



CN ASIA CORPORATION BHD

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000
Revenue	2,379	2,785	2,379	2,785
Cost of sales	(2,275)	(2,625)	(2,275)	(2,625)
Gross profit	104	160	104	160
Selling and distribution expenses	(7)	(7)	(7)	(7)
Administrative expenses	(1,852)	(890)	(1,852)	(890)
Other operating expenses	(1)	(57)	(1)	(57)
Other income	56	137	56	137
Loss from operations before interest and tax	(1,700)	(657)	(1,700)	(657)
Finance costs	(77)	(42)	(77)	(42)
Loss before tax	(1,777)	(699)	(1,777)	(699)
Tax expense	(60)	(17)	(60)	(17)
Loss after tax for the period	(1,837)	(716)	(1,837)	(716)
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss	-	-	-	-
Total comprehensive expense for the period	(1,837)	(716)	(1,837)	(716)
Net loss for the period attributable to: -				
Owners of the Company	(1,837)	(716)	(1,837)	(716)
Non-controlling interests	-	-	-	-
	(1,981)	(716)	(1,837)	(716)
Total comprehensive expense for the period attributable to: -				
Owners of the Company	(1,837)	(716)	(1,837)	(716)
Non-controlling interests	-	-	-	-
	(1,837)	(716)	(1,837)	(716)
Loss per share (sen)				
- Basic	(1.24)	(1.33)	(1.24)	(1.33)
- Diluted	(1.03)	(1.33)	(1.03)	(1.33)

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022

	As At Current Financial Period Ended 31.03.2022 RM'000	As At Preceding Financial Year Ended 31.12.2021 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	24,833	24,632
<i>Right-of-use asset</i>	972	1,060
<i>Intangible asset</i>	120	128
	<u>25,925</u>	<u>25,820</u>
Current Assets		
<i>Inventories</i>	3,596	3,647
<i>Trade and other receivables</i>	22,352	17,767
<i>Contract assets</i>	195	195
<i>Current tax asset</i>	94	146
<i>Cash and cash equivalents</i>	12,547	16,523
	<u>38,784</u>	<u>38,278</u>
TOTAL ASSETS	<u><u>64,709</u></u>	<u><u>64,098</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	60,765	60,765
<i>Share options reserve</i>	9,304	8,440
<i>Accumulated losses</i>	(16,561)	(14,724)
Shareholders' Equity	<u>53,508</u>	<u>54,481</u>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	665	755
<i>Term loan</i>	3,195	3,227
	<u>3,860</u>	<u>3,982</u>
Current Liabilities		
<i>Trade and other payables</i>	1,225	2,004
<i>Contract liabilities</i>	867	786
<i>Short-term borrowings</i>	4,770	2,372
<i>Lease liabilities</i>	355	350
<i>Term loan</i>	124	123
	<u>7,341</u>	<u>5,635</u>
TOTAL LIABILITIES	<u>11,201</u>	<u>9,617</u>
TOTAL EQUITY AND LIABILITIES	<u><u>64,709</u></u>	<u><u>64,098</u></u>
Net Assets Per Share (RM)	<u><u>0.36</u></u>	<u><u>0.46</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 2021 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022**

	← Financial Period Ended →	
	31.03.2022	31.03.2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Loss Before Tax	(1,777)	(699)
Adjustments For:-		
Amortisation of intangible asset	8	-
Amortisation of leasehold land	12	-
Depreciation of property, plant and equipment	393	391
Depreciation of right-of-use asset	88	99
Loss on disposal of property, plant and equipment	-	57
Gain on foreign exchange - Unrealised	(1)	-
Share options scheme expenses	864	-
Interest expenses	77	42
Interest income	(48)	(81)
Reversal of impairment of trade receivable	-	(55)
	1,393	453
Operating Loss Before Working Capital Changes	(384)	(246)
Changes In Working Capital		
Inventories	51	536
Receivables	(4,585)	(12,091)
Payables	(698)	(952)
Cash Used In Operations	(5,616)	(12,753)
Interest paid	(77)	(42)
Tax Paid	(8)	(35)
Net Cash Used In Operating Activities	(5,701)	(12,830)
Cash Flows From Investing Activities		
Interest received	48	81
Capital work-in-progress incurred	(573)	(69)
Proceeds from disposal of property, plant and equipment	-	268
Purchase of property, plant and equipment	(33)	(18)
Net Cash (Used In) / Generated From Investing Activities	(558)	262
Cash Flows From Financing Activities		
Placement of pledged fixed deposit	(49)	(64)
Net proceeds / (repayments) of bankers' acceptance	76	(260)
Net repayments of lease liabilities	(86)	(247)
Net repayments of term loan	(30)	-
Net Cash Used In Financing Activities	(89)	(571)
Net Decrease In Cash And Cash Equivalents	(6,348)	(13,139)
Cash And Cash Equivalents At Beginning Of The Financial Year	3,615	13,969
Cash And Cash Equivalents At End Of The Financial Period	(2,733)	830
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	12,547	14,662
Bank overdrafts	(3,164)	(1,904)
	9,383	12,758
Less: Deposits pledged as security for banking facilities	(12,116)	(11,928)
	(2,733)	830

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2022**

	-----Attributable to owners of the Company-----			
	Non-distributable	Distributable		
	SHARE CAPITAL RM'000	SHARE OPTIONS RESERVE RM'000	ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
Current financial period ended 31 March 2022				
At 1 January 2022	60,765	8,440	(14,724)	54,481
Movement during the period (cumulative)				
- Loss for the period	-	-	(1,837)	(1,837)
Share options granted	-	864	-	864
Total comprehensive expense for the period	-	864	(1,837)	(973)
At 31 March 2022	<u>60,765</u>	<u>9,304</u>	<u>(16,561)</u>	<u>53,508</u>
Preceding financial period ended 31 March 2021				
At 1 January 2021	42,097	-	(2,352)	39,745
Movement during the period (cumulative)				
- Loss / total comprehensive expense for the period	-	-	(716)	(716)
At 31 March 2021	<u>42,097</u>	<u>-</u>	<u>(3,068)</u>	<u>39,029</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 2021 and the accompanying explanatory notes attached to the interim financial statements.)

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022**

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 2021 except for the adoption of the following MFRSs and Amendments to MFRSs that are applicable to the Group effective 1 January 2022:-

- Amendments to MFRS 3, MFRS 116 and MFRS 137 and Annual Improvements to MFRS 2018 – 2020.

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

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.

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 issuance of 2,600,000 new ordinary shares pursuant to the exercise of the Company’s Share Issuance Scheme at an option price of RM0.35 per ordinary share on 28 April 2022.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

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) Financial services
Providing moneylending services.
- (c) Investment
Investment holdings comprise of companies providing management services.

Business segments

	Manufacturing RM'000	Financial Services RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	2,127	252	-	-	2,379
Inter-segment revenue	-	-	15	(15)	-
Total revenue	<u>2,127</u>	<u>252</u>	<u>15</u>	<u>(15)</u>	<u>2,379</u>
Results					
Segment results	(1,000)	248	(996)	-	(1,748)
Finance costs	(77)	-	-	-	(77)
Interest income	49	-	(1)	-	48
(Loss) / profit before tax	<u>(1,028)</u>	<u>248</u>	<u>(997)</u>	<u>-</u>	<u>(1,777)</u>
Tax expense	-	(60)	-	-	(60)
(Loss) / profit after tax	<u>(1,028)</u>	<u>188</u>	<u>(997)</u>	<u>-</u>	<u>(1,837)</u>
Assets					
Segment assets	<u>43,836</u>	<u>20,414</u>	<u>581</u>	<u>(122)</u>	<u>64,709</u>
Liabilities					
Segment liabilities	<u>11,140</u>	<u>94</u>	<u>89</u>	<u>(122)</u>	<u>11,201</u>
Included in the measure of segment assets					
Capital expenditure	606	-	-	-	606
Depreciation and amortisation	493	-	8	-	501

Geographical information

Not applicable.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

A10. Trade and other receivables

	Financial Quarter Ended 31.03.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
Trade receivables		
Non-related parties	2,225	1,817
Less: Allowance for impairment of receivables	(580)	(580)
	<hr/> 1,645	<hr/> 1,237
Loan Receivables	20,000	14,000
	<hr/> 21,645	<hr/> 15,237
Other receivables, deposits and prepayments	707	2,530
Total trade and other receivables	<hr/> 22,352	<hr/> 17,767

The trade receivables of the Group, net of allowance for impairment, as at the end of the current quarter amounted to RM21.6 million consist of principal loan receivables of RM20.0 million (2021: RM14.0 million) and manufacturing and interest receivables of RM1.6 million (2021: RM1.2 million). The principal loan receivables are due upon the loan maturity ranging from September 2022 to January 2023; while the manufacturing and interest receivables can be analysed as follows: -

	----- Credit Period -----				
	----- 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	Total
Trade receivables (RM'000)	905	227	438	75	1,645
% of total trade receivables (%)	54	14	27	5	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 31 March 2022, that are past due for more than 60 days amount to RM0.1 million, representing approximately 5% 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. Given the credit exposure of the Group's portfolio of trade receivables, the allowance for impairment of approximately RM70,000 made in the prior year was sufficient. As at the date of this report, RM0.9 million or 56% of the Group's total receivables as at 31 March 2022 has been collected.

A11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported, up to 13 May 2022, 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.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

A13. Changes in contingent liabilities

	Financial Quarter Ended 31.03.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	765	727

A14. Capital commitments

There was no capital expenditure approved and contracted for in the current quarter and the financial year-to-date other than the following:-

In respect of construction of new factory	RM'000 <u>1,750</u>
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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.

A16. Share Issuance Scheme ("SIS")

The Company has implemented a SIS scheme to attract and retain qualified and experienced employees. The scheme was approved by the shareholders at the Annual General Meeting held on 11 May 2021 and came into effect on 15 June 2021. The SIS shall be in force for a period of five (5) years until 14 June 2026.

The total number of options granted, exercised and outstanding under the SIS as at the financial period ended 31 March 2022 are set out below: -

Description	All Eligible Employees ('000)		
	Directors	Eligible Employees	Total
Total options granted			
At 1 January 2022	18,000	5,600	23,600
Addition	-	3,200	3,200
At 31 March 2022	18,000	8,800	26,800
Total options exercised	-	-	-
Total options outstanding	18,000	8,800	26,800

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

B1. Performance review

	Individual Quarter				Cumulative Quarter			
	3 Months	3 Months	Variance		3 Months	3 Months	Variance	
	Ended	Ended			Ended	Ended		
	31.03.2022	31.03.2021	Amount	%	31.03.2022	31.03.2021	Amount	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	2,379	2,785	(406)	(15)	2,379	2,785	(406)	(15)
Loss before interest and tax	(1,700)	(657)	(1,043)	(159)	(1,700)	(657)	(1,043)	(159)
Loss before tax	(1,777)	(699)	(1,078)	(154)	(1,777)	(699)	(1,078)	(154)
Loss after tax	(1,837)	(716)	(1,121)	(157)	(1,837)	(716)	(1,121)	(157)
Loss attributable to owners of the Company	(1,837)	(716)	(1,121)	(157)	(1,837)	(716)	(1,121)	(157)

The Group recorded a revenue of RM2.4 million for the current quarter, representing a decrease of RM0.4 million or 15% against the corresponding quarter ended 31 March 2021. Revenue from the manufacturing segment recorded a decrease of RM0.7 million compared to the corresponding period and revenue from the financial services segment contributed RM0.3 million in the current quarter. The lower revenue reported in the manufacturing segment was attributable to the sharp plunged in revenue from pressure vessels, LPG vessels and metal forming services by RM1.4 million with an offset from the increase revenue from storage tanks and road tankers by RM0.7 million.

Loss before tax ("LBT") increased to RM1.8 million from a LBT of RM0.7 million in the corresponding quarter mainly due to the drop in gross profit margin as a result of increase in raw material price and the recognition of share option expenses amounting to RM0.9 million from share options granted to eligible employees under the Company's SIS, calculated based on fair value of share-based payment, during the quarter.

The increase in LBT was partially offset by profit before tax contributed from the financial services of RM0.2 million.

B2. Comments on results against the immediate preceding quarter

	3 Months	3 Months	Variance	
	Current	Preceding		
	Quarter	Quarter	Amount	%
	31.03.2022	31.12.2021	RM'000	
	RM'000	RM'000	RM'000	%
Revenue	2,379	3,975	(1,596)	(40)
Loss before interest and tax	(1,700)	(9,153)	7,453	81
Loss before tax	(1,777)	(9,246)	7,469	81
Loss after tax	(1,837)	(9,263)	7,426	80
Loss attributable to owners of the Company	(1,837)	(9,263)	7,426	80

The Group's revenue for the current quarter of RM2.4 million was 40% lower than the immediate preceding quarter of RM4.0 million. Revenue from the manufacturing segment recorded a decrease of RM1.7 million while revenue from financial services segment recorded an increase of RM0.1 million compared to the preceding quarter. The overall drop in revenue from the manufacturing segment was mainly attributable to low sales volume in Q1 2022 as compared to the corresponding quarter.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

Comments on results against the immediate preceding quarter (Cont'd)

Despite a lower revenue recorded during the quarter, the Group's LBT decreased by 81% to RM1.8 million from a LBT of RM9.3 million in the preceding quarter. This was mainly due to a lower share options expenses of RM0.9 million recognised during the quarter compared to RM8.4 million recognised in the preceding quarter. The share options expenses was derived from share options granted during the quarter calculated based on fair value of share-based payment.

B3. Commentary of prospects

The Board is of the view that the business environment remains challenging and competitive in view of the increasing steel material pricing and logistic costs which have affected the overall profit margins of the manufacturing segment. Moving forward, the group's performance may be affected by the spinning effect of the fluctuations in USD/RM exchange rates and the war between Russia and Ukraine resulting in world inflation. Amidst current market uncertainties, the Group will continue to remain cautious and continuously monitor the developments of the global economic growth situation by taking appropriate measures to pursue more projects to sustain the Group's business and improve the Group's performance.

Effective 1 April 2022, in transitioning to the endemic phase of COVID-19, Malaysia's national borders have been reopened to international travellers. The relaxation of the standard operating procedures is expected to improve the economic activities within the country and abroad. The Group will continue its effort to drive its performance improvements along the recovery of the economic environment.

Barring further unforeseen circumstances, the Group expects its overall performance for the financial year ending 31 December 2022 to 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 31.03.2022	3 Months Ended 31.03.2021	3 Months Ended 31.03.2022	3 Months Ended 31.03.2021
	RM'000	RM'000	RM'000	RM'000
Income tax				
- Current year	60	17	60	17

The tax for the current quarter was in respect of tax provided on profits generated from the money lending business. The Group's effective tax rate for the quarter was lower than the statutory tax rate mainly due to utilisation of unabsorbed losses brought forward.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

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 Private Placement 2019

The status of 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	(226)	1,505	December 2022
Estimated expenses in relation to the Private Placement	84	(84)	-	Completed
	<u>1,815</u>	<u>(310)</u>	<u>1,505</u>	

(b) Proposed Private Placement 2021#1

The status of 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	(4,153)	1,847	September 2022 *
Working capital	631	(631)	-	Completed
Estimated expenses	500	(500)	-	Completed
	<u>7,131</u>	<u>(5,284)</u>	<u>1,847</u>	

* *In view of the low volume of business, the utilisation of proceeds is extended till September 2022*

(c) Memorandum of Agreement (“MOA”)

On 12 and 14 October 2021, the Board announced that the Company had on the even date entered into a MOA with Poly China United Capital Holdings Limited with the intention to enter into a collaboration to explore opportunities in the poly green energy and drone technology to achieve the objectives of the MOA (the “Collaboration”).

On 10 January 2022 and 8 April 2022, the Company announced that there was no material development as announced previously except the parties are still in the process of developing a feasible business model for the Collaboration.

Further announcement will be released should there be any new development to the MOA.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (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)

(d) Memorandum of Understanding (“MOU”)

On 14 December 2021, the Board announced that the Company had entered into a tripartite MOU with HK Bebao Group Co., Limited (“Bebao”) and Top Metaverse Group Sdn Bhd (“Metaverse”) with the intention to form a consortium with Metaverse and Bebao to promote the various NirvanaMeta products developed by Bebao to customers and users in Malaysia and South East Asia (the “Project”) to achieve the objectives of the MOU (the “Consortium”).

Bebao together with Metaverse through NirvanaMeta intends to introduce CN Asia into the Role Playing Games (RPG) metaverse gaming arena. On 10 March 2022, the Company announced that the parties are in the midst of developing a feasible business model and proposal for the Project in relation to the Consortium as stated therein the MOU.

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

(e) Proposed Debts Settlement

On 28 January 2022, the Board announced that the Company together with its wholly owned subsidiary, Southborn Capital Sdn Bhd (“Southborn”), had on 28 January 2022 entered into a Settlement Agreement (“SA” or the “Agreement”) with INIX Technologies Holdings Berhad (“INIX”) and its wholly-owned subsidiary, INIX Glove Manufacturing Sdn Bhd (“IGMSB”) to settle a loan together with interest accrued thereon, up to 30 June 2022 of RM8,160,000 (“Settlement Sum”) extended by Southborn to IGMSB, via the issuance and allotment of 108,800,000 new ordinary shares of INIX (“Settlement Shares”) to CN Asia at an issue price of RM0.075 per Settlement Share (“Issue Price”), representing approximately a 19.44% discount to the 5-day volume weighted average price (“VWAP”) of INIX shares calculated up to 27 January 2022, being the last practicable day preceding the date of the Agreement (“Proposed Debts Settlement” or “Proposal”).

Vide a letter dated 22 April 2022 to INIX, Bursa Securities approved the Proposed Debts Settlement and the Proposal is subject to approval by shareholders of INIX in a general meeting to be convened at a date to be fixed.

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

(f) Heads of Agreement (“HOA”) and Framework Agreement (“FA”)

On 28 February 2022, M&A Securities Sdn Bhd (“M&A”) on behalf of the Board announced that the Company had on 28 February 2022 entered into a HOA with Markmore Energy (Labuan) Limited (“MELL”) and GaspiOil Gas LLP (“COG”) (collectively “Parties”). Pursuant to the HOA, CN Asia intends to produce and process the hydrocarbon which include liquid and gaseous hydrocarbon in the Rakushechnoye Oil and Gas Field by investing and developing the CPC to be sited at the Rakushechnoye Oil and Gas Field together with COG (CN Asia and COG shall be collectively referred to as “JV Partners”) (“Project”).

The objectives of the HOA are to formalise and regulate the relationships between the Parties and the JV Partners and to set out their respective undertakings, rights, interests, benefits, duties and obligations in relation to the further development and commercial scale productions of the Concession as per the terms and conditions stated in the HOA.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (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)

It is expected that the investment cost is approximately USD285.0 million of which 15.0% i.e. USD42.8 million will be contributed by CN Asia whilst the balance of 85.0% shall be raised via issuance of debt or loan.

The parties have negotiated for further terms and conditions relating to the Project. In relation thereto, on behalf of the Board, M&A announced that CN Asia had on 11 April 2022 entered into a FA with COG and MELL.

The FA outlined the following corporate exercises to be undertaken by the Company:-

- (a) Proposed special issue of up to 30% of the existing share capital of CN Asia to raise minimum funds of RM15.0 million ("Proposed Special Issue").
- (b) A rights issue with warrants to raise minimum proceeds of RM200.0 million.
- (c) Proposed issuance of Redeemable Convertible Preference Shares of RM0.01 each in CN Asia ("RCPS") to MELL to partially satisfy the Entry Cost (hereunder defined).
- (d) Proposed amendments to the Constitution of the Company to facilitate the Proposed Issuance of RCPS ("Proposed Amendments").

Entry Cost is defined as the total sum of USD120.0 million to be satisfied by CN Asia in favour of MELL in a combination of cash, shares and/or issuance of RCPS to MELL, being the consideration of the Project (the quantum and the ratio shall be determined and agreed upon at a later date), within 60 days from the fulfilment of the condition precedents of the FA.

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

(g) Memorandum of Understanding ("MOU")

On 18 March 2022, the Board announced that Southborn Capital Sdn Bhd ("Southborn"), a wholly-owned subsidiary of the Company had on 18 March 2022 entered into a MOU with Capricorn Foundation Ltd. ("Capricorn") (Southborn and Capricorn collectively referred to as the "Parties").

Pursuant to the MOU, the Parties have intimated their intend to work together to maximise the benefits for mutual interests in setting up a strategic partnership and to provide the foundation and structure for blockchainization in providing total containment solutions and services of integrity through teamwork and innovation using AI, blockchain and big data ("Project") and are desirous of entering into the MOU to declare their respective intentions and establish a basis of cooperation and collaboration upon the terms as contained therein the MOU.

The Project provides Southborn with the foundation and structure for blockchainization for its lending business in the future. The Board believes that the Project would contribute positively to its future earnings and improve the financial position of the Group. The additional revenue from the Project is expected to enhance the Company's profitability and returns on shareholders' funds.

As at the LPD, the Parties are in the midst of determining the terms of the definitive agreements to be executed and consequently will allow for the finalisation of the detailed terms of the Project.

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (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)

(h) Proposed Ratification of the Diversification of Moneylending Business

On 26 April 2022, TA Securities Holdings Berhad announced on behalf of the Board that the Company proposed to ratify the diversification of the business of CN Asia Group to include moneylending business (“Proposed Ratification”). The Board is of the view that the moneylending business provides an additional revenue stream to the Group and will be part of the Group’s business plan to improve its financial performance as well as to increase the Company’s shareholders’ value. In addition, the diversification will allow the Group to reduce reliance on its existing business in the manufacturing segment.

The Proposed Ratification is subject to approval of the shareholders at an extraordinary general meeting of the Company to be convened at a date to be determined.

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

B7. Group borrowings

	Financial Quarter Ended 31.03.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
<u>SECURED</u>		
Short term		
Bank overdraft	3,164	842
Bankers’ acceptance	1,606	1,530
	4,770	2,372
Lease liabilities	355	350
Term loan	124	123
	5,249	2,845
Long term		
Lease liabilities	665	755
Term loan	3,195	3,227
	3,860	3,982
Total Borrowings	9,109	6,827

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

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.

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

B10. Loss per share

(a) Basic loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000
Loss after tax for the period	(1,837)	(716)	(1,837)	(716)
Weighted average number of ordinary shares in issue ('000)	148,221	53,665	148,221	53,665
Basic loss per share (sen)	(1.24)	(1.33)	(1.24)	(1.33)

(b) Diluted loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000
Loss after tax for the period	(1,837)	(716)	(1,837)	(716)
Weighted average number of ordinary shares in issue ('000)	148,221	53,665	148,221	53,665
Assume shares issued from full exercise of Warrants ('000)	30,202	-	30,202	-
	178,423	53,665	178,423	53,665
Diluted loss per share (sen)	(1.03)	(1.33)	(1.03)	(1.33)

B11. Additional disclosure on loss before tax

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000	3 Months Ended 31.03.2022 RM'000	3 Months Ended 31.03.2021 RM'000
Loss before tax is derived after charging/(crediting) the following: -				
Amortisation of intangible assets	8	-	8	-
Amortisation of leasehold land	12	-	12	-
Depreciation of property, plant and equipment	393	391	393	391
Depreciation of right-of-use asset	88	99	88	99
Interest expenses	77	42	77	42
Interest income	(48)	(81)	(48)	(81)
Loss on disposal of property, plant and equipment	-	57	-	57
(Gain)/Loss on foreign exchange				
- Unrealised	(1)	-	(1)	-
- Realised	-	(1)	-	(1)
Reversal of allowance for impairment of receivables	-	(55)	-	(55)
Share options granted under SIS	864	-	864	-

CN ASIA CORPORATION BHD (Registration No: 199601027090 (399442-A))
(Incorporated in Malaysia)

**Notes To The Condensed Consolidated Interim Financial Statements
For The First Financial Quarter Ended 31 March 2022 (Cont'd)**

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

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 20 May 2022.

BY ORDER OF THE BOARD

MOHD ZAKIE BIN SOAD (LS 0008268) (SSM PC No. 201908002382)
Company Secretary
Selangor, 20 May 2022