



CN ASIA CORPORATION BHD

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2021**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2021**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|---|---|---|---|
| | 3 Months Ended 30.06.2021 RM'000 | 3 Months Ended 30.06.2020 RM'000 | 6 Months Ended 30.06.2021 RM'000 | 6 Months Ended 30.06.2020 RM'000 |
| Revenue | 2,452 | 2,672 | 5,237 | 4,562 |
| Cost of sales | (2,175) | (2,312) | (4,800) | (5,305) |
| Gross profit/(loss) | 277 | 360 | 437 | (743) |
| Selling and distribution expenses | (5) | (32) | (12) | (60) |
| Administrative expenses | (940) | (880) | (1,830) | (1,849) |
| Other operating expenses | (15) | (17) | (72) | (621) |
| Other income | 83 | 227 | 220 | 472 |
| Loss from operations before interest and tax | (600) | (342) | (1,257) | (2,801) |
| Finance costs | (35) | (60) | (77) | (97) |
| Loss before tax | (635) | (402) | (1,334) | (2,898) |
| Tax expense | (17) | (47) | (34) | (94) |
| Loss after tax for the period | (652) | (449) | (1,368) | (2,992) |
| Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss | | | | |
| Foreign currency translation differences | - | (2) | - | 4 |
| Total comprehensive expense for the period | (652) | (451) | (1,368) | (2,988) |
| Net loss for the period attributable to: - | | | | |
| Owners of the Company | (652) | (449) | (1,368) | (2,992) |
| Non-controlling interests | - | - | - | - |
| | (652) | (449) | (1,368) | (2,992) |
| Total comprehensive expense for the period attributable to: - | | | | |
| Owners of the Company | (652) | (451) | (1,368) | (2,988) |
| Non-controlling interests | - | - | - | - |
| | (652) | (451) | (1,368) | (2,988) |
| Loss per share (sen) | | | | |
| - Basic | (0.91) | (0.90) | (1.90) | (5.99) |
| - Diluted | (0.64) | (0.90) | (1.34) | (5.99) |

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

| | As At End of Current Quarter 30.06.2021 RM'000 | As At Preceding Financial Year Ended 31.12.2020 RM'000 |
|--------------------------------------|---|---|
| ASSETS | | |
| Non-current Assets | | |
| <i>Property, plant and equipment</i> | 18,291 | 9,084 |
| <i>Right-of-use asset</i> | 594 | 792 |
| <i>Goodwill on consolidation</i> | 160 | - |
| <i>Other investment</i> | - | - |
| | <u>19,045</u> | <u>9,876</u> |
| Current Assets | | |
| <i>Inventories</i> | 5,104 | 5,328 |
| <i>Trade and other receivables</i> | 14,918 | 3,222 |
| <i>Contract assets</i> | 337 | 1,152 |
| <i>Current tax asset</i> | 6 | 6 |
| <i>Cash and cash equivalents</i> | 15,346 | 28,416 |
| | <u>35,711</u> | <u>38,124</u> |
| TOTAL ASSETS | <u><u>54,756</u></u> | <u><u>48,000</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| <i>Share capital</i> | 49,229 | 42,098 |
| <i>Reserves</i> | (4,212) | (2,352) |
| Shareholders' Equity | <u>45,017</u> | <u>39,746</u> |
| Liabilities | | |
| Non-current Liability | | |
| <i>Lease liabilities</i> | 194 | 479 |
| <i>Term loan</i> | 3,279 | - |
| | <u>3,473</u> | <u>479</u> |
| Current Liabilities | | |
| <i>Trade and other payables</i> | 1,393 | 2,517 |
| <i>Contract liabilities</i> | 1,928 | 1,310 |
| <i>Short-term borrowings</i> | 2,421 | 3,449 |
| <i>Lease liabilities</i> | 389 | 451 |
| <i>Term loan</i> | 121 | - |
| <i>Current tax liabilities</i> | 14 | 48 |
| | <u>6,266</u> | <u>7,775</u> |
| TOTAL LIABILITIES | <u>9,739</u> | <u>8,254</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>54,756</u></u> | <u><u>48,000</u></u> |
| Net Assets Per Share (RM) | <u><u>0.63</u></u> | <u><u>0.76</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 2020 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 2021**

| | ← 6 Months Ended → | |
|--|--------------------|------------|
| | 30.06.2021 | 30.06.2020 |
| | RM'000 | RM'000 |
| Cash Flows From Operating Activities | | |
| Loss Before Tax | (1,334) | (2,898) |
| Adjustments For:- | | |
| Allowance for impairment of receivables | - | 595 |
| Amortisation of leasehold land and improvements | 5 | - |
| Depreciation of property, plant and equipment | 783 | 325 |
| Depreciation of right-of-use asset | 198 | 180 |
| Loss on disposal of property, plant and equipment | 57 | - |
| Gain on foreign exchange - Unrealised | (8) | (4) |
| Reversal of impairment of trade receivable | (55) | - |
| Interest expenses | 77 | 97 |
| Interest income | (151) | (462) |
| | 906 | 731 |
| Operating Loss Before Working Capital Changes | (428) | (2,167) |
| Changes In Working Capital | | |
| Inventories | 224 | (254) |
| Receivables | (10,822) | (1,053) |
| Payables | (499) | 586 |
| Cash Used In Operations | (11,525) | (2,888) |
| Interest paid | (77) | (97) |
| Tax Paid | (68) | (77) |
| Net Cash Used In Operating Activities | (11,670) | (3,062) |
| Cash Flows From Investing Activities | | |
| Acquisition of subsidiary | (160) | - |
| Interest received | 151 | 462 |
| Capital work-in-progress incurred | (6,000) | - |
| Proceeds from disposal of property, plant and equipment | 268 | - |
| Purchase of property, plant and equipment | (4,322) | (9) |
| Net Cash (Used In) / Generated From Investing Activities | (10,063) | 453 |
| Cash Flows From Financing Activities | | |
| Drawdown of term loan | 3,400 | - |
| Placement of pledged fixed deposit | (118) | - |
| Net proceeds from issuance of shares | 6,639 | 1,846 |
| Net (repayments) / proceeds of bankers' acceptance | (324) | 358 |
| Net repayments of lease liabilities | (348) | (263) |
| Net Cash Generated From Financing Activities | 9,249 | 1,941 |
| Net Decrease In Cash And Cash Equivalents | (12,484) | (668) |
| Cash And Cash Equivalents At Beginning Of The Financial Year | 13,969 | 16,274 |
| Cash And Cash Equivalents At End Of The Financial Period | 1,485 | 15,606 |
| Cash and cash equivalents at end of the financial period comprise: | | |
| Cash and cash equivalents | 15,346 | 27,481 |
| Bank overdrafts | (1,878) | (1,375) |
| | 13,468 | 26,106 |
| Less: Deposits pledged as security for banking facilities | (11,983) | (10,500) |
| | 1,485 | 15,606 |

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 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 2021**

| | -----Attributable to owners of the Company----- | | | TOTAL EQUITY RM'000 |
|--|---|---|--|---------------------------|
| | Non-distributable | Distributable | | |
| | SHARE CAPITAL RM'000 | FOREIGN CURRENCY TRANSLATION RESERVE RM'000 | RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000 | |
| Current financial period ended 30 June 2021 | | | | |
| At 1 January 2021 | 42,098 | - | (2,352) | 39,746 |
| Movement during the period (cumulative) | | | | |
| - Loss for the period | - | - | (1,368) | (1,368) |
| Share issuance expenses | - | - | (492) | (492) |
| Other comprehensive income | - | - | - | - |
| Total comprehensive expense for the period | - | - | (1,860) | (1,860) |
| Private Placement | 7,131 | - | - | 7,131 |
| At 30 June 2021 | 49,229 | - | (4,212) | 45,017 |
| Preceding financial period ended 30 June 2020 | | | | |
| At 1 January 2020 | 40,201 | 228 | 2,803 | 43,232 |
| Movement during the period (cumulative) | | | | |
| - Loss for the period | - | - | (2,992) | (2,992) |
| Share issuance 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 | 42,098 | 232 | (240) | 42,090 |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2020 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 2021**

Part A: Explanatory Notes Pursuant To MFRS 134

A1. 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”).

A2. 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 2020.

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 2020 except for the adoption of the following MFRSs and Amendments to MFRSs that are applicable to the Group effective 1 January 2021:-

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

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

A3. 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.

A4. 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.

A5. 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 reimplementations of the Movement Control Order (“MCO”) since 6 May 2021 have affected the Group’s equity and net income during the current quarter ended 30 June 2021.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

A6. 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 Ended | 3 Months Ended | Variance | 6 Months Ended | 6 Months Ended | Variance |
| | 30.06.2021 RM'000 | 30.06.2020 RM'000 | RM'000 | 30.06.2021 RM'000 | 30.06.2020 RM'000 | RM'000 |
| Depreciation expenses | 392 | 163 | 229 | 783 | 325 | 458 |

A7. Changes in debts and equity securities

There were no other issuances, cancellations, repurchases, resales and repayments of debt and equity securities for the current financial year-to-date up to the date of this report, except for the follows: -

- a) On 5 May 2021, the Company issued 5,491,200 new ordinary shares at an issue price of RM1.2987 per placement share pursuant to the Proposed Private Placement.
- b) On 1 June 2021, the Company allotted and issued 90,605,940 new ordinary shares pursuant to the Proposed Bonus Issue of Shares.
- c) On 12, 26 and 27 August 2021, the Company issued 6,500,000, 4,321,000 and 3,500,000 new ordinary shares at issue price of RM0.4150, 0.4050 and 0.4060 per placement share respectively pursuant to the Proposed Private Placement.

A8. Dividend paid

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

A9. 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) Investment
Investment holdings and comprise companies providing management services and dormant companies.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

Operating Segments (Cont'd)

Business segments

| | Manufacturing RM'000 | Investment RM'000 | Elimination RM'000 | Consolidated RM'000 |
|--|---------------------------------|------------------------------|-------------------------------|--------------------------------|
| Revenue | | | | |
| External revenue | 5,237 | - | - | 5,237 |
| Inter-segment revenue | - | 30 | (30) | - |
| Total revenue | <u>5,237</u> | <u>30</u> | <u>(30)</u> | <u>5,237</u> |
| Results | | | | |
| Segment results | (1,035) | (373) | - | (1,408) |
| Finance costs | (77) | - | - | (77) |
| Interest income | 124 | 27 | - | 151 |
| Loss before tax | <u>(988)</u> | <u>(346)</u> | <u>-</u> | <u>(1,334)</u> |
| Tax expense | (34) | - | - | (34) |
| Loss after tax | <u>(1,022)</u> | <u>(346)</u> | <u>-</u> | <u>(1,368)</u> |
| Assets | | | | |
| Segment assets | <u>43,925</u> | <u>10,831</u> | <u>-</u> | <u>54,756</u> |
| Liabilities | | | | |
| Segment liabilities | <u>9,655</u> | <u>84</u> | <u>-</u> | <u>9,739</u> |
| Included in the measure of segment assets | | | | |
| Capital expenditure | 10,322 | - | - | 10,322 |
| Depreciation and amortisation | 987 | (1) | - | 986 |

Geographical information

Not applicable.

A10. Trade and other receivables

| | Current Quarter Ended 30.06.2021 RM'000 | Financial Year Ended 31.12.2020 RM'000 |
|---|--|---|
| Trade receivables | | |
| Non-related parties | 2,614 | 2,368 |
| Less: Allowance for impairment of receivables | (510) | (808) |
| | <u>2,104</u> | <u>1,560</u> |
| Other receivables, deposits and prepayments | 12,814 | 1,662 |
| Total trade and other receivables | <u>14,918</u> | <u>3,222</u> |

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (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 RM2.1 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) | 433 | 392 | 700 | 579 | 2,104 |
| % of total trade receivables (%) | 21 | 19 | 33 | 27 | 100 |

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. The trade receivables, net of allowance for impairment for the current financial quarter ended 30 June 2021, that are past due for more than 60 days amount to RM0.6 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 this report, RM1.8 million or 83% of the Group's total receivables as at 30 June 2021 has been collected.

A11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported, up to 14 September 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 of this report.

A12. 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 acquisition of 100% stake, representing 100 ordinary shares, in Southborn Capital Sdn Bhd for a cash consideration of RM160,000 on 15 April 2021.

A13. Changes in contingent liabilities

| | Current Quarter Ended 30.06.2021 RM'000 | Financial Year Ended 31.12.2020 RM'000 |
|--|--|---|
| <u>Secured</u> Bankers' guarantee issued in favour of third parties | 1,335 | 813 |

A14. Capital commitments

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

A15. 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 2021 (Cont'd)**

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

B1. Performance review

| | Individual Quarter | | | | Cumulative Quarter | | | |
|--|----------------------|----------------------|------------------|------|----------------------|----------------------|------------------|----|
| | 3 Months Ended | 3 Months Ended | Variance | | 6 Months Ended | 6 Months Ended | Variance | |
| | 30.06.2021 RM'000 | 30.06.2020 RM'000 | Amount RM'000 | % | 30.06.2021 RM'000 | 30.06.2020 RM'000 | Amount RM'000 | % |
| Revenue | 2,452 | 2,672 | (220) | (8) | 5,237 | 4,562 | 675 | 15 |
| Loss before interest and tax | (600) | (342) | (258) | (75) | (1,257) | (2,801) | 1,544 | 55 |
| Loss before tax | (635) | (402) | (233) | (58) | (1,334) | (2,898) | 1,564 | 54 |
| Loss after tax | (652) | (449) | (203) | (45) | (1,368) | (2,992) | 1,624 | 54 |
| Loss attributable to owners of the Company | (652) | (449) | (203) | (45) | (1,368) | (2,992) | 1,624 | 54 |

The Group recorded revenue of RM2.5 million for the current quarter, representing a decline of 8% against the corresponding quarter ended 30 June 2020. Revenue from all products, except for road tankers, collectively increased by RM1.3 million, whereas revenue from road tankers recorded a decline of RM1.5 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 reimplementations of MCO in May 2021 that has affected the production progress of the Group during the current quarter.

The Group recorded a loss before tax ("LBT") of RM0.6 million for the current quarter against a LBT of RM0.4 million recorded for the preceding year's corresponding quarter mainly due to raw material prices escalation and decrease in interest income during the quarter.

For the current financial year-to-date, the Group's revenue increased by RM0.7 million or 15% compared to the preceding financial year-to-date. Revenue from all products, except for road tankers collectively recorded an increase of RM2.5 million whereas revenue from road tankers recorded a decrease of RM1.8 million for the current financial year-to-date. The increased revenue resulted in a lower LBT of RM1.3 million reported during the current financial year-to-date, compared to a LBT of RM2.9 million for the preceding financial year-to-date.

B2. Comments on results against the immediate preceding quarter

| | 3 Months Current Quarter | 3 Months Preceding Quarter | Variance | |
|--|--------------------------|----------------------------|------------------|------|
| | 30.06.2021 RM'000 | 31.03.2021 RM'000 | Amount RM'000 | % |
| Revenue | 2,452 | 2,785 | (333) | (12) |
| Loss before interest and tax | (600) | (657) | 57 | 9 |
| Loss before tax | (635) | (699) | 64 | 9 |
| Loss after tax | (652) | (716) | 64 | 9 |
| Loss attributable to owners of the Company | (652) | (716) | 64 | 9 |

The Group's revenue for the current quarter of RM2.5 million was 12% lower than the immediate preceding quarter of RM2.8 million. Despite a lower revenue reported during the quarter, the Group's performance recorded a slight improvement compared to the preceding quarter.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

B3. 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 escalating raw material prices 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.

The Board is of the view that business conditions remain vigilant in view of the resurgence Covid-19 infections and the increasing steel material pricing. Nonetheless, the Group will continue to strive to deliver revenue from local and export markets, as well as seek new business opportunities to grow its order book and implement key initiatives to optimise its operating costs.

Barring further unforeseen circumstances, the Group expects its overall performance for the financial year ending 31 December 2021 remain challenging.

B4. Profit forecast or profit guarantee

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

B5. Tax expense

| | Individual Quarter | | Cumulative Quarter | |
|---------------------------|---|---|---|---|
| | 3 Months Ended 30.06.2021 RM'000 | 3 Months Ended 30.06.2020 RM'000 | 6 Months Ended 30.06.2021 RM'000 | 6 Months Ended 30.06.2020 RM'000 |
| Income tax - Current year | 17 | 47 | 34 | 94 |

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.

B6. Status of corporate proposals and utilisation of proceeds

Except for the following disclosures, there were no corporate proposals that has been announced by the Company and not yet completed as at the LPD.

(a) Proposed Disposals

The utilisation of proceeds from the Proposed Disposals of RM36,682,500, completed on 7 December 2016, are as follows: -

| Purpose | Actual Proceeds raised RM'000 | Actual utilisation RM'000 | Balance unutilised RM'000 | Extended time frame for utilisation |
|-------------------------------------|--|---------------------------------|---------------------------------|---|
| Real property gains tax | 1,700 | (1,700) | - | Completed |
| Repayment of bank borrowings | 11,786 | (11,786) | - | Completed |
| Relocation and construction costs | 6,000 | (6,000) | - | Completed |
| Pledge to secure banking facilities | 5,000 | (5,000) | - | Completed |
| Working capital | 11,125 | (11,125) | - | Completed |
| To defray estimated expenses | 1,072 | (1,072) | - | Completed |
| | 36,683 | (36,683) | - | |

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

Status of corporate proposals and utilisation of proceeds (Cont'd)

(b) Proposed Private Placement 2019

The utilisation of proceeds from the Private Placement of RM1,815,280, completed on 9 May 2019, are as follows: -

| Purpose | Actual proceeds raised RM'000 | Actual utilisation RM'000 | Balance unutilised RM'000 | Extended time frame for utilisation |
|--|--|--|--|--|
| Overhaul of machinery | 1,731 | (178) | 1,553 | December 2022 |
| Estimated expenses in relation to the Private Placement | 84 | (84) | - | Completed |
| | <u>1,815</u> | <u>(262)</u> | <u>1,553</u> | |

(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") ("SPA") for a cash consideration of RM4.0 million ("Proposed Acquisition").

On 4 June 2021, the Company announced that the Proposed Acquisition has been completed following the confirmation receipt of the balance purchase price of the Proposed Acquisition from the vendor's solicitors.

(d) Memorandum of Understanding ("MOU")

On 7 January 2021, the Board announced that the Company had on even date entered into a Memorandum of Understanding ("MOU") with Intcys Sdn Bhd ("Intcys") to form a digital banking business consortium catering to the women market ("Consortium").

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.

On 30 July 2021, the Board announced that the collaboration between the Company and Intcys concerning the MOU has lapsed since the date for submission of the relevant application to Bank Negara Malaysia and the formation of the Consortium to submit the application within the requisite timeline under the MOU has passed and hence the non-binding MOU has been automatically invalidated.

Notes To The Condensed Consolidated Interim Financial Statements

For The Second Financial Quarter Ended 30 June 2021 (Cont'd)

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

Status of corporate proposals and utilisation of proceeds (Cont'd)

(e) Proposed Multiple Proposals

On 23 February 2021, the Company announced multiple proposals comprising the following:-

- (i) Proposed private placement of up to 10% of the total number of issued shares of the Company (“CN Asia Shares” or “Shares”) to third party investor(s) (“Proposed Private Placement”);
- (ii) proposed bonus issue of up to 30,201,985 new CN Asia warrants (“Warrants”) on the basis of 1 Warrant for every 2 existing CN Asia Shares held by entitled registered holders of the Shares (“Proposed Bonus Issue of Warrants”); and
- (iii) proposed establishment of a share issuance scheme (“SIS”) of up to 15% of the total number of issued shares (excluding treasury shares, if any) for eligible directors and employees of the Company and its subsidiaries (“CN Asia Group” or the “Group”) (“Proposed SIS”).

On 18 March 2021, Bursa Securities approved the Multiples Proposals. A circular to shareholders in relation to the Proposed Bonus Issue of Warrants and Proposed SIS were released on 12 April 2021 together with the Notice of Extraordinary General Meeting (“EGM”) to be convened on 11 May 2021.

On 11 May 2021, an EGM was held and the Proposed Bonus Issue of Warrants and Proposed SIS were approved by the shareholders.

Proposed Private Placement

The utilisation of proceeds from the Private Placement of RM7,131,421, which was completed on 5 May 2021, are as follows: -

| Purpose | Actual proceeds raised RM'000 | Actual utilisation RM'000 | Balance unutilised RM'000 | Extended time frame for utilisation |
|--------------------------|--|--------------------------------------|--------------------------------------|--|
| Purchase of raw material | 6,000 | (2,003) | 3,997 | May 2022 |
| Working capital | 631 | (631) | - | Completed |
| Estimated expenses | 500 | (500) | - | Completed |
| | <u>7,131</u> | <u>(3,134)</u> | <u>3,997</u> | |

Proposed Bonus Issue of Warrants

On 12 May 2021, the Company announced the ex-date and entitlement date for the Proposed Bonus Issue of Warrants, which were on 31 May 2021 and 1 June 2021 respectively. The exercise price of the Warrants was fixed at RM0.42 per Warrant.

On 14 June 2021, the Company announced that the Proposed Bonus Issue of Warrants has been completed following the listing and quotation of 30,201,970 Warrants on the Main Market of Bursa Securities on 14 June 2021.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

Status of corporate proposals and utilisation of proceeds (Cont'd)

Proposed SIS

On 15 June 2021, the Company announced that the effective date for the implementation of the SIS was 15 June 2021, being the date on which the Company had fully complied with all relevant requirements including Paragraph 6.43(1) of Bursa Securities' Listing Requirements.

(f) Proposed Bonus Issue of Shares

On 14 April 2021 and 19 April 2021, the Board announced that the Company proposes to undertake the bonus issue of up to 90,605,955 new ordinary shares in the Company ("CN Asia Share" or "Share") ("Bonus Shares") on the basis of 3 Bonus Shares for every 2 existing CN Asia Shares held on an entitlement date to be determined later ("Proposed Bonus Issue of Shares").

On 22 April 2021, Bursa Securities approved the Proposed Bonus Issue of Shares. A circular to shareholders in relation to the Proposed Bonus Issue of Shares were released on 26 April 2021 together with the Notice of EGM to be convened on 11 May 2021.

On 11 May 2021, an EGM was held and the Proposed Bonus Issue of Shares was approved by the shareholders.

On 12 May 2021, the Company announced the ex-date and entitlement date of the Proposed Bonus Issue of Shares, which were on 31 May 2021 and 1 June 2021 respectively.

On 2 June 2021, the Company announced that the Proposed Bonus Issue of Shares has been completed following the listing and quotation of 90,605,940 Bonus Shares on the Main Market of Bursa Securities on 2 June 2021.

(g) Proposed Private Placement 2021

On 22 June 2021, the Company proposed to undertake a private placement of up to 15,000,000 new ordinary shares in the Company ("Placement Shares"), representing approximately 10% of the existing total number of issued Shares, to independent third-party investor(s) to be identified later and at an issue price to be determined later ("Private Placement").

The rationale for this Proposal is to enable the Group to raise fund to fund its business expansion into the money lending business undertaken through its newly acquired wholly-owned subsidiary, Southborn Capital Sdn Bhd. The Group intends to provide financing schemes that cater to a wide range of customers, ranging from start-up entrepreneurs to small-medium enterprises.

On 24 June 2021, Bursa Securities had, vide its letter dated 24 June 2021, approved the listing and quotation of up to 15,000,000 Placement Shares to be issued pursuant to the Private Placement.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

Status of corporate proposals and utilisation of proceeds (Cont'd)

(g) *Proposed Private Placement 2021 (Cont'd)*

The Board announced the price-fixing for the Private Placement in tranches and the status of each tranche is as follow: -

| | <u>Price-fixing Date</u> | <u>No of placement shares</u> | <u>Issue price (RM)</u> | <u>Listing date</u> |
|----------------|--------------------------|-------------------------------|-------------------------|--------------------------------------|
| First tranche | 30 July 2021 | 6,500,000 | 0.415 | 12 August 2021 |
| Second tranche | 16 August 2021 | 4,321,000 | 0.405 | 26 August 2021 |
| Third tranche | 17 August 2021 | 3,500,000 | 0.406 | 27 August 2021 |
| Fourth tranche | 10 September 2021 | 679,000 | 0.688 | Price lapsed on 20 September 2021 |
| | | 15,000,000 | | |

The utilisation of proceeds from the first three tranches of Private Placement amounted to RM5,868,505, as at the LPD, are as follows: -

| <u>Purpose</u> | <u>Actual proceeds raised RM'000</u> | <u>Actual utilisation RM'000</u> | <u>Balance unutilised RM'000</u> | <u>Expected time frame for utilisation</u> |
|------------------------|--------------------------------------|----------------------------------|----------------------------------|--|
| Money lending business | 5,669 | (5,669) | - | Within 12 months |
| Estimated expenses | 200 | (110) | 90 | Immediately |
| | 5,869 | (5,779) | 90 | |

The necessary announcement in relation to the Private Placement will be made in due course.

B7. Group borrowings

| | Current Quarter Ended 30.06.2021 RM'000 | Financial Year Ended 31.12.2020 RM'000 |
|---------------------|--|---|
| <u>SECURED</u> | | |
| Short term | | |
| Bank overdraft | 1,878 | 2,582 |
| Bankers' acceptance | 543 | 867 |
| | 2,421 | 3,449 |
| Lease liabilities | 389 | 451 |
| Term loan | 121 | - |
| | 2,931 | 3,900 |
| Long term | | |
| Lease liabilities | 194 | 479 |
| Term loan | 3,279 | - |
| | 3,473 | 479 |
| Total Borrowings | 6,404 | 4,379 |

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

B8. Material litigation

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

B9. Dividend

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

B10. (Loss) / Earnings per share

(a) Basic loss per share

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | 3 Months Ended 30.06.2021 RM'000 | 3 Months Ended 30.06.2020 RM'000 | 6 Months Ended 30.06.2021 RM'000 | 6 Months Ended 30.06.2020 RM'000 |
| Loss after tax for the period | (652) | (449) | (1,368) | (2,992) |
| Weighted average number of ordinary shares in issue ('000) | 71,844 | 49,921 | 71,844 | 49,921 |
| Basic loss per share (sen) | (0.91) | (0.90) | (1.90) | (5.99) |

(b) Diluted loss per share

| | Individual Quarter | | Cumulative Quarter | |
|---|---|---|---|---|
| | 3 Months Ended 30.06.2021 RM'000 | 3 Months Ended 30.06.2020 RM'000 | 6 Months Ended 30.06.2021 RM'000 | 6 Months Ended 30.06.2020 RM'000 |
| Loss after tax for the period | (652) | (449) | (1,368) | (2,992) |
| Weighted average number of ordinary shares in issue ('000) | 71,844 | 49,921 | 71,844 | 49,921 |
| Assume shares issued from full exercise of Warrants ('000) | 30,202 | - | 30,202 | - |
| | 102,046 | 49,921 | 102,046 | 49,921 |
| Diluted loss per share (sen) | (0.64) | (0.90) | (1.34) | (5.99) |

**Notes To The Condensed Consolidated Interim Financial Statements
For The Second Financial Quarter Ended 30 June 2021 (Cont'd)**

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

B11. Additional disclosure on loss before tax

| | Individual Quarter | | Cumulative Quarter | |
|--|---|---|---|---|
| | 3 Months Ended 30.06.2021 RM'000 | 3 Months Ended 30.06.2020 RM'000 | 6 Months Ended 30.06.2021 RM'000 | 6 Months Ended 30.06.2020 RM'000 |
| Loss before tax is derived after charging/(crediting) the following: - | | | | |
| Allowance for impairment of receivables | - | - | - | 595 |
| Amortisation of leasehold land | 5 | - | 5 | - |
| Depreciation of property, plant and equipment | 392 | 163 | 783 | 325 |
| Depreciation of right-of-use asset | 99 | 90 | 198 | 180 |
| Interest expenses | 35 | 60 | 77 | 97 |
| Interest income | (70) | (225) | (151) | (462) |
| Loss on disposal of property, plant and equipment | - | - | 57 | - |
| (Gain)/Loss on foreign exchange | | | | |
| - Unrealised | (8) | (2) | (8) | (4) |
| - Realised | 6 | 16 | 5 | 22 |
| Reversal of allowance for impairment of receivables | - | - | (55) | - |

B.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 21 September 2021.

BY ORDER OF THE BOARD

WONG CHOOI FUN (MAICSA 7027549) (SSM PC No. 201908002976)
GOH CHOOI WOAN (MAICSA 7056110) (SSM PC No. 201908000145)
Company Secretaries
Selangor, 21 September 2021