



**CN ASIA CORPORATION BHD**

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2022**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2022**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.06.2022 RM'000	3 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2022 RM'000	6 Months Ended 30.06.2021 RM'000
Revenue	2,586	2,452	4,965	5,237
Cost of sales	(1,961)	(2,175)	(4,236)	(4,800)
Gross profit	625	277	729	437
Selling and distribution expenses	(10)	(5)	(17)	(12)
Administrative expenses	(947)	(940)	(2,799)	(1,830)
Other operating expenses	(1,086)	(15)	(1,087)	(72)
Other income	71	83	127	220
Loss from operations before interest and tax	(1,347)	(600)	(3,047)	(1,257)
Finance costs	(102)	(35)	(179)	(77)
Loss before tax	(1,449)	(635)	(3,226)	(1,334)
Tax expense	(56)	(17)	(116)	(34)
Loss after tax for the period	(1,505)	(652)	(3,342)	(1,368)
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss	-	-	-	-
Total comprehensive expense for the period	(1,505)	(652)	(3,342)	(1,368)
Net loss for the period attributable to: -				
Owners of the Company	(1,505)	(652)	(3,342)	(1,368)
Non-controlling interests	-	-	-	-
	(1,505)	(652)	(3,342)	(1,368)
Total comprehensive expense for the period attributable to: -				
Owners of the Company	(1,505)	(652)	(3,342)	(1,368)
Non-controlling interests	-	-	-	-
	(1,505)	(652)	(3,342)	(1,368)
Loss per share (sen)				
- Basic	(0.88)	(0.91)	(1.95)	(1.90)
- Diluted	(0.75)	(0.64)	(1.66)	(1.34)

(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 30 JUNE 2022**

	<b>As At Current Financial Period Ended 30.06.2022 RM'000</b>	<b>As At Preceding Financial Year Ended 31.12.2021 RM'000</b>
<b>ASSETS</b>		
Non-current Assets		
<i>Property, plant and equipment</i>	28,077	24,632
<i>Right-of-use asset</i>	883	1,060
<i>Intangible asset</i>	112	128
<i>Investment in quoted shares</i>	7,059	-
	<u>36,131</u>	<u>25,820</u>
Current Assets		
<i>Inventories</i>	4,034	3,647
<i>Trade and other receivables</i>	14,444	17,767
<i>Contract assets</i>	195	195
<i>Current tax asset</i>	74	146
<i>Cash and cash equivalents</i>	12,537	16,523
	<u>31,284</u>	<u>38,278</u>
<b>TOTAL ASSETS</b>	<u><u>67,415</u></u>	<u><u>64,098</u></u>
<b>EQUITY AND LIABILITIES</b>		
Equity		
<i>Share capital</i>	63,943	60,765
<i>Share options reserve</i>	6,642	8,440
<i>Accumulated losses</i>	(15,404)	(14,724)
Shareholders' Equity	<u>55,181</u>	<u>54,481</u>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	573	755
<i>Term loan</i>	3,164	3,227
	<u>3,737</u>	<u>3,982</u>
Current Liabilities		
<i>Trade and other payables</i>	1,476	2,004
<i>Contract liabilities</i>	844	786
<i>Short-term borrowings</i>	5,693	2,372
<i>Lease liabilities</i>	359	350
<i>Term loan</i>	125	123
	<u>8,497</u>	<u>5,635</u>
<b>TOTAL LIABILITIES</b>	<u>12,234</u>	<u>9,617</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>67,415</u></u>	<u><u>64,098</u></u>
Net Assets Per Share (RM)	<u><u>0.30</u></u>	<u><u>0.30</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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 2022**

	← Financial Period Ended →	
	30.06.2022	30.06.2021
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Loss Before Tax	(3,226)	(1,334)
Adjustments For:-		
Allowance for impairment of investment	1,086	-
Amortisation of intangible asset	16	-
Amortisation of leasehold land	23	5
Depreciation of property, plant and equipment	787	783
Depreciation of right-of-use asset	177	198
Loss on disposal of property, plant and equipment	-	57
Gain on foreign exchange - Unrealised	(13)	(8)
Share options scheme expenses	864	-
Interest expenses	179	77
Interest income	(101)	(151)
Reversal of impairment of trade receivable	-	(55)
	3,018	906
Operating Loss Before Working Capital Changes	(208)	(428)
Changes In Working Capital		
Inventories	(388)	224
Receivables	3,336	(10,822)
Payables	(471)	(499)
Cash Generated From / (Used In) Operations	2,269	(11,525)
Interest paid	(179)	(77)
Tax Paid	(44)	(68)
Net Cash Generated From / (Used In) Operating Activities	2,046	(11,670)
<b>Cash Flows From Investing Activities</b>		
Acquisition of subsidiary	-	(160)
Interest received	101	151
Investment in quoted shares	(8,145)	-
Capital work-in-progress incurred	(4,214)	(6,000)
Proceeds from disposal of property, plant and equipment	-	268
Purchase of property, plant and equipment	(40)	(4,322)
Net Cash Used In Investing Activities	(12,298)	(10,063)
<b>Cash Flows From Financing Activities</b>		
Placement of pledged fixed deposit	(102)	(118)
Net proceeds / (repayments) of bankers' acceptance	2,462	(324)
Net proceeds from issuance of shares	3,178	6,639
Net repayments of lease liabilities	(173)	(348)
Net (repayments) / drawdown of term loan	(61)	3,400
Net Cash Generated From Financing Activities	5,304	9,249
Net Decrease In Cash And Cash Equivalents	(4,948)	(12,484)
Cash And Cash Equivalents At Beginning Of The Financial Year	3,615	13,969
Cash And Cash Equivalents At End Of The Financial Period	(1,333)	1,485
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	12,537	15,346
Bank overdrafts	(1,701)	(1,878)
	10,836	13,468
Less: Deposits pledged as security for banking facilities	(12,169)	(11,983)
	(1,333)	1,485

(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 SECOND FINANCIAL QUARTER ENDED 30 JUNE 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
<b>Current financial period ended 30 June 2022</b>				
At 1 January 2022	60,765	8,440	(14,724)	54,481
<u>Transaction with owners:</u>				
Issuance of shares arising from exercise of share options	3,178	-	-	3,178
Share options granted	-	864	-	864
Share options exercised	-	(2,662)	2,662	-
	3,178	(1,798)	2,662	4,042
Loss for the period	-	-	(3,342)	(3,342)
At 30 June 2022	63,943	6,642	(15,404)	55,181
<b>Preceding financial period ended 30 June 2021</b>				
At 1 January 2021	42,097	-	(2,352)	39,745
<u>Transaction with owners:</u>				
Issuance of shares arising from private placements	7,131	-	-	7,131
Share issuance expenses	-	-	(492)	(492)
	7,131	-	(492)	6,639
Loss for the period	-	-	(1,368)	(1,368)
At 30 June 2021	49,228	-	(4,212)	45,016

(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 Second Financial Quarter Ended 30 June 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 2021.

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 8,200,000 new ordinary shares pursuant to the exercise of the Company’s Share Issuance Scheme as follows:-

	Date of Issuance	No. of shares issued	Option Price
a)	28 April 2022	2,600,000	RM0.35
b)	30 May 2022	2,800,000	RM0.405
c)	28 June 2022	2,800,000	RM0.405
		<u>8,200,000</u>	

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 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. During the current quarter under review, the Group through its wholly owned subsidiary has ventured into the business of energy management.

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) Energy Management  
The business of energy management focused on nano technology lighting and urban farming.
- (d) Investment  
Investment holdings comprise of companies providing management services.

Business segments

	Manufacturing RM'000	Financial Services RM'000	Energy Management RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>						
External revenue	4,467	498	-	-	-	4,965
Inter-segment revenue	-	-	-	236	(236)	-
Total revenue	<u>4,467</u>	<u>498</u>	<u>-</u>	<u>236</u>	<u>(236)</u>	<u>4,965</u>
<b>Results</b>						
Segment results	(1,273)	487	(29)	(2,333)	-	(3,148)
Finance costs	(287)	(98)	-	-	206	(179)
Interest income	102	-	-	(1)	-	101
(Loss) / profit before tax	<u>(1,458)</u>	<u>389</u>	<u>(29)</u>	<u>(2,334)</u>	<u>206</u>	<u>(3,226)</u>
Tax expense	-	(93)	-	(23)	-	(116)
(Loss) / profit after tax	<u>(1,458)</u>	<u>296</u>	<u>(29)</u>	<u>(2,357)</u>	<u>206</u>	<u>(3,342)</u>
<b>Assets</b>						
Segment assets	<u>47,462</u>	<u>12,409</u>	<u>45</u>	<u>7,653</u>	<u>(154)</u>	<u>67,415</u>
<b>Liabilities</b>						
Segment liabilities	<u>12,195</u>	<u>108</u>	<u>-</u>	<u>85</u>	<u>(154)</u>	<u>12,234</u>
<b>Included in the measure of segment assets</b>						
Capital expenditure	4,254	-	-	-	-	4,254
Depreciation and amortisation	<u>988</u>	<u>-</u>	<u>-</u>	<u>15</u>	<u>-</u>	<u>1,003</u>

Geographical information

Not applicable.

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 2022 (Cont'd)**

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

**A10. Trade and other receivables**

	<b>Financial Quarter Ended 30.06.2022 RM'000</b>	<b>Financial Year Ended 31.12.2021 RM'000</b>
Trade receivables		
Non-related parties	2,165	1,817
Less: Allowance for impairment of receivables	(580)	(580)
	<hr/> 1,585	<hr/> 1,237
Loan Receivables	12,000	14,000
	<hr/> 13,585	<hr/> 15,237
Other receivables, deposits and prepayments	859	2,530
Total trade and other receivables	<hr/> <b>14,444</b>	<hr/> <b>17,767</b>

The trade receivables of the Group, net of allowance for impairment, as at the end of the current quarter amounted to RM13.6 million and consist of loan receivables of RM12.0 million (2021: RM14.0 million), manufacturing receivables and interest receivables of RM1.6 million (2021: RM1.2 million). The 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 Not past due, not impaired	----- 1 to 30 days past due, not impaired	----- 31 to 60 days past due, not impaired	----- Exceeding > 60 days past due, not impaired	
Trade receivables (RM'000)	605	255	205	520	1,585
% of total trade receivables (%)	38	16	13	33	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 2022, that are past due for more than 60 days amount to RM0.5 million, representing approximately 33% 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, RM0.5 million or 33% of the Group's total receivables as at 30 June 2022 has been collected.

**A11. Material subsequent events**

There were no material event subsequent to the end of the current quarter reported, to 12 August 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 Second Financial Quarter Ended 30 June 2022 (Cont'd)**

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

**A13. Changes in contingent liabilities**

	<b>Financial Quarter Ended 30.06.2022 RM'000</b>	<b>Financial Year Ended 31.12.2021 RM'000</b>
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	727	727

**A14. Capital commitments**

There were 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	<b>RM'000</b> 1,450
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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 30 June 2022 are set out below: -

<b>Description</b>	<b>All Eligible Employees ('000)</b>		
	<b>Directors</b>	<b>Eligible Employees</b>	<b>Total</b>
Total options granted			
At 1 January 2022	18,000	5,600	23,600
Addition	-	3,200	3,200
At 30 June 2022	18,000	8,800	26,800
Total options exercised	-	(8,200)	(8,200)
Total options outstanding	18,000	600	18,600

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 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 Ended	3 Months Ended	Variance		6 Months Ended	6 Months Ended	Variance	
	30.06.2022 RM'000	30.06.2021 RM'000	Amount RM'000	%	30.06.2022 RM'000	30.06.2021 RM'000	Amount RM'000	%
Revenue	2,586	2,452	134	5	4,965	5,237	(272)	(5)
Loss before interest and tax	(1,347)	(600)	(747)	(125)	(3,047)	(1,257)	(1,790)	(142)
Loss before tax	(1,449)	(635)	(814)	(128)	(3,226)	(1,334)	(1,892)	(142)
Loss after tax	(1,505)	(652)	(853)	(131)	(3,342)	(1,368)	(1,974)	(144)
Loss attributable to owners of the Company	(1,505)	(652)	(853)	(131)	(3,342)	(1,368)	(1,974)	(144)

The Group recorded a revenue of RM2.6 million for the current quarter, representing an increase of RM0.1 million or 5% against the corresponding quarter ended 30 June 2021. Revenue from the manufacturing segment recorded a decrease of RM0.1 million compared to the corresponding period and revenue from the financial services segment contributed RM0.2 million in the current quarter. The lower revenue reported in the manufacturing segment was attributable to the drop in revenue from pressure vessels and metal forming services by RM1.1 million offset by the increase in revenue from storage tanks, LPG vessels and road tankers of RM1.0 million.

Loss before tax ("LBT") increased to RM1.4 million from a LBT of RM0.6 million in the corresponding quarter mainly due to an allowance for impairment of investment of RM1.1 million made during the quarter. The increase in LBT was partially offset by profit before tax contributed from the financial services of RM0.2 million.

For the current financial year-to-date, the Group's revenue declined by RM0.3 million or 5% compared to the preceding financial year-to-date. Revenue from the manufacturing segment recorded a decrease of RM0.8 million and revenue from the financial services contributed RM0.5 million (2021: NIL) in the current financial year-to-date. The lower revenue reported in the manufacturing segment was mainly attributable to the sharp plunged in revenue from pressure vessels and metal forming of RM2.3 million whilst revenue from storage tanks, LPG vessels and road tankers increased by RM1.6 million. LBT increased by RM1.8 million mainly due to the allowance for impairment of investment of RM1.1 million and the recognition of share option expenses of RM0.9 million in the current financial year-to-date.

**B2. Comments on results against the immediate preceding quarter**

	3 Months Current Quarter	3 Months Preceding Quarter	Variance	
	30.06.2022 RM'000	31.03.2022 RM'000	Amount RM'000	%
Revenue	2,586	2,379	207	9
Loss before interest and tax	(1,347)	(1,700)	353	21
Loss before tax	(1,449)	(1,777)	328	18
Loss after tax	(1,505)	(1,837)	332	18
Loss attributable to owners of the Company	(1,505)	(1,837)	332	18

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

The Group's revenue for the current quarter recorded a 9% increase compared to the immediate preceding quarter of RM2.4 million. Revenue from the manufacturing segment recorded an increase of RM0.2 million while revenue from financial services segment recorded an increase of RM0.1 million compared to the preceding quarter.

The Group's LBT decreased by 18% to RM1.4 million from a LBT of RM1.8 million in the preceding quarter mainly attributable to lower administrative expenses due to the absence of share options expenses in the current quarter compared to share options expenses of RM0.9 million recognised in the preceding quarter. However, the effect of the low administrative expenses was offset by the increase in other operating expenses of RM1.1 million which relate to an allowance for impairment of investment recorded in the current quarter.

**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 fluctuations in USD/RM exchange rates and the worldwide geographical conflict.

With the lifting of the pandemic restrictions and the re-opening of internal borders in April 2022 resulting in the resuscitation of the overall business environment in the country. The Group will continue its effort to drive its performance improvements along with the recovery of the economic environment. However, rising inflation and the increase in cost of materials may impede economic recovery momentum. Amidst the uncertainties and unpredictable business environment, 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 expand its revenue base to sustain the Group's business and improve the Group's performance.

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 30.06.2022 RM'000	3 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2022 RM'000	6 Months Ended 30.06.2021 RM'000
Income tax				
- Current year	60	17	120	34
- Overprovision in prior year	(4)	-	(4)	-
	<u>56</u>	<u>17</u>	<u>116</u>	<u>34</u>

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 Second Financial Quarter Ended 30 June 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 that were not 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: -

<b>Purpose</b>	<b>Actual proceeds raised RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance unutilised RM'000</b>	<b>Extended time frame for utilisation</b>
Overhaul of machinery	1,731	(1,132)	599	December 2022
Estimated expenses in relation to the Private Placement	84	(84)	-	Completed
	<u>1,815</u>	<u>(1,216)</u>	<u>599</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: -

<b>Purpose</b>	<b>Actual proceeds raised RM'000</b>	<b>Actual utilisation RM'000</b>	<b>Balance unutilised RM'000</b>	<b>Extended time frame for utilisation</b>
Purchase of raw material	6,000	(5,690)	310	September 2022
Working capital	631	(631)	-	Completed
Estimated expenses	500	(500)	-	Completed
	<u>7,131</u>	<u>(6,821)</u>	<u>310</u>	

(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, 8 April 2022 and 6 July 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 Second Financial Quarter Ended 30 June 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 (“Proposed Consortium”).

On 8 June 2022, the Board announced that the Company decided not to continue with the Proposed Consortium and the MOU be terminated with immediate effect.

(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 Zen Tech International Berhad (formerly known as INIX Technologies Holdings Berhad) (“ZTIB”) 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 ZTIB (“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 ZTIB shares calculated up to 27 January 2022, being the last practicable day preceding the date of the Agreement (“Proposed Debts Settlement” or “Proposal”).

On 10 June 2022, the Board announced that ZTIB had obtained the approval of its shareholders at the extraordinary general meeting held on 9 June 2022 for the allotment and issuance of the Settlement Shares at the Issue Price to CN Asia pursuant to the SA. The parties agreed to set the cut-off date as 15 June 2022 to derive at the final settlement sum of RM8,145,534.22 and that pursuant to the formula set out in the SA, a total of 108,607,122 Settlement Shares shall be allotted and issued to CN Asia at the Issue Price.

On 5 July 2022, the Board announced that the Proposed Debt Settlement was completed on 4 July 2022 following the listing and quotation of 108,607,122 Settlement Shares, which were allotted to the Company, on the ACE Market of Bursa Securities on 4 July 2022. Consequently, the Company holds 17.46% equity interest in ZTIB.

(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 Second Financial Quarter Ended 30 June 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.

On 15 June 2022, the Board announced that there is no material development as announced previously except the Parties are still in the process of developing a feasible business model for 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 Second Financial Quarter Ended 30 June 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 has been approved by the shareholders of the Company at the extraordinary general meeting held on 24 June 2022.

**B7. Group borrowings**

	<b>Financial Quarter Ended 30.06.2022 RM'000</b>	<b>Financial Year Ended 31.12.2021 RM'000</b>
<u>SECURED</u>		
Short term		
Bank overdraft	1,701	842
Bankers' acceptance	3,992	1,530
	<hr/> 5,693	<hr/> 2,372
Lease liabilities	359	350
Term loan	125	123
	<hr/> 6,177	<hr/> 2,845
Long term		
Lease liabilities	573	755
Term loan	3,164	3,227
	<hr/> 3,737	<hr/> 3,982
Total Borrowings	<hr/> <b>9,914</b>	<hr/> <b>6,827</b>

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 Second Financial Quarter Ended 30 June 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 30.06.2022 RM'000	3 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2022 RM'000	6 Months Ended 30.06.2021 RM'000
Loss after tax for the period	(1,505)	(652)	(3,342)	(1,368)
Weighted average number of ordinary shares in issue ('000)	171,374	71,844	171,374	71,844
Basic loss per share (sen)	(0.88)	(0.91)	(1.95)	(1.90)

(b) Diluted loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2022 RM'000	3 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2022 RM'000	6 Months Ended 30.06.2021 RM'000
Loss after tax for the period	(1,505)	(652)	(3,342)	(1,368)
Weighted average number of ordinary shares in issue ('000)	171,374	71,844	171,374	71,844
Assume shares issued from full exercise of Warrants ('000)	30,202	30,202	30,202	30,202
	201,576	102,046	201,576	102,046
Diluted loss per share (sen)	(0.75)	(0.64)	(1.66)	(1.34)

**B11. Additional disclosure on loss before tax**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.06.2022 RM'000	3 Months Ended 30.06.2021 RM'000	6 Months Ended 30.06.2022 RM'000	6 Months Ended 30.06.2021 RM'000
Loss before tax is derived after charging/(crediting) the following: -				
Allowance for impairment of investment	1,086	-	1,086	-
Amortisation of intangible assets	8	-	16	-
Amortisation of leasehold land	11	5	23	5
Depreciation of property, plant and equipment	394	392	787	783
Depreciation of right-of-use asset	89	99	177	198
Interest expenses	102	35	179	77
Interest income	(53)	(70)	(101)	(151)
Loss on disposal of property, plant and equipment	-	-	-	57
(Gain)/Loss on foreign exchange				
- Unrealised	(12)	(8)	(13)	(8)
- Realised	(5)	6	(5)	5
Reversal of allowance for impairment of receivables	-	-	-	(55)
Share options scheme expenses	-	-	864	-



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

**Notes To The Condensed Consolidated Interim Financial Statements  
For The Second Financial Quarter Ended 30 June 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 19 August 2022.

**BY ORDER OF THE BOARD**

**MOHD ZAKIE BIN SOAD (LS 0008268) (SSM PC No. 201908002382)**  
Company Secretary  
Selangor, 19 August 2022