

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

**UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2015**

CN ASIA CORPORATION BHD
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FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2015

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 31/03/2015 RM'000	Preceding Year Quarter Ended 31/03/2014 RM'000	Current Financial 3 Months Ended 31/03/2015 RM'000	Preceding Financial 3 Months Ended 31/03/2014 RM'000
Revenue	5,567	5,818	5,567	5,818
Cost of sales	(5,864)	(6,267)	(5,864)	(6,267)
Gross loss	<u>(297)</u>	<u>(449)</u>	<u>(297)</u>	<u>(449)</u>
Selling & distribution	(13)	(4)	(13)	(4)
Administrative expenses	(889)	(666)	(889)	(666)
Other operating expenses	(23)	(49)	(23)	(49)
Other operating income	-	36	-	36
Loss from operations	<u>(1,222)</u>	<u>(1,132)</u>	<u>(1,222)</u>	<u>(1,132)</u>
Finance cost	(193)	(165)	(193)	(165)
Share of loss of associated company	(7)	(17)	(7)	(17)
Loss before taxation	<u>(1,422)</u>	<u>(1,314)</u>	<u>(1,422)</u>	<u>(1,314)</u>
Taxation	-	-	-	-
Net loss after taxation for the period	<u>(1,422)</u>	<u>(1,314)</u>	<u>(1,422)</u>	<u>(1,314)</u>
Other comprehensive (expenses) / income				
Foreign exchange translation differences	38	18	38	18
Total comprehensive loss for the period	<u>(1,384)</u>	<u>(1,296)</u>	<u>(1,384)</u>	<u>(1,296)</u>
Net loss for the period attributable to:-				
Equity holders of the Company	(1,422)	(1,314)	(1,422)	(1,314)
Minority interests	-	-	-	-
	<u>(1,422)</u>	<u>(1,314)</u>	<u>(1,422)</u>	<u>(1,314)</u>
Total comprehensive loss for the period attributable to:-				
Equity holders of the Company	(1,384)	(1,296)	(1,384)	(1,296)
Minority interests	-	-	-	-
	<u>(1,384)</u>	<u>(1,296)</u>	<u>(1,384)</u>	<u>(1,296)</u>
Loss per share (sen)				
- Basic	<u>(3.1)</u>	<u>(2.9)</u>	<u>(3.1)</u>	<u>(2.9)</u>
- Fully diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2014 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 31/03/2015 RM'000	As At Preceding Financial Year Ended 31/12/2014 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant & equipment</i>	27,269	27,494
<i>Non-current assets held for resale</i>	-	-
<i>Interest in associated company</i>	22	29
<i>Goodwill on consolidation</i>	77	77
	27,368	27,600
Current Assets		
<i>Inventories</i>	3,058	3,962
<i>Amount due from customer for contract work</i>	1,359	1,938
<i>Trade and other receivables</i>	3,674	4,338
<i>Tax recoverable</i>	6	6
<i>Fixed deposit with licensed bank</i>	231	231
<i>Cash at banks and in hand</i>	563	389
	8,891	10,864
TOTAL ASSETS	36,259	38,464
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	45,382	45,382
<i>Reserves</i>	(23,301)	(21,917)
Shareholders' Equity	22,081	23,465
Liabilities		
Non-current Liabilities		
<i>Hire Purchase Payables</i>	466	488
	466	488
Current Liabilities		
<i>Trade and other payables</i>	2,161	2,482
<i>Amount owing to an associated company</i>	45	56
<i>Amount owing to a director</i>	-	-
<i>Overdraft and short term borrowings</i>	11,506	11,973
	13,712	14,511
TOTAL LIABILITIES	14,178	14,999
TOTAL EQUITY AND LIABILITIES	36,259	38,464
Net Assets Per Share (RM)	0.49	0.52

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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UNAUDITED QUARTERLY REPORT ON CONSOLIDATED RESULTS
FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2015

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Current Financial 3 Months Ended 31/03/2015 RM'000	Preceding Financial 3 Months Ended 31/03/2014 RM'000
Cash Flows From Operating Activities		
Loss Before Tax But After Minority Interest	(1,422)	(1,314)
Adjustments For:-		
Allowance for impairment of receivables	-	18
Depreciation of property, plant and equipment	279	287
Loss / (Gain) on foreign exchange - Unrealised	1	(2)
Interest expenses	193	163
(Gain) / Loss on disposal of property, plant and equipment	-	(37)
Share of losses of associated company	7	17
	480	446
Operating Loss Before Working Capital Changes	(942)	(868)
Changes In Working Capital		
Inventories	904	1,184
Amount Due For Contract Work	579	1,532
Shar Trade and Other Receivables	664	(1,033)
Bankers' acceptance	611	(639)
Trade and Other Payables	(321)	(382)
Cash Generated From / (Used In) Operations	1,495	(206)
Interest paid	(193)	(163)
Net Cash Generated From / (Used In) Operating Activities	1,302	(369)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant & equipment	-	64
Purchase of property, plant and equipment (<i>Note 1</i>)	(41)	(178)
Net Cash Used In Investing Activities	(41)	(114)
Cash Flows From Financing Activities		
Net repayment to an associated company	(11)	(37)
Net payments of finance lease liabilities	(27)	(20)
Net Cash Used In Financing Activities	(38)	(57)
Net Increase / (Decrease) In Cash And Cash Equivalents	1,223	(540)
Effects of Exchange Translation Differences on Cash and Cash Equivalent	25	20
Cash And Cash Equivalents At Beginning Of The Financial Year	(4,213)	(4,369)
Cash And Cash Equivalents At End Of The Financial Quarter	(2,965)	(4,889)

Note 1: Purchase of property, plant and equipment

The Group acquired property, plant and equipment with an aggregate cost of RM41K (2014: RM363K) of which NIL (2014: RM185K) 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 2014 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)
Current Financial Year					
Ended 31/03/2015					
Balance at beginning of the period	45,382	3,492	102	(25,511)	23,465
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(1,422)	(1,422)
Other comprehensive expenses	-	-	-	-	-
- Translation difference	-	-	38	-	38
	-	-	38	(1,422)	(1,384)
Balance at end of the period	45,382	3,492	140	(26,933)	22,081
Preceding Financial Year					
Ended 31/03/2014					
Balance at beginning of the period	45,382	3,492	14	(21,273)	27,615
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(1,314)	(1,314)
Share of loss of associated company	-	-	-	-	-
- Translation difference	-	-	18	-	18
	-	-	18	(1,314)	(1,296)
Balance at end of the period	45,382	3,492	32	(22,587)	26,319

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.)

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Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2015

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 2014.

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 2014.

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.

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
Revenue					
External revenue	5,567	-	-	-	5,567
Inter-segment revenue	-	-	15	(15)	-
Total revenue	<u>5,567</u>	<u>-</u>	<u>15</u>	<u>(15)</u>	<u>5,567</u>
Results					
Segment results	(1,169)	(4)	(49)	-	(1,222)
Finance cost	(193)	-	-	-	(193)
Share of losses of associated company	-	-	-	-	(7)
Loss attributable to equity holders of the Company					<u>(1,422)</u>
Other information					
Segment assets	32,833	736	2,585	-	36,154
Unallocated assets	-	-	-	-	77
Tax assets	-	-	6	-	6
Investment in associated company	-	-	-	-	22
Consolidated total assets					<u>36,259</u>
Segment liabilities	2,143	3	60	-	2,206
Interest bearing liabilities	11,972	-	-	-	11,972
Deferred taxation liabilities	-	-	-	-	-
Consolidated total liabilities					<u>14,178</u>
Capital expenditure	41	-	-	-	41
Depreciation and amortisation	270	1	8	-	279

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2015 (cont'd)

(b) By Geographical

	Malaysia RM'000	The People's Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	5,567	-	-	5,567
Inter-segment revenue	15	-	(15)	-
Total revenue	<u>5,582</u>	<u>-</u>	<u>(15)</u>	<u>5,567</u>
Results				
Segment results	(1,212)	(10)	-	(1,222)
Finance cost	(193)	-	-	(193)
Share of losses of associated company	-	-	-	(7)
Loss attributable to equity holders of the Company				<u>(1,422)</u>
Other information				
Segment assets	35,553	601	-	36,154
Unallocated assets	-	-	-	77
Tax assets	6	-	-	6
Investment in associated company	-	-	-	22
Consolidated total assets				<u>36,259</u>
Segment liabilities	2,194	12	-	2,206
Interest bearing liabilities	11,972	-	-	11,972
Deferred taxation liabilities	-	-	-	-
Consolidated total liabilities				<u>14,178</u>
Capital expenditure	41	-	-	41
Depreciation and amortisation	270	9	-	279

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 31.03.2015 RM'000	Year Ended 31.12.2014 RM'000
In respect of corporate guarantee for credit facilities granted to a subsidiary company	<u>11,362</u>	<u>12,648</u>

12. Capital Commitments

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

13. Significant Related Party Transactions

During the financial year-to-date, the Group has the following significant transaction with the following related parties, in which a director of the Company, Mr Ho Cheng San is also a director and has substantial financial interest:-

	Current Financial Quarter 31/03/2015 RM'000	Preceding Financial Quarter 31/03/2014 RM'000	Current Financial Year-To-Date 31/03/2015 RM'000	Preceding Financial Year-To-Date 31/03/2014 RM'000
Rental of premises paid to				
- Crystal Bond Sdn Bhd	24	24	24	24
- Marvellous Production Sdn Bhd	<u>84</u>	<u>84</u>	<u>84</u>	<u>84</u>

PART B: Explanatory Notes Required By Bursa Malaysia Securities Main Market Listing Requirements1. Review Of Performance Of The Group

During the quarter under review, the Group recorded a loss before taxation of RM1.4 million as compared to a loss before taxation of RM1.3 million over the preceding corresponding quarter due to a 4% reduction in revenue and a 33% increase in administrative expenses during the quarter.

2. Variation Of Results Against Preceding Quarter

The Group registered a loss before taxation of RM1.4 million for the quarter as compared to a loss before taxation of RM201K for the preceding quarter despite an 88% increase in volume of business during the quarter. This was mainly due to low margin on projects executed during the period under review.

3. Current Year Prospects

The Directors are of the view that the global economic turmoil and fierce competition coupled with the uncertain outlook of the oil and gas industry will be challenging to the Group for the current financial year. The Group will continue to focus on its core business and undertake precautionary measures and manage its cost exposure to enhance its performance for the current financial year.

As a long term measure, the Group is transforming its business model to diversify for better prospect and sustainable businesses.

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2015 (cont'd)

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

	Current Financial Quarter 31/03/2015 RM'000	Preceding Financial Quarter 31/03/2014 RM'000	Current Financial Year-To-Date 31/03/2015 RM'000	Preceding Financial Year-To-Date 31/03/2014 RM'000
(Loss) / Profit before taxation is derived after charging / (crediting) amongs others, the following items:-				
Allowance for impairment of receivables	-	18	-	18
Depreciation of property, plant and equipment	279	287	279	287
Interest expenses	193	163	193	163
Gain on disposal of property, plant and equipment	-	(37)	-	(37)
(Gain) / Loss on foreign exchange				
- Unrealised	1	(2)	1	(2)
- Realised	16	33	16	33

6. Taxation

	Current Financial Quarter 31/03/2015 RM'000	Current Financial Year-To-Date 31/03/2015 RM'000
Based on results for the financial year-to-date	-	-

7. Corporate Proposal Status

(i) Proposed Private Placement

On 6 April 2015, the Proposed Private Placement as approved by Bursa Malaysia Securities Berhad ("Bursa Securities") vide its letter lapsed. The Company was not able to secure any placee for the Proposed Private Placment due to unforeseen and unfavourable market condition prior to the expiry of Bursa Securities' approval. As such, the Compant has decided not to proceed with the Proposed Private Placement.

(ii) Proposed Corporate Exercise

On 22 May 2015, M&A Securities Sdn Bhd ("M&A Securities"), on behalf of the Board, announced that the Company proposes to undertake the following:-

- Proposed reduction of its existing issued and paid-up capital of RM45,382,500 comprising 45,382,500 ordinary shares of RM1.00 each to RM22,691,250 comprising 45,382,500 ordinary shares of RM0.50 each ("CN Asia Shares") via the cancellation of RM0.50 from the par value of each existing ordinary share of RM1.00 each in the Company, pursuant to Section 64(1) of the Companies Act, 1965 ("Proposed Par Value Reduction");
- Proposed renounceable rights issue of up to 90,765,000 new CN Asia Shares ("Rights Shares") together with up to 68,073,750 free detachable warrants ("Warrants") at an indicative issue price of RM0.50 per Rights Share on the basis of two (2) Rights Shares for every CN Asia Shares held together with three (3) free Warrants for every four (4) Rights Shares subscribed at an entitlement date to be determined and announced later (after the Proposed Par Value Reduction);
- Proposed diversification of the business of the Company and its subsidiaries into the property development sector;
- Proposed acquisitions via two (2) separate sale and purchase agreements dated 22 May 2015 ("SPAs") entered into between Crystal Bond Sdn Bhd ("Crystal Bond"), Marvellous Production Sdn Bhd ("Marvellous Production") and CN Asia Capital Sdn Bhd, a wholly-owned subsidiary of CN Asia, to acquire one (1) each leasehold land held under Title No. PT 17042 and 8925 at a purchase consideration of RM9.7 million and RM10.8 million respectively;
- Proposed establishment of an employees' share option scheme of up to 15.0% of the enlarged issued and paid-up share capital of the Company; and
- Proposed increase in the authorised share capital of CN Asia from RM50,000,000 comprising 50,000,000 ordinary shares of RM1.00 each to RM500,000,000 comprising 1,000,000,000 CN Asia Shares.

(Collectively referred to as the "Proposals");

The Proposals are subject to the following being obtained:-

- the approval of Bursa Securities for the admission of the Warrants to the official list of Bursa Securities, listing of and quotation for the Warrants, Rights Shares and new CN Asia Shares arising from the exercise of the Warrants and ESOS Options on the Main Market of Bursa Securities;
- the confirmation of the High Court of Malaya for the Proposed Par Value Reduction pursuant to Section 64 of the Act;
- the approval of the shareholders of CN Asia at an extraordinary general meeting to be convened for the Proposals; and
- the approval(s), waiver(s) and/or consent(s) from any other relevant authorities, if required, and the fulfilment of all conditions attached to such approvals, if any.

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2015 (cont'd)

8. Group Borrowings

	As At End of Current Quarter 31/03/2015 RM'000
(i) Short Term	
<u>SECURED</u>	
Hire Purchase	94
Bank Overdrafts	3,528
Bankers Acceptance	7,338
	<u>10,960</u>
<u>UNSECURED</u>	
Bank Overdrafts	-
Bankers Acceptance	546
	<u>546</u>
Total Short Term Borrowings	<u>11,506</u>
(ii) Long Term	
<u>SECURED</u>	
Hire Purchase	466
TOTAL GROUP BORROWINGS	<u>11,972</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. (Loss) / Profit Per Share

	Current Financial Quarter 31/03/2015 RM'000	Preceding Financial Quarter 31/03/2014 RM'000	Current Financial Year-To-Date 31/03/2015 RM'000	Preceding Financial Year-To-Date 31/03/2014 RM'000
Net loss after taxation for the period	(1,422)	(1,314)	(1,422)	(1,314)
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Basic (loss) / profit per share (sen)	<u>(3.1)</u>	<u>(2.9)</u>	<u>(3.1)</u>	<u>(2.9)</u>

12. Realised and Unrealised Accumulated Losses

	As At End of Current Quarter 31/03/2015 RM'000	As At Preceding Financial Year Ended 31/12/2014 RM'000
Company and Subsidiary Companies		
Total accumulated losses		
- Realised	(19,973)	(18,658)
- Unrealised	(1)	85
	<u>(19,974)</u>	<u>(18,573)</u>
Associated Company		
- Realised	(137)	(130)
	<u>(20,111)</u>	<u>(18,703)</u>
Less: Consolidation adjustments	(6,822)	(6,808)
Total consolidated accumulated losses	<u>(26,933)</u>	<u>(25,511)</u>

BY ORDER OF THE BOARD

LIM PAK GOOT
KOH MUI TEE
Company Secretaries
Selangor, 28 May 2015