



CN ASIA CORPORATION BHD

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

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2019**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2019**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 31.12.2019 RM'000	3 Months Ended 31.12.2018 RM'000	12 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2018 RM'000
Revenue	3,562	4,637	15,566	20,348
Cost of sales	(2,879)	(3,454)	(12,362)	(15,516)
Gross profit	683	1,183	3,204	4,832
Selling and distribution expenses	(30)	(25)	(168)	(158)
Administrative expenses	(889)	(786)	(3,544)	(3,483)
Other operating expenses	(18)	(95)	(89)	(117)
Other income	237	208	942	854
(Loss)/Profit from operations before impairment and interest	(17)	485	345	1,928
Finance costs	(81)	(19)	(143)	(68)
(Loss)/Profit before tax	(98)	466	202	1,860
Tax expense	(53)	(50)	(214)	(238)
(Loss)/Profit after tax for the period	(151)	416	(12)	1,622
Other comprehensive loss, net of tax that may be reclassified subsequently to profit and loss				
Foreign currency translation differences	-	-	(4)	(9)
Private Placement Expenses	-	-	(84)	-
Total comprehensive (expense)/income for the period	(151)	416	(100)	1,613
Net (loss)/profit for the period attributable to: -				
Owners of the Company	(151)	416	(12)	1,622
Non-controlling interests	-	-	-	-
	(151)	416	(12)	1,622
Total comprehensive (expense)/income for the period attributable to: -				
Owners of the Company	(151)	416	(100)	1,613
Non-controlling interests	-	-	-	-
	(151)	416	(100)	1,613
(Loss)/Earnings per share (sen)				
- Basic	(0.31)	0.92	(0.02)	3.57
- Diluted	(0.31)	0.92	(0.02)	3.57

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	As At Financial Year Ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	10,398	10,996
<i>Right-of-use Asset</i>	719	-
<i>Other investment</i>	-	-
<i>Deferred tax assets</i>	685	685
	11,802	11,681
Current Assets		
<i>Inventories</i>	4,085	5,142
<i>Trade and other receivables</i>	2,817	2,549
<i>Contract assets</i>	2,748	1,091
<i>Current tax asset</i>	6	7
<i>Cash and cash equivalents</i>	27,241	25,699
	36,897	34,488
TOTAL ASSETS	48,699	46,169
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	40,200	38,385
<i>Reserves</i>	3,031	3,131
Shareholders' Equity	43,231	41,516
Liabilities		
Non-current Liability		
<i>Lease liability</i>	377	-
<i>Finance lease liabilities</i>	175	317
	552	317
Current Liabilities		
<i>Trade and other payables</i>	1,738	1,742
<i>Contract liabilities</i>	360	623
<i>Lease liability</i>	359	-
<i>Short-term borrowings</i>	2,387	1,936
<i>Current tax liabilities</i>	72	35
	4,916	4,336
TOTAL LIABILITIES	5,468	4,653
TOTAL EQUITY AND LIABILITIES	48,699	46,169
Net Assets Per Share (RM)	0.89	0.91

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2019**

	← 12 Months Ended →	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit Before Tax	202	1,860
Adjustments For:-		
Allowance for impairment on inventories	-	101
Allowance for impairment on property, plant and equipment	50	-
Depreciation of property, plant and equipment	709	729
Depreciation of right-of-use asset	360	-
Loss on foreign exchange - Unrealised	13	3
Loss / (Gain) on disposal of property, plant and equipment	1	(14)
Property, plant and equipment written off	5	-
Interest expenses	143	68
Interest income	(942)	(841)
	339	46
Operating Profit Before Working Capital Changes	541	1,906
Changes In Working Capital		
Inventories	1,057	299
Receivables	(1,938)	266
Payables	(267)	(2,107)
Cash (Used In) / Generated From Operations	(607)	364
Interest paid	(143)	(68)
Net Tax Paid	(177)	(404)
Net Cash Used In Operating Activities	(927)	(108)
Cash Flows From Investing Activities		
Interest received	942	841
Capital expenditure incurred	-	(36)
Capital work-in-progress incurred	(101)	-
Proceeds from disposal of property, plant and equipment	1	106
Purchase of property, plant and equipment	(71)	(479)
Net Cash Generated From Investing Activities	771	432
Cash Flows From Financing Activities		
Net Proceeds from issuance of shares	1,731	-
Net drawdown of bankers' acceptance	503	700
Net repayment of lease liability	(342)	-
Net (repayments) / drawdown of finance lease liabilities	(161)	179
Net Cash Generated From Financing Activities	1,731	879
Net Increase In Cash And Cash Equivalents	1,575	1,203
Effects of Change in Foreign Exchange Differences	-	(3)
Cash And Cash Equivalents At Beginning Of The Financial Year	14,699	13,499
Cash And Cash Equivalents At End Of The Financial Year	16,274	14,699

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2019 (CONT'D)**

	← 12 Months Ended →	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash and cash equivalents at end of the financial period comprise:		
Cash And Cash Equivalents	27,241	25,699
Bank overdrafts	(467)	(500)
	<u>26,774</u>	<u>25,199</u>
Less: Deposits pledged as security	(10,500)	(10,500)
	<u><u>16,274</u></u>	<u><u>14,699</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH FINANCIAL QUARTER ENDED 31 DECEMBER 2019**

-----Attributable to owners of the Company-----

	Non-distributable	Distributable		
	SHARE CAPITAL RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
Current financial year ended 31 December 2019				
At 1 January 2019	38,385	232	2,899	41,516
Movement during the year (cumulative)				
- Loss for the year	-	-	(12)	(12)
Other comprehensive loss				
- Foreign currency translation difference	-	(4)	-	(4)
- Private placement expenses	-	-	(84)	(84)
Total comprehensive loss for the year	-	(4)	(96)	(100)
Private Placement	1,815	-	-	1,815
At 31 December 2019	<u>40,200</u>	<u>228</u>	<u>2,803</u>	<u>43,231</u>
Preceding financial year ended 31 December 2018				
At 1 January 2018	38,385	241	1,792	40,418
Impact arising from adoption of:				
- MFRS 15	-	-	(515)	(515)
	<u>38,385</u>	<u>241</u>	<u>1,277</u>	<u>39,903</u>
Movement during the year (cumulative)				
- Profit for the year	-	-	1,622	1,622
Other comprehensive loss				
- Foreign currency translation difference	-	(9)	-	(9)
Total comprehensive (loss) / income for the year	-	(9)	1,622	1,613
At 31 December 2018	<u>38,385</u>	<u>232</u>	<u>2,899</u>	<u>41,516</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 2018 and the accompanying explanatory notes attached to the interim financial statements.)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019**

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 unaudited condensed consolidated interim financial statements for the current quarter and year ended 31 December 2019 have been prepared in accordance with MFRS 134 (Interim Financial Reporting) and Paragraph 9.22 of the Main Market Listing Requirements (“MMLR”) of Bursa Securities. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The condensed consolidated interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018.

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual audited financial statements of the Group for the year ended 31 December 2018. On 1 January 2019, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for annual financial periods beginning on or after 1 January 2019:-

- MFRS 9 Prepayment Features with Negative Compensation (Amendments to MFRS 9)
- MFRS 16 Leases • IC Interpretation 23 Uncertainty over Income Tax Treatments
- Annual Improvements to MFRS Standards 2015 – 2017
- Definition of Material (Amendments to MFRS 101 and MFRS 108)
- Revised Conceptual Framework for Financial Reporting

The adoption of the new and amended MFRSs and IC Interpretation above have not resulted in material impact on the financial statements of the Group except as discussed below:-

MFRS 16 Leases

The Group has adopted MFRS 16 in the current financial year, where MFRS 16 supersedes MFRS 117 “Leases” and the related interpretations. Under MFRS 16, a lease is a contract (or part of contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases or operating leases.

MFRS 16 requires the lessee to recognise in the statements of financial position, a ‘right-of-use’ of the underlying asset and a lease liability reflecting future lease payment for most leases. The right-of-use asset is depreciated in accordance with the principle in MFRS 116 “Property, Plant and Equipment” and the lease liability is accreted over time with interest expense recognised in the statement of profit or loss.

On the date of initial application, the Group applied the modified retrospective approach and did not restate comparative amounts for the period prior to first adoption. Right-of-use assets were measured on transition as if the new rules had always been applied.

The adoption of MFRS 16 impacts the Group’s financial performance in the current financial year as below:

- (a) On the statements of profit or loss, expenses which previously included operating lease rentals were replaced by interest expense on lease liabilities (included within ‘finance costs’) and depreciation of the right-of-use assets (included within ‘cost of sales’).

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

Basis of preparation (Cont'd)

- (b) On the statements of cash flows, operating lease rental outflows previously recorded within 'net cash flows from operating activities' were reclassified as 'net cash flows used in financing activities' for repayment of principal and 'net cash flows from operating activities' for interest on lease liabilities.

3. 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.

4. 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. Changes in 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. 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.

The Group is organised into main business segments as follows:-

- (a) Manufacturing
Manufacture tanks and related products, engineering and fabrication works.
- (b) Construction
Construction as sub-contractors related to civil engineering works.
- (c) Investment
Investment holdings and comprise companies providing management services and dormant companies.

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**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)****Part A: Explanatory Notes Pursuant To MFRS 134 (Cont'd)***Segmental information (Cont'd)*Business segments

	Manufacturing RM'000	Construction RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	15,566	-	-	-	15,566
Inter-segment revenue	-	-	60	(60)	-
Total revenue	15,566	-	60	(60)	15,566
Results					
Segment results	(253)	-	(344)	-	(597)
Interest expenses	(143)	-	-	-	(143)
Interest income	898	-	44	-	942
Profit/(Loss) before tax	502	-	(300)	-	202
Tax expense	(214)	-	-	-	(214)
Profit/(Loss) after tax	288	-	(300)	-	(12)
Assets					
Segment assets	45,073	1,492	2,134	-	48,699
Liabilities					
Segment liabilities	5,013	395	60	-	5,468
Included in the measure of segment assets					
Capital expenditure	172	-	-	-	172
Depreciation	1,074	-	(5)	-	1,069

Geographical information

	Malaysia RM'000	Republic of China RM'000	Elimination RM'000	Consolidated RM'000
Revenue				
External revenue	15,566	-	-	15,566
Inter-segment revenue	60	-	(60)	-
Total revenue	15,626	-	(60)	15,566
Results				
Segment results	(547)	(50)	-	(597)
Interest expenses	(143)	-	-	(143)
Interest income	942	-	-	942
Profit/(Loss) before tax	252	(50)	-	202
Tax expense	(214)	-	-	(214)
Profit/(Loss) after tax	38	(50)	-	(12)
Assets				
Segment assets	48,617	82	-	48,699
Liabilities				
Segment liabilities	5,468	-	-	5,468
Included in the measure of segment assets				
Capital expenditure	172	-	-	172
Depreciation	1,069	-	-	1,069

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

10. Trade and other receivables

	Financial Year Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2018 RM'000
Trade receivables		
Non-related parties	2,226	2,080
Other receivables, deposits and prepayments		
Other receivables	343	142
Deposits	133	139
Prepayments	115	188
	591	469
Total trade and other receivables	2,817	2,549

The trade receivables of the Group as at the end of the current quarter amounted to RM2.2 million are 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)	1,703	99	-	424	2,226
% of total trade receivables (%)	77	4	-	19	100

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. For the current financial quarter ended 31 December 2019, the trade receivables that are past due for more than 60 days amount to RM0.4 million, representing 19% of the total trade receivables of the Group and comprise of mainly retention sum. At the date of this report, the subsequent receipt from the trade receivables amount to RM0.6 million, representing 25% of the Group's total receivables as at the quarter end.

11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported, up to 18 February 2020, 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 for the Proposed Acquisition of Property as disclosed in Note 6(c) of Part B of this report.

12. 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 Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

13. Changes in contingent liabilities

	Financial Year Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2018 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	1,381	131
Letters of credit issued in favour of third parties	93	-
	<u>1,474</u>	<u>131</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 were no significant transactions entered into between the Group and other related parties during the current quarter and the financial year-to-date.

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**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

1. Performance review

	Individual Quarter				Cumulative Quarter			
	3 Months Ended	3 Months Ended	Changes		12 Months Ended	12 Months Ended	Variance	
	31.12.2019 RM'000	31.12.2018 RM'000	Amount RM'000	%	31.12.2019 RM'000	31.12.2018 RM'000	Amount RM'000	%
Revenue	3,562	4,637	(1,075)	(23)	15,566	20,348	(4,782)	(24)
(Loss)/Profit before interest and tax	(17)	485	(502)	(104)	345	1,928	(1,583)	(82)
(Loss)/Profit before tax	(98)	466	(564)	(121)	202	1,860	(1,658)	(89)
(Loss)/Profit after tax	(151)	416	(567)	(136)	(12)	1,622	(1,634)	(101)
(Loss)/Profit attributable to owners of the Company	(151)	416	(567)	(136)	(12)	1,622	(1,634)	(101)

The Group's revenue for the current quarter decreased by RM1.1 million or 23% compared to RM4.6 million recorded in the preceding year's corresponding period. With the exception of revenue from metal forming service and pressure vessels which recorded an increase of RM0.1 million and RM1.1 million respectively for the current quarter, revenue from all products collectively decreased by RM2.3 million. The overall decrease in revenue was largely due to weak domestical market sentiments and volatility of the political and economic conditions of the exports markets during the period under review. As a result, the Group's recorded a loss before tax of RM0.1 million for the current quarter as compared to a profit before tax ("PBT") of RM0.5 million in the preceding year's corresponding quarter.

For the current financial year-to-date, the Group's revenue decreased by RM4.8 million or 24% compared to the preceding financial year-to-date with a drop in the overall revenue. Given the decrease in gross profit ("GP") margin from 23.7% to 20.6% and the decrease in revenue from RM20.3 million to RM15.6 million for the current financial year-to-date, the Group reported a PBT of RM0.2 million, representing a 89% decrease in PBT, compared to RM1.9 million recorded for the preceding year.

2. Comments on results against the immediate preceding quarter

	3 Months Current Quarter	3 Months Preceding Quarter	Variance	
	31.12.2019 RM'000	30.09.2019 RM'000	Amount RM'000	%
Revenue	3,562	3,749	(187)	(5)
(Loss)/Profit before interest and tax	(17)	107	(124)	(116)
(Loss)/Profit before tax	(98)	85	(183)	(215)
(Loss)/Profit after tax	(151)	30	(181)	(603)
(Loss)/Profit attributable to owners of the Company	(151)	30	(181)	(603)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (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 of RM3.6 million, decreased marginally as compared to the preceding quarter. Nevertheless, the Group recorded a loss before tax of RM17,000 in the current quarter as compared to a PBT of RM0.1 million in the previous quarter mainly due to dropped in the GP margin from 21.8% to 19.2% during the current quarter.

3. Commentary of prospects

The Directors foresee the continued uncertainty in the domestic and global economic situation and the volatility of Malaysian Ringgit against other currencies will be challenging to the Group. Nevertheless, the Group will continue its effort to enhance its revenue and profits.

Barring unforeseen circumstances, the Directors are cautiously optimistic that the Group's performance will remain sustainable for the current financial year.

4. Profit forecast or profit guarantee

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

5. Tax expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.12.2019 RM'000	3 Months Ended 31.12.2018 RM'000	12 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2018 RM'000
Malaysia income tax:-				
- Current year	53	(50)	(212)	(200)
- under provision in respect of prior years	-	-	(2)	(38)
	<u>53</u>	<u>(50)</u>	<u>(214)</u>	<u>(238)</u>

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.

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**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

6. Status of corporate proposals

Except for the following disclosures, there were no corporate proposals that has been announced by the Company and not yet completed as at the date of this quarterly report.

(a) Proposed Disposals

The status of utilisation of proceeds of RM36,682,500, raised from the Proposed Disposals, as at **18 February 2020** is as follows:

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised		Time frame for utilisation from 7 December 2016	
				RM'000	%	Intended	Extended
Real property gains tax	1,100	(1,700)	600	-	-	2 months	-
Repayment of bank borrowings	11,786	(11,786)	-	-	-	3 months	-
Relocation and construction costs	6,000	(256)	-	5,744	96	36 months	60 months
Pledge to secure banking facilities	5,000	(5,000)	-	-	-	12 months	-
Working capital	11,797	(11,125)	(672)	-	-	12 months	-
To defray estimated expenses	1,000	(1,072)	72	-	-	1 month	-
	<u>36,683</u>	<u>30,939</u>	<u>-</u>	<u>5,744</u>			

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

(b) Proposed Private Placement

The status of the utilisation of proceeds of RM1,815,280, raised from the Proposed Private Placement, as at **18 February 2020** is as follows: -

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised RM'000	Time frame for utilisation from 9 May 2019	
					Intended	Extended
Overhaul of machinery	1,665	(80)	66	1,651	Within 9 months	21 months
Estimated expenses in relation to the Private Placement	150	(84)	(66)	-	Within 1 month	-
	<u>1,815</u>	<u>(164)</u>	<u>-</u>	<u>1,651</u>		

* The balance unutilised on estimated expenses is reallocated to overhaul of machinery.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)**

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

Status of corporate proposals (Cont'd)

(c) Proposed Acquisition

On 20 January 2020, the Company announced that the wholly-owned subsidiary of the Company, namely Chip Ngai Engineering Works Sdn Bhd (“Chip Ngai”), had entered into a sale and purchase agreement for the acquisition of a parcel of vacant land measuring approximately 10,614.22 sqm (114,250 sq ft) held under H.S.(M) 23504, Lot 5856, locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan with Twinstar Acres Sdn Bhd (“TASB”) for a cash consideration of RM4.0 million (“Proposed Acquisition”).

The Proposed Acquisition is a related party transaction pursuant to the provisions of Chapter 10 of the MMLR of Bursa Securities as the TASB is a company wholly-owned by Mr. Ho Cheng San, a director and major shareholder of the Company.

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

7. Group borrowings

	Financial Year Ended 31.12.2019 RM'000	Financial Year Ended 31.12.2018 RM'000
<u>SECURED</u>		
Short term		
Bank overdraft	467	500
Finance lease liabilities	142	161
Bankers' acceptance	1,778	1,275
	<hr/> 2,387	<hr/> 1,936
Long term		
Finance lease liabilities	175	317
Total Borrowings	<hr/> <hr/> 2,562	<hr/> <hr/> 2,253

There were 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.

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**Notes To The Condensed Consolidated Interim Financial Statements
For The Fourth Financial Quarter Ended 31 December 2019 (Cont'd)****Part B: Explanatory Notes Pursuant To Main Market Listing Requirements of Bursa Securities (Cont'd)****10. Earnings per share**

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.12.2019 RM'000	3 Months Ended 31.12.2018 RM'000	12 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2018 RM'000
(Loss)/Profit after tax for the period	(151)	416	(12)	1,622
Weighted average number of ordinary shares in issue ('000)	48,408	45,382	48,408	45,382
(Loss)/Earnings per share (sen)				
- Basic	(0.31)	0.92	(0.02)	3.57
- Diluted	(0.31)	0.92	(0.02)	3.57

11. Additional disclosure on profit before tax

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 31.12.2019 RM'000	3 Months Ended 31.12.2018 RM'000	12 Months Ended 31.12.2019 RM'000	12 Months Ended 31.12.2018 RM'000
(Loss)/Profit before tax is derived after charging/(crediting) amongst others, the following items: -				
Allowance for impairment on inventories	-	101	-	101
Allowance for impairment of PPE	-	-	50	-
Depreciation of property, plant and equipment	178	192	709	729
Depreciation of right-of-use asset	360	-	360	-
Loss / (Gain) on disposal of PPE	-	-	1	(14)
PPE Written Off	-	-	5	-
Interest expenses	81	19	143	68
Interest income	(237)	(209)	(942)	(841)
Loss / (Gain) on foreign exchange				
- Unrealised	9	(4)	13	3
- Realised	6	(2)	16	10

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 26 February 2020.

BY ORDER OF THE BOARD**LIM PAIK GOOT (MIA 13304) (SSM PC No. 202008001525)****WONG CHOOI FUN (MAICSA 7027549) (SSM PC No. 201908002976)****GOH CHOOI WOAN (MAICSA 7056110) (SSM PC No. 201908000145)****Company Secretaries****Selangor, 26 February 2020**