



CN ASIA CORPORATION BHD

(Company No.: 399442-A)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.09.2017 RM'000	3 Months Ended 30.09.2016 RM'000	9 Months Ended 30.09.2017 RM'000	9 Months Ended 30.09.2016 RM'000
Revenue	5,645	5,218	15,754	14,684
Cost of sales	(4,362)	(3,480)	(11,922)	(10,900)
Gross profit	1,283	1,738	3,832	3,784
Selling and distribution expenses	(12)	(40)	(121)	(117)
Administrative expenses	(840)	(965)	(2,585)	(2,823)
Other operating expenses	(68)	(17)	(74)	(128)
Other income	211	-	736	3
Profit from operations before impairment and interest	574	716	1,788	719
Allowance for impairment on assets	(238)	-	(238)	-
Finance costs	(11)	(152)	(21)	(520)
Share of loss of an associate	-	-	-	(1)
Profit before tax	325	564	1,529	198
Tax expense	(167)	-	(126)	-
Profit after tax for the period	158	564	1,403	198
Other comprehensive income, net of tax that may be reclassified subsequently to profit and loss				
Foreign exchange translation differences	1	14	(13)	46
Total comprehensive income for the period	159	578	1,390	244
Net profit for the period attributable to:-				
Owners of the Company	158	564	1,403	198
Non-controlling interests	-	-	-	-
	158	564	1,403	198
Total comprehensive income for the period attributable to:-				
Owners of the Company	159	578	1,390	244
Non-controlling interests	-	-	-	-
	159	578	1,390	244
Earnings per share (sen)				
- Basic	0.35	1.24	3.09	0.44
- Diluted	0.35	1.24	3.09	0.44

(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.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017

	As At End of Current Quarter 30.09.2017 RM'000	As At Preceding Financial Year Ended 31.12.2016 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	11,254	11,945
<i>Other investment</i>	-	-
<i>Deferred Tax Assets</i>	685	685
	<u>11,939</u>	<u>12,630</u>
Current Assets		
<i>Inventories</i>	2,986	2,777
<i>Trade and other receivables</i>	5,611	1,810
<i>Current tax asset</i>	6	6
<i>Fixed deposits with licensed banks</i>	23,070	25,800
<i>Cash and bank balances</i>	1,450	2,951
	<u>33,123</u>	<u>33,344</u>
TOTAL ASSETS	<u><u>45,062</u></u>	<u><u>45,974</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	48,874	45,382
<i>Reserves</i>	(8,092)	(5,990)
Shareholders' Equity	<u>40,782</u>	<u>39,392</u>
Liabilities		
Non-current Liabilities		
<i>Finance lease liabilities</i>	222	299
	<u>222</u>	<u>299</u>
Current Liabilities		
<i>Trade and other payables</i>	3,790	4,570
<i>Short-term borrowings</i>	101	1,322
<i>Current tax liabilities</i>	167	391
	<u>4,058</u>	<u>6,283</u>
TOTAL LIABILITIES	<u>4,280</u>	<u>6,582</u>
TOTAL EQUITY AND LIABILITIES	<u><u>45,062</u></u>	<u><u>45,974</u></u>
Net Assets Per Share (RM)	<u>0.90</u>	<u>0.87</u>

(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.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

	← 9 Months Ended →	
	30.09.2017	30.09.2016
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit Before Tax	1,529	198
Adjustments For:-		
Allowance for impairment on inventories	107	-
Allowance for impairment on property, plant and equipment	131	-
Depreciation of property, plant and equipment	566	689
(Gain) / Loss on foreign exchange - Unrealised	(38)	17
Interest expenses	19	520
Interest income	(696)	-
Property, plant and equipment written off	64	-
Gain on disposal of property, plant and equipment	-	(3)
Share of loss of an associate	-	1
	153	1,224
Operating Profit Before Working Capital Changes	1,682	1,422
Changes In Working Capital		
Inventories	(315)	1,374
Amount due from customer for contract work	-	708
Trade and other receivables	(3,783)	(1,912)
Trade and other payables	(780)	1,571
Cash (Used In) / Generated From Operations	(3,196)	3,163
Interest paid	(19)	(520)
Net Cash (Used In) / Generated From Operating Activities	(3,215)	2,643
Cash Flows From Investing Activities		
Interest received	696	-
Proceeds from disposal of property, plant & equipment	-	3
Purchase of property, plant and equipment	(75)	(19)
Net Cash Generated From / (Used In) Investing Activities	621	(16)
Cash Flows From Financing Activities		
Placement of pledged fixed deposits	(400)	-
Net repayments of bankers' acceptance	(1,225)	(1,468)
Net payments of finance lease liabilities	(73)	(69)
Real property gains tax paid	(351)	-
Net Cash Used In Financing Activities	(2,049)	(1,537)
Net (Decrease) / Increase In Cash And Cash Equivalents	(4,643)	1,090
Effects of Change in Foreign Exchange Differences	12	(51)
Cash And Cash Equivalents At Beginning Of The Financial Year	19,251	(4,755)
Cash And Cash Equivalents At End Of The Financial Period	14,620	(3,716)
Cash and cash equivalents at end of the financial period comprises:		
Fixed deposits with licensed banks	23,070	-
Cash and bank balances	1,450	361
Bank overdrafts	-	(4,077)
	24,520	(3,716)
Less: Deposits pledged to licensed banks	(9,900)	-
	14,620	(3,716)

(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.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2017**

	-----Attributable to owners of the Company-----				
	-----Non-distributable -----			Distributable	
	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 30 September 2017					
At 1 January 2017	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	-	-	-	1,403	1,403
Other comprehensive expenses					
- Translation difference	-	-	(13)	-	(13)
Total comprehensive income for the period	-	-	(13)	1,403	1,390
At 30 September 2017	48,874	-	253	(8,345)	40,782
Preceding financial period ended 30 September 2016					
At 1 January 2016	45,382	3,492	187	(31,795)	17,266
Movement during the period (cumulative)					
- Profit for the period	-	-	-	198	198
Other comprehensive expenses					
- Translation difference	-	-	46	-	46
Total comprehensive expense for the period	-	-	46	198	244
At 30 September 2016	45,382	3,492	233	(31,597)	17,510

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.)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2017**

Part A: Explanatory Notes Pursuant To MFRS 134

1. 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).

2. 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 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 as at and for the financial 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.

3. Audit report of preceding financial year

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.

4. Comments on 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.

5. Items of an unusual nature

There was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual due to their nature, size or incidence.

6. 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.

7. Debts and equity securities

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

8. Dividend paid

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

9. Segmental information

For management purposes, the Group is organised into business units based on their products and services provided. The Group's main business segments are as follows:-

- (a) Manufacturing
Manufacture tanks and related products, engineering and fabrication works.
- (b) Investment
Investment holdings and comprise companies providing management services and dormant companies.

Business segments

	Manufacturing RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	15,754	-	-	15,754
Inter-segment revenue	-	45	(45)	-
Total revenue	<u>15,754</u>	<u>45</u>	<u>(45)</u>	<u>15,754</u>
Results				
Segment results	1,132	(278)	-	854
Finance costs	(21)	-	-	(21)
Interest income	630	66	-	696
Profit before tax	<u>1,741</u>	<u>(212)</u>	<u>-</u>	<u>1,529</u>
Tax expense	(110)	(16)	-	(126)
Profit after tax	<u>1,631</u>	<u>(228)</u>	<u>-</u>	<u>1,403</u>
Assets				
Segment assets	<u>42,051</u>	<u>3,011</u>	<u>-</u>	<u>45,062</u>
Liabilities				
Segment liabilities	<u>4,099</u>	<u>181</u>	<u>-</u>	<u>4,280</u>
Included in the measure of segment assets				
Capital expenditure	75	-	-	75
Depreciation	<u>570</u>	<u>(4)</u>	<u>-</u>	<u>566</u>

Segmental information (Cont'd)

Geographical information

	Malaysia RM'000	Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	15,754	-	-	15,754
Inter-segment revenue	45	-	(45)	-
Total revenue	<u>15,799</u>	<u>-</u>	<u>(45)</u>	<u>15,754</u>
Results				
Segment results	1,090	(236)	-	854
Finance costs	(21)	-	-	(21)
Interest income	696	-	-	696
Profit before tax	1,765	(236)	-	1,529
Tax expense	(125)	(1)	-	(126)
Profit after tax	<u>1,640</u>	<u>(237)</u>	<u>-</u>	<u>1,403</u>
Assets				
Segment assets	<u>44,561</u>	<u>501</u>	<u>-</u>	<u>45,062</u>
Liabilities				
Segment liabilities	<u>4,280</u>	<u>-</u>	<u>-</u>	<u>4,280</u>
Included in the measure of segment assets				
Capital expenditure	75	-	-	75
Depreciation	<u>566</u>	<u>-</u>	<u>-</u>	<u>566</u>

10. Trade and other receivables

	Current Quarter Ended 30.09.2017 RM'000	Financial Year Ended 31.12.2016 RM'000
Trade receivables		
Non-related parties	4,456	1,194
Less: Accumulated impairment losses	(40)	(111)
Trade receivables, net	<u>4,416</u>	<u>1,083</u>
Other receivables	1,195	727
Total trade and other receivables	<u>5,611</u>	<u>1,810</u>

The trade receivables of the Group as at the end of the current quarter amounted to RM4.4 million can be analysed as follows:-

	Within credit period		Exceeding credit period		Total
	Neither past due nor impaired	1 to 30 days past due but not impaired	31 to 60 days past due but not impaired	> 60 days past due but not impaired	
Trade receivables (RM'000)	3,611	253	412	140	4,416
% of total trade receivables (%)	82	6	9	3	100

Trade and other receivables (Cont'd)

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. For the current financial quarter ended 30 September 2017, the trade receivables that are past due for more than 60 days amount to RM0.1 million, representing 3% of the total trade receivables of the Group.

11. Material subsequent events

The material event subsequent to the end of the current quarter reported on that has not been reflected in the financial statements for the period is as follow:-

- i. On 8 November 2017, the order of the High Court of Malaya confirming the capital reduction has been lodged with the Registrar of Companies. The capital reduction involving the reduction of issued and paid-up capital of the Company from RM48,874,465 to RM38,385,554 by the cancellation of the share capital of the Company to the extent of RM10,488,911 ("Proposed Capital Reduction"). The effect of the cancellation of share capital and the expenses incurred in relation to the Proposed Capital Reduction has not been reflected in the financial statements for the period under review.

12. Changes in the composition of the Group

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

13. Changes in contingent liabilities

	Current Quarter Ended 30.09.2017 RM'000	Financial Year Ended 31.12.2016 RM'000
Corporate guarantee granted to a subsidiary	8	8
Banker's guarantee	177	47
	<u>185</u>	<u>55</u>

14. Capital commitments

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

15. Significant related party transactions

There was no related party transaction during the current quarter and the financial year-to-date. However, the following were the significant related party transactions 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:-

	3 Months Ended 30.09.2017 RM'000	3 Months Ended 30.09.2016 RM'000	9 Months Ended 30.09.2017 RM'000	9 Months Ended 30.09.2016 RM'000
Rental of premises paid to:-				
- Crystal Bond Sdn Bhd	-	24	-	72
- Marvellous Production Sdn Bhd	-	84	-	252
		<u>84</u>		<u>252</u>

PART B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities

1. Performance review

	3 Months		Changes		9 Months		Changes	
	Ended	Ended			Ended	Ended		
	30.09.2017	30.09.2016	Amount	%	30.09.2017	30.09.2016	Amount	%
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	
Revenue	5,645	5,218	427	8	15,754	14,684	1,070	7
Operating profit before impairment	763	921	(158)	(17)	2,354	1,408	946	67
Profit before impairment, interest and tax	574	716	(142)	(20)	1,788	719	1,069	149
Profit before interest and tax	336	716	(380)	(53)	1,550	719	831	116
Profit before tax	325	564	(239)	(42)	1,529	198	1,331	672
Profit after tax	158	564	(406)	(72)	1,403	198	1,205	609
Profit attributable to owners of the Company	158	564	(406)	(72)	1,403	198	1,205	609

During the quarter under review, the Group's revenue increased by RM0.4 million or 8% from RM5.2 million in the third quarter of year 2016 to RM5.6 million. The increase was mainly attributable to increase revenue from storage tanks and road tankers by RM0.8 million and RM1.0 million respectively and offset with the decrease in revenue from LPG, pressure vessels and metal forming services by RM1.4 million.

However, the Group's profit before tax for the quarter decreased by 42% from RM0.6 million in the preceding year corresponding quarter to RM0.3 million as a results of increase in cost of sales by RM0.9 million or 25% to RM4.4 million. The increase in cost of sales is higher than the increase in revenue mainly due to the contribution of higher direct material and labour content for road tankers segment which has increased by RM1.0 million as compared to the preceding corresponding quarter.

In addition, the drop in the Group's profit before tax was also due to a one-off allowance for impairment on assets of the subsidiary in Republic of China. The provision was non-recurring in nature and was made on the basis that the subsidiary has been dormant since year 2012.

Nevertheless, the decrease in administrative expenses and finance costs by 13% and 93% respectively coupled with an increase in other operating income by RM0.2 million has enhanced the Group's profit before tax during the quarter.

For the current financial year to-date, the Group's profit before tax improved from RM0.2 million in the preceding corresponding period to RM1.4 million with revenue and cost of sales increased by 7% and 9% respectively. The improved results during the financial year-to-date were mainly attributable to the following:-

- decrease in administrative expenses, other operating expense and finance costs by 8%, 42% and 96% respectively; and
- increase in other operating income by RM0.7 million.

2. Comments on results against the immediate preceding quarter

	3 Months Current Quarter 30.09.2017 RM'000	3 Months Preceding Quarter 30.06.2017 RM'000	Changes	
			Amount RM'000	%
Revenue	5,645	5,620	25	0.4
Operating profit before impairment	763	819	(56)	(7)
Profit before impairment, interest and tax	574	630	(56)	(9)
Profit before interest and tax	336	630	(294)	(47)
Profit before tax	325	624	(299)	(48)
Profit after tax	158	665	(507)	(76)
Profit attributable to owners of the Company	158	665	(507)	(76)

There was no material fluctuation in revenue and cost of sales during the current quarter as compared to the preceding quarter. However, the Group's profit before tax for the current quarter decreased by RM0.3 million as compared to the preceding quarter mainly due to a one-off allowance for impairment on assets of the dormant subsidiary in Republic of China.

3. Commentary of prospects

The continued uncertainty in the global economic situation, weak local market conditions, rising raw material costs and the volatility of Malaysian Ringgit will be challenging to the Group. Nevertheless, the Group will continue the efforts to enhance the operating efficiency through its cost control initiatives to limit the exposure to the uncertainties.

Barring unforeseen circumstances, the Directors are cautiously optimistic that the Group's performance for the current financial year will remain sustainable primarily on the back of the Group's order book in hand as at 30 September 2017 and the positive operating results reported in the six (6) immediate preceding quarters consecutively.

4. Profit forecast or profit guarantee

Not applicable as no profit forecast was announced or disclosed in any public document.

5. Tax expense

	3 Months Ended 30.09.2017 RM'000	3 Months Ended 30.09.2016 RM'000	9 Months Ended 30.09.2017 RM'000	9 Months Ended 30.09.2016 RM'000
Malaysia income tax – current period's provision	(167)	-	(167)	-
Real property gains tax overprovided in prior year	-	-	41	-
	(167)	-	(126)	-

The tax for the current quarter was in respect of tax provided on interest revenue earned from placement of fixed deposits. The Group's effective tax rate for the quarter was lower than the statutory tax rate mainly due to utilisation of previously unrecognised deferred tax assets.

6. Status of corporate proposals

The status of corporate proposals that has been announced by the Company and not completed as at 20 November 2017, the latest practicable date which shall not be earlier than 7 days from the date of this announcement, is as follows:-

(a) Disposal of Properties (the “Disposals”)

The Disposals involving the disposal of two parcels of properties owned by its wholly-owned subsidiaries for a cash consideration of RM36,682,500 were completed on 7 December 2016. As at 30 September 2017, the status of the utilisation of proceeds from the Disposals is as follows:-

Purpose	Proposed Utilisation RM'000	Actual Utilisation RM'000	Deviation * RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation
i Real property gains tax	1,100	(1,700)	600	-	2 months
ii Repayment of bank borrowings	11,786	(11,786)	-	-	3 months
iii Relocation and construction costs	6,000	-	-	6,000	36 months
iv Pledge to secure banking facilities	5,000	(5,000)	-	-	12 months
v Working capital	11,797	(11,125)	(672)	-	12 months
vi To defray estimated expenses for the Proposed Disposals	1,000	(1,072)	72	-	1 month
	<u>36,683</u>	<u>30,683</u>	<u>-</u>	<u>6,000</u>	

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

7. Group borrowings

	As at end of Current Quarter 30.09.2017 RM'000
SECURED	
Finance Lease Liabilities:	
Short term	101
Long term	<u>222</u>
Total Borrowings	<u><u>323</u></u>

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

8. Material litigation

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

9. Dividend

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

10. Earnings per share

	3 Months Ended 30.09.2017 RM'000	3 Months Ended 30.09.2016 RM'000	9 Months Ended 30.09.2017 RM'000	9 Months Ended 30.09.2016 RM'000
Profit after tax for the period	158	564	1,403	198
Weighted average number of ordinary shares in issue ('000)	45,382	45,382	45,382	45,382
Earnings per share (sen)				
- Basic	0.35	1.24	3.09	0.44
- Diluted	0.35	1.24	3.09	0.44

11. Additional disclosure on profit before tax

	3 Months Ended 30.09.2017 RM'000	3 Months Ended 30.09.2016 RM'000	9 Months Ended 30.09.2017 RM'000	9 Months Ended 30.09.2016 RM'000
Profit before tax is derived after charging/(crediting) amongst others, the following items:-				
Allowance for impairment on inventories	107	-	107	-
Allowance for impairment on property, plant and equipment	131	-	131	-
Depreciation of property, plant and equipment	189	205	566	689
Interest expenses	10	152	19	520
Property, plant and equipment written off	64	-	64	-
Interest income	(209)	-	(696)	-
Gain on disposal of property, plant and equipment	-	-	-	(3)
(Gain) / Loss on foreign exchange				
- Unrealised	(2)	-	(38)	17
- Realised	4	17	7	91

12. Realised and unrealised accumulated losses

	As At End of Current Quarter 30.09.2017 RM'000	As At Preceding Financial Year 31.12.2016 RM'000
Company and Subsidiary Companies		
Total accumulated losses		
- Realised	(8,273)	(10,619)
- Unrealised	(38)	689
	(8,311)	(9,930)
Less: Consolidation adjustments	(34)	182
Total consolidated accumulated losses	(8,345)	(9,748)

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

13. 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 29 November 2017.

BY ORDER OF THE BOARD

LIM PAIK GOOT (MIA 13304)
WONG CHOOI FUN (MAISCA 7027549)
GOH CHOOI WOAN (MAISCA 7056110)
Company Secretaries
Selangor, 29 November 2017