For:-		
Allowance for impairment of PPE	-	50
Allowance for impairment of receivables	595	-
Depreciation of property, plant and equipment	325	354
Depreciation of right-of-use asset	180	-
(Gain)/Loss on foreign exchange - Unrealised	(4)	3
Interest expenses	97	40
Interest income	(462)	(461)
	<u>731</u>	<u>(14)</u>
Operating (Loss)/ Profit Before Working Capital Changes	(2,167)	201
Changes In Working Capital		
Inventories	(254)	1,155
Receivables	(1,053)	(2,091)
Payables	586	(13)
Cash Used In Operations	(2,888)	(748)
Interest paid	(97)	(40)
Tax Paid	(77)	(80)
Net Cash Used In Operating Activities	<u>(3,062)</u>	<u>(868)</u>
<b>Cash Flows From Investing Activities</b>		
Interest received	462	461
Capital work-in-progress incurred	-	(50)
Purchase of property, plant and equipment	(9)	(3)
Net Cash Generated From Investing Activities	<u>453</u>	<u>408</u>
<b>Cash Flows From Financing Activities</b>		
Net proceeds from issuance of shares	1,846	1,731
Net proceeds / (repayments) of bankers' acceptance	358	(176)
Net repayments of lease liabilities	(263)	(80)
Net Cash Generated From Financing Activities	<u>1,941</u>	<u>1,475</u>
Net (Decrease) / Increase In Cash And Cash Equivalents	(668)	1,015
Effects of Change in Foreign Exchange Differences	-	-
Cash And Cash Equivalents At Beginning Of The Financial Year	<u>16,274</u>	<u>14,699</u>
Cash And Cash Equivalents At End Of The Financial Period	<u><u>15,606</u></u>	<u><u>15,714</u></u>
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	27,481	26,484
Bank overdrafts	(1,375)	(270)
	<u>26,106</u>	<u>26,214</u>
Less: Deposits pledged as security	(10,500)	(10,500)
	<u><u>15,606</u></u>	<u><u>15,714</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 2020**

|-----Attributable to owners of the Company-----|

	Non-distributable	Distributable		
	SHARE CAPITAL RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
<b>Current financial period ended 30 June 2020</b>				
At 1 January 2020	40,200	228	2,803	43,231
Movement during the period (cumulative)				
- Loss for the period	-	-	(2,992)	(2,992)
Private placement expenses	-	-	(51)	(51)
Other comprehensive income - Foreign currency translation difference	-	4	-	4
Total comprehensive income/ (expense) for the period	-	4	(3,043)	(3,039)
Private Placement	1,897	-	-	1,897
At 30 June 2020	<u>42,097</u>	<u>232</u>	<u>(240)</u>	<u>42,089</u>
<b>Preceding financial period ended 30 June 2019</b>				
At 1 January 2019	38,385	232	2,899	41,516
Movement during the period (cumulative)				
- Profit for the period	-	-	109	109
Private placement expenses	-	-	(84)	(84)
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	-	-	25	25
Private Placement	1,815	-	-	1,815
At 30 June 2019	<u>40,200</u>	<u>232</u>	<u>2,924</u>	<u>43,356</u>

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 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 2020**

**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 2019.

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 2019 except for the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations that are applicable to the Group effective 1 January 2020:-

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Materiality
- Amendments to References to the Conceptual Framework in MFRS Standards
- MFRS 17: Insurance Contracts

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. 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. However, the outbreak of the COVID-19 pandemic, coupled with the implementation of the Movement Control Orders (“MCO”) has resulted in deferments in certain key activities and progress of the existing order book in hand. These events have affected the Group’s equity and net income during the preceding quarter ended 31 March 2020 and the current quarter ended 30 June 2020.

**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 2020 (Cont'd)**

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

**7. Changes in 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. Operating Segments**

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as the chief operating decision makers in order to allocate resources to segments and to assess performance of the Group. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments 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

	<b>Manufacturing RM'000</b>	<b>Construction RM'000</b>	<b>Investment RM'000</b>	<b>Elimination RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>					
External revenue	4,562	-	-	-	4,562
Inter-segment revenue	-	-	30	(30)	-
Total revenue	<u>4,562</u>	<u>-</u>	<u>30</u>	<u>(30)</u>	<u>4,562</u>
<b>Results</b>					
Segment results	(2,848)	(245)	(170)	-	(3,263)
Finance costs	(97)	-	-	-	(97)
Interest income	429	-	33	-	462
Loss before tax	<u>(2,516)</u>	<u>(245)</u>	<u>(137)</u>	<u>-</u>	<u>(2,898)</u>
Tax expense	(94)	-	-	-	(94)
Loss after tax	<u>(2,610)</u>	<u>(245)</u>	<u>(137)</u>	<u>-</u>	<u>(2,992)</u>
<b>Assets</b>					
Segment assets	<u>46,652</u>	<u>265</u>	<u>2,246</u>	<u>-</u>	<u>49,163</u>
<b>Liabilities</b>					
Segment liabilities	<u>7,004</u>	<u>-</u>	<u>70</u>	<u>-</u>	<u>7,074</u>
<b>Included in the measure of segment assets</b>					
Capital expenditure	9	-	-	-	9
Depreciation	<u>507</u>	<u>-</u>	<u>-</u>	<u>(2)</u>	<u>505</u>

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (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
<b>Revenue</b>				
External revenue	4,562	-	-	4,562
Inter-segment revenue	30	-	(30)	-
Total revenue	<u>4,592</u>	<u>-</u>	<u>(30)</u>	<u>4,562</u>
<b>Results</b>				
Segment results	(3,264)	1	-	(3,263)
Finance costs	(97)	-	-	(97)
Interest income	462	-	-	462
Loss before tax	(2,899)	1	-	(2,898)
Tax expense	(94)	-	-	(94)
Loss after tax	<u>(2,993)</u>	<u>1</u>	<u>-</u>	<u>(2,992)</u>
<b>Assets</b>				
Segment assets	<u>49,076</u>	<u>87</u>	<u>-</u>	<u>49,163</u>
<b>Liabilities</b>				
Segment liabilities	<u>7,074</u>	<u>-</u>	<u>-</u>	<u>7,074</u>
<b>Included in the measure of segment assets</b>				
Capital expenditure	9	-	-	9
Depreciation	<u>507</u>	<u>-</u>	<u>(2)</u>	<u>505</u>

**10. Trade and other receivables**

	Current Quarter Ended 30.06.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
Trade receivables		
Non-related parties	2,248	2,226
Less: Allowance for impairment of receivables	(595)	-
	<u>1,653</u>	<u>2,226</u>
Other receivables, deposits and prepayments		
Other receivables	766	343
Deposits	133	133
Prepayments	287	115
	<u>1,186</u>	<u>591</u>
Total trade and other receivables	<u>2,839</u>	<u>2,817</u>



**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

*Trade and other receivables (Cont'd)*

The trade receivables of the Group, net of allowance for impairment, as at the end of the current quarter amounted to RM1.7 million can be analysed as follows: -

	----- Credit Period -----				Total
	Within Not past due, not impaired	1 to 30 days past due, not impaired	31 to 60 days past due, not impaired	Exceeding > 60 days past due, not impaired	
Trade receivables (RM'000)	1,077	-	132	444	1,653
% of total trade receivables (%)	65	-	8	27	100

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. In view of the uncertainty in the global economic condition, the Group has taken pre-cautionary step in reviewing the receivables and made specific allowances for doubtful debts amounted to RM0.6 million during the preceding quarter, particularly for those customers in the construction segment. For the current financial quarter ended 30 June 2020, the trade receivables, net of allowance for impairment, that are past due for more than 60 days amount to RM0.4 million, representing 27% of the total trade receivables of the Group. These receivables are creditworthy receivables and the Group maintains good business relationship with on-going business transactions with these customers. As at the date of the report, RM1.3 million or 75% of the Group's total receivables as at 30 June 2020 has been collected.

Included in the other receivables are the amounts paid for the part payment of the land acquisition pursuant to the Proposed Acquisition and duty to be drawn back of RM0.1 million and RM0.2 million respectively.

**11. Material subsequent events**

There was no material event subsequent to the end of the current quarter reported, up to 5 August 2020, being the latest practicable date ("LPD") which is not earlier than seven (7) days from the date of issuance of this quarterly report, that has not been reflected in the financial statements for the period, except as disclosed in Note B6(c) of PART B of this report.

**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 30.06.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
<b>Secured</b>		
Bankers' guarantee issued in favour of third parties	1,150	1,381
Letters of credit issued in favour of third parties	684	93
	<u>1,834</u>	<u>1,474</u>

**14. Capital commitments**

There was no capital expenditure approved and contracted for in the current quarter and the financial year-to-date other than the acquisition of a parcel of vacant land for a cash consideration of RM4.0 million pursuant to the Proposed Acquisition as disclosed in Note B6(c) of PART B of this report.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

**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 except as disclosed in Note B6(c) of PART B of this report.

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

**1. Performance review**

	3 Months Ended		Individual Quarter Changes		6 Months Ended		Cumulative Quarter Variance	
	30.06.2020	30.06.2019	Amount		30.06.2020	30.06.2019	Amount	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	2,672	4,334	(1,662)	(38)	4,562	8,255	(3,693)	(45)
(Loss)/Profit before interest and tax	(342)	159	(501)	(315)	(2,801)	255	(3,056)	(1,198)
(Loss)/Profit before tax	(402)	137	(539)	(393)	(2,898)	215	(3,113)	(1,448)
(Loss)/Profit after tax	(449)	84	(533)	(635)	(2,992)	109	(3,101)	(2,845)
(Loss)/Profit attributable to owners of the Company	(449)	84	(533)	(635)	(2,992)	109	(3,101)	(2,845)

The Group recorded revenue of RM2.7 million for the current quarter, representing a decline of 38% against the corresponding quarter ended 30 June 2019. Revenue from all products, except road tankers, collectively declined by RM2.3 million, whereas revenue from road tankers recorded an increase of RM0.6 million. The overall decrease in revenue was largely due to the slowdown in the business and lower activities in existing contracts as a result of deferment of clients' scheduled activities owing to the COVID-19 pandemic and the continued implementation of the MCO till May 2020 has again affected the production volume of the Group during the current quarter.

Accordingly, the Group recorded a loss before tax ("LBT") of RM0.5 million for the current quarter against a profit before tax ("PBT") of RM0.1 million recorded for the preceding year's corresponding quarter.

For the current financial year-to-date, the Group's revenue decreased by RM3.7 million or 45% compared to the preceding financial year-to-date. Revenue from storage tanks, pressure vessels and LPG vessels collectively recorded a decrease of RM4.9 million while revenue from road tankers and metal forming collectively recorded an increase of RM1.2 million for the current financial year-to-date. The declining revenue had led to gross position to the Group for the current financial year-to-date, the Group reported a LBT of RM2.9 million, compared to a PBT of RM0.1 million recorded for the preceding financial year-to-date.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

**2. Comments on results against the immediate preceding quarter**

	<b>3 Months Current Quarter 30.06.2020 RM'000</b>	<b>3 Months Preceding Quarter 31.03.2020 RM'000</b>	<b>Variance</b>	
			<b>Amount RM'000</b>	<b>%</b>
Revenue	2,672	1,890	782	41
Loss before interest and tax	(342)	(2,459)	2,117	(86)
Loss before tax	(402)	(2,496)	2,094	(84)
Loss after tax	(449)	(2,543)	2,094	(82)
Loss attributable to owners of the Company	(449)	(2,543)	2,094	(82)

The Group's revenue for the current quarter of RM2.7 million was 41% higher than the immediate preceding quarter of RM1.9 million. Ever since the Government relieved the MCO restrictions in May 2020, the Group has seen gradual improvement on revenue generated during the second quarter ended 30 June 2020. The Group recorded a lower LBT of RM0.5 million as compared to RM2.5 million in the immediate preceding quarter owing to the improved revenue generated during the current quarter as well as the impact on the RM0.6 million specific allowance for doubtful debts made in the preceding quarter.

**3. Commentary of prospects**

The Directors expect the continued uncertainty in the global economic situation caused by the COVID-19 pandemic coupled with volatility of oil price environment will continue to pose challenges to the Group. The Group will remain cautious and constantly monitor the situation by taking appropriate safety measures to safeguard the health and well-being of our employees.

The Group will continue to exercise caution in managing its business environment and implement cost control management to improve the execution efficiency in anticipation of prolonged and slow recovery of the overall industry. The Group will actively pursue the potential contracts to enhance its order book.

**4. Profit forecast or profit guarantee**

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

**5. Tax expense**

	<b>Individual Quarter</b>		<b>Cumulative Quarter</b>	
	<b>3 Months Ended 30.06.2020 RM'000</b>	<b>3 Months Ended 30.06.2019 RM'000</b>	<b>6 Months Ended 30.06.2020 RM'000</b>	<b>6 Months Ended 30.06.2019 RM'000</b>
Income tax - Current year	47	53	94	106

The tax 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.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

**6. Status of corporate proposals**

Except for the following disclosures, there were no corporate proposals that has been announced by the Company and not yet completed as at the date of this report

(a) Proposed Disposals

On 14 July 2020, the Board announced that the term of the Tenancy Agreements, which will be expiring on 7 December 2020, have now been further extended to 7 December 2022 with effect from 10 July 2020. Hence, the relocation plan of the Group will be deferred accordingly.

The status of utilisation of proceeds of RM36,682,500 raised from the Proposed Disposals as at the LPD is as follows: -

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised		Time frame for utilisation from 7 December 2016	
				RM'000	%	Intended	Extended
Real property gains tax	1,100	(1,700)	600	-	-	2 months	-
Repayment of bank borrowings	11,786	(11,786)	-	-	-	3 months	-
Relocation and construction costs	6,000	(256)	-	5,744	96	36 months	60 months
Pledge to secure banking facilities	5,000	(5,000)	-	-	-	12 months	-
Working capital	11,797	(11,125)	(672)	-	-	12 months	-
To defray estimated expenses	1,000	(1,072)	72	-	-	1 month	-
	<u>36,683</u>	<u>(30,939)</u>	<u>-</u>	<u>5,744</u>			

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

(b) Proposed Private Placement

Following the extension of the relocation as stated in Note 6(a) above, the proceeds from the Proposed Private Placement which was meant to be utilised alongside with the relocation plan will also be extended.

The status of the utilisation of proceeds of RM1,815,280 raised from the Private Placement as at the LPD is as follows: -

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised		Time frame for utilisation from 9 May 2019	
				RM'000	%	Intended	Extended
Overhaul of machinery	1,665	(80)	66	1,651	99	9 months	31 months
Estimated expenses in relation to the Private Placement	150	(84)	(66)	-	-	1 month	-
	<u>1,815</u>	<u>(164)</u>	<u>-</u>	<u>1,651</u>			

\* The balance unutilised on estimated expenses is reallocated to overhaul of machinery.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

*Status of corporate proposals (Cont'd)*

(c) Proposed Acquisition

On 20 January 2020, the Company's wholly-owned subsidiary, namely Chip Ngai Engineering Works Sdn Bhd, had entered into a sale and purchase agreement for the acquisition of a parcel of vacant land measuring approximately 10,614.22 sqm (114,250 sq ft) held under H.S.(M) 23504, Lot 5856, locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan with Twinstar Acres Sdn Bhd ("TASB") for a cash consideration of RM4.0 million ("Proposed Acquisition").

The Proposed Acquisition is a related party transaction pursuant to the provisions of Chapter 10 of the MMLR of Bursa Securities as TASB is a company wholly-owned by Mr. Ho Cheng San, a director and major shareholder of the Company.

On 23 April 2020, the Company issued a circular to shareholders in relation to the Proposed Acquisition together with the Notice of Extraordinary General Meeting ("EGM") to convene an EGM on 7 July 2020.

On 17 June 2020, the Board announced that several Conditions Precedent stipulated in the Sale and Purchase Agreement dated 20 January 2020 in relation to the Proposed Acquisition ("SPA") could not be fulfilled by 17 June 2020 (the extended deadline for the fulfilment of the Conditions Precedent provided in the SPA). In this regard, the Board has resolved to enter into a variation letter with the TASB to extend the time period for the fulfilment of the Conditions Precedent for an additional period of 90 days commencing from 18 June 2020 to 15 September 2020 (inclusive).

On 7 July 2020, the resolution as stipulated in the Notice of EGM was duly passed by the shareholders of the Company at the EGM held by way of poll.

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

(d) Proposed Private Placement

On 5 June 2020, the Company ("CN Asia") proposed to undertake a private placement of up to 4,992,070 new ordinary shares of the Company ("Placement Shares"), representing 10% of the total number of issued shares of the Company to third party investor(s) to be identified at a later date ("Proposed Private Placement").

On 11 June 2020, the additional listing application in relation to the Proposed Private Placement had been submitted to Bursa Securities.

Subsequently on 15 June 2020, the Company announced that Bursa Securities, vide its letter dated 12 June 2020, resolved to approve the listing of and quotation for up to 4,992,070 Placement Shares to be issued pursuant to the Proposed Private Placement.

On 19 June 2020, Inter-Pacific Securities Sdn Bhd ("IPS") on behalf of CN Asia's Board, announced that the Board resolved to fix the issue price at RM0.38 per Placement Share.

The issue price of RM0.38 per Placement Share represents a premium of approximately RM0.004 or 1.04% to the five (5)-day volume weighted average market price of CN Asia Shares up to and including 18 June 2020, being the last trading day of CN Asia Shares immediately preceding the price-fixing date of RM0.3761.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

*Status of corporate proposals (Cont'd)*

IPS on behalf of the Company, announced that the Proposed Private Placement is deemed completed following the listing of and quotation for 4,992,070 Placement Shares on the Main Market of Bursa Securities with effect from 9.00 a.m. on 29 June 2020.

The status of the utilisation of proceeds of RM1,896,987 raised from the Private Placement as at the LPD is as follows: -

<b>Purpose</b>	<b>Proposed utilisation RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Deviation* RM'000</b>	<b>Balance unutilised RM'000</b>	<b>%</b>	<b>Time frame for utilisation from 29 June 2020</b>
Purchase of JBC spare parts	1,837	(1,368)	9	478	26	Within 6 months
Estimated expenses in relation to the Proposed Private Placement	60	(51)	(9)	-	-	Within 1 month
	<u>1,897</u>	<u>1,419</u>		<u>478</u>		

\* The balance unutilised on estimated expenses is reallocated to purchase of JBC spare parts.

**7. Group borrowings**

	<b>Current Quarter Ended 30.06.2020 RM'000</b>	<b>Financial Year Ended 31.12.2019 RM'000</b>
<u>SECURED</u>		
Short term		
Bank overdraft	1,375	467
Lease liabilities	472	501
Bankers' acceptance	2,136	1,778
	<u>3,983</u>	<u>2,746</u>
Long term		
Lease liabilities	318	552
Total Borrowings	<u>4,301</u>	<u>3,298</u>

There were 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.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2020 (Cont'd)**

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

**10. (Loss) / Earnings per share**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2020 RM'000	3 Months Ended 30.06.2019 RM'000	6 Months Ended 30.06.2020 RM'000	6 Months Ended 30.06.2019 RM'000
(Loss)/Profit after tax for the period	(449)	84	(2,992)	109
Weighted average number of ordinary shares in issue ('000)	49,921	46,895	49,921	46,895
(Loss)/Earnings per share (sen)				
- Basic	(0.90)	0.18	(5.99)	0.23
- Diluted	(0.90)	0.18	(5.99)	0.23

**11. Additional disclosure on profit before tax**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2020 RM'000	3 Months Ended 30.06.2019 RM'000	6 Months Ended 30.06.2020 RM'000	6 Months Ended 30.06.2019 RM'000
(Loss)/Profit before tax is derived after charging/(crediting) the following: -				
Allowance for impairment of PPE	-	50	-	50
Allowance for impairment of receivables	-	-	595	-
Depreciation of property, plant and equipment	163	177	325	354
Depreciation of right-of-use asset	90	-	180	-
Interest expenses	60	22	97	40
Interest income	(225)	(237)	(462)	(461)
(Gain)/(Loss) on foreign exchange				
- Unrealised	(2)	-	(4)	3
- Realised	16	(3)	22	(1)

**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 12 August 2020.

**BY ORDER OF THE BOARD**

**LIM PAIK GOOT (MIA 13304) (SSM PC No. 202008001525)**  
**WONG CHOOI FUN (MAICSA 7027549) (SSM PC No. 201908002976)**  
**GOH CHOOI WOAN (MAICSA 7056110) (SSM PC No. 201908000145)**  
Company Secretaries  
Selangor, 12 August 2020