

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 2017**

CN ASIA CORPORATION BHD
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FOR THE FIRST FINANCIAL QUARTER ENDED 31 MARCH 2017

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter Ended 31/03/2017 RM'000	Preceding Year Quarter Ended 31/03/2016 RM'000	Current Financial 3 Months Ended 31/03/2017 RM'000	Preceding Financial 3 Months Ended 31/03/2016 RM'000
Revenue	4,489	5,337	4,489	5,337
Cost of sales	(3,229)	(4,573)	(3,229)	(4,573)
Gross profit	<u>1,260</u>	<u>764</u>	<u>1,260</u>	<u>764</u>
Selling and distribution expenses	(62)	(59)	(62)	(59)
Administrative expenses	(892)	(953)	(892)	(953)
Other operating expenses	(2)	(59)	(2)	(59)
Other income	280	-	280	-
Profit / (Loss) from operations before interest	<u>584</u>	<u>(307)</u>	<u>584</u>	<u>(307)</u>
Finance costs	(4)	(192)	(4)	(192)
Profit / (Loss) before tax	<u>580</u>	<u>(499)</u>	<u>580</u>	<u>(499)</u>
Tax expense	-	-	-	-
Profit / (Loss) after tax for the period	<u>580</u>	<u>(499)</u>	<u>580</u>	<u>(499)</u>
Other comprehensive income, net of tax that may be reclassified subsequently to profit and loss				
Foreign exchange translation differences	(5)	36	(5)	36
Total comprehensive income / (expenses) for the period	<u><u>575</u></u>	<u><u>(463)</u></u>	<u><u>575</u></u>	<u><u>(463)</u></u>
Net profit / (loss) for the period attributable to:-				
Owners of the Company	580	(499)	580	(499)
Non-controlling interests	-	-	-	-
	<u><u>580</u></u>	<u><u>(499)</u></u>	<u><u>580</u></u>	<u><u>(499)</u></u>
Total comprehensive income / (expenses) for the period attributable to:-				
Owners of the Company	575	(463)	575	(463)
Non-controlling interests	-	-	-	-
	<u><u>575</u></u>	<u><u>(463)</u></u>	<u><u>575</u></u>	<u><u>(463)</u></u>
Earnings / (Loss) per share (sen)				
- Basic	<u><u>1.3</u></u>	<u><u>(1.1)</u></u>	<u><u>1.3</u></u>	<u><u>(1.1)</u></u>
- Diluted	<u><u>1.3</u></u>	<u><u>(1.1)</u></u>	<u><u>1.3</u></u>	<u><u>(1.1)</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 2016 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 FINANCIAL POSITION

	As At End of Current Quarter 31/03/2017 RM'000	As At Preceding Financial Year Ended 31/12/2016 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	11,767	11,945
<i>Other investment</i>	-	-
<i>Deferred Tax Assets</i>	685	685
	12,452	12,630
Current Assets		
<i>Inventories</i>	3,552	2,777
<i>Trade and other receivables</i>	3,529	1,810
<i>Current tax asset</i>	6	6
<i>Fixed deposits with licensed banks</i>	22,653	25,800
<i>Cash and bank balances</i>	1,076	2,951
	30,816	33,344
TOTAL ASSETS	43,268	45,974
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	48,874	45,382
<i>Reserves</i>	(8,907)	(5,990)
Shareholders' Equity	39,967	39,392
Liabilities		
Non-current Liabilities		
<i>Finance lease liabilities</i>	273	299
	273	299
Current Liabilities		
<i>Trade and other payables</i>	2,527	4,570
<i>Short-term borrowings</i>	110	1,322
<i>Current tax liabilities</i>	391	391
	3,028	6,283
TOTAL LIABILITIES	3,301	6,582
TOTAL EQUITY AND LIABILITIES	43,268	45,974
Net Assets Per Share (RM)	0.88	0.87

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 FLOWS

	Current Financial 3 Months Ended 31/03/2017 RM'000	Preceding Financial 3 Months Ended 31/03/2016 RM'000
Cash Flows From Operating Activities		
Profit / (Loss) Before Tax	580	(499)
Adjustments For:-		
Depreciation of property, plant and equipment	188	249
(Gain) / Loss on foreign exchange - Unrealised	(1)	-
Interest expenses	4	192
Interest income	(278)	-
	(87)	441
Operating Profit / (Loss) Before Working Capital Changes	493	(58)
Changes In Working Capital		
Inventories	(775)	1,472
Amount due from customer for contract work	-	50
Trade and other receivables	(1,718)	547
Trade and other payables	(2,043)	(1,223)
Cash (Used In) / Generated From Operations	(4,043)	788
Interest paid	(4)	(192)
Net Cash (Used In) / Generated From Operating Activities	(4,047)	596
Cash Flows From Investing Activities		
Interest received	278	-
Purchase of property, plant and equipment	(13)	(4)
Net Cash Generated From / (Used In) Investing Activities	265	(4)
Cash Flows From Financing Activities		
Net repayments of bankers' acceptance	(1,225)	(329)
Net payments of finance lease liabilities	(24)	(23)
Net Cash Used In Financing Activities	(1,249)	(352)
Net (Decrease) / Increase In Cash And Cash Equivalents	(5,031)	240
Effects of Change in Foreign Exchange Differences	(3)	(40)
Cash And Cash Equivalents At Beginning Of The Financial Year	19,251	(4,755)
Cash And Cash Equivalents At End Of The Financial Period	14,217	(4,555)
Cash and cash equivalents at end of the financial period comprises:		
Fixed deposits with licensed banks	22,653	-
Cash and bank balances	1,076	302
Bank overdrafts	(12)	(4,857)
	23,717	(4,555)
Less: Deposits pledged to licensed banks	(9,500)	-
	14,217	(4,555)

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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)	FOREIGN CURRENCY TRANSLATION RESERVE (RM'000)	ACCUMULATED LOSSES (RM'000)	TOTAL EQUITY (RM'000)
Current Financial Period					
Ended 31/03/2017					
Balance at beginning of the period	45,382	3,492	266	(9,748)	39,392
Reclassification pursuant to S618(2) of CA2016 (Note 1)	3,492	(3,492)	-	-	-
	48,874	-	266	(9,748)	39,392
Movement during the period (cumulative)					
- Profit for the period	-	-	-	580	580
Other comprehensive expenses					
- Translation difference	-	-	(5)	-	(5)
	-	-	(5)	580	575
Balance at end of the period	48,874	-	261	(9,168)	39,967
Preceding Financial Period					
Ended 31/03/2016					
Balance at beginning of the period	45,382	3,492	187	(31,795)	17,266
Movement during the period (cumulative)					
- Loss for the period	-	-	-	(499)	(499)
Other comprehensive expenses					
- Translation difference	-	-	36	-	36
	-	-	36	(499)	(463)
Balance at end of the period	45,382	3,492	223	(32,294)	16,803

Note 1:

Pursuant to the Companies Act, 2016 ("CA2016") which came into effect on 31 January 2017, the credit amounts in the share premium account has been transferred to the share capital account. The Group may exercise its right to use the credit amounts transferred from the share premium account within 24 months after the commencement of the CA2016.

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2016 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 2017

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 2016.

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 2016 except for the adoption of the Amendments/Improvements to MFRSs that are applicable to the Group effective 1 January 2017 and Companies Act, 2016 effective 31 January 2017. The adoption of these MFRSs does not have any material impact on the Group's results and financial position.

2. Qualification Of Financial Statements

The auditor's report of the Group's annual audited financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

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	4,489	-	-	-	4,489
Inter-segment revenue	-	-	15	(15)	-
Total revenue	<u>4,489</u>	<u>-</u>	<u>15</u>	<u>(15)</u>	<u>4,489</u>
Results					
Segment results	390	-	(84)	-	306
Finance costs	(4)	-	-	-	(4)
Interest income	252	-	26	-	278
Profit before tax	638	-	(58)	-	580
Tax aexpense	-	-	-	-	-
Profit after tax	<u>638</u>	<u>-</u>	<u>(58)</u>	<u>-</u>	<u>580</u>
Assets					
Segment assets	<u>40,709</u>	<u>179</u>	<u>2,380</u>	<u>-</u>	<u>43,268</u>
Liabilities					
Segment liabilities	<u>3,245</u>	<u>4</u>	<u>52</u>	<u>-</u>	<u>3,301</u>
Included in the measure of segment assets					
Capital expenditure	13	-	-	-	13
Depreciation and amortisation	<u>190</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>188</u>

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2017 (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	4,489	-	-	4,489
Inter-segment revenue	15	-	(15)	-
Total revenue	<u>4,504</u>	<u>-</u>	<u>(15)</u>	<u>4,489</u>
Results				
Segment results	306	-	-	306
Finance costs	(4)	-	-	(4)
Interest income	278	-	-	278
Profit before tax	<u>580</u>	<u>-</u>	<u>-</u>	<u>580</u>
Tax expense	-	-	-	-
Profit after tax	<u>580</u>	<u>-</u>	<u>-</u>	<u>580</u>
Assets				
Segment assets	<u>42,523</u>	<u>745</u>	<u>-</u>	<u>43,268</u>
Liabilities				
Segment liabilities	<u>3,301</u>	<u>-</u>	<u>-</u>	<u>3,301</u>
Included in the measure of segment assets				
Capital expenditure	13	-	-	13
Depreciation and amortisation	<u>188</u>	<u>-</u>	<u>-</u>	<u>188</u>

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 31.03.2017 RM'000	Year Ended 31.12.2016 RM'000
In respect of corporate guarantee for credit facilities granted to a subsidiary company	<u>8</u>	<u>116</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

There was no related party transaction during the financial year-to-date. However, the following were the significant related party transaction for the preceding corresponding period, in which two of the directors of the Company, namely Mr Ho Cheng San and Madam Angeline Chan Kit Fong, are the directors and have substantial financial interest:-

	Current Financial Quarter 31/03/2017 RM'000	Preceding Financial Quarter 31/03/2016 RM'000	Current Financial Year-To-Date 31/03/2017 RM'000	Preceding Financial Year-To-Date 31/03/2016 RM'000
Rental of premises paid to				
- Crystal Bond Sdn Bhd	-	24	-	24
- Marvellous Production Sdn Bhd	<u>-</u>	<u>84</u>	<u>-</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 profit before tax of RM0.6 million as compared to a loss before tax of RM0.5 million for the preceding corresponding quarter despite a 16% decline in revenue over the period under review. The results improved substantial mainly due to the following explanations:-

- improved gross profit margin resulted from the cost reduction initiatives undertaken by the Group and savings on depreciation charge on the properties (the "Disposals");
- Reduction in administrative expenses by 6% as a results of the savings on amortisation on leasehold lands disposed in prior year;
- Reduction in finance costs by 98% owing to the improved cash flow position resulted from the Disposals;
- Reduction in other operating expense by 97% mainly due to loss on foreign exchange incurred during the preceding corresponding quarter; and
- Increase in other income by RM0.3 million resulted from interest earned from fixed deposits.

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2017 (cont'd)

2. Variation Of Results Against Preceding Quarter

The Group's revenue for the quarter grew by 11% as compared to the preceding quarter. However, the Group's profit before tax for the quarter reduced to RM0.6 million as compared to RM0.7 million, after excluding the effect on the gain on disposal of properties of RM22.2 million in respect of the Disposals, in the preceding quarter. This was mainly due to increase in selling and distribution expenses and administrative expenses by 121% and 126% respectively. The increase in selling and distribution expenses was attributable to the increase marketing effort during the quarter whereas the increase in administrative expenses was mainly attributable to the reclassification adjustments made in the preceding quarter. The effect of increased expenses was mitigated by the increase in other income and reduction in finance cost during the current quarter as compared to the preceding quarter.

3. Current Year Prospects

The Directors are of the view that the intense competition coupled with the uncertain economic outlook will continue to be challenging to the Group for the current financial year. Notwithstanding the foregoing, the Directors are encouraged by the current order book of the Group and are cautiously optimistic that the Group's positive operating results reported in the preceding year three (3) quarters will be sustainable 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 Profit / (Loss) Before Tax

	Current Financial Quarter 31/03/2017 RM'000	Preceding Financial Quarter 31/03/2016 RM'000	Current Financial Year-To-Date 31/03/2017 RM'000	Preceding Financial Year-To-Date 31/03/2016 RM'000
Profit/(Loss) before tax is derived after charging/ (crediting) amongs others, the following items:-				
Depreciation of property, plant and equipment	188	249	188	249
Interest expenses	4	192	4	192
Interest income	(278)	-	(278)	-
(Gain) / Loss on foreign exchange				
- Unrealised	(1)	-	(1)	-
- Realised	1	53	1	53
	<u>1</u>	<u>53</u>	<u>1</u>	<u>53</u>

6. Tax Expense

	Current Financial Quarter 31/03/2017 RM'000	Current Financial Year-To-Date 31/03/2017 RM'000
Tax for the period	<u>-</u>	<u>-</u>

7. Corporate Proposal Status

(i) Regularisation Plan

On 27 February 2017, M&A Securities Sdn Bhd ("M&A") had, on behalf of the Company made the requisite announcement pursuant to Paragraph 4.2(a) of PN17, which sets out the Company's Proposed Regularisation Plan comprising the following:

- (a) The business rationalisation plan of the Company which include the disposal of the properties of the Group, cost reduction initiatives and business expansion plans; and
- (b) The capital reduction exercise to be carried out pursuant to Section 116 of the Companies Act, 2016 ("Act") to reduce the share capital of the Company

On 28 February 2017, M&A had, on behalf of the Company, sought from Bursa Securities for an additional one (1) month up to 28 March 2017 to submit a Regularisation Plan to the authorities of which the approval was granted by Bursa Securities vide its letter dated 8 March 2017.

On 10 March 2017, M&A had, on behalf of the Company, submitted the application for the Proposed Regularisation Plan to Bursa Securities. At the date of this report, the application for the Proposed Regularisation Plan is pending approval from Bursa Securities.

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

(ii) Disposal of Properties (the "Disposals")

The status of the utilisation of proceeds from the Disposals of RM36,682,500 as at the date of this report are as follows:-

Purpose	As per Circular RM'000	Actual Utilisation RM'000	Deviation * RM'000	Balance Unutilise RM'000
Real property gains tax	1,100	(1,700)	600	-
Repayment of bank borrowings	11,786	(11,786)	-	-
Relocation and consruction costs	6,000	-	-	6,000
Pledge to secure banking facilities	5,000	(5,000)	-	-
Working capital	11,797	(7,112)	(672)	4,013
To defray estimated expenses for the Proposed Disposals	1,000	(1,072)	72	-
	<u>36,683</u>	<u>(26,670)</u>	<u>-</u>	<u>10,013</u>

* The excess expenses on the Disposals are reallocated from working capital.

Notes To The Quarterly Report For The First Financial Quarter Ended 31 March 2017 (cont'd)

8. Group Borrowings

	As At End of Current Quarter 31/03/2017 RM'000
(i) Current	
<u>SECURED</u>	
Finance Lease Liabilities	98
Bank Overdrafts	12
Total Short-term Borrowings	<u>110</u>
(ii) Non-current	
<u>SECURED</u>	
Finance Lease Liabilities	273
TOTAL GROUP BORROWINGS	<u>383</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. Earnings / (Loss) Per Share

	Current Financial Quarter 31/03/2017 RM'000	Preceding Financial Quarter 31/03/2016 RM'000	Current Financial Year-To-Date 31/03/2017 RM'000	Preceding Financial Year-To-Date 31/03/2016 RM'000
Profit / (Loss) after tax for the period	580	(499)	580	(499)
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Earnings / (loss) per share (sen)				
- Basic	<u>1.3</u>	<u>(1.1)</u>	<u>1.3</u>	<u>(1.1)</u>
- Diluted	<u>1.3</u>	<u>(1.1)</u>	<u>1.3</u>	<u>(1.1)</u>

12. Realised and Unrealised Accumulated Losses

	As At End of Current Quarter 31/03/2017 RM'000	As At Preceding Financial Year Ended 31/12/2016 RM'000
Company and Subsidiary Companies		
Total accumulated losses		
- Realised	(9,350)	(10,619)
- Unrealised	(1)	689
	<u>(9,351)</u>	<u>(9,930)</u>
Less: Consolidation adjustments	183	182
Total consolidated accumulated losses	<u>(9,168)</u>	<u>(9,748)</u>

BY ORDER OF THE BOARD

LIM PAIK GOOT
Company Secretary
Selangor, 05 May 2017