



CN ASIA CORPORATION BHD

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.09.2022 RM'000	3 Months Ended 30.09.2021 RM'000	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
Revenue	3,464	2,445	8,429	7,682
Cost of sales	(3,433)	(2,798)	(7,669)	(7,598)
Gross profit / (loss)	31	(353)	760	84
Selling and distribution expenses	(8)	(5)	(25)	(17)
Administrative expenses	(801)	(866)	(3,600)	(2,696)
Other operating expenses	(4,345)	-	(5,432)	(72)
Other income	82	71	209	291
Loss from operations before interest and tax	(5,041)	(1,153)	(8,088)	(2,410)
Finance costs	(90)	(57)	(269)	(134)
Loss before tax	(5,131)	(1,210)	(8,357)	(2,544)
Tax expense	(2)	171	(118)	137
Loss after tax for the period	(5,133)	(1,039)	(8,475)	(2,407)
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss	-	-	-	-
Total comprehensive expense for the period	(5,133)	(1,039)	(8,475)	(2,407)
Net loss for the period attributable to: -				
Owners of the Company	(5,133)	(1,039)	(8,475)	(2,407)
Non-controlling interests	-	-	-	-
	(5,133)	(1,039)	(8,475)	(2,407)
Total comprehensive expense for the period attributable to: -				
Owners of the Company	(5,133)	(1,039)	(8,475)	(2,407)
Non-controlling interests	-	-	-	-
	(5,133)	(1,039)	(8,475)	(2,407)
Loss per share (sen)				
- Basic	(2.87)	(1.03)	(4.74)	(2.39)
- Diluted	(2.46)	(0.79)	(4.06)	(1.84)

(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 SEPTEMBER 2022

	As At Current Financial Period Ended 30.09.2022 RM'000	As At Preceding Financial Year Ended 31.12.2021 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	28,177	24,632
<i>Right-of-use asset</i>	795	1,060
<i>Intangible asset</i>	104	128
<i>Investment in quoted shares</i>	2,715	-
	<u>31,791</u>	<u>25,820</u>
Current Assets		
<i>Inventories</i>	3,480	3,647
<i>Trade and other receivables</i>	14,433	17,767
<i>Contract assets</i>	1,496	195
<i>Current tax asset</i>	143	146
<i>Cash and cash equivalents</i>	12,418	16,523
	<u>31,970</u>	<u>38,278</u>
TOTAL ASSETS	<u><u>63,761</u></u>	<u><u>64,098</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	63,943	60,765
<i>Share options reserve</i>	162	8,440
<i>Accumulated losses</i>	(14,057)	(14,724)
Shareholders' Equity	<u>50,048</u>	<u>54,481</u>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	481	755
<i>Term loan</i>	3,132	3,227
	<u>3,613</u>	<u>3,982</u>
Current Liabilities		
<i>Trade and other payables</i>	1,452	2,004
<i>Contract liabilities</i>	979	786
<i>Short-term borrowings</i>	7,180	2,372
<i>Lease liabilities</i>	363	350
<i>Term loan</i>	126	123
	<u>10,100</u>	<u>5,635</u>
TOTAL LIABILITIES	<u>13,713</u>	<u>9,617</u>
TOTAL EQUITY AND LIABILITIES	<u><u>63,761</u></u>	<u><u>64,098</u></u>
Net Assets Per Share (RM)	<u><u>0.27</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 THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2022**

	← Financial Period Ended →	
	30.09.2022	30.09.2021
	RM'000	RM'000
Cash Flows From Operating Activities		
Loss Before Tax	(8,357)	(2,544)
Adjustments For:-		
Allowance for impairment of investment	5,430	-
Amortisation of intangible asset	24	-
Amortisation of leasehold land	34	15
Depreciation of property, plant and equipment	1,177	1,174
Depreciation of right-of-use asset	265	297
Loss on disposal of property, plant and equipment	-	57
Gain on foreign exchange - Unrealised	(22)	(18)
Share options scheme expenses	864	-
Interest expenses	269	134
Interest income	(165)	(212)
Reversal of impairment of trade receivable	-	(55)
	<u>7,876</u>	<u>1,392</u>
Operating Loss Before Working Capital Changes	(481)	(1,152)
Changes In Working Capital		
Inventories	(1,134)	139
Receivables	3,356	(17,323)
Payables	(359)	(602)
Cash Generated From / (Used In) Operations	<u>1,382</u>	<u>(18,938)</u>
Interest paid	(269)	(134)
Tax Paid	(116)	(68)
Net Cash Generated From / (Used In) Operating Activities	<u>997</u>	<u>(19,140)</u>
Cash Flows From Investing Activities		
Acquisition of subsidiary	-	(160)
Interest received	165	212
Investment in quoted shares	(8,145)	-
Capital work-in-progress incurred	(4,701)	(6,280)
Proceeds from disposal of property, plant and equipment	-	268
Purchase of property, plant and equipment	(54)	(4,347)
Net Cash Used In Investing Activities	<u>(12,735)</u>	<u>(10,307)</u>
Cash Flows From Financing Activities		
Placement of pledged fixed deposit	(166)	(167)
Net proceeds / (repayments) of bankers' acceptance	2,256	263
Net proceeds from issuance of shares	3,178	12,508
Net repayments of lease liabilities	(261)	(450)
Net (repayments) / drawdown of term loan	(92)	3,370
Net Cash Generated From Financing Activities	<u>4,915</u>	<u>15,524</u>
Net Decrease In Cash And Cash Equivalents	(6,823)	(13,923)
Cash And Cash Equivalents At Beginning Of The Financial Year	<u>3,615</u>	<u>13,969</u>
Cash And Cash Equivalents At End Of The Financial Period	<u>(3,208)</u>	<u>46</u>
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	12,418	12,970
Bank overdrafts	(3,394)	(892)
	<u>9,024</u>	<u>12,078</u>
Less: Deposits pledged as security for banking facilities	(12,232)	(12,032)
	<u>(3,208)</u>	<u>46</u>

(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 THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 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 30 September 2022				
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	-
Share options lapsed	-	(6,480)	6,480	-
	3,178	(8,278)	9,142	4,042
Loss for the period	-	-	(8,475)	(8,475)
At 30 September 2022	<u>63,943</u>	<u>162</u>	<u>(14,057)</u>	<u>50,048</u>
Preceding financial period ended 30 September 2021				
At 1 January 2021	42,098	-	(2,352)	39,746
<u>Transaction with owners:</u>				
Issuance of shares arising from private placements	13,000	-	-	13,000
Share issuance expenses	-	-	(492)	(492)
	13,000	-	(492)	12,508
Loss for the period	-	-	(2,407)	(2,407)
At 30 September 2021	<u>55,098</u>	<u>-</u>	<u>(5,251)</u>	<u>49,847</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 Third Financial Quarter Ended 30 September 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 reported in the previous financial quarter.

A8. Dividend paid

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

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

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

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
Revenue						
External revenue	7,750	679	-	-	-	8,429
Inter-segment revenue	-	-	-	354	(354)	-
Total revenue	<u>7,750</u>	<u>679</u>	<u>-</u>	<u>354</u>	<u>(354)</u>	<u>8,429</u>
Results						
Segment results	(2,094)	666	(56)	(6,769)	-	(8,253)
Finance costs	(431)	(147)	-	-	309	(269)
Interest income	166	-	-	(1)	-	165
(Loss) / profit before tax	<u>(2,359)</u>	<u>519</u>	<u>(56)</u>	<u>(6,770)</u>	<u>309</u>	<u>(8,357)</u>
Tax expense	-	(116)	-	(2)	-	(118)
(Loss) / profit after tax	<u>(2,359)</u>	<u>403</u>	<u>(56)</u>	<u>(6,772)</u>	<u>309</u>	<u>(8,475)</u>
Assets						
Segment assets	<u>47,721</u>	<u>12,580</u>	<u>355</u>	<u>3,201</u>	<u>(96)</u>	<u>63,761</u>
Liabilities						
Segment liabilities	<u>13,358</u>	<u>101</u>	<u>309</u>	<u>41</u>	<u>(96)</u>	<u>13,713</u>
Included in the measure of segment assets						
Capital expenditure	4,755	-	-	-	-	4,755
Depreciation and amortisation	<u>1,478</u>	<u>-</u>	<u>-</u>	<u>22</u>	<u>-</u>	<u>1,500</u>

Geographical information

Not applicable.

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

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

A10. Trade and other receivables

	Financial Quarter Ended 30.09.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
Trade receivables		
Non-related parties	2,172	1,817
Less: Allowance for impairment of receivables	(580)	(580)
	<hr/> 1,592	<hr/> 1,237
Loan Receivables	12,000	14,000
	<hr/> 13,592	<hr/> 15,237
Other receivables, deposits and prepayments	841	2,530
Total trade and other receivables	<hr/> 14,433	<hr/> 17,767

The trade receivables of the Group, net of allowance for impairment, as at the end of the current quarter amounting to RM13.6 million (2021: RM15.2 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 November 2022 to September 2023; while the manufacturing and interest receivables can be analysed as follows: -

	----- Credit Period -----				Total
	----- Within Not past due, not impaired	----- 1 to 30 days past due, not impaired	----- 31 to 60 days past due, not impaired	----- Exceeding > 60 days past due, not impaired	
Trade receivables (RM'000)	769	47	355	421	1,592
% of total trade receivables (%)	48	4	22	26	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 September 2022, that are past due for more than 60 days amount to RM0.4 million, representing approximately 26% 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, RM0.6 million or 36% of the Group's total receivables as at 30 September 2022 has been collected.

A11. Material subsequent events

There were no material event subsequent to the end of the current quarter reported, to 11 November 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 Third Financial Quarter Ended 30 September 2022 (Cont'd)**

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

A13. Changes in contingent liabilities

	Financial Quarter Ended 30.09.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	339	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	RM'000 969
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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 September 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 30 September 2022	18,000	8,800	26,800
Total options exercised	-	(8,200)	(8,200)
Total options surrendered	(18,000)	-	(18,000)
Total options outstanding	-	600	600

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 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		9 Months	9 Months	Variance	
	Ended	Ended			Ended	Ended		
	30.09.2022	30.09.2021	Amount	%	30.09.2022	30.09.2021	Amount	%
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	3,464	2,445	1,019	42	8,429	7,682	747	10
Loss before interest and tax	(5,041)	(1,153)	(3,888)	(337)	(8,088)	(2,410)	(5,678)	(236)
Loss before tax	(5,131)	(1,210)	(3,921)	(324)	(8,357)	(2,544)	(5,813)	(228)
Loss after tax	(5,133)	(1,039)	(4,094)	(394)	(8,475)	(2,407)	(6,068)	(252)
Loss attributable to owners of the Company	(5,133)	(1,039)	(4,094)	(394)	(8,475)	(2,407)	(6,068)	(252)

The Group recorded a revenue of RM3.5 million for the current quarter, representing an increase of RM1.0 million or 42% against the corresponding quarter ended 30 September 2021. Revenue from the manufacturing segment recorded an increase of RM0.8 million compared to the corresponding period and revenue from the financial services segment contributed RM0.2 million in the current quarter. The higher revenue reported in the manufacturing segment was attributable to the increase in revenue from road tankers and pressure vessels by RM1.2 million offset by the drop in revenue from storage tanks, LPG vessels and metal forming services of RM0.4 million.

Loss before tax ("LBT") increased to RM5.1 million from a LBT of RM1.2 million in the corresponding quarter mainly due to an allowance for impairment of investment amounting to RM4.3 million made during the quarter. The increase in LBT was partially offset by the profit before tax contributed from the financial services of RM0.1 million in the current quarter.

For the current financial year-to-date, the Group's revenue increased by RM0.7 million or 10% compared to the preceding financial year-to-date. Revenue from the manufacturing segment recorded a marginal increase of RM0.1 million and revenue from the financial services contributed RM0.6 million (2021: NIL) in the current financial year-to-date. LBT increased by RM6.1 million mainly due to the allowance for impairment of investment amounting to RM5.4 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	3 Months	Variance	
	Current	Preceding		
	Quarter	Quarter	Amount	%
	30.09.2022	30.06.2022	RM'000	%
	RM'000	RM'000	RM'000	%
Revenue	3,464	2,586	878	34
Loss before interest and tax	(5,041)	(1,347)	(3,694)	(274)
Loss before tax	(5,131)	(1,449)	(3,682)	(254)
Loss after tax	(5,133)	(1,505)	(3,628)	(241)
Loss attributable to owners of the Company	(5,133)	(1,505)	(3,628)	(241)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 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 at RM3.5 million, representing an increase of 34% compared to a revenue of RM2.6 million for the immediate preceding quarter. Revenue from the manufacturing segment recorded an increase of RM0.9 million while revenue from financial services segment recorded a decrease of RM0.1 million compared to the preceding quarter.

The Group's LBT increased by RM3.7 million to RM5.1 million from a LBT of RM1.4 million in the preceding quarter mainly attributable to an increase in allowance for impairment of investment from RM1.1 million in the preceding quarter to RM4.3 million 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 30.09.2022 RM'000	3 Months Ended 30.09.2021 RM'000	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
Income tax				
- Current year	34	17	154	51
- Overprovision in prior year	(32)	(188)	(36)	(188)
	<u>2</u>	<u>(171)</u>	<u>118</u>	<u>(137)</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 Third Financial Quarter Ended 30 September 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

Save for the following disclosures, there were no other corporate proposals that has been announced by the Company that remained incomplete 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	(1,253)	478	December 2022
Estimated expenses in relation to the Private Placement	84	(84)	-	Completed
	<u>1,815</u>	<u>(1,337)</u>	<u>478</u>	

(b) Proposed Private Placement 2021#1

The proceeds from the Private Placement of RM7,131,421, which was completed on 5 May 2021, has been fully utilised as at the LPD 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	(6,000)	-	Completed
Working capital	631	(631)	-	Completed
Estimated expenses	500	(500)	-	Completed
	<u>7,131</u>	<u>(7,131)</u>	<u>-</u>	

(c) Memorandum of Agreement (“MOA”)

On 12 and 14 October 2021, the Board announced that the Company had 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”).

There was no material development as announced previously as the parties are still in the process of developing a feasible business model for the Collaboration.

On 7 October 2022, the Company announced that the parties have mutually agreed to extend the validity of the MOA for another period of twelve (12) months till 12 October 2023.

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 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) 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 be 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.

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 parties are currently negotiating on the terms in relation to the extension of the FA which expired on 10 October 2022.

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 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)

(e) 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 and 8 September 2022, the Board 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 Project.

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

(f) Proposed Private Placement

On 11 October 2022, TA Securities Holdings Berhad on behalf of the Company announced that the Company proposes to undertake a private placement of up to 74,768,000 new ordinary shares in CN Asia, representing approximately 40% of the total number of the existing issued shares of CN Asia to independent third-party investor(s) to be identified at a future date at an issue price to be determined and fixed at a future date (“Proposed Private Placement”).

Bursa Securities had, vide its letter dated 9 November 2022, approved the listing and quotation of up to 74,768,000 new ordinary shares to be issued pursuant to the Proposed Private Placement.

The Extraordinary General Meeting will be held at a date to be fixed to seek for shareholders’ approval and mandate.

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

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

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

B7. Group borrowings

	Financial Quarter Ended 30.09.2022 RM'000	Financial Year Ended 31.12.2021 RM'000
<u>SECURED</u>		
Short term		
Bank overdraft	3,394	842
Bankers' acceptance	3,786	1,530
	<u>7,180</u>	<u>2,372</u>
Lease liabilities	363	350
Term loan	126	123
	<u>7,669</u>	<u>2,845</u>
Long term		
Lease liabilities	481	755
Term loan	3,132	3,227
	<u>3,613</u>	<u>3,982</u>
Total Borrowings	<u>11,282</u>	<u>6,827</u>

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.

B10. Loss per share

(a) Basic loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.09.2022 RM'000	3 Months Ended 30.09.2021 RM'000	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
Loss after tax for the period	(5,133)	(1,039)	(8,475)	(2,407)
Weighted average number of ordinary shares in issue ('000)	178,673	100,546	178,673	100,546
Basic loss per share (sen)	<u>(2.87)</u>	<u>(1.03)</u>	<u>(4.74)</u>	<u>(2.39)</u>

(b) Diluted loss per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.09.2022 RM'000	3 Months Ended 30.09.2021 RM'000	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
Loss after tax for the period	(5,133)	(1,039)	(8,475)	(2,407)
Weighted average number of ordinary shares in issue ('000)	178,673	100,546	178,673	100,546
Assume shares issued from full exercise of Warrants ('000)	30,202	30,202	30,202	30,202
	<u>208,875</u>	<u>130,748</u>	<u>208,875</u>	<u>130,748</u>
Diluted loss per share (sen)	<u>(2.46)</u>	<u>(0.79)</u>	<u>(4.06)</u>	<u>(1.84)</u>

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2022 (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 30.09.2022 RM'000	3 Months Ended 30.09.2021 RM'000	9 Months Ended 30.09.2022 RM'000	9 Months Ended 30.09.2021 RM'000
Loss before tax is derived after charging/(crediting) the following: -				
Allowance for impairment of investment	4,344	-	5,430	-
Amortisation of intangible assets	8	-	24	-
Amortisation of leasehold land	11	10	34	15
Depreciation of property, plant and equipment	390	391	1,177	1,174
Depreciation of right-of-use asset	88	99	265	297
Interest expenses	90	57	269	134
Interest income	(64)	(61)	(165)	(212)
Loss on disposal of property, plant and equipment	-	-	-	57
(Gain)/Loss on foreign exchange				
- Unrealised	(9)	(10)	(22)	(18)
- Realised	(10)	-	(15)	5
Reversal of allowance for impairment of receivables	-	-	-	(55)
Share options scheme expenses	-	-	864	-

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 18 November 2022.

BY ORDER OF THE BOARD

MOHD ZAKIE BIN SOAD (LS 0008268) (SSM PC No. 201908002382)
Company Secretary
Selangor, 18 November 2022