

**CN ASIA CORPORATION BHD** (Company No.: 399442-A)  
(Incorporated in Malaysia)

**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS  
FOR THE SECOND FINANCIAL QUARTER ENDED 30 JUNE 2014**

**CN ASIA CORPORATION BHD**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 30/06/2014 RM'000	Preceding Year Quarter Ended 30/06/2013 RM'000	Current Financial 6 Months Ended 30/06/2014 RM'000	Preceding Financial 6 Months Ended 30/06/2013 RM'000
Revenue	2,775	4,884	8,593	7,478
Cost of sales	(4,222)	(5,359)	(10,489)	(8,646)
Gross loss	<u>(1,447)</u>	<u>(475)</u>	<u>(1,896)</u>	<u>(1,168)</u>
Selling & distribution	(85)	(40)	(89)	(58)
Administrative expenses	(859)	(726)	(1,525)	(1,404)
Other operating expenses	(21)	5	(70)	(4)
Other operating income	197	(5)	233	1
Loss from operations	<u>(2,215)</u>	<u>(1,241)</u>	<u>(3,347)</u>	<u>(2,633)</u>
Finance cost	(169)	(169)	(334)	(284)
Share of loss of associated company	(12)	(12)	(29)	(25)
Loss before taxation	<u>(2,396)</u>	<u>(1,422)</u>	<u>(3,710)</u>	<u>(2,942)</u>
Taxation	-	-	-	-
Net loss after taxation for the period	<u>(2,396)</u>	<u>(1,422)</u>	<u>(3,710)</u>	<u>(2,942)</u>
Other comprehensive (expenses) / income				
Foreign exchange translation differences	34	-	52	-
Total comprehensive loss for the period	<u><u>(2,362)</u></u>	<u><u>(1,422)</u></u>	<u><u>(3,658)</u></u>	<u><u>(2,942)</u></u>
Net loss for the period attributable to:-				
Equity holders of the Company	(2,396)	(1,422)	(3,710)	(2,942)
Minority interests	-	-	-	-
	<u><u>(2,396)</u></u>	<u><u>(1,422)</u></u>	<u><u>(3,710)</u></u>	<u><u>(2,942)</u></u>
Total comprehensive loss for the period attributable to:-				
Equity holders of the Company	(2,362)	(1,422)	(3,658)	(2,942)
Minority interests	-	-	-	-
	<u><u>(2,362)</u></u>	<u><u>(1,422)</u></u>	<u><u>(3,658)</u></u>	<u><u>(2,942)</u></u>
Loss per share (sen)				
- Basic	<u><u>(5.3)</u></u>	<u><u>(3.1)</u></u>	<u><u>(8.2)</u></u>	<u><u>(6.5)</u></u>
- Fully diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>N/A</u></u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	As At End of Current Quarter 30/06/2014 RM'000	As At Preceding Financial Year Ended 31/12/2013 RM'000
<b>ASSETS</b>		
Non-current Assets		
<i>Property, plant &amp; equipment</i>	27,990	27,694
<i>Non-current assets held for resale</i>	-	380
<i>Interest in associated company</i>	-	29
<i>Goodwill on consolidation</i>	77	77
	<u>28,067</u>	<u>28,180</u>
Current Assets		
<i>Inventories</i>	3,811	4,956
<i>Amount due from customer for contract work</i>	1,946	3,439
<i>Trade and other receivables</i>	2,891	3,992
<i>Tax recoverable</i>	6	42
<i>Fixed deposit with licensed bank</i>	224	224
<i>Cash at banks and in hand</i>	365	628
	<u>9,243</u>	<u>13,281</u>
<b>TOTAL ASSETS</b>	<u><u>37,310</u></u>	<u><u>41,461</u></u>
<b>EQUITY AND LIABILITIES</b>		
Equity		
<i>Share capital</i>	45,382	45,382
<i>Reserves</i>	(21,425)	(17,767)
<b>Shareholders' Equity</b>	<u>23,957</u>	<u>27,615</u>
Liabilities		
Non-current Liabilities		
<i>Hire Purchase Payables</i>	533	418
	<u>533</u>	<u>418</u>
Current Liabilities		
<i>Trade and other payables</i>	1,741	2,188
<i>Amount owing to an associated company</i>	-	60
<i>Amount owing to a director</i>	1,553	-
<i>Overdraft and short term borrowings</i>	9,526	11,180
	<u>12,820</u>	<u>13,428</u>
<b>TOTAL LIABILITIES</b>	<u>13,353</u>	<u>13,846</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>37,310</u></u>	<u><u>41,461</u></u>
<b>Net Assets Per Share (RM)</b>	<u><u>0.53</u></u>	<u><u>0.61</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 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW**

	<b>Current Financial 6 Months Ended 30/06/2014 RM'000</b>	<b>Preceding Financial 6 Months Ended 30/06/2013 RM'000</b>
Cash Flows From Operating Activities		
Loss Before Tax But After Minority Interest	(3,710)	(2,942)
Adjustments For:-		
Allowance for impairment of receivables	18	-
Amortisation of intangible assets	-	18
Depreciation of property, plant and equipment	587	540
(Gain) / Loss on foreign exchange - Unrealised	(2)	3
Interest expenses	331	283
Gain on disposal of property, plant and equipment	(37)	-
Gain on disposal of investment property	(93)	-
Share of losses of associated company	29	25
	833	869
Operating Loss Before Working Capital Changes	<u>(2,877)</u>	<u>(2,073)</u>
Changes In Working Capital		
Inventories	1,145	643
Amount Due For Contract Work	1,493	(457)
Trade and Other Receivables	1,084	1,043
Bankers' acceptance	(1,324)	720
Trade and Other Payables	(447)	(1,031)
Cash Used In Operations	<u>(926)</u>	<u>(1,155)</u>
Interest paid	(331)	(283)
Tax refunded	36	-
Net Cash Used In Operating Activities	<u>(1,221)</u>	<u>(1,438)</u>
Cash Flows From Investing Activities		
Capital Work-in-progress Incurred	(522)	-
Proceeds from disposal of property, plant & equipment	64	-
Proceeds from disposal of investment property	473	-
Purchase of property, plant and equipment ( <i>Note 1</i> )	(203)	(36)
Net Cash Used In Investing Activities	<u>(188)</u>	<u>(36)</u>
Cash Flows From Financing Activities		
Net repayment to associated company	(60)	(39)
Net advance from a director	1,553	-
Net payments of finance lease liabilities	(45)	(41)
Net Cash Generated From / (Used In) Financing Activities	<u>1,448</u>	<u>(80)</u>
Net Increase / (Decrease) In Cash And Cash Equivalents	39	(1,554)
Effects of Exchange Translation Differences on Cash and Cash Equivalent	53	(5)
Cash And Cash Equivalents At Beginning Of The Financial Year	(4,369)	(3,384)
Cash And Cash Equivalents At End Of The Financial Quarter	<u>(4,277)</u>	<u>(4,943)</u>

**Note 1: Purchase of property, plant and equipment**

The Group acquired property, plant and equipment with an aggregate cost of RM388K (2013: RM36K) of which RM185K (2013: NIL) was acquired by means of finance lease and the balance was made by cash payments.

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS  
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	SHARE CAPITAL (RM'000)	SHARE PREMIUM (RM'000)	TRANSLATION RESERVE (RM'000)	ACCUMULATED LOSSES (RM'000)	TOTAL SHAREHOLDERS' FUND (RM'000)
<b>Current Year 6 Months Ended 30/06/2014</b>					
Balance at beginning of the period	45,382	3,492	14	(21,273)	27,615
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(3,710)	(3,710)
Other comprehensive expenses	-	-	-	-	-
- Translation difference	-	-	52	-	52
	-	-	52	(3,710)	(3,658)
Balance at end of the period	45,382	3,492	66	(24,983)	23,957
<b>Preceding Year 6 Months Ended 30/06/2013</b>					
Balance at beginning of the period	45,382	3,492	8	(20,547)	28,335
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(2,942)	(2,942)
Other comprehensive expenses	-	-	-	-	-
	-	-	-	(2,942)	(2,942)
Balance at end of the period	45,382	3,492	8	(23,489)	25,393

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.)

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**Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2014**

**PART A: Selected Explanatory Notes Pursuant To Malaysian Financial Reporting Standards ("MFRS") 134**

**1. Basis of Preparation**

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. 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 as at and for the year ended 31 December 2013. The 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 2013 except for the adoption of the following Amendments to MFRSs with a date of initial applications on 1 January 2014:-

MFRS 10	Consolidated Financial Statements: Investment Entities
MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
MFRS 127	Separate Financial Statements: Investment Entities
MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
MFRS 136	Recoverable Amount Disclosures for Non-Financial Assets
MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting

The adoption of the above Amendments to MFRSs do not have any material financial impact on the Group.

The audited financial statements of the Group for the year ended 31 December 2013, which were prepared in accordance with MFRSs, are available upon request from the Company's registered office at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia.

***MFRSs, Amendments to MFRSs and Interpretations issued but not yet effective***

At the date of authorisation of these financial statements, the following MFRSs, Amendments to MFRSs and Interpretations were issued but not yet effective and have not been applied by the Company:

MFRS, Amendments to MFRS and Interpretations		Effective for financial period beginning on or after
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in November 2009)	)
MFRS 9	: Financial Instruments (IFRS 9 issued by IASB in October 2010)	)
MFRS 9	: Financial Instruments (Hedge Accounting and Amendments to MFRS 7, MFRS 9 & MFRS 139)	)
MFRS 9	: Financial Instruments: Mandatory Effective Date of MFRS 9, MFRS 7 and MFRS 139 (Amendment to MFRS 9 and MFRS 7)	)
Amendments to MFRS 119 : Defined Benefits Plans - Employee Contributions		1 July 2014
Annual Improvements to MFRSs 2010 – 2012 Cycle		1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle		1 July 2014

The management anticipate that the adoption of the above MRFSS will not have significant impact on the financial position and financial performance of the Company.

**2. Qualification Of Financial Statements**

There was no qualification on audit report of preceding annual financial statements.

**3. 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.

**4. Items Of An Unusual Nature**

There was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidents.

**5. Changes In Estimates Reported**

There was 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.

**6. Changes In Equity**

There were no issuances, cancellation, repurchase, resale and repayments of debts and equity securities for the current financial year-to-date.

**7. Dividend Paid**

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

## Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2014 (cont'd)

8. Segmental Information(a) By Activities

	Manufacturing and marketing of tanks, engineering and fabrication works RM'000	Repairing and renting of transportable containers for hazardous chemicals RM'000	Investment holdings and others RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>					
External revenue	8,572	21	-	-	8,593
Inter-segment revenue	-	-	30	(30)	-
<b>Total revenue</b>	<b>8,572</b>	<b>21</b>	<b>30</b>	<b>(30)</b>	<b>8,593</b>
<b>Results</b>					
Segment results	(3,256)	15	(106)	-	(3,347)
Finance cost	(334)	-	-	-	(334)
Share of losses of associated company	-	-	-	-	(29)
Loss attributable to equity holders of the Company					<b>(3,710)</b>
<b>Other information</b>					
Segment assets	33,849	836	2,542	-	37,227
Unallocated assets	-	-	-	-	77
Tax assets	-	-	6	-	6
Investment in associated company	-	-	-	-	-
<b>Consolidated total assets</b>					<b>37,310</b>
Segment liabilities	3,257	3	34	-	3,294
Interest bearing liabilities	10,059	-	-	-	10,059
Deferred taxation liabilities	-	-	-	-	-
<b>Consolidated total liabilities</b>					<b>13,353</b>
Capital expenditure	910	-	-	-	910
Depreciation and amortisation	568	3	16	-	587

(b) By Geographical

	Malaysia RM'000	The People's Republic of China RM'000	Elimination RM'000	Consolidated RM'000
<b>Revenue</b>				
External revenue	8,593	-	-	8,593
Inter-segment revenue	30	-	(30)	-
<b>Total revenue</b>	<b>8,623</b>	<b>-</b>	<b>(30)</b>	<b>8,593</b>
<b>Results</b>				
Segment results	(3,330)	(17)	-	(3,347)
Finance cost	(334)	-	-	(334)
Share of losses of associated company	-	-	-	(29)
Loss attributable to equity holders of the Company				<b>(3,710)</b>
<b>Other information</b>				
Segment assets	36,658	569	-	37,227
Unallocated assets	-	-	-	77
Tax assets	6	-	-	6
Investment in associated company	-	-	-	-
<b>Consolidated total assets</b>				<b>37,310</b>
Segment liabilities	3,287	7	-	3,294
Interest bearing liabilities	10,059	-	-	10,059
Deferred taxation liabilities	-	-	-	-
<b>Consolidated total liabilities</b>				<b>13,353</b>
Capital expenditure	910	-	-	910
Depreciation and amortisation	569	18	-	587

9. Material Subsequent Events

There were no material events subsequent to the end of the quarter reported on that have not been reflected in the financial statements for the period.

10. Changes In The Composition

There were no changes in the composition of the company for the current quarter and financial year-to-date.

11. Changes In Contingent Liabilities

	Period Ended 30.06.2014 RM'000	Year Ended 31.12.2013 RM'000
In respect of corporate guarantee for credit facilities granted to a subsidiary company	9,993	13,602

12. Capital Commitments

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

## Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2014 (cont'd)

13. Significant Related Party Transactions

The Group has the following significant transaction with related parties during the financial quarter and financial year-to-date:-

<u>Company</u>	<u>Relationship</u>	<u>Current Financial Quarter 30/06/2014 RM'000</u>	<u>Preceding Financial Quarter 30/06/2013 RM'000</u>	<u>Current Financial Year-To-Date 30/06/2014 RM'000</u>	<u>Preceding Financial Year-To-Date 30/06/2013 RM'000</u>
Crystal Bond Sdn Bhd	A company in which a director, Mr Ho Cheng San, is also a director and has substantial financial interest				
Marvellous Production Sdn Bhd	A company in which a director, Mr Ho Cheng San, is also a director and has substantial financial interest				
Rental of premises paid to					
- Crystal Bond Sdn Bhd		24	24	48	48
- Marvellous Production Sdn Bhd		84	84	168	168

**PART B: Explanatory Notes Required By Bursa Malaysia Securities Main Market Listing Requirements**1. Review Of Performance Of The Group

During the quarter under review, the Group recorded a loss before taxation of RM2.4 million as compared to a loss before taxation of RM1.4 million over the preceding corresponding quarter due to a 43% reduction in revenue during the quarter. The reduction in revenue during the quarter was mainly due to low volume of business as a result of delay in commencement of major projects.

The loss before taxation for the Group for the current financial year to-date increased to RM3.7 million as compared to RM2.9 million loss before taxation for the preceding corresponding financial year-to-date despite a 15% increase in revenue over the period. This was mainly due to low volume of business in the current quarter under review coupled with increased in raw material cost resulted from weakening of Malaysian Ringgit against other major foreign currencies as the major raw material are mostly imported and purchased in foreign currencies.

2. Variation Of Results Against Preceding Quarter

The Group registered a loss before taxation of RM2.4 million for the quarter as compared to a loss before taxation of RM1.3 million for the preceding quarter due to a 52% reduction in volume of business during the quarter.

3. Current Year Prospects

The Directors are of the view that the current financial year will be challenging to the Group due to fierce competition and the Group will continue to undertake precautionary measures and manage its cost exposure to enhance its performance for the current financial year.

4. Variance Of Actual Profit From Forecast Profit And Shortfall In Profit Guarantee

There is no profit forecast provided in any public document.

5. Additional Disclosure on Loss Before Taxation

	<u>Current Financial Quarter 30/06/2014 RM'000</u>	<u>Preceding Financial Quarter 30/06/2013 RM'000</u>	<u>Current Financial Year-To-Date 30/06/2014 RM'000</u>	<u>Preceding Financial Year-To-Date 30/06/2013 RM'000</u>
Loss before taxation is derived after charging / (crediting) amongs others, the following items:-				
Allowance for impairment of receivables	-	-	18	-
Amortisation of intangible assets	-	9	-	18
Depreciation of property, plant and equipment	300	270	587	540
Interest expenses	168	168	331	283
Gain on disposal of property, plant and equipment	-	-	(37)	-
Gain on disposal of investment property	(93)	-	(93)	-
(Gain) / Loss on foreign exchange				
- Unrealised	-	-	(2)	(1)
- Realised	21	(14)	54	(19)

6. Taxation

	<u>Current Financial Quarter 30/06/2014 RM'000</u>	<u>Current Financial Year-To-Date 30/06/2014 RM'000</u>
Based on results for the financial year-to-date	-	-

7. Corporate Proposal Status

## (i) Memorandum of Understanding

On 24 June 2014, the company announced that CN Asia Capital Sdn Bhd, a wholly-owned subsidiary of the Company had on the 24 June 2014 entered into a Framework Agreement ("Framework Agreement") with KenMakmur Holdings Sdn Bhd for the proposed production of liquified petroleum gas and condensate from the nature gas supplied by the Rakushechnoye Oil/Gas Field.

The Framework Agreement are conditional upon fulfilment of the conditions precedent as set out therein within six (6) months from the date of Framework Agreement (or any other period a may be agreed), otherwise the Framework Agreement shall lapse and have no effect whatsoever to the parties concerned.



## Notes To The Quarterly Report For The Second Financial Quarter Ended 30 June 2014 (cont'd)

7. Corporate Proposal Status (cont'd)

## (ii) Proposed Private Placement

On 11 August 2014, M& A Securities Sdn Bhd ("M&A") on behalf of the Company had announced that CN Asia Corporation Bhd ("CN Asia") proposes to implement a private placement of up to 4,538,200 new ordinary shares of RM1.00 each in CN Asia ("Placement Shares"), representing approximately ten percent (10%) of the total issued and paid up share capital of the Company to independent third party investor(s) to be identified ("Proposed Private Placement").

The Proposed Private Placement will enable CN Asia to raise additional fund for its working capital requirements including the repayment of its bank borrowings and the day to day operations and administrative expenses of the Group.

Subsequently, M&A had on 15 August 2014 submitted the additional listing application for the listing and quotation for the Placement Shares on the Main Market of Bursa Malaysia Securities Berhad to be issued pursuant to the Proposed Private Placement.

8. Group Borrowings

	As At End of Current Quarter 30/06/2014 RM'000
<b>(i) Short Term</b>	
<u>SECURED</u>	
Hire Purchase	104
Bank Overdrafts	4,448
Bankers Acceptance	4,551
	<u>9,103</u>
<u>UNSECURED</u>	
Bank Overdrafts	194
Bankers Acceptance	229
	<u>423</u>
Total Short Term Borrowings	<u>9,526</u>
<b>(ii) Long Term</b>	
<u>SECURED</u>	
Hire Purchase	533
TOTAL GROUP BORROWINGS	<u>10,059</u>

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

9. Material Litigation

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

10. Dividend

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

11. Profit / (Loss) Per Share

	Current Financial Quarter 30/06/2014 RM'000	Preceding Financial Quarter 30/06/2013 RM'000	Current Financial Year-To-Date 30/06/2014 RM'000	Preceding Financial Year-To-Date 30/06/2013 RM'000
Net loss after taxation for the period	(2,396)	(1,422)	(3,710)	(2,942)
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Basic loss per share (sen)	<u>(5.3)</u>	<u>(3.1)</u>	<u>(8.2)</u>	<u>(6.5)</u>

12. Realised and Unrealised Accumulated Losses

	As At End of Current Quarter 30/06/2014 RM'000	As At Preceding Financial Year Ended 31/12/2013 RM'000
<b>Group and Subsidiary Companies</b>		
Accumulated losses		
- Realised	(24,822)	(21,155)
- Unrealised	(2)	12
Associated Company		
- Realised	(159)	(130)
Total consolidated accumulated losses	<u>(24,983)</u>	<u>(21,273)</u>

BY ORDER OF THE BOARD

LIM PAIK GOOT  
KOH MUI TEE  
Company Secretaries  
Selangor, 20 August 2014