



CN ASIA CORPORATION BHD

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 31.12.2020 RM'000	3 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2019 RM'000
Revenue	3,321	3,562	14,718	15,566
Cost of sales	(2,551)	(2,879)	(14,552)	(12,362)
Gross profit	770	683	166	3,204
Selling and distribution expenses	(56)	(30)	(119)	(168)
Administrative expenses	(1,179)	(889)	(3,947)	(3,544)
Other operating expenses	(380)	(18)	(973)	(89)
Other income	185	237	874	942
(Loss)/Profit from operations before impairment and interest	(660)	(17)	(3,999)	345
Finance costs	(26)	(81)	(187)	(143)
(Loss)/Profit before tax	(686)	(98)	(4,186)	202
Tax expense	(739)	(53)	(883)	(214)
Loss after tax for the period	(1,425)	(151)	(5,069)	(12)
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss				
Foreign currency translation differences	-	-	-	(4)
Private Placement Expenses	-	-	(51)	(84)
Total comprehensive expense for the period	(1,425)	(151)	(5,120)	(100)
Net loss for the period attributable to: -				
Owners of the Company	(1,425)	(151)	(5,069)	(12)
Non-controlling interests	-	-	-	-
	(1,425)	(151)	(5,069)	(12)
Total comprehensive expense for the period attributable to: -				
Owners of the Company	(1,425)	(151)	(5,120)	(100)
Non-controlling interests	-	-	-	-
	(1,425)	(151)	(5,120)	(100)
(Loss)/Earnings per share (sen)				
- Basic	(2.72)	(0.31)	(9.67)	(0.02)
- Diluted	(2.72)	(0.31)	(9.67)	(0.02)

(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 31 DECEMBER 2020

	As At End of Current Year Ended 31.12.2020 RM'000	As At Preceding Financial Year Ended 31.12.2019 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	9,084	10,398
<i>Right-of-use asset</i>	792	719
<i>Other investment</i>	-	-
<i>Deferred tax assets</i>	-	685
	<u>9,876</u>	<u>11,802</u>
Current Assets		
<i>Inventories</i>	5,328	4,085
<i>Trade and other receivables</i>	3,222	2,817
<i>Contract assets</i>	1,152	2,748
<i>Current tax asset</i>	6	6
<i>Cash and cash equivalents</i>	28,456	27,241
	<u>38,164</u>	<u>36,897</u>
TOTAL ASSETS	<u><u>48,040</u></u>	<u><u>48,699</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	42,097	40,200
<i>Reserves</i>	(2,317)	3,031
Shareholders' Equity	<u>39,780</u>	<u>43,231</u>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	479	552
	<u>479</u>	<u>552</u>
Current Liabilities		
<i>Trade and other payables</i>	2,517	1,738
<i>Contract liabilities</i>	1,309	360
<i>Lease liability</i>	451	501
<i>Short-term borrowings</i>	3,449	2,245
<i>Current tax liabilities</i>	55	72
	<u>7,781</u>	<u>4,916</u>
TOTAL LIABILITIES	<u>8,260</u>	<u>5,468</u>
TOTAL EQUITY AND LIABILITIES	<u><u>48,040</u></u>	<u><u>48,699</u></u>
Net Assets Per Share (RM)	<u>0.76</u>	<u>0.89</u>

(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 FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020**

	← 12 Months Ended →	
	31.12.2020	31.12.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss) / Profit Before Tax	(4,186)	202
Adjustments For:-		
Allowance for impairment of PPE	-	50
Allowance for impairment of receivables	565	-
Bad debts written off	243	-
Depreciation of property, plant and equipment	1,333	709
Depreciation of right-of-use asset	313	360
Loss on foreign exchange - Unrealised	32	13
Loss on disposal of PPE	-	1
Interest expenses	187	143
PPE written off	-	5
Gain on disposal of subsidiary	(11)	-
Interest income	(868)	(942)
	1,794	339
Operating (Loss) / Profit Before Working Capital Changes	(2,392)	541
Changes In Working Capital		
Inventories	(1,243)	1,057
Receivables	369	(1,938)
Payables	1,516	(267)
Cash Used In Operations	(1,750)	(607)
Interest paid	(187)	(143)
Tax Paid	(215)	(177)
Net Cash Used In Operating Activities	(2,152)	(927)
Cash Flows From Investing Activities		
Interest received	868	942
Capital work-in-progress incurred	(50)	(101)
Proceeds from disposal of PPE	-	1
Proceeds from disposal of subsidiary	43	-
Purchase of property, plant and equipment	(35)	(71)
Net Cash Generated From Investing Activities	826	771
Cash Flows From Financing Activities		
Net proceeds from issuance of shares	1,846	1,731
Net (repayments) / proceeds of bankers' acceptance	(911)	503
Net repayments of lease liabilities	(509)	(503)
Net Cash Generated From Financing Activities	426	1,731
Net (Decrease) / Increase In Cash And Cash Equivalents	(900)	1,575
Effects of Change in Foreign Exchange Differences	-	-
Cash And Cash Equivalents At Beginning Of The Financial Year	16,274	14,699
Cash And Cash Equivalents At End Of The Financial Period	15,374	16,274

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020 (CONT'D)**

	← 12 Months Ended →	
	31.12.2020	31.12.2019
	RM'000	RM'000
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	28,456	27,241
Bank overdrafts	<u>(2,582)</u>	<u>(467)</u>
	25,874	26,774
Less: Deposits pledged as security	<u>(10,500)</u>	<u>(10,500)</u>
	<u>15,374</u>	<u>16,274</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.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2020**

	-----Attributable to owners of the Company-----			TOTAL EQUITY RM'000
	SHARE CAPITAL RM'000	Non-distributable	Distributable	
		FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000	
Current financial year ended 31 December 2020				
At 1 January 2020	40,200	228	2,803	43,231
Movement during the year (cumulative)				
- Loss for the year	-	-	(5,069)	(5,069)
Private placement expenses	-	-	(51)	(51)
Other comprehensive income				
- Foreign currency translation difference	-	4	-	4
Total comprehensive loss for the year	-	4	(5,120)	(5,116)
Private Placement	1,897	-	-	1,897
Disposal of subsidiary	-	(232)	-	(232)
At 31 December 2020	<u>42,097</u>	<u>-</u>	<u>(2,317)</u>	<u>39,780</u>
Preceding financial year ended 31 December 2019				
At 1 January 2019	38,385	232	2,899	41,516
Movement during the year (cumulative)				
- Loss for the year	-	-	(12)	(12)
Foreign currency translation difference	-	(4)	-	(4)
Private placement expenses	-	-	(84)	(84)
Total comprehensive loss for the year	-	(4)	(96)	(100)
Private Placement	1,815	-	-	1,815
At 31 December 2019	<u>40,200</u>	<u>228</u>	<u>2,803</u>	<u>43,231</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 Fourth Financial Quarter Ended 31 December 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 adversely affected the Group’s equity and net income throughout the current financial year.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

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 except for the changes in the recognition of depreciation to straight line basis and estimated useful lives of the property, plant and equipment of the Group with effect from 1 July 2020. The effect of these changes on depreciation expense, included in the income statements are as follow: -

	Corresponding Quarter			Cumulative Quarter		
	3 Months	3 Months	Variance	12 Months	12 Months	Variance
	Ended	Ended		Ended	Ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000	RM'000	
Depreciation expenses	504	178	326	1,333	709	624

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 except for the issuance of 4,992,070 new ordinary shares at an issue price of RM0.38 per placement share pursuant to a private placement which was completed on 29 June 2020. The proceeds had been utilised for the purchase of JBC spare parts. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

Segmental information (Cont'd)

Business segments

	Manufacturing RM'000	Construction RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	14,718	-	-	-	14,718
Inter-segment revenue	-	-	60	(60)	-
Total revenue	14,718	-	60	(60)	14,718
Results					
Segment results	(4,016)	(510)	(341)	-	(4,867)
Finance costs	(187)	-	-	-	(187)
Interest income	813	-	55	-	868
Loss before tax	(3,390)	(510)	(286)	-	(4,186)
Tax expense	(883)	-	-	-	(883)
Loss after tax	(4,273)	(510)	(286)	-	(5,069)
Assets					
Segment assets	43,424	-	4,616	-	48,040
Liabilities					
Segment liabilities	8,199	-	61	-	8,260
Included in the measure of segment assets					
Capital expenditure	85	-	-	-	85
Depreciation	1,651	-	-	(5)	1,646

Geographical information

The operating segment by geographical information is not applicable as the Group has disposed its entire shareholdings in the foreign subsidiary incorporated in People's Republic of China during the financial year-to-date.

10. Trade and other receivables

	Financial Year Ended 31.12.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
Trade receivables		
Non-related parties	2,125	2,226
Less: Allowance for impairment of receivables	(565)	-
	1,560	2,226
Other receivables, deposits and prepayments		
Other receivables	199	343
Deposits	132	133
Prepayments	1,331	115
	1,662	591
Total trade and other receivables	3,222	2,817

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 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 RM1.6 million can be analysed as follows: -

	----- Credit Period -----				Total
	Within	Exceeding			
	Not past due, not impaired	1 to 30 days past due, not impaired	31 to 60 days past due, not impaired	> 60 days past due, not impaired	
Trade receivables (RM'000)	957	-	3	600	1,560
% of total trade receivables (%)	61	-	-	39	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 financial year, particularly for those customers in the construction segment. During the current financial quarter ended 31 December 2020, the trade receivables, net of allowance for impairment, that are past due for more than 60 days amount to RM0.6 million, representing 39% of the total trade receivables of the Group. These receivables are creditworthy receivables and the Group maintains good business relationship where the Group has on-going business transactions with these customers. As at the date of this report, RM1.2 million or 76% of the Group's total receivables as at 31 December 2020 has been collected.

Included in the prepayment is the amount paid for the land acquisition pursuant to the Proposed Acquisition and prepayment to suppliers of RM1.0 million and RM0.3 million respectively. The other receivables mainly consist of duty to be drawn back from Royal Malaysian Customs Department upon exportation of finished products.

11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported, up to 17 February 2021, 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 except for the disposal of its wholly-owned subsidiary incorporated in the Peoples' Republic of China, Zhuhai CN Engineering Co., Ltd on 28 September 2020.

The net effect of the disposal of subsidiary on the consolidated cash flow of the Group are as follows: -

	RM'000
Property, plant and equipment	71
Current assets	15
Current liabilities	(16)
Net assets disposed	70
Realisation of reserves	(124)
Proceeds from disposal of subsidiary	43
Gain on disposal of subsidiary	(11)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

13. Changes in contingent liabilities

	Financial Year Ended 31.12.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	813	1,381
Letters of credit issued in favour of third parties	-	93
	<u>813</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.

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

	Individual Quarter		Changes		Cumulative Quarter		Variance	
	3 Months Ended 31.12.2020 RM'000	3 Months Ended 31.12.2019 RM'000			12 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2019 RM'000		
			Amount RM'000	%			Amount RM'000	%
Revenue	3,321	3,562	(241)	(7)	14,718	15,566	(848)	(5)
(Loss)/Profit before interest and tax	(660)	(17)	(643)	(3,782)	(3,999)	345	(4,344)	(1,259)
(Loss)/Profit before tax	(686)	(98)	(588)	(600)	(4,186)	202	(4,388)	(2,172)
(Loss)/Profit after tax	(1,425)	(151)	(1,274)	844	(5,069)	(12)	(5,057)	42,142
(Loss)/Profit attributable to owners of the Company	<u>(1,425)</u>	<u>(151)</u>	<u>(1,274)</u>	<u>844</u>	<u>(5,069)</u>	<u>(12)</u>	<u>(5,057)</u>	<u>42,142</u>

The Group's revenue for the current quarter declined by RM0.2 million or 7% compared to RM3.6 million recorded in the preceding year's corresponding period. The Group's recorded a loss before tax ("LBT") of RM0.7 million for the current quarter as compared to a LBT of RM0.1 million in the preceding year's corresponding quarter as a result of increase in administrative expense and other operating expense particularly on the salaries and allowance for impairment of trade receivables provided during the current quarter. The additional impairment of trade receivables was made in anticipation of further adverse impact of the Covid-19 pandemic towards affecting the Group's performance.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

Performance review (Cont'd)

For the current financial year-to-date, the Group recorded a marginal decrease in its revenue with a drastic drop in revenue from storage tanks, LPG and pressure vessels by RM5.3 million and a surge in revenue from road tanker by RM4.3 million. The main revenue contributor for the current financial year was one particular contract to supply road tankers abroad amounted to RM7.6 million, representing 52% of the total current year's revenue, with relatively low margin as the entry point to penetrate the new overseas market. With the exclusion of this contract, the Group's revenue for the current financial year plunged by 54% compared to the preceding corresponding year. Accordingly, the Group's gross profit ("GP") margin decrease from 20.6% to 1.1% during the financial year under review. Given the adoption of the change in depreciation method from reducing balance basis to straight line basis, the allowance for impairment of trade receivables and the write off of bad debts provided for during the current financial year-to-date, the Group reported a LBT of RM4.2 million compared to a profit before tax of RM0.2 million recorded for the preceding year.

2. Comments on results against the immediate preceding quarter

	3 Months Current Quarter 31.12.2020 RM'000	3 Months Preceding Quarter 30.09.2020 RM'000	Variance	
			Amount RM'000	%
Revenue	3,321	6,835	(3,514)	(51)
Loss before interest and tax	(660)	(538)	(122)	23
Loss before tax	(686)	(602)	(84)	14
Loss after tax	(1,425)	(652)	(773)	119
Loss attributable to owners of the Company	(1,425)	(652)	(773)	119

The Group's revenue for the current quarter of RM3.3 million was 51% lower than the immediate preceding quarter of RM6.8 million owing to the contribution from the contract to supply road tankers abroad amounted to RM4.9 million which account for relatively low margin in the preceding quarter. Accordingly, the Group achieved an improved GP margin of 23% compared to 2% in the immediate preceding quarter. However, the Group's LBT was 14% higher than the preceding quarter mainly due to increase in administrative expense and other operating expense particularly on the salaries and allowance for impairment of trade receivables provided during the current 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 the foreign currency exchange and the 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 its employees.

As part of the diversification effort, the Group had entered into a Memorandum of Understanding ("MOU") with Intcys Sdn Bhd to form a digital banking business to cater for women market. Pursuant to the MOU, the parties agreed to co-operate to understand the Malaysian cloud market landscape and customer needs and requirements to jointly develop market plans and strategies in relation to the business to be undertaken by the parties.

The Board is of the view that business conditions remain vigilant in view of the resurgence Covid-19 infections that has yet to abate. Nonetheless, the Group will continue to strive to deliver revenue from local and export markets, as well as pursue new tenders to utilise its available production capacity through the networking connection of the newly appointed Executive Directors. Barring further unforeseen circumstances, the Group expects its overall performance for the financial year ending 31 December 2021 remain challenging.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

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 31.12.2020 RM'000	3 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2019 RM'000
Income tax:-				
- Current year	51	53	195	(212)
- under provision in respect of prior years	3	-	3	(2)
Deferred tax assets	685	-	685	-
	<u>739</u>	<u>53</u>	<u>883</u>	<u>(214)</u>

The Group has derecognised the deferred tax assets as it is probable that its existing business may not be able to generate sufficient taxable profits in the near future in view of the adverse impact resulted from the Covid-19 pandemic.

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.

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	Actual	Deviation*	Balance		Time frame for utilisation	
	utilisation	utilisation		unutilised	%	from 7 December 2016	
	RM'000	RM'000	RM'000	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	(263)	-	5,737	96	36 months	72 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>(30,946)</u>	<u>-</u>	<u>5,737</u>			

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

Status of corporate proposals (Cont'd)

(b) Proposed Private Placement

Following the extension of the relocation as stated in Note 6(a) above, the proceeds from the Proposed Private Placement raised in May 2019 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	(123)	66	1,608	97	9 months	31 months
Estimated expenses in relation to the Private Placement	150	(84)	(66)	-	-	1 month	-
	<u>1,815</u>	<u>(207)</u>	<u>-</u>	<u>1,608</u>			

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

(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.

At the date of this report, all Conditions Precedent had been fully complied in accordance to the SPA.

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (Cont'd)**

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

7. Group borrowings

	Financial Year Ended 31.12.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
<u>SECURED</u>		
Short term		
Bank overdraft	2,582	467
Lease liabilities	451	501
Bankers' acceptance	867	1,778
	<hr/>	<hr/>
	3,900	2,746
Long term		
Lease liabilities	479	552
Total Borrowings	<hr/>	<hr/>
	4,379	3,298

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.

10. Loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.12.2020 RM'000	3 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2019 RM'000
(Loss)/Profit after tax for the period	(1,425)	(151)	(5,069)	(12)
Weighted average number of ordinary shares in issue ('000)	52,417	48,408	52,417	48,408
(Loss)/Earnings per share (sen)				
- Basic	<hr/>	<hr/>	<hr/>	<hr/>
	(2.72)	(0.31)	(9.67)	(0.02)
- Diluted	<hr/>	<hr/>	<hr/>	<hr/>
	(2.72)	(0.31)	(9.67)	(0.02)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2020 (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 31.12.2020 RM'000	3 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2020 RM'000	12 Months Ended 31.12.2019 RM'000
(Loss)/Profit before tax is derived after charging/(crediting) the following: -				
Allowance for impairment of PPE	-	-	-	50
Allowance for impairment of receivables	310	-	565	-
Bad debts written off	-	-	243	-
Depreciation of property, plant and equipment	504	178	1,333	709
Depreciation of right-of-use asset	43	360	313	360
Loss on disposal of PPE	-	-	-	1
Loss on foreign exchange				
- Unrealised	24	9	32	13
- Realised	29	6	104	16
PPE Written Off	-	-	-	5
Interest expenses	26	81	187	143
Gain on disposal of subsidiary	-	-	(11)	-
Interest income	(193)	(237)	(876)	(942)

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 24 February 2021.

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, 24 February 2021