CN ASIA CORPORATION BHD

(399442-A) (Incorporated In Malaysia)

ANNUAL REPORT 2018


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UTAMAKAN KESELAMATAN
MEGALIFT
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TEL: 03-8942 6888 WEBSITE: http://www.cnasia.com
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Notice of the Twenty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Third (23rd) Annual General Meeting ("AGM") of CN Asia Corporation Bhd will be held at Hang Jebat Room, Level 3, Philea Mines Beach Resort, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 18 June 2019 at 10.00 a.m. to transact the following businesses:

AGENDA

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and the Auditors thereon. ***Please refer to Explanatory Notes (i) below.***

2. To approve the payment of Directors' fees and benefits of RM315,000 for the period from 1 January 2019 until the next AGM of the Company. ***Resolution 1***

   Please refer to Explanatory Notes (ii) below.

3. To re-elect the following Directors who are retiring pursuant to Article 84 of the Company's Constitution:

   (i) Mr Ho Cheng San ***Resolution 2***
   (ii) Ms Angeline Chan Kit Fong ***Resolution 3***

4. To re-appoint Messrs Ong & Wong as Auditors of the Company for the ensuing year and to authorise the Board to fix their remuneration. ***Resolution 4***

As Special Business

To consider, and if thought fit, to pass the following Ordinary Resolutions:

5. CONTINUATION IN OFFICE AS INDEPENDENT DIRECTOR ***Resolution 5***

   "THAT approval be given to Dato' Hilmi bin Mohd Noor to continue to act as Independent Director of the Company." ***Please refer to Explanatory Notes (iii) below.***

6. AUTHORITY TO ALLOT AND ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ***Resolution 6***

   "THAT subject always to the Companies Act 2016 ("Act"), the Company's Constitution, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant governmental and/or regulatory authorities, where such approval is required, the Directors be authorised and empowered pursuant to the Act to: ***Please refer to Explanatory Notes (iv) below.***

   (1) issue and allot shares in the Company; and/or
   (2) grant rights to subscribe for shares in the Company; and/or
   (3) convert any security into shares in the Company; and/or
   (4) allot shares under an agreement or option or offer,

   at any time and from time to time at such price and upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion deem fit, provided always that the aggregate number of shares issued pursuant to this resolution does not exceed ten per cent (10%) of the total number of issued shares of the Company for the time being.

AND THAT the Directors of the Company be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities, AND FURTHER THAT such authority shall commence immediately upon passing of this resolution and continue to be in force until the conclusion of the next AGM of the Company or at the expiry of the period within which the next AGM is required to be held, whichever is earlier, unless such approval be revoked or varied by the Company at a general meeting."

To consider, and if thought fit, to pass the following Special Resolution:

7. PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ***Special Resolution 1***

"THAT approval be given to the Company to revoke the existing Memorandum and Articles of Association ("M&AA") in its entirety with immediate effect and in place thereof, the proposed new Constitution as appended in Appendix A and despatched together with the Company's Annual Report for the financial year ended 31 December 2018 be adopted as the Constitution of the Company. ***Please refer to Explanatory Notes (v) below.***

THAT henceforth, the Constitution shall bind the Company, the Members and the Directors to the same extent as if the Constitution had been signed and sealed by each Member and contain covenants on the part of each member and Director to observe all the provision of the Constitution.

AND THAT the Directors of the Company be authorised to do all acts, deeds and things as are necessary and/or expedient with full powers to assent to any variations, modifications and/or amendments as may be required by any relevant authorities to give full effect to the foregoing."

8. To transact any other business of the Company of which due notice shall have been given.

BY ORDER OF THE BOARD
LIM PAIK GOOT (MIA 13304)
WONG CHOOI FUN (MAICSA 7027549)
GOH CHOOI WOAN (MAICSA 7056110)
Company Secretaries

Selangor Darul Ehsan
26 April 2019

Notes:

Members entitled to attend

1. Only depositors whose names appear in the record of depositors as at 11 June 2019 shall be regarded as members and entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.

Appointment of Proxy

2. A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote at the same meeting instead of him and that a proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.

4. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy in the case of an individual shall be under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration to the proxy form must be initialled.

6. The proxy form must be deposited at the registered office of the Company at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia (Attn.: The Company Secretaries), not less than twenty-four (24) hours before the time appointed for the taking of the poll or any adjournment thereof.

7. By submitting the duly executed proxy form, a member and his/her proxy consent to the Company (and/or its agents/ service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this meeting and any adjournment thereof.

Voting by Poll

8. The resolutions as set out in this notice of the general meeting is to be voted by poll.

Registration of Members/Proxies

9. Registration of members/proxies attending the meeting will commence thirty (30) minutes before meeting time. Members/ proxies are required to produce identification documents for registration.

Explanatory Notes

(i) Audited Financial Statements

This Agenda is meant for discussion only pursuant to the provision of Section 340(1)(a) of the Act of which does not require shareholders' approval for the Audited Financial Statements. Hence, is not put forward for voting.

(ii) Payment of Directors' fees and benefits

In compliance with Section 230(1) of the Act, the Company is requesting shareholders' approval for the payment of Directors' fees and benefits for the period from 1 January 2019 until the next AGM of the Company.

The payment of Directors' fees and benefits on a current year basis, calculated based on the current Board size. In the event the proposed amount is insufficient (due to enlarged Board size), approval will be sought at the next AGM for additional fees to meet the shortfall. The estimated amount of RM315,000 is derived from a total of RM210,000 for FY 2019 and a total of RM105,000 for the period from 1 January 2020 until the next AGM in 2020.

(iii) Continuation in office as Independent Director

The proposed Resolution, if passed, will enable Dato' Hilmi bin Mohd Noor ("Dato' Hilmi") be retained and continue to act as Independent Director of the Company. The Directors have assessed the independence of Dato' Hilmi who has served as Independent Director of the Company for a cumulative term of more than twelve (12) years. The Directors are satisfied that Dato' Hilmi has met the independence guidelines as set out in Chapter 1 of the MMLR of Bursa Securities. The length of his service does not interfere with his ability and exercise of independent judgement as Independent Director. Therefore, the Directors have strongly recommended him to continue office as Independent Director of the Company and that the approval of the shareholders be sought through a two-tier voting process pursuant to the Practice 4.2, Principle A (II) of the Malaysian Code on Corporate Governance 2017.

(iv) Authority to Issue Shares

The proposed Resolution, if passed, will give authority to the Directors pursuant to Sections 75 and 76 of the Act, from the date of this AGM, to issue and allot ordinary shares to such persons at any time in their absolute discretion without convening a general meeting. This authority, unless revoked or varied by the Company at a general meeting, will expire at the next AGM. The Company has not issued any new shares under the general authority which was approved at the last AGM of which will lapse at the conclusion of this AGM. The renewed general mandate will provide flexibility to the Company for any possible fund-raising activities, including but not limited to further placing of shares, for funding future investment, working capital and/or acquisitions.

(v) Proposed Adoption of the New Constitution of the Company

The proposed Resolution, if passed, will align the Constitution of the Company, to provide clarity and consistency with the amendments pursuant to the following laws and regulations:

(i) The Act which came into effect on 31 January 2017;

(ii) The amended Malaysian Code on Corporate Governance which was released in 26 April 2017; and

(iii) The amended MMLR of Bursa Securities which was issued on 29 November 2017.

In view of the substantial amendments to be made on the M&AA, the Directors proposed that the existing M&AA be revoked in its entirety with immediate effect and by the replacement thereof with a new Constitution. The details of the proposed new Constitution are appended in Appendix A and despatched together with this Annual Report 2018 be circulated to the Shareholders in due course.

Statement Accompanying Notice of Twenty-Third Annual General Meeting

Pursuant to Paragraph 8.27(2) of the MMLR of Bursa Securities

1. **Details of individuals who are standing for election (excluding directors standing for re-election) as Directors**

   No individual is seeking election as a Director at the forthcoming AGM of the Company.

2. **Statement relating to general mandate for issue of securities in accordance with Paragraph 6.03(3) of the MMLR of Bursa Securities**

   Details of the general mandate to issue securities in the Company pursuant to Sections 75 and 76 of the Act are set out in Explanatory Note (iv) of the Notice of 23rd AGM.

VISION

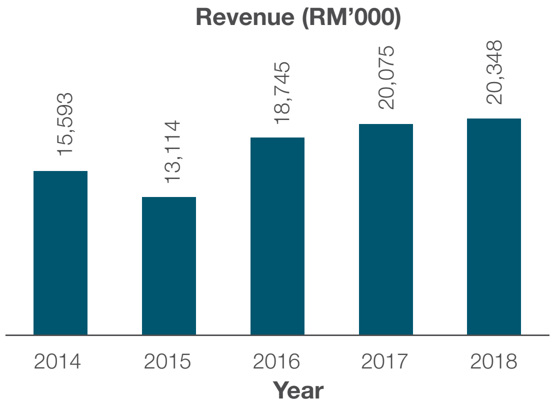
CN Asia Group designs, modernises and maintains industrial equipment in the Energy, Petro-Chemical and Industrial sectors. Its goal is to improve the Quality and technical performance of its workers and ensure its products for its clients, hence an overall approach aiming to reduce the environmental impact of the products.

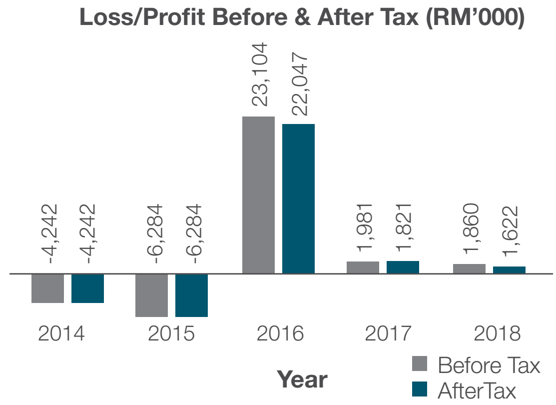
MISSION

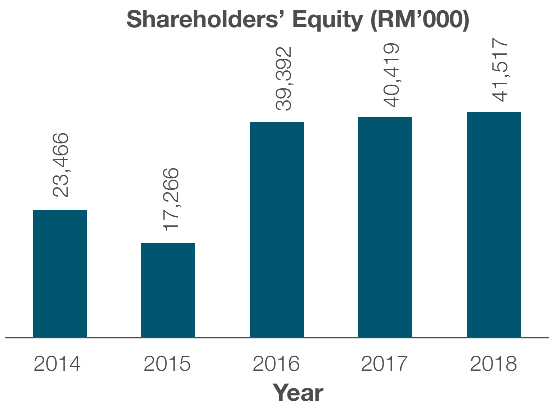
To be a regional provider of total containment solutions and engineering services.

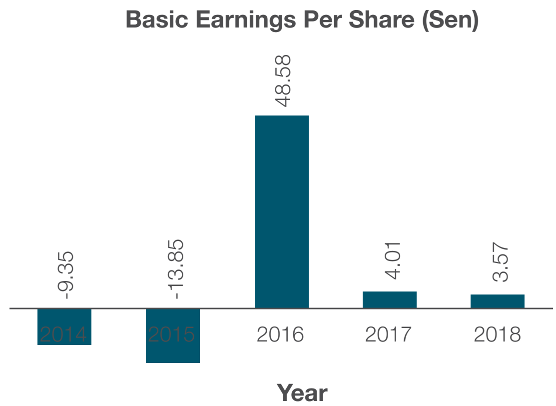
5-Year Group Financial Highlights

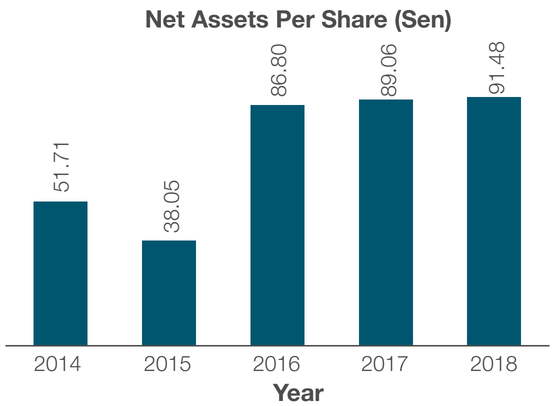
Year	Revenue (RM'000)	Loss /Profit before tax (RM'000)	Loss /Profit after tax (RM'000)	Shareholders' equity (RM'000)	Basic earnings per share (sen)	Net assets per share (sen)	Return on shareholders' equity (%)
2014	15,593	-4,242	-4,242	23,466	-9.35	51.71	-18.08
2015	13,114	-6,284	-6,284	17,266	-13.85	38.05	-36.40
2016	18,745	23,104	22,047	39,392	48.58	86.80	55.97
2017	20,075	1,981	1,821	40,419	4.01	89.06	4.51
2018	20,348	1,860	1,622	41,517	3.57	91.48	3.91

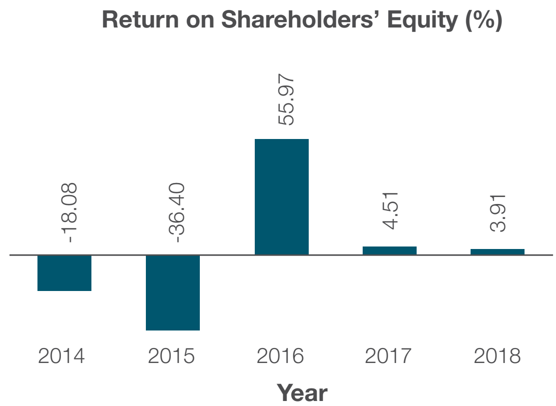












Corporate Information

BOARD OF DIRECTORS

Dato' Hilmi bin Mohd Noor
(Independent Chairman)

Ho Cheng San
(Managing Director)

Angeline Chan Kit Fong
(Executive Director)

Lee King Loon
(Independent Director)

Ariffin bin Khalid *(re-designated w.e.f. 17/07/2018)*
(Independent Director)

Chong Ying Choy *(re-designated w.e.f. 21/06/2018)*
(Non-Independent Non-Executive Director)

AUDIT COMMITTEE
Lee King Loon *(Chairman)* *(Re-designated w.e.f. 21/06/2018)*
Dato' Hilmi bin Mohd Noor
Chong Ying Choy *(re-designated w.e.f. 21/06/2018)*

NOMINATION COMMITTEE
Dato' Hilmi bin Mohd Noor *(Chairman)*
Chong Ying Choy
Lee King Loon

REMUNERATION COMMITTEE
Chong Ying Choy *(Chairman)*
Lee King Loon
Ariffin bin Khalid

RISK MANAGEMENT COMMITTEE
Lee King Loon *(Chairman)*
Chong Ying Choy
Angeline Chan Kit Fong

COMPANY SECRETARIES
Lim Paik Goot *(MIA 13304)*
Wong Chooi Fun *(MAICSA 7027549)*
Goh Chooi Woan *(MAICSA 7056110)*

REGISTERED OFFICE
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +603-8942 6888
+6010 – 2052278
+6010 – 2062278
Fax : +603-8942 3365

AUDITORS
Ong & Wong Chartered Accountants Malaysia
(Firm No.: AF 0241)
Unit C-20-5, Level 20, Block C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Tel : +603-2161 1000
Fax : +603-2166 9131

PRINCIPAL BANKERS
Public Bank Berhad
Maybank Islamic Berhad
United Overseas Bank (Malaysia) Berhad
HSBC Bank Malaysia Berhad
Alliance Bank Malaysia Berhad
CIMB Bank Berhad

INVESTOR RELATIONS
Kathy Lim Paik Goot
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +603-8942 6888
+6010 – 2052278
+6010 – 2062278
Fax : +603-8942 3365
Email : corporate@cnasia.com

REGISTRARS
Tricor Investor & Issuing House Services Sdn Bhd
(Co. No: 11324-H)
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No 8, Jalan Kerinchi
59200 Kuala Lumpur
Malaysia
Tel : +603-2783 9299
Fax : +603-2783 9222

STOCK EXCHANGE LISTING
Main Market
Bursa Malaysia Securities Berhad
Stock name : CNASIA
Stock code : 7986

Corporate Structure

CN ASIA CORPORATION BHD
(Company No.: 399442-A)
(Incorporated In Malaysia)
Investment Holding &
Providing Management Services

100%

Chip Ngai Engineering Works Sdn Bhd
(Company No.: 010217-A)
(Incorporated in Malaysia)

Manufacturing and trading of underground and skid tanks, dish ends, pressure vessels, road tankers, piping for the petroleum industry and that of specialised engineering, fabrication and sub-contractor for civil engineering works

100%

Zhuhai CN Engineering Works Co., Ltd.
(Company No.: 914404006633391955)
(Incorporated in People's Republic of China)

Manufacturing and trading of tanks for specialised industries

20%

PICN Engineering Sdn Bhd
(Company No.:511629-T)
(Incorporated in Malaysia)

Fabrication and trading of tanks for specialised industries

100%

Asia Tank Containers (Malaysia) Sdn Bhd
(Company No.:404650-W)
(Incorporated in Malaysia)

Dormant

100%

CN Asia Capital Sdn Bhd
(Company No.:446023-T)
(Incorporated in Malaysia)

Dormant

100%

Douwin Sdn Bhd
(Company No.:205994-P)
(Incorporated in Malaysia)

Investment holding

Certification and Accreditation

Lloyd's Register

Certificate of Approval

This is to certify that the Management System of

Chip Ngai Engineering Works Sdn. Bhd.
(10217-A)

Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor, Malaysia

has been approved by LRQA to the following standards:
ISO 9001:2015

Basem Obaid - Area Operations Manager
Issued by: Lloyd's Register of Shipping (M) Bhd
for and on behalf of: Lloyd's Register Quality Assurance Limited

This certificate forms part of the approval identified by approval number: 0048019

Current issue date: 30 July 2018
Expiry date: 12 June 2021
Certificate identity number: 10111874

Original approval(s):
ISO 9001 – 13 June 2003

Approval number(s): ISO 9001 – 0048019-001

The scope of this approval is applicable to:
Design, manufacture and installation of storage tanks, pressure vessels, road tankers, dished-ends and related mechanical/civil engineering works.

UKAS
001

ISO 9001:2015

CIDB MALAYSIA

PERAKUAN PENDAFTARAN

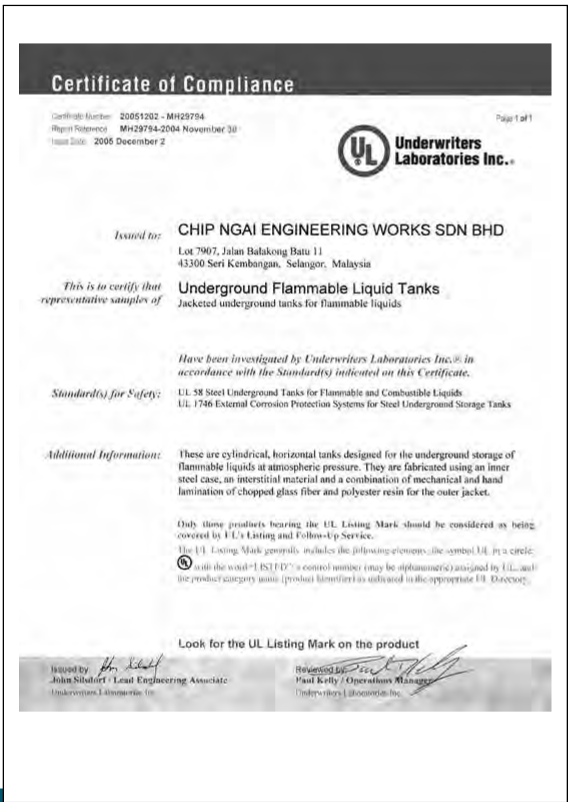
No. Pendaftaran	1961210-SL015974
Nama Kontraktor	CHIP NGAI ENGINEERING WORKS SDN. BHD.
Alamat Berdaftar	LOT 7907, BATU 11 JALAN BALAKONG SERI KEMBANGAN SELANGOR 43300 SERI KEMBANGAN SELANGOR
Daerah	PETALING
Tarikh Mula Berdaftar	09/12/1990

GRED	KATEGORI	PENGKHUSUSAN
G7	CE	CE21
G7	ME	M15,M05
G7	B	B04,B02

Tarikh Mula Berkuatkuasa 26/07/2017
Tarikh Habis Tempoh Perakuan 24/07/2020

STATUS: AKTIF

CIDB



Certificate of Compliance

Certificate Number 20051202 - MH29794
Report Reference MH29794-2004 November 30
Issue Date 2005 December 2

Page 1 of 1

Underwriters Laboratories Inc.

Issued to: CHIP NGAI ENGINEERING WORKS SDN BHD
Lot 7907, Jalan Balakong Batu 11
43300 Seri Kembangan, Selangor, Malaysia

This is to certify that representative samples of Underground Flammable Liquid Tanks
Jacketed underground tanks for flammable liquids

Have been investigated by Underwriters Laboratories Inc.® in accordance with the Standard(s) indicated on this Certificate.

Standard(s) for Safety: UL 58 Steel Underground Tanks for Flammable and Combustible Liquids
UL 1746 External Corrosion Protection Systems for Steel Underground Storage Tanks

Additional Information: These are cylindrical, horizontal tanks designed for the underground storage of flammable liquids at atmospheric pressure. They are fabricated using an inner steel case, an interstitial material and a combination of mechanical and hand lamination of chopped glass fiber and polyester resin for the outer jacket.

Only those products bearing the UL Listing Mark should be considered as being covered by UL's Listing and Follow-Up Service.

Look for the UL Listing Mark on the product

Issued by John Silsdorf - Lead Engineering Associate
Reviewed by Paul Kelly / Operations Manager

UL 58 & UL 1746

KEMENTERIAN KEWANGAN MALAYSIA

SIJIL AKUAN PENDAFTARAN SYARIKAT

NO SIJIL
NO RUJUKAN PENDAFTARAN
TEMPOH SAH LAKU

Bahawa dengan ini diperakui syarikat :

CHIP NGAI ENGINEERING WORKS SDN. BHD. (10217-A)
LOT 7907 BATU 11,
JALAN BALAKONG,
43300 SERI KEMBANGAN
PETALING
43300 SERI KEMBANGAN
SELANGOR, MALAYSIA

Telah berdaftar dengan Kementerian Kewangan Malaysia dalam bidang bekalan/perkhidmatan di bawah sektor, bidang dan sub-bidang seperti di Lampiran A. Kelulusan ini adalah tertakluk kepada syarat-syarat seperti yang dinyatakan di Lampiran B. Individu yang diberi kuasa oleh syarikat bagi urusan perolehan Kerajaan adalah seperti berikut :

DATO' OTHMAN BIN SEMAIL
Bahagian Perolehan Kerajaan
b.p. Ketua Setiausaha Perbendaharaan
Kementerian Kewangan Malaysia

Tarikh Berdaftar Dengan Kementerian Kewangan Malaysia : 24/03/2017

MOF

Certification and Accreditation

(cont'd)

JABATAN KESELAMATAN DAN KESIHATAN PEKERJAAN MALAYSIA
KEMENTERIAN SUMBER MANUSIA
Department Of Occupational Safety And Health
Ministry Of Human Resources
Aras 1,3,4 & 5, Blok D4, Kompleks D
Pusat Pentadbiran Kerajaan Persekutuan
62530 Putrajaya
Malaysia

Ruj. Tuan : CNE/DOSH/2018
Ruj. Kami : JKKP IS 127/682/1-309
Tarikh : 29 November 2018

Pengurus
CHIP NGAI ENGINEERING WORKS SDN BHD
Lot 7907 Batu 11, Jalan Balakong
Seri Kembangan
SELANGOR

Tuan,

Pembaharuan Pendaftaran Sebagai Syarikat Pembuat dan Pembaikpulih
No. Pendaftaran : BT 21 /309
Tempoh Kelulusan : 29 November 2018 hingga 28 November 2019

Adalah saya dengan hormatnya merujuk kepada permohonan tuan berhubung dengan perkara di atas.

2. Sukacita dimaklumkan bahawa Jabatan ini meluluskan permohonan pembaharuan pendaftaran syarikat tuan mengikut bagi skop berikut :-

i) **PVM01 - Pembuat Pengandung Tekanan Berapi**
ii) **PVM04 - Pembuat Penghujung Lekuk (Dished End)**
iii) **PVR01 - Pembaik Pulih Pengandung Tekanan Tak Berapi**

3. Walaubagaimanapun kelulusan pembaharuan pendaftaran ini tertakluk kepada syarat-syarat seperti di bawah :-

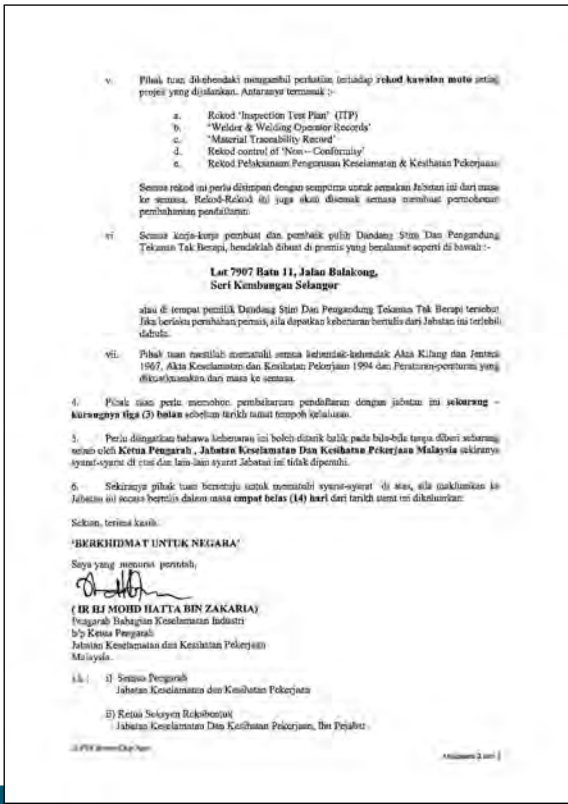
i. Jabatan ini hendaklah diberitahu sekiranya ada sebarang pertukaran/tambahan/ pemindahan pada pegawai, jentera dan premis yang sedia ada. Jabatan ini boleh membatalkan pendaftaran ini jika pihak tuan gagal memaklumkan dengan segera.

ii. Sebelum kerja-kerja Pembuat Pengandung Tekanan Tak Berapi dijalankan dan kerja-kerja pembaik pulih boleh dijalankan ke atas Dandang Stim dan Pengadung Tekanan Tak Berapi, pihak tuan hendaklah mendapatkan kelulusan rekabentuk dan kelulusan pembaik pulih dari Jabatan ini terlebih dahulu.

iii. Segala prosedur kerja-kerja pembaik pulih Dandang Stim dan Pengadung Tekanan Tak Berapi mestilah mengikut apa yang dinyatakan di dalam '*Quality Control Manual*' yang telah disemak dan diterima oleh Jabatan ini dan sebarang perubahan yang akan dilakukan pada '*Quality Control Manual*' mestilah dimaklumkan ke Jabatan ini.

iv. Semua kerja-kerja kimpalan hendaklah dibuat oleh pengimpal syarikat tuan mengikut Spesifikasi Tatacara Kimpalan (*Welding Procedure Specification*) yang diluluskan oleh Badankuasa Memeriksa yang diiktiraf oleh Jabatan ini. Semua kerja-kerja kimpalan juga perlu dijalankan di bawah penyeliaan dan kawalan yang rapi oleh pihak kawalan mutu tuan sendiri dan semua rekod-rekod kimpalan mestilah disimpan dengan baik.

DOSH - PRESURE VESSEL
& DISH END - 1/2



v. Pihak tuan dikehendaki mengambil perhatian terhadap **rekod kawalan mutu** setiap projek yang dijalankan. Antaranya termasuk :-

a. Rekod 'Inspection Test Plan' (ITP)
b. 'Welder & Welding Operator Records'
c. 'Material Traceability Record'
d. Rekod control of 'Non – Conformity'
e. Rekod Pelaksanaan Pengurusan Keselamatan & Kesihatan Pekerjaan

Semua rekod ini perlu disimpan dengan sempurna untuk semakan Jabatan ini dari masa ke semasa. Rekod-Rekod ini juga akan disemak semasa membuat permohonan pembaharuan pendaftaran.

vi. Semua kerja-kerja pembuat dan pembaik pulih Dandang Stim Dan Pengandung Tekanan Tak Berapi, hendaklah dibuat di premis yang beralamat seperti di bawah :-

Lot 7907 Batu 11, Jalan Balakong,
Seri Kembangan Selangor

atau di tempat pemilik Dandang Stim Dan Pengandung Tekanan Tak Berapi tersebut. Jika berlaku perubahan premis, sila dapatkan kebenaran bertulis dari Jabatan ini terlebih dahulu.

vii. Pihak tuan mestilah mematuhi semua kehendak-kehendak Akta Kilang dan Jentera 1967, Akta Keselamatan dan Kesihatan Pekerjaan 1994 dan Peraturan-peraturan yang dikuatkuasakan dari masa ke semasa.

4. Pihak tuan perlu memohon pembaharuan pendaftaran dengan jabatan ini **sekurang – kurangnya tiga (3) bulan** sebelum tarikh tamat tempoh kelulusan.

5. Perlu diingatkan bahawa kebenaran ini boleh ditarik balik pada bila-bila tanpa diberi sebarang sebab oleh **Ketua Pengarah , Jabatan Keselamatan Dan Kesihatan Pekerjaan Malaysia** sekiranya syarat-syarat di atas dan lain-lain syarat Jabatan ini tidak dipenuhi.

6. Sekiranya pihak tuan bersetuju untuk mematuhi syarat-syarat di atas, sila maklumkan ke Jabatan ini secara bertulis dalam masa **empat belas (14) hari** dari tarikh surat ini dikeluarkan.

Sekian, terima kasih.

'BERKHIDMAT UNTUK NEGARA'

Saya yang menurut perintah,

(IR HJ MOHD HATTA BIN ZAKARIA)
Pengarah Bahagian Keselamatan Industri
b/p Ketua Pengarah
Jabatan Keselamatan dan Kesihatan Pekerjaan
Malaysia.

s.k. : i) Semua Pengarah
Jabatan Keselamatan dan Kesihatan Pekerjaan

ii) Ketua Seksyen Rekabentuk
Jabatan Keselamatan Dan Kesihatan Pekerjaan, Ibu Pejabat

DOSH - PRESURE VESSEL
& DISH END - 2/2

THE NATIONAL BOARD
OF
BOILER & PRESSURE VESSEL INSPECTORS

Certificate of Authorization to Register

This is to certify that

CHIP NGAI ENGINEERING WORKS SDN. BHD.
LOT 7907, BATU 11
JALAN BALAKONG
SERI KEMBANGAN, SELANGOR DARUL EHSAN 43300
MALAYSIA

is authorized to apply the "NB" mark and register boilers, pressure vessels or other pressure retaining items with the National Board.

The scope of Authorization is limited to items manufactured in accordance with:

ASME Designator(s): S U2 U

ISSUE DATE: October 31, 2014

This Certificate of Authorization to Register will remain in effect as long as the manufacturing organization holds a valid Certificate of Authorization issued by the American Society of Mechanical Engineers.

Executive Director

NB STAMP

THE NATIONAL BOARD
OF
BOILER & PRESSURE VESSEL INSPECTORS

Certificate of Authorization

This is to certify that

Chip Ngai Engineering Works Sdn. Bhd.
Lot 7907, Batu 11
Jalan Balakong
Seri Kembangan, Selangor Darul Ehsan 43300
Malaysia

is authorized to use the R Symbol in accordance with the provisions of the National Board Inspection Code and NB-415, Accreditation of "R" Repair Organizations.

All activities within the scope of this Authorization shall be controlled by the above location.

The scope of this Authorization is limited to:

Metallic
Repairs and Alterations
At
Shop and Field Locations

Certification Number: 7605

Issue Date: September 29, 2017
Expiration Date: November 18, 2020

Executive Director

R STAMP

The American Society of Mechanical Engineers

ASME

U

CERTIFICATE OF AUTHORIZATION

The named company is authorized by the American Society of Mechanical Engineers (ASME) for the scope of activity shown below in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code. The use of the certification mark and the authority granted by this Certificate of Authorization are subject to the provisions of the agreement set forth in the application. Any construction stamped with this certification mark shall have been built strictly in accordance with the provisions of the ASME Boiler and Pressure Vessel Code.

COMPANY:

Chip Ngai Engineering Works Sdn. Bhd.
Lot 7907, Batu 11
Jalan Balakong
Seri Kembangan, Selangor Darul Ehsan 43300
Malaysia

SCOPE:

Manufacture of pressure vessels at the above location and field sites controlled by the above location (This authorization does not cover impregnated graphite)

AUTHORIZED: **October 16, 2017**
EXPIRES: **November 18, 2020**
CERTIFICATE NUMBER: **29,324**

Board Chair, Conformity Assessment

Managing Director, Conformity Assessment

U STAMP

The American Society of Mechanical Engineers

ASME

U2

CERTIFICATE OF AUTHORIZATION

The named company is authorized by the American Society of Mechanical Engineers (ASME) for the scope of activity shown below in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code. The use of the certification mark and the authority granted by this Certificate of Authorization are subject to the provisions of the agreement set forth in the application. Any construction stamped with this certification mark shall have been built strictly in accordance with the provisions of the ASME Boiler and Pressure Vessel Code.

COMPANY:

Chip Ngai Engineering Works Sdn. Bhd.
Lot 7907, Batu 11
Jalan Balakong
Seri Kembangan, Selangor Darul Ehsan 43300
Malaysia

SCOPE:

Manufacture of pressure vessels at the above location and field sites controlled by the above location

AUTHORIZED: **October 16, 2017**
EXPIRES: **November 18, 2020**
CERTIFICATE NUMBER: **29,325**

Board Chair, Conformity Assessment

Managing Director, Conformity Assessment

U2 STAMP

The American Society of Mechanical Engineers

ASME

S

CERTIFICATE OF AUTHORIZATION

The named company is authorized by the American Society of Mechanical Engineers (ASME) for the scope of activity shown below in accordance with the applicable rules of the ASME Boiler and Pressure Vessel Code. The use of the certification mark and the authority granted by this Certificate of Authorization are subject to the provisions of the agreement set forth in the application. Any construction stamped with this certification mark shall have been built strictly in accordance with the provisions of the ASME Boiler and Pressure Vessel Code.

COMPANY:

Chip Ngai Engineering Works Sdn. Bhd.
Lot 7907, Batu 11
Jalan Balakong
Seri Kembangan, Selangor Darul Ehsan 43300
Malaysia

SCOPE:

Manufacture and assembly of power boilers at the above location and field sites controlled by the above location

AUTHORIZED: **October 16, 2017**
EXPIRES: **November 18, 2020**
CERTIFICATE NUMBER: **33,629**

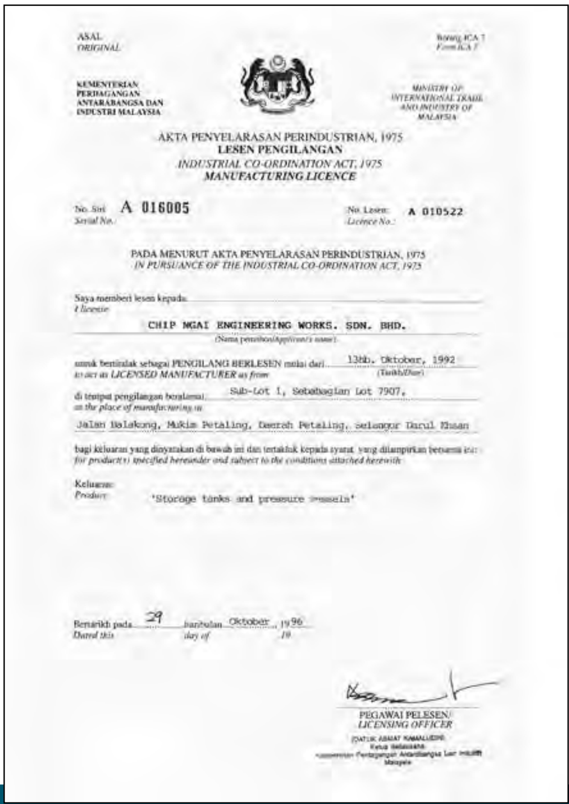
Board Chair, Conformity Assessment

Managing Director, Conformity Assessment

S STAMP

Certification and Accreditation

(cont'd)



ASAL
ORIGINAL

Borang ICA 7
Form ICA 7

KEMENTERIAN PERDAGANGAN ANTARABANGSA DAN INDUSTRI MALAYSIA

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA

AKTA PENYELARASAN PERINDUSTRIAN, 1975
LESEN PENGILANGAN
INDUSTRIAL CO-ORDINATION ACT, 1975
MANUFACTURING LICENCE

No. Siri / *Serial No.*: A 016005

No. Lesen / *Licence No.*: A 010522

PADA MENURUT AKTA PENYELARASAN PERINDUSTRIAN, 1975
IN PURSUANCE OF THE INDUSTRIAL CO-ORDINATION ACT, 1975

Saya memberi lesen kepada / *I license*: CHIP NGAI ENGINEERING WORKS. SDN. BHD.
(Nama pemohon/*Applicant's name*)

untuk bertindak sebagai PENGILANG BERLESEN mulai dari / *to act as LICENSED MANUFACTURER as from*: 13hb. Oktober, 1992
(Tarikh/*Date*)

di tempat pengilangan beralamat / *at the place of manufacturing at*: Sub-Lot 1, Sebahagian Lot 7907, Jalan Balakong, Mukim Petaling, Daerah Petaling, Selangor Darul Ehsan

bagi keluaran yang dinyatakan di bawah ini dan tertakluk kepada syarat yang dilampirkan bersama ini:
for product(s) specified hereunder and subject to the conditions attached herewith:

Keluaran / *Product*: 'Storage tanks and pressure vessels'

Bertarikh pada / *Dated this* 29 haribulan / *day of* Oktober 19 96

PEGAWAI PELESEN/
LICENSING OFFICER

Storage Tank and Pressure Vessels

ASAL
ORIGINAL

Borang ICA 7
Form ICA 7

KEMENTERIAN PERDAGANGAN ANTARABANGSA DAN INDUSTRI MALAYSIA

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA

AKTA PENYELARASAN PERINDUSTRIAN, 1975
LESEN PENGILANGAN
INDUSTRIAL CO-ORDINATION ACT, 1975
MANUFACTURING LICENCE

No. Siri / *Serial No.*: A 021537

No. Lesen / *Licence No.*: A 010522

PADA MENURUT AKTA PENYELARASAN PERINDUSTRIAN, 1975
IN PURSUANCE OF THE INDUSTRIAL CO-ORDINATION ACT, 1975

Saya memberi lesen kepada / *I license*: CHIP NGAI ENGINEERING WORKS SDN. BHD.
(Nama pemohon/*Applicant's name*)

untuk bertindak sebagai PENGILANG BERLESEN mulai dari / *to act as LICENSED MANUFACTURER as from*: 20 Mei, 2003
(Tarikh/*Date*)

di tempat pengilangan beralamat / *at the place of manufacturing at*: Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan

bagi keluaran yang dinyatakan di bawah ini dan tertakluk kepada syarat yang dilampirkan bersama ini:
for product(s) specified hereunder and subject to the conditions attached herewith:

Keluaran / *Product*: 'Fabrication of Tanker Body (Excluding Chassis)'

Bertarikh pada / *Dated this* 9 haribulan / *day of* Ogos, 2003

PEGAWAI PELESEN/
LICENSING OFFICER

Fabrication of Tanker Body

ASAL
ORIGINAL

Borang ICA 7 (Pin. 1/09)
Form ICA 7 (Rev. 1/09)

KEMENTERIAN PERDAGANGAN ANTARABANGSA DAN INDUSTRI MALAYSIA

MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY OF MALAYSIA

AKTA PENYELARASAN PERINDUSTRIAN, 1975
LESEN PENGILANGAN
INDUSTRIAL CO-ORDINATION ACT, 1975
MANUFACTURING LICENCE

No. Siri / *Serial No.*: A 030253

No. Lesen / *Licence No.*: A 014513

PADA MENURUT AKTA PENYELARASAN PERINDUSTRIAN, 1975
IN PURSUANCE OF THE INDUSTRIAL CO-ORDINATION ACT, 1975

Saya memberi lesen kepada / *I license*: ASIA TANK CONTAINERS (M) SDN. BHD.
(Nama pemohon/*Applicant's name*)

untuk bertindak sebagai PENGILANG BERLESEN mulai dari / *to act as LICENSED MANUFACTURER as from*: 4 April 2010
(Tarikh/*Date*)

di tempat pengilangan beralamat / *at the place of manufacturing at*: Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan

bagi keluaran yang dinyatakan di bawah ini dan tertakluk kepada syarat yang dilampirkan bersama ini:
for product(s) specified hereunder and subject to the conditions attached herewith:

Keluaran / *Product*: Menjalankan aktiviti 'Manufacture and assembly of trucks, tankers and special purpose vehicles'

Bertarikh pada / *Dated this* 30 Ogos 2010

PEGAWAI PELESEN/
LICENSING OFFICER

DATO' KAMARUDDIN ISMAIL
Timbalan Ketua Setiausaha (Industri)
Kementerian Perdagangan Antarabangsa dan Industri
(MITI)

Manufacture and Assembly of Trucks, Tankers and Special Purpose Vehicles

The Group's Business

CN Asia Corporation Bhd was incorporated in Malaysia on 23 August 1996 as an investment holding company. The main activities of the Group can be categorized under 7 divisions as follows:

1. Storage Tanks

Manufacturing of underground and aboveground storage tanks for the petroleum, logistics and power and general process industries for the local and global market.

2. Metal Forming

Manufacturing of dish heads and provision of plate rolling services for the food and beverage, petrochemical, energy and heavy engineering industries worldwide.

The Group’s Business (cont’d)

3. Transportation Equipment/ Road Tankers

Design and Manufacture testing and commissioning of all types of transportation equipment such as:

Vacuum Tankers

LPG and Chemical Tankers

High Pressure Cleaner and Jetters

Combination Unit

Co^2 Road Tanker

4. Pressure Vessel

Provision of engineering, procurement and construction (EPC) services for the following industries:-

Petrochemical:	carbon and cladded steel pressure vessels and heat exchangers	
Food and Beverage Plant:	Stainless steel vessels, sterilizers and etc	
Power Generation:	supply and erection of flue stacks and heat recovery steam generator (HRSG) and pressure vessels	
Bulking Terminal:	API 620 and 650 bulk vertical storage tanks inclusive of: - Piling Work - Civil foundation - Laying of pipe - Pigging and pump system - Loading station - Office and warehouse	

Civil Engineering and construction is carried out in conjunction with the above products.

5. Heat Treatment

Provision of heat treatment services (stress relief and normalizing) to a varied range of vessel design and fabrication codes, be they ASME, PD, AS etc complete with the necessary heat treatment reports and charts.

6. Hot Flanging

Provision of dish head forming of thickness up to 70 mm using hot flanging process. The pressed head is first heated to a temperature of 900 degree Celsius, taken out from the furnace and then flanged to the required knuckle radius and diameter.

7. Mechanical and Engineering

a) Provision of engineering consultancy services for pressure vessel design for approval and certification from Authorities/Third Parties.

b) Design/Manufacture and supply of all types of related steel fabrications and mechanical equipment.

DATO' HILMI BIN MOHD NOOR
Independent Chairman
- Aged 77
- Male
- Malaysian

Dato' Hilmi bin Mohd Noor was appointed to the Board on 1 January 1999 as a Non-Executive Chairman and was re-designated as an Independent Non-Executive Chairman on 28 November 2012. He graduated with a Bachelor of Arts (Hons.) degree from the University of Malaya in 1966 and obtained his MBA from Marshall University, USA. Upon graduation, he joined the Ministry of Finance where he held various positions until 1986 when he was appointed the Deputy Director General of the Economic Planning Unit, Prime Minister's Department. From 1989 to 1994, he served as Secretary General, Ministry of Energy, Telecommunications and Post, and later as Secretary General, Ministry of Rural Development until his retirement in May 1997. He served as a Board Member of several public listed companies/organisations between 1970 and 1997.

HO CHENG SAN
Managing Director
- Aged 66
- Male
- Malaysian

Mr. Ho Cheng San was appointed to the Board on 5 April 1997 as the Managing Director of the Company. He obtained his Diploma in Mechanical Engineering in 1978. He has more than 39 years of experiences in the Engineering, Procurement, Construction and Commissioning of Palm Oil Mills, Petrochemical, Food and Beverage Plants and Manufacturing of Process Plant Equipment Worldwide with Comprehensive after Sales Services and Maintenance of its equipment at its installation.

Mr Ho has been involved in housing and property development and has wide experience in the commercial and industrial property sectors. He is the Chief Executive Officer and one of the founder of Cantik Realty Sdn Bhd and Tai Seng Housing Development Co. Sdn Bhd. He has more than 39 years of management experience in the field of marketing and property development.

His securities' holding is set out in Analysis of Shareholdings on page 117 of the Annual Report.

ANGELINE CHAN KIT FONG
Executive Director
- Aged 47
- Female
- Malaysian

Ms. Angeline Chan Kit Fong was appointed to the Board on 16 June 2016 as an Executive Director. She graduated with a Bachelor of Business majored in Accounting from the University of Southern Queensland in Australia.

Ms. Chan joined the Company's subsidiary company, Chip Ngai Engineering Works Sdn Bhd ("CNEW") as a Purchasing Manager cum MIS Manager from 2001 to 2005, as Human Resource and Administration Manager since 2006 and as an Executive Director of CNEW since May 2016.

Her securities' holding is set out in Analysis of Shareholdings on page 117 of the Annual Report.

LEE KING LOON
Independent Director
- Aged 48
- Male
- Malaysian

Mr Lee King Loon was appointed to the Board on 16 June 2016 as an Independent Non-Executive Director. He holds a Bachelor of Commerce from the University of Western Australia and is a member of the Malaysian Institute of Accountants and CPA Australia.

Mr. Lee started his career at KPMG (formerly known as KPMG Peat Marwick) in 1992 and qualified as a full member of the Malaysian Institute of Accountants (MIA) and CPA Australia. While with KPMG, he was involved in the audits of multinationals and public companies listed on Bursa Malaysia. Mr. Lee joined Crowe Malaysia PLT (formerly known as Crowe Horwath) – Kuala Lumpur Office in year 2000 and had led several engagements as the reporting accountants for corporate exercises undertaken by the listed companies. Mr. Lee had conducted surprise audits on stockbroking firms pursuant to the requirements of Bursa Malaysia and operational reviews on a fund management company for the purposes of reporting to the Securities Commission. He had also provided independent advisory services to the shareholders of various public listed companies, including Lion Corporation Berhad and Dutaland Berhad (formerly known as Mycom Berhad), in relation to a vast variety of corporate exercises. He has extensive experience in conducting financial due diligence reviews and valuations having been engaged by large corporate clients and private equity firms to undertake such assignments. Mr. Lee was a principal at Crowe Malaysia PLT (formerly known as Crowe Horwath) in 2004 and an Executive Director of Crowe Advisory Sdn Bhd (formerly known as Crowe Horwath Advisory Sdn Bhd) in 2008.

He was appointed as Chief Financial Officer and Director of CSF Group plc in March 2010 and has been involved in the formulation of financial strategies to restructure and streamline the Group's business. In September 2013, Mr. Lee was appointed as a director of Qwantum Capital Sdn Bhd (formerly known as Salihin Capital Sdn Bhd), a company that holds a Capital Markets Services Licence to provide corporate finance advisory.

ARIFFIN BIN KHALID
Independent Director
- Aged 74
- Male
- Malaysian

Encik Ariffin bin Khalid was appointed to the Board on 16 June 2016 as an Non-Independent Non-Executive Director and was re-designated as an Independent Non-Executive Director on 17 July 2018. He graduated with a Bachelor of Science (Hons.) degree in Mechanical Engineering from the University of Nottingham, United Kingdom in 1968 and obtained his Professional Engineering status from Lembaga Jurutera Malaysia in 1974. He was also a Fellow of the Institute of Petroleum (United Kingdom) from 1969 to 2000. Upon graduation in 1968, he held the various position in Shell Malaysia Trading and Shell Companies in Malaysia until his retirement in 1999. After his retirement from Shell, he worked as Chief Executive Officer and Director of Rotary-MEC and as an Environmental and Oil and Gas Consultant.

Encik Ariffin has served as Chairman of the National Industrial Standardisation Committee 'Y' (Quality Management & Quality Assurance-ISO 9000). He was awarded the "Anugerah untuk Penglibatan Dalam Pembangunan Malaysian Standards (MS) Dan Aktiviti Standardisasi Antarabangsa" from the Minister of Sains, Teknologi Dan Inovasi in a Ceremony held on 22 November 2012. He has also held the position of Hon. Treasurer, International Erosion Control Association (Malaysian Chapter) from 2001-2011.

Encik Ariffin was previously the General Manager of one of the Company's subsidiaries, Asia Tank Container (Malaysia) Sdn Bhd, from 2005 to 2009. He was appointed as Executive Director of the Company in February 2005 and was subsequently re-designated to Non-Independent Non-Executive Director in August 2009 till his resignation in August 2012.

CHONG YING CHOY
Non-Independent Non-Executive Director
- Aged 64
- Male
- Malaysian

Mr. Chong Ying Choy was appointed to the Board on 5 April 1997 an Independent Non-Executive Director and was re-designated as a Non-independent Non- Executive Director on 21 June 2018. He has been an associate member of the Institute of Chartered Secretaries and Administrators since 1982, a fellow of the Chartered Association of Certified Accountants since 1987, a member of the Malaysian Association of Certified Public Accountants since 1988, member of Certified Practicing Accountant, Australia and associate member of Chartered Tax Institute of Malaysia since 2008. He is also a chartered accountant having been registered with the Malaysian Institute of Accountants since 1982.

Mr. Chong has many years of experience in auditing, taxation and financial advisory. From 1980 to 1988, he was attached with a firm of public accountants, Hanafiah Raslan & Mohamad. Thereafter, he set up his own practice under the name of Y C Chong & Co. He is also an Independent Director of VGX Limited, a company listed on National Stock Exchange of Australia.

Additional information:

1. Saved as disclosed, other particulars of the above directors are as follow: -

Name of Director	Family Relationships with any Director / Major Shareholder	Convictions For Offences within the past five (5) years other than Traffic Offences	Directorship in Other Public Companies and Listed Issuers
Dato' Hilmi bin Mohd Noor	None	None	None
Ho Cheng San	Spouse of Angeline Chan Kit Fong	None	None
Angeline Chan Kit Fong	Spouse of Ho Cheng San	None	None
Lee King Loon	None	None	Yes
Ariffin bin Khalid	None	None	None
Chong Ying Choy	None	None	Yes

2. Detailed of board committees to which the directors belong: -

	Board Committee (Date appointed)			
Name of Directors	**Audit**	**Remuneration**	**Nomination**	**Risk Management**
Dato' Hilimi bin Mohd Noor	√ (1 Jan 1999)	-	√ (1 Jan 1999)*	-
Angeline Chan Kit Fong	-	-	-	√ (27 Nov 2017)
Ariffin Bin Khalid	-	√ (27 Nov 2017)	-	√ (17 Jul 2018) *(Appointed w.e.f. 17/07/2018)*
Lee King Loon	√ (16 Jun 2016)* *(Re-designated w.e.f. 21/06/2018)*	√ (16 Jun 2016)	√ (16 Jun 2016)	√ (27 Nov 2017)*
Chong Ying Choy	√ (5 Apr 1997)	√ (5 Apr 1997)*	√ (5 Apr 1997)	√ (27 Nov 2017) *(Resigned w.e.f. 17/07/2018)*

* *Chairman of Board Committee*

3. Other than disclosed in the financial statements of this Annual Report, the above directors have no other conflict of interest with the Group.

4. Detail of the Directors' attendance at Board Meetings during the financial year ended 31 December 2018 are set out in the Corporate Governance Overview Statement on page 30 of this Annual Report.

Profile of Key Senior Management

The disclosure on the particulars of the Key Senior Management of the Group is made in compliance with the requirements under Appendix 9C of Bursa Securities' MMLR:-

Name / Position	Age / Gender / Nationality	Qualification	Work Experience
Ir. Lee Lam Engineering Manager / Head of Engineering	71/ Male/ Malaysian	• Bachelor of Engineering (Hons.) degree in Mechanical Engineering, University Malaya • FIEM • Professional Engineer	• Joined in December 1999, headed various operation departments in the Group, and has more than 30 years of experiences in the sales, design and manufacture of pressure vessels and road tankers.
Lim Paik Goot Financial Controller / Company Secretary	49/ Female/ Malaysian	• Bachelor of Accountancy (Hons.), University Utara Malaysia • Master in Business Administration, University Putra Malaysia • Member of Malaysian Institute of Accountants	• Joined in May 1997 and has more than 20 years of experiences in the finance, accounting, corporate finance, management information system, legal and corporate secretarial.
Qua Hock Guan Business Development Manager	73/ Male/ Malaysian	• Diploma in Management, Malaysian Institute of Management	• Joined in February 2007 and has vast experience in Marketing and Business Development and has 37 years in Exxon Mobil in marketing, training, marketing planning and procurement.
Wong Ai Meng Production Manager	67/ Male/ Malaysian	• Secondary school level	• Joined in 1994 as a production supervisor and was promoted to the current position since July 2007. He has more than 30 years of experience in the resource allocation, planning and fabrication of the Group's products.
Quah Boon Hong Head of Purchasing/ Project Manager	32/ Male/ Malaysian	• Bachelor of Engineering (Hons.) First Division, Mechanical Engineering University of Sunderland.	• Joined in March 2013 as an Assistant Production Engineer and was promoted to Head of Purchasing position in June 2015 and subsequently promoted as a Project Manager in 2018.

Additional Information:
Save as disclosed, none of the Key Senior Management has:-
- any directorship in public companies and listed issuers;
- any family relationship with any director and/or major shareholder of the Company;
- any conflict of interests with the Company;
- any conviction for offences within the past five (5) years other than traffic offences; and
- any public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

The Management Discussion and Analysis ("MD&A") of performance review on financial condition and results of operations should be read in conjunction with the financial statements and the related notes of CN Asia Corporation Bhd ("CN Asia" or "the Company" or "the Group") for the financial year ended 31 December 2018 ("FYE 2018"). The Group reports its financial position, results of operations and cash flows in accordance with Malaysia Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia. The Group's functional currency is in Ringgit Malaysia ("RM") and all amounts in this MD&A are expressed in RM.

OVERVIEW OF GROUP'S BUSINESS AND OPERATIONS

CN Asia is primarily an investment holding company whilst its subsidiary is involved in the manufacturing of steel based products including structural steel, liquefied petroleum gas ("LPG") vessels, tanks, road tankers and pressure vessels, as well as the provision of metal forming services. The Group currently operates in a manufacturing plant located in Selangor. The primary customers of the Group are mainly from the oil and gas, and petrochemical industries. The other customers of the Group include those involved in the business of sewerage, civil and structural steel construction, power generation, and food and beverage. There has been no significant change in the Group's customer base and product and services during the financial year under review.

During FYE 2018, there has been no significant change to the revenue stream of the Group as compared to the preceding year. The revenue from the provision of mechanical and engineering services ("M&E") continued to increase to RM3.84 million in FYE 2018, representing a year-on-year increase of 204.1%. However, all other revenue streams, in aggregate, decreased by RM2.30 million (12.2%) as compared to FYE 2017. Revenues derived from the domestic market and export market accounted for approximately 89.0% and 11.0%, respectively, of the total revenue in FYE 2018.

PERFORMANCE REVIEW

Revenue and Earnings

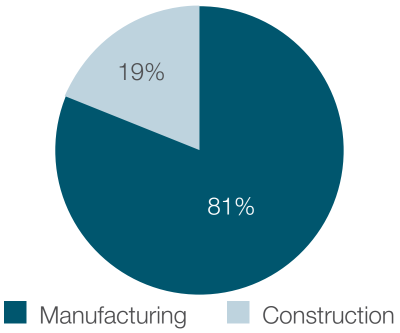
The Group's revenue and profit before tax for the financial year under review and the preceding financial year are summarized as follows: -

	FYE 2018 RM'000	FYE 2017 RM'000
Revenue	20,348	20,075
Gross profit	4,832	4,879
Profit before tax	1,860	1,980
Profit after tax	1,622	1,821
Earnings per share	3.57 sen	4.01 sen
Net assets per share	91.48 sen	89.06 sen

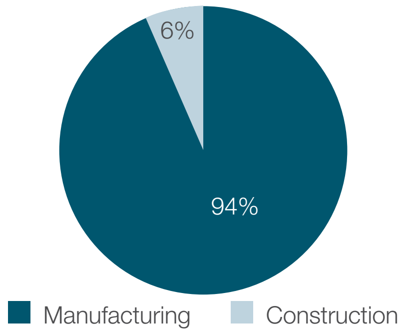
Total revenue increased marginally by RM0.27 million to RM20.35 million in FYE 2018, representing an increase of 1.4% as compared to the preceding financial year. In FYE 2018, revenue from M&E, under the construction segment, increased substantially by 204.1% the whilst a decrease was recorded in respect of all other revenue streams under the manufacturing segment, which includes tanks, pressure vessels, LPG vessels, road tankers and provision of metal forming services. The contribution from M&E to the Group's revenue increased from 6% in FYE 2017 to 19% during the financial year mainly due to M&E project carried forward from the previous financial year.

Management Discussion and Analysis
(cont'd)

Segment Revenue FYE 2018



Segment Revenue FYE 2017



Despite the increase in revenue, the Group recorded a slight decrease in gross profit and gross profit margin in FYE 2018 as compared to the preceding financial year. In FYE 2018, the gross profit and gross profit margin of the Group stood at RM4.83 million and 23.7% respectively as compared to RM4.88 million and 24.3% respectively in FYE 2017. The slight decrease in gross profit margin was mainly caused by the higher cost of direct materials and cost of labour in the provision of M&E services.

	FYE 2018 RM'000	FYE 2017 RM'000
Selling and distribution expenses	158	141
Administrative expenses	3,483	3,378
Other operating expenses	117	301
Other income	854	958
Finance costs	68	37

The Group's profit before tax decreased marginally to RM1.86 million as compared to RM1.98 million in the preceding year. There has been no significant fluctuation in the Group expenditure during the financial year except for the decrease in other operating expenses by RM0.18 million (61.1%) and increase in finance costs by RM0.031 million which did not have a material impact to the Group's results for FYE 2018.

The basic earnings per ordinary share of the Group was 3.57 sen for FYE 2018 as compared to 4.01 sen for FYE 2017 whilst net assets per share increased to 91.48 sen as at 31 December 2018 from 89.06 sen as at 31 December 2017.

Assets and Liabilities

	FYE 2018 RM'000	FYE 2017 RM'000
Assets		
Non-current	11,681	11,992
Current	34,488	32,599
Total assets	46,169	44,591
Equity and Liabilities		
Equity	41,517	40,419
Liabilities		
Non-current	317	197
Current	4,335	3,975
Total liabilities	4,652	4,172
Total equity and liabilities	46,169	44,591

During FYE 2018, CN Asia's asset position remained on an uptrend with an increase in total assets of 3.5% to RM46.17 million. The Group's total liabilities increased by 11.5% to RM4.65 million. The Group's current assets exceeded current liabilities by RM30.15 million which indicates that the Group has adequate resources to meet its short term obligations.

The Group's average inventory turnover period increased from 96 days for FYE 2017 to 121 days for FYE 2018 mainly due to the impact of adopting MFRS 15 coupled with increased raw material stocks maintained at the financial year end as a result of increased bulk-purchases of raw materials during the year.

In FYE 2018, the Group recorded a lower average trade receivables turnover period of 37 days as compared to 59 days in FYE 2017. The decrease was partly due to the impact of adopting MFRS 15 and also an improvement on the collection of trade receivables through regular collection meetings held between the finance team and the sales team. The trade receivables that are past due for more than 60 days amounted to only RM0.81 million, representing 39% of the total trade receivables of the Group as at 31 December 2018. These trade receivables are considered to be recoverable and accordingly, no allowance for doubtful debts is required.

Shareholders' equity increased by RM1.10 million to RM41.52 million as at 31 December 2018, mainly attributable to the profit for the financial year.

Cash, Bank Balances and Borrowings

	FYE 2018 RM'000	FYE 2017 RM'000
Net Cash Flows From Operating Activities	(108)	(3,200)
Net Cash Flows From Investing Activities	432	(789)
Net Cash Flows From financing Activities	879	(1,747)
Net increase/(decrease) in cash and cash equivalent	1,203	(5,736)
Cash And Cash Equivalent At End of the Financial Year	14,699	13,499

In FYE 2018, the Group's overall cash position has improved with an increase of 8.9% to RM14.70 million as compared to FYE 2017. The Group has continued to maintain a relatively low debt to equity ratio of 0.11 times as at 31 December 2018 as compared to 0.10 times as at 31 December 2017.

As at 31 December 2018, the Group's net cash and fixed deposits amounted to RM25.2 million (2017: RM24.0 million), representing 55.6% (2017: 58.0%) of the Group's total assets.

ANTICIPATED OR KNOWN RISKS

The Group is exposed to the risks posed by the continued uncertainty of the economic environment and the volatility of the Malaysian Ringgit against other foreign currencies. Accordingly, the Group is also exposed to several key business risks that may have material effect to the Group's operation and financial performance. The main risk is the price competitiveness of our products which may have material impact on the overall financial performance of the Group and thus mitigating this risk is utmost crucial to sustain the business of the Group.

We believe that the risk of price competitiveness may arise from volatility of market condition. In response to this risk, the Group has implemented various mitigation measures in line with its risk management framework and internal controls. The Group has expanded the scope of supply of its products to provide a more comprehensive solution to existing and potential customers and also implemented more effective marketing strategies to attract new customers. Our marketing strategies include participation in open days and road shows organised by our main customers with the objectives of expanding our network of sourcing for materials, identifying potential business partnerships, to foster closer ties with contractors, and expanding our reach to new and potential customers. The Group is also striving to improve its productivity and planning efficiency in order to improve on the timing of delivery and quality of its products and services, with the principal objective of enhancing customers' satisfaction.

The Group continuously evaluates the unsuccessful bids for contracts in order to identify areas for improvement for future bids. In addition, the Group conducts weekly meetings to carefully scrutinise all incoming enquiries and review the pending bids to assess the success rate of these bids. Where necessary, the Group may revise or implement new strategies in order to increase the success rate of the bids in order to stay competitive.

The Risk Management Committee together with the Audit Committee and the outsourced internal auditors also provides independent oversight on the effectiveness of the Group's risk management process. CN Asia is confident that the mitigation measures implemented will help to reduce adverse effects to the Group's business.

MOVING FORWARD

Practice Note 17

The Company had regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Securities. Upon successfully reporting of net profits for two (2) consecutive quarters after the completion of the implementation of the Regularisation Plan, the Company submitted to Bursa Securities for the uplifting of the PN17 status of the Company. Consequently, on 23 July 2018, Bursa Securities approved the application of the Company for the upliftment from being classified as a PN17 company with effect from 24 July 2018.

Relocation Plan

On 7 December 2016, the Company completed the disposal of two (2) parcels of leasehold lands held through its subsidiaries ("Proposed Disposals") as part of the rationalisation plan of the Group to unlock its capital resources from being tied up in long term assets in order to strengthen its financial position and allow the Group to better focus on its core business. Accordingly, the Group entered into Tenancy Agreements with the new owner to continue with its operations at the current location. On 14 January 2019, the Group has extended the terms of tenancy agreements, which will be expiring on 7 December 2019, for another one (1) year expiring on 7 December 2020. Prior to the expiry of the Tenancy Agreements, the Group shall relocate and construct its new manufacturing facilities and storage area on a new site of which a sum of RM6.0 million has been allocated from the proceeds of the Proposed Disposals.

The Group has identified a parcel of land measuring approximately 1.14 hectares located at Tanjong Dua Belas, Daerah Kuala Langat, Selangor to construct its new manufacturing facility and relocate its operations. The Group is currently carrying out preliminary studies on the suitability of the land. In conjunction with the relocation of the manufacturing facility of the Group, the Board proposes to undertake the overhaul of certain key machinery before installation at the new manufacturing facility of the Group. In order to partially fund the cost for the overhaul of its machinery, the Company has implemented a private placement of up to 10% of the total number of issued shares in CN Asia to independent third party investor(s) to be identified ("Proposed Private Placement"). The Proposed Private Placement has been approved by Bursa Securities in February 2019.

The design of the new manufacturing facilities will embody the Group's initiative to further enhance its production efficiency in terms of material handling and overall production process. The streamlined operations will reduce the dependency on labour in moving the raw materials and/or semi-finished products during the manufacturing process. The machineries shall be moved to the new manufacturing facility in stages in order to minimise disruption to the Group's current production operations. The relocation is expected to commence in the second quarter of 2020. Barring unforeseen circumstances, we do not foresee that the Group's operations will be materially affected by the factory relocation.

Future Outlook

Looking ahead, we foresee a challenging economic and market conditions that may affect the operation and activities of the Group. As such, we remain cautiously optimistic with respect to the current market conditions and the challenges it poses. We will continue developing our core business while expanding our scope of supply to achieve our mission as a regional provider of total containment solutions, which can be customised to meet our customers' specific requirements.

The Group will continue to seek growth opportunities by improving and enhancing its production efficiency and attracting new customers through its new marketing strategies. Given our robust financial position and low gearing, CN Asia is well positioned to remain resilient under the prevailing competitive and challenging business environment.

DIVIDEND

The Board does not propose any dividend for the FYE 2018.

ACKNOWLEDGEMENT

On behalf of the Management, I would like to thank our valued shareholders, customers, suppliers, bankers, advisors, business associates, management, staff at all levels, the relevant authorities and government agencies for their continued support, commitment, contribution and confidence in CN Asia. My sincere appreciation also goes to the rest of our diligent Management team and our employees for their hard work, loyalty, commitment and invaluable contributions to CN Asia and helps us go through the difficult years especially during the process from being classified as an affected listed issuer under PN17 in 2015 till the upliftment in 2018.

Last but not least, I would like to place on record my utmost gratitude and thanks for the valued counsel and continued support I have received from the Chairman and my fellow Board members for the past years.

I am confident that with their continued support & commitment, the Group will remain committed to endure the challenges environment and sustain the Group's business in the coming years.

HO CHENG SAN
Managing Director

Audit Committee Report

MEMBERS OF THE AUDIT COMMITTEE

Lee King Loon	*(Chairman)**	(Independent Director)
Dato' Hilmi bin Mohd. Noor	*(Member)*	(Independent Chairman)
Chong Ying Choy	*(Member)**	(Non-Independent Non-Executive Director)

** Re-designated w.e.f. 21/6/2018*

MEETINGS

There were five (5) Audit Committee ("AC") Meetings held during the financial year ended 31 December 2018. The details of the members' attendances are as follows:-

Audit Committee Member	Number of Meetings Attended
Lee King Loon	4/5
Dato' Hilmi bin Mohd Noor	5/5
Chong Ying Choy	5/5

At the invitation of the Committee, the Group Financial Controller attended all the AC meetings whilst the outsourced internal auditors, GovernanceAdvisory.com Sdn Bhd, attended the fourth and fifth AC Meetings. The former external auditors, Messrs. Siew Boon Yeong & Associates were also invited to attend the first and second AC Meetings whilst the current external auditors, Messrs. Ong & Wong were invited to attend the fifth AC Meeting held during the year.

SUMMARY OF ACTIVITIES

The main activities carried out by the AC during the financial year are sumarised below:-

- Reviewed the quarterly reports including the unaudited financial results of the Group to ascertain compliance with approved accounting standards, other relevant legal and regulatory requirements, prior to recommending to the Board for approval.
- Reviewed and considered the audit planning memorandum and audit review memorandum of the external auditors for recommendation to the Board for approval.
- Reviewed the management letters and the audit reports of the external auditors.
- Reviewed the annual audited financial statements of the Group and recommended to the Board for approval.
- Reviewed and considered the proposal from external service providers for the outsourced internal audit function.
- Reviewed and considered the appointment of outsourced internal auditors for recommendation to the Board for approval.
- Reviewed the internal audit plan and considered the proposed internal audit fees for the year 2020 to 2023 for recommendation to the Board for their approval.
- Reviewed and deliberated on the internal audit reports and monitored the remedial actions taken by the Management based on the recommendation of the outsourced internal auditors.
- Reviewed and considered the External Auditors' Assessment Policy and recommended to the Board for adoption.
- Assessed the performance of External Auditors and recommended to the Board for reappointment.
- Assessed the performance of the external consultant for internal audit function and recommended to the Board for approval.
- Discussed and considered the audit fees of the External Auditors for the financial year ended 31 December 2018 and recommended to the Board for approval.
- Reviewed and deliberated on the selection, nomination and appointment of the current External Auditors (Messrs. Ong & Wong) in replacement of the outgoing external Auditors (Messrs. Siew Boon Yeong & Associates).
- Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and recommended to the Board for approval for inclusion in the Company's annual report.

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to the external consultant, Messrs. GovernanceAdvisory.com Sdn Bhd ("GA") who reports administratively to the Managing Director and functionally to the Audit Committee. The professional fees paid to the outsourced internal auditors during the financial year ended 31 December 2018 amounted to RM20,300. The scope of internal audit covers the examination and evaluation of the adequacy and effectiveness of the Group's system of internal controls, the efficiency of operations and the quality of performance of the relevant departments in carrying out respective assigned responsibilities. The Internal Auditors' primary function is to submit reports that highlight the risks and control weaknesses and provide appropriate recommendations for improvement to provide assurance to the senior management and the Audit Committee that the state of internal controls of the Group is satisfactory. The activities of the internal audit function during the financial year are summarised as follows:-

- Prepared a 3-year internal audit plan for the year 2020 to 2023 for consideration of the Audit Committee.
- Reviewed and assessed the internal audit areas over the past five (5) years to ensure adequacy of the scope, functions, competency and resources of the internal audit functions.
- Performed internal audit reviews to evaluate the adequacy of the internal control system on the overall control environment within the Group.
- Performed risk-based audits on the production of customized / non-standard products to ensure the effectiveness and efficiency in production planning processes which included resource allocation, production progress monitoring and reporting, as well as inter-department communications within the Group.
- Performed follow-up review on the production of non-customized / standard products of the Group.
- Carried out special reviews and more detailed inquiries on issues noted during the audits and/or as requested by the management and/or Audit Committee, and issued reports accordingly to the management and/or Audit Committee, where applicable.

Further details on the internal audit functions are set out in the Statement on Risk Management and Internal Control as set out in pages 60 to 62 of this Annual Report.

Corporate Governance Overview Statement

The Board of Directors of CN Asia Corporation Bhd (the "Board") recognizes that the practice of high standards of corporate governance throughout the Group as a fundamental part of discharging its responsibilities to safeguard the interests of the shareholders and to enhance shareholders' value and financial performance of the Group.

The Board is pleased to report on the manner in which the Group has applied the principles and practices as set out in the new Malaysian Code on Corporate Governance 2017 which was issued by the Securities Commission and took effect immediately (the "Code") and the extent of compliance with the Code pursuant to paragraph 15.25(1) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Company has disclosed the application of each principle and practice as set out in the Code to Bursa Securities in its Corporate Governance Report ("CG Report") pursuant to paragraph 15.25(2) of the MMLR of Bursa Securities. This CG Report is made available and can be downloaded from the Company's website at www.cnasia.com.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Part I - Board Responsibilities

1. Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

The vital responsibilities of the Board are to lead the Group towards its mission by providing entrepreneur leadership and direction as well as management oversight. The Board assumes the following responsibilities for the Group: -

- determining strategic planning and direction of the Group;
- overseeing the overall conduct of the Group's business;
- identifying principal financial and non-financial risk, risk appetite and ensuring the implementation of systems to analyse, evaluate, manage and monitor risks;
- developing succession planning for board and senior management;
- reviewing the adequacy and integrity of the Group's internal control systems and management information systems;
- establishing goals for management and their performance;
- monitoring the achievement of these goals;
- ensuring the integrity of Company's financial and non-financial reporting; and
- ensuring that the Company has in place procedures effective communication with stakeholders.

There is a clear division of responsibilities between the Board members to ensure that there is a balance of power and authority as well as enhance accountability of each member. The Board is always guided by the Board Charter of which the Board's roles, responsibilities and authorities are defined and practiced ensuring the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term value creation with proper social and environmental considerations. The authorisation procedures for key processes are stated in the Group's policies and procedures.

As part of its initiative for the effective discharge of its leadership role and enhancement of accountability, the Board has delegated specific powers to the Chairman, the Managing Director, the Executive Director and the following Board Committees: -

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Risk Management Committee

The powers delegated to each of the Board Committees are set out in the respective Terms of Reference as approved by the Board and are made available on the Company's website at www.cnasia.com.

Notwithstanding the delegation of specific powers, the Board remains its full responsibility for the direction and control of the Group to safeguard the interests of the shareholders and to enhance shareholders' value.

1.2 The Chairman

Dato' Hilmi, the Chairman of the Board, an Independent Director, is able to ensure effective conduct and performance of the Board. He also provides strong leadership leading the Board's priority more objectively in driving the focus on governance and compliance, through his primary responsibility in running and leading the discussion at the Board level.

1.3 Chairman and Managing Director

The positions of Chairman and Managing Director are held by two (2) distinct individuals which are in line with the recommendations of the Code. The distinct and separate roles of the Chairman and Managing Director promote accountability and facilitate the division of responsibilities between them. The Independent Chairman leads the Board in the oversight of management whereas the Managing Director focuses on the day-to-day operations and management of the Group.

Mr. Ho, the Managing Director, with the assistance and support from the Executive Director and Key Senior Management, is responsible for managing the day-to-day management of the Company and the Group, implementing the Board's policies and decisions to achieve the short term and long-term objectives as well as coordinating the development and implementation of business and corporate strategies.

The respective duties and responsibilities of the Chairman and Managing Director are set out in the Board Charter.

1.4 Suitably qualified and competent company secretaries

The Board is assisted by three (3) professional qualified competent Company Secretaries, they provide sound governance advice and advocate adoption of corporate governance best practices. They discharge of their functions with their attendance in the Board and Board Committees meetings and advise the Board on the Board's adherence of rules, policies and procedures in compliance with the relevant regulatory requirements, codes or guidance and legislations. The Company Secretaries, namely Ms. Lim Paik Goot is a member of the Malaysian Institute of Accountants ("MIA"), Ms. Wong Chooi Fun and Ms. Goh Chooi Woan, are both members of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries have attended training and seminars conducted by Companies Commission of Malaysia, MAICSA, MIA and Bursa Securities to keep abreast themselves with the relevant updates and development of the MMLR, compliance with Capital Markets and Services Act 2007 (Amendment 2012) and Companies Act 2016.

The Company Secretaries also ensures that there is good information flow within the Board and between the Board, Board Committees and Key Senior Management. The Company Secretaries are also entrusted to record the Board's deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board and Broad Committees meetings are distributed to the Directors prior to the meetings for their perusal before confirmation of the minutes at the commencement of the next Board and Broad Committees meetings.

The Board has full and unlimited access to the Company Secretaries who are always available to provide the Directors with the appropriate advice and services.

The Company Secretaries attended all Board and Board Committees meetings to record deliberations, issues discussed and conclusions in discharging their duties and responsibilities and also advise the Board on issues relating to the relevant rules and regulations that govern the Company.

1.5 Access to information and advice

All members of the Board have full and unrestricted access to any information pertaining to the Company, the advice and services of the Company Secretary, Key Senior Management and external independent professional advisers may be engaged, where necessary, with approval from the Board or the Board Committees, at the Company's expense to enable the Board to discharge their duties. The meeting materials including agenda and Board papers which are complete and accurate had been circulated to all Directors prior to the Board meetings to enable the Directors to obtain and access further information and clarification to be well informed of the matters before the meetings for consideration.

The Board is updated with the new amendments and updates on the regularisations from the authorities from time-to-time as and when occurred by circulating through emails, meetings, briefing and hard copy, whichever deemed appropriate and applicable.

In addition, the Board is notified of any corporate announcements released to Bursa Securities and is also kept informed of the requirements and updates issued by the various regulatory authorities through the Company Secretaries.

The decisions made at the Board and Board Committees meetings are also communicated to the Management in a timely manner to ensure appropriate execution.

The deliberations and conclusion of issues discussed in the Board and Board Committees meetings are duly recorded in the meetings. The draft of which is circulated for Board and Board Committees' review within a reasonable timeframe after the meeting.

2. Demarcation of Responsibilities

2.1 Board Charter

The Board is guided by the Board Charter which set out the roles and responsibilities of the Board, Chairman, Managing Director and Committees. The Board Charter has been adopted by the Board and the objectives of this Board Charter are to ensure that all Board members are aware of their duties and responsibilities as a member of the Board and that the relevant legislation and the principles and practices of good Corporate Governance are applied in discharging their duties and responsibilities.

The Board Charter will be reviewed periodically and updated by the Board to ensure it is kept up-to-date with changes in regulations and best practice and ensure its effectiveness and relevance to the Board's objectives and responsibilities. The Board Charter is available on the Company's website at www.cnasia.com.

3. Good Business Conduct and Corporate Culture

3.1 Code of Ethics and Conduct

The Code of Ethics and Conduct ("COE") has been put in place for all Directors and employees of the Group as a guide in discharging their duties and responsibilities by demonstrating healthy corporate culture, good judgment transparency, fairness and honesty as well as loyalty and ethics in the conduct of its business that are aligned with best practices and applicable laws, rules and regulations.

This COE has been adopted and reviewed periodically by the Board. It is made available on the Company's website at www.cnasia.com.

3.2 Whistleblowing Policy

The Company believes that the in place of the Whistleblowing Policy will facilitate and encourage disclosure of genuine concerns about any possible violations and improprieties in matters related to financial reporting, compliances and other malpractices committed within the organization as set out in the Whistleblowing Policy included in the Code of Ethics and Conduct of the Company. Should any employees have information regarding the violation or improprieties, he/she should report the matter immediately to the line manager, higher management or the Board. All reports or complaints of this nature shall be treated strictly confidential unless otherwise required disclosure by the law or court order.

Part II - Board Composition

4. Board's Objectivity

4.1 Composition of the Board

Currently, the Board has six (6) members of which 50% of the members are independent directors and the members are as below: -

Name of Directors	Designation	Independent
Dato' Hilmi bin Mohd Noor	Independent Chairman	Yes
Ho Cheng San	Managing Director	No
Angeline Chan Kit Fong	Executive Director	No
Lee King Loon	Independent Director	Yes
Ariffin bin Khalid *(Re-designated w.e.f.17/7/2018)*	Independent Director	Yes
Chong Ying Choy *(Re-designated w.e.f. 21/6/2018)*	Non-Independent Director	No

The present Board composition complies the Code that at least half of the Board comprises of Independent Directors. The Independent Directors provide check and balance for the effective and efficient functioning of the Board.

In the event of any vacancy, resulting in less than two (2) directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors, the Company must fill the vacancy within three (3) months.

During the 22nd Annual General Meeting held on 21 June 2018, the resolution to retain Mr. Chong Ying Choy, who has served as an Independent Director of the Company for a cumulative term of more than twelve (12) years, to continue to act as an Independent Director of the Company was not passed through the two-tier voting process. Consequently, Mr. Chong was re-designated as Non-Independent Director with immediate effect, resulting in one-third (1/3) of the Board are Independent Directors.

In order to maintain 50% members of the Board as independent directors, Encik Ariffin bin Khalid was re-designated as Independent Director within one (1) month from the 22nd AGM held on 21 June 2018.

Together, the Directors with their different backgrounds and specialisation, collectively bring with them a wide range of business, management, financial and technical experiences. The profile of each Director is set out on pages 19 to 21 of this Annual Report.

4.2 Tenure of Independent Director

The Code recommends that the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. However, an Independent Director may continue to serve the Board upon reaching the nine (9) years limit subject to the Independent Director re-designated as Non-Independent Director. In the event the Board intends to retain the Director as Independent after the Independent Director has served a cumulative term of nine (9) years, the Board must justify the decision and seek for annual shareholders' approval. If the Board continues to retain the Independent Director after the twelfth (12th) year, the Board should seek annual shareholders' approval through a two-tier voting process.

The Board recognizes the importance of independence and objective in its decision-making process. Nevertheless, the Board is of the view that the Independent Director of the Company, who has served as Independent Director for a cumulative term of more than twelve (12) years, namely Dato' Hilmi bin Mohd Noor, has over the time developed increased insight into the Company of which his experience and exposure to the Company over the years has provided an increasing contribution to the effectiveness of the Board.

In order to ensure independent and objective judgment is brought to the Board's deliberation by genuine independence of the Independent Directors and to ensure conflict of interest or undue influence from interested parties is well taken care of, the Board is committed to ensure the independence of the Independent Directors are assessed by the Nominating Committee prior to their appointment based on formal nomination and selection process with the results of the review are reported to the Board for consideration and decision.

The Board will seek for shareholders' approval at the forthcoming Annual General Meeting to retain Dato' Hilmi bin Mohd Noor, who has served the Board as an Independent Director for a tenure of more than twelve (12) years, through a two-tier voting process as recommended by the Code.

4.3 Policy of Independent Director's Tenure

The Company does not have a policy which limits the tenure of its Independent Directors to nine (9) years. The shareholders' approval was obtained at the Annual General Meeting for the retainment of Dato' Hilmi bin Mohd Noor, who has served the Board as an Independent Chairman for a cumulative term of more than twelve (12) years to continue to serve as Independent Chairman.

4.4 Diverse Board and Senior Management

Appointment of Board and Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender. The Board has in place a set of directors' selection criteria for use in the selection and recruitment process. This set of criteria will be used as a reference by the Group's Human Resource department for the selection and recruitment of Senior Management of the Group. The Profile of Directors and the Senior Management Team are set out on pages 19 to 21 and page 22 respectively of this Annual Report.

4.5 Gender Diversity Policy

The Board is supportive of the gender diversity in the boardroom as recommended by the Code. In considering Board appointment, the Board, through its Nomination Committee, believes in and provides equal opportunity to candidates who have the necessary skills, experience, commitment (including time commitment), core competencies and other qualities regardless of gender, ethnicity and age. Currently, there is one (1) female director on Board, Madam Angeline Chan Kit Fong, representing 16.7% female participation on the Board.

The Board does not have a specific policy on setting for female participation on Board. Nevertheless, the Board is committed to providing fair and equal opportunities, through its Nomination Committee, in considering gender diversity to achieve optimum composition of the Board.

The Board, through the Nomination Committee, will continue to observe the female participation in the Board and will take steps towards formalising such policy, targets and measures to reflect company commitment towards gender diversity.

4.6 New Candidates for Board Appointment

There is no new appointment of director during the financial year under review.

The Nomination Committee is responsible for identifying, assessing and recommending to the Board suitably qualified candidates for directorship on the Board as well as members of the Board Committees.

The NC will assess candidate's suitability based on a set of criteria as set out in the Criteria for Selection of Directors established and approved by the Board.

In identifying suitable candidates, the Board does not solely rely on recommendations from existing Board members, management and major shareholders. It is also open to referrals from external independent sources available, such as industry and professional associations, Financial Institution Directors Education ("FIDE") Forum and independent search firms to identify suitably qualified candidates, when necessary.

4.7 Nomination Committee

The Nomination Committee is chaired by an Independent Director or the Senior Independent Director. They are tasked by the Board to amongst others, identify, assess and recommend to the Board suitably qualified candidates for appointment to the Board and Board Committees, re-election and re-appointment of Directors, and review the independence of Independent Directors, considering the Board's succession planning and training programmes as well as performing formal assessment of the effectiveness of individual Directors and the annual appraisal of the Executive Directors' performance based on the selected performance criteria. In addition, the Committee is also tasked to review the required mix skills, experience and other qualities, including core competencies of the members of the Board.

The Nomination Committee comprises of exclusively non-executive directors, a majority of whom are Independent Directors and the members are: -

Name of Directors	Directorate	Designation
Dato' Hilmi bin Mohd Noor	Independent Director	Chairman
Lee King Loon	Independent Director	Member
Chong Ying Choy *(Re-designated w.e.f. 21/6/2018)*	Non-Independent Director	Member

The Terms of Reference of the Nomination Committee is being reviewed, updated and adopted at a Board meeting held during the financial year. It is made available on the Company's website at www.cnasia.com.

5. Overall Board Effectiveness

5.1 Annual Evaluation

During the Nomination Committee meeting held during the financial year, an evaluation was carried out through a set of questionnaires with the answers collated, summarised and reported to the Board by the Chairman. The Board, through the recent review and assessment of the Nomination Committee, confidently believe that the size and composition of the Board are appropriate, balance and that there is an appropriate mix of skills, experience and expertise as well as a core competency to discharge its duties effectively.

In addition, the Committee has developed a set of criteria for use in the recruitment process, deliberated by the Committee and adopted by the Board during the financial year under review.

The current criteria for annual assessment of Directors are outlined in the Director's Evaluation Form. The effectiveness of the Board is assessed in the areas of Board size, a mix of composition, the conduct of Board meeting, Boardroom activities and Directors' skills set matrix. The Board Committees are assessed based on their roles and scope of work, the supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their duties.

In the case of individual Directors, peer and self-assessment is carried out to evaluate their contribution, performance and competencies, such as ability to give constructive suggestions, provide logical and honest opinion on issues deliberated, demonstrate objectivity and integrity in decision making process, offer practical and realistic advice and demonstrate willingness to devote time and effort to the Board and Board Committees. In the case of Independent Directors, they are also assessed on the level of their independence and ability to defend stand through constructive deliberation where necessary. In addition, the Directors are also being assessed on their calibre and personality in discharging their duties and responsibility as a member of the Board.

In accordance with the Company's Constitution, newly appointed Directors shall hold office until the next following annual general meeting and shall then be eligible for re-election by shareholders in the next Annual General Meeting subsequent to their appointment. The Constitution also provides that one-third (1/3) of the Board are required to retire at every annual general meeting and be subject to re-election by shareholders and all directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Time Commitment of the Board

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when necessary.

In the intervals between Board meetings, for exceptional matters requiring urgent Board decisions, Board approvals are obtained via circular resolutions which are supported with information necessary for an informed decision. To facilitate Directors' planning and time management, an annual meeting calendar is discussed during the Board of Directors Meeting before the beginning of each new financial year.

During the financial year ended 31 December 2018, the Board held six (6) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions, appointment of external auditors, review and reorganise the Company's Board of Directors and Board Committees, remuneration of the Directors, recommendation for re-election/re-appointment of Directors at Annual General Meeting and the direction of the Group. The details of the attendance of each member of the Board at the Board Meetings are as follows:

Name of Directors	Attendance of Meetings	Percentage (%)
Dato' Hilmi bin Mohd Noor	6/6	100
Ho Cheng San	6/6	100
Angeline Chan Kit Fong	6/6	100
Lee King Loon	5/6	83
Ariffin bin Khalid	6/6	100
Chong Ying Choy	6/6	100

The following are the details of the attendance of Board Committees at the Board Committees meetings held during the financial year ended 31 December 2018:-

(i) Audit Committee

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Lee King Loon*	Chairman	4/5	80
Dato' Hilmi bin Mohd Noor	Member	5/5	100
Chong Ying Choy*	Member	5/5	100

** Re-designated w.e.f. 21/6/2018*

(ii) Remuneration Committee

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Chong Ying Choy	Chairman	1/1	100
Lee King Loon	Member	1/1	100
Ariffin bin Khalid	Member	1/1	100

(iii) Nomination Committee

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Dato' Hilmi bin Mohd Noor	Chairman	1/1	100
Chong Ying Choy	Member	1/1	100
Lee King Loon	Member	1/1	100

(iv) Risk Management Committee

Name of Directors	Designation	Attendance of Meeting	Percentage (%)
Lee King Loon	Chairman	1/2	50
Ariffin bin Khalid*	Member	1/1	100
Angeline Chan Kit Fong	Member	2/2	100
Chong Ying Choy**	Member	1/1	100

* *Appointed w.e.f. 17/7/2018*
** *Resigned w.e.f. 17/7/2018*

Based on the attendance record of the Board Committees meetings above, the Board is satisfied with the time commitment given by the Directors. All the Directors are following the provision of Paragraph 15.06 of the MMLR on the restriction of not holding more than five (5) directorships in listed issuers. The Directors' directorship in other listed issuers is disclosed in their respective profile. The Directors must notify the Board in a timely manner before accepting an invitation to serve on the board of another public listed company taking into consideration any actual or apparent conflicts of interest and impairments to independence as well as time and energy necessary to satisfy the requirements of Board and Board Committees memberships in the other public listed company.

Assessment of Independent Directors

The Board, through the Nomination Committee, assesses the Independent Directors annually where the evaluation took into account the individual Director's ability to exercise independent judgment at all times and to contribute to the effective functioning of the Board.

In addition, the three (3) Independent Directors are not employees of the Company and there are no relationships or circumstances which are likely to affect, or could appear to affect, the Independent Directors' judgment.

The Board is satisfied with the level of independence demonstrated by the Independent Directors and believed that the Independent Directors will continue to bring independent and objective judgment to Board deliberations.

Directors' Training

At the date of this report, all Directors have successfully attended the Mandatory Accreditation Programme as prescribed by Bursa Securities. The Board, through the Nomination Committee, has undertaken an assessment of the training needs of each Director and the Directors will continue to undergo relevant training programmes, seminars, workshops, talks and conferences to keep abreast with new regulatory developments and relevant changes in business environment on a continuous basis in compliance with paragraph 15.08 of the MMLR of Bursa Securities.

During the financial year ended 31 December 2018, the Directors have attended seminars and training as follows:

Name of Directors	Seminar and Training Programmes	Date
Dato' Hilmi bin Mohd Noor	• Understanding of GST to SST Transition And An Overview of New SST Model	6 September 2018
Ho Cheng San	• Understanding of GST to SST Transition And An Overview of New SST Model	6 September 2018
Angeline Chan Kit Fong	• Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Understanding of GST to SST Transition And An Overview of New SST Model	16 March 2018 6 September 2018
Lee King Loon	• Microeconomic Forces in Financial Market • MFRS 9: Expected Credit Loss Model • Understanding of GST to SST Transition And An Overview of New SST Model • Advanced Master Class: Service Tax Applications & Planning with RMC Development	26 February 2018 13 July 2018 6 September 2018 18 October 2018
Ariffin Bin Khalid	• Understanding of GST to SST Transition And An Overview of New SST Model	6 September 2018
Chong Ying Choy	• Corporate Governance Briefing Sessions: MCCG Reporting & CG Guide • Transitional Issue of GST • Understanding of GST to SST Transition And An Overview of New SST Model • Topical Tax Issues Facing SMEs • MPERS: Practical Issues and Fair Value Measurements • Audit Quality Enhancement Programme for SMPs 2018 • MBRS For Preparers- Financial Statement on MPERS format • 2019 Budget Seminar	16 March 2018 31 May 2018 6 September 2018 2 October 2018 5 October 2018 16 & 17 October 2018 24 October 2018 21 November 2018

The Directors are encouraged to attend other relevant training programmes to enhance the insight of their business, improve their technical knowledge and professionalism in discharging their duties as Directors of the Company. The relevant training, briefings, seminars and conferences, covering topics on governance, risk management, accounting, general management and investor relations were circulated by the Joint Company Secretaries to the Board members for consideration in the aim to keep themselves updated on changes to the legislation and regulations affecting the Group.

In addition, the Directors are updated by the Company Secretaries on any changes to the statutory, corporate and regulatory requirement relating to Directors' duties and responsibilities or the discharge of their duties as Directors as and when occurred. The external auditors also have briefed the Board on the changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements.

Part III – Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy and Procedure ("RPP")

The Group's RPP sets out the procedure of determining the remunerations of directors and senior management which takes into account the demands, complexity and performance of the Group as well as skills and experience required for the position.

The objectives of this RPP are to ensure that the directors and senior management are offered an appropriate level and composition of remuneration and other benefits by taking into account the Group's desire to attract and retain the right talent and expertise with the aim to motivate the directors and senior management to achieve the Group's short-term and long-term business objectives.

The Group's RPP is adopted and will be periodically reviewed by the Board to ensure it remains effective, consistent with the Board's objectives and responsibilities and in line with the relevant laws and legislation. This RPP is made available on the Company's website at www.cnasia.com.

6.2 Remuneration Committee

The Remuneration Committee is responsible to recommend the remuneration at levels which are sufficient to attract and retain the Directors needed to run the Company successfully taking into consideration all relevant factors including the functions, workload and responsibilities involved. In establishing the remuneration packages and benefits for the Managing Director and Executive Director, the Remuneration Committee has regarded the packages offered by comparable companies and may obtain independent advice, where necessary. The remuneration of the Managing Director and the Executive Director comprises a fixed salary and allowance approved by the Board, which is in line with the Group's performance, overall policy on compensation and benefits with due consideration to compensation levels.

The recommendation to the Board was made based on the results of the evaluation and review of the Committee conducted on an annual basis. The Board determines the remuneration of Executive and Non-Executive Directors. The Managing Director is tasked to review and assess the remuneration packages of the senior management of the Group.

During the financial year, there was one (1) Remuneration Committee meeting held to review the performance and remuneration package for Executive and Non-Executive Directors which was attended by all committee members. The remuneration package of the Managing Director and Executive Director were approved by the Board with a recommendation from the Remuneration Committee.

Remuneration package of Non-Executive Directors will be a matter to be decided by the Board as a whole with the Directors concerned abstaining from deliberations and voting on decisions in respect of his individual remuneration. Fees and benefits payable to the Directors are determined by the Board with the approval from shareholders at the Annual General Meeting.

The current Remuneration Committee comprises exclusively of Non-Executive Directors, a majority of Independent Directors, and the members are as follows:

Name of Directors	Directorate	Designation
Chong Ying Choy *(Re-designated w.e.f. 21/06/2018)*	Non-Independent Director	Chairman
Lee King Loon	Independent Director	Member
Ariffin bin Khalid *(Re-designated w.e.f. 17/07/2018)*	Independent Director	Member

For the financial year ending 31 December 2019, the Group is proposing the same fees payable to all the Directors of the Group except for the Managing Director, details of which are set out in item 7.1 below.

The Remuneration Committee has written Terms of Reference which deals with its duties and authorities. This Term of Reference is adopted and periodically reviewed by the Board and is made available on the Company's website at www.cnasia.com.

7. Remuneration of Directors and Senior Management

7.1 Directors' remuneration

The Directors' fees payable in respect of the financial year ended 31 December 2018 and the financial year ending 31 December 2019, which are subject to the shareholders' approval at the forthcoming Annual General Meeting, are as follows:

Name of Directors	Directorate	2018 Fees RM	2019 Proposed Fees RM
Dato' Hilmi bin Mohd Noor	Independent Chairman	60,000	60,000
Angeline Chan Kit Fong	Executive Director	36,000	36,000
Lee King Loon	Independent Director	39,000	42,000
Ariffin bin Khalid *(Re-designated w.e.f. 17/07/2018)*	Independent Director	36,000	36,000
Chong Ying Choy *(Re-designated w.e.f. 21/06/2018)*	Non-Independent Director	39,000	36,000
Total		210,000	210,000

The aggregate Directors' remuneration paid or payable to each Director of the Company are categorised into appropriate components for the financial year ended 31 December 2018 as follows:

(a) Received from the Company

Name of Director and Directorate	Fees RM	Salaries RM	Benefit-in-kind and Other emoluments RM	Total RM
Executive Director				
Angeline Chan Kit Fong	36,000	-	-	36,000
Independent Director				
Dato' Hilmi bin Mohd Noor	60,000	-	-	60,000
Lee King Loon	39,000	-	-	39,000
Ariffin bin Khalid	36,000	-	-	36,000
Non-Independent Director				
Chong Ying Choy	39,000	-	-	39,000
Total	210,000	-	-	210,000

(b) Received on Group Basis

Name of Director and Directorate	Fees RM	Salaries RM	Benefit-in-kind and other emoluments RM	Total RM
Executive Director				
Ho Cheng San	-	360,000	245,178	605,178
Angeline Chan Kit Fong	36,000	139,200	28,427	203,627
Independent Director				
Dato' Hilmi bin Mohd Noor	60,000	-	-	60,000
Lee King Loon	39,000	-	-	39,000
Ariffin bin Khalid	49,000	-	-	49,000
Non-Independent Director				
Chong Ying Choy	39,000	-	-	39,000
Total	223,000	499,200	273,605	995,805

7.2 Remuneration of Top Five Senior Management

The remuneration of the top five senior management including salaries, benefit-in-kind and other emoluments for the financial year ended 31 December 2018 disclosed in bands of RM50,000 is as follow:

Range of Remuneration	Benefit-in-kind and Other emoluments
RM50,000-RM100,000	1
RM150,001-RM200,000	3
RM200,001-RM250,000	1
Total	5

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I – Audit Committee

8. Effective and Independent Audit Committee

8.1 Chairman of Audit Committee

The Chairman of the Audit Committee is Mr. Lee King Loon, an Independent Director, who is not the Chairman of the Board. He was appointed as Chairman of Audit Committee on 21 June 2018 following the re-designation of the formal Chairman Audit Committee, Mr. Chong Ying Choy, to Non-Independent Director. The profile of the Chairman of Audit Committee is set out in the Profile of Directors detailed on pages 19 to 21 of this Annual Report.

8.2 Assessment of suitability and independence of external auditors

The Company maintains a transparent relationship with the external auditors in seeking their professional advice and towards ensuring compliance with the accounting standards.

The key features underlying the relationship between the Audit Committee and the external auditors are outlined in the Audit Committee's Terms of Reference made available on the Company's website at www.cnasia.com whereas a summary of the works of the Audit Committee during the financial year is set out in the Audit Committee Report detailed on pages 28 to 29 of this Annual Report.

The external auditors of the Company fulfil an essential role on behalf of the Company in giving an assurance to the shareholders and others, of the reliability of the financial statements of the Company. It is the obligation of the external auditors to bring to the attention of the Board, the Audit Committee and the Company management any significant deficiency in the Company's systems of reporting, internal control and compliance with approved accounting standards as well as legal and regulatory requirements. The external auditors of the Company are invited to attend at least one meeting of the Audit Committee a year in the absence of the Executive Directors and management.

During the financial year ended 31 December 2018, there was one (1) private session held in the Audit Committee meeting between the Audit Committee members, the external auditors and the external company secretaries in the absence of an Independent Director, Executive Directors and Management.

The Audit Committee discusses the nature and scope of the audit, reporting obligations and audit schedule with the external auditors' prior commencement of audit engagement. It is also the practice of the Audit Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

The Audit Committee is empowered by the Board to review all issues in relation to the reappointment of external auditors. During the financial year under review, the performance evaluation of the external auditors was carried out by the Audit Committee through a set of questionnaires with the answers collated, summarised and deliberated during the Audit Committee meeting and recommended to the Board for reappointment of the external auditors.

The external auditors have confirmed to the Board that they are, and have been, independent throughout the conduct of audit engagement in accordance with the terms of relevant professional and regulatory requirements. The Board has received a written declaration from the external auditors of their independence throughout the term of their engagement in accordance with the terms of the relevant professional and regulatory requirements including the by-laws of the MIA.

In the effort to further enhance the assessment of sustainability and independence of external auditors' posses with relevant experiences and skills for such appointment, the Board has formalised the External Auditors' Assessment Policy (the "Policy") during the financial year ended 31 December 2018. The Policy sets out the procedures of assessing, monitoring services and supervising the performance, sustainability and independence of the external auditors. It also covers the procedures for the selection and appointment of external auditors as well as considering circumstances under which contracts for the provision of non-audit services could be entered by the external auditors.

The Terms of Reference of Audit Committee provides that any former key audit partner to be appointed as a member of the Audit Committee, a cooling-off period of at least two (2) years will be observed by the Group.

8.3 Composition of Audit Committee

The Audit Committee comprises three (3) members, and all member are Non-Executive Directors, with the majority of Independent Directors. None of the members was a former key audit partner of the Company's external auditors.

The members of the Audit Committee possess a variety of industry-specific knowledge and technical as well as commercial experiences bring to bear objective and independent judgment in discharging their duties. All members of the Audit Committee are financially literate and can understand matters under the purview of the Audit Committee including the financial reporting processes of the Group.

During the financial year ended 31 December 2018, the members of the Audit Committee undergone various training programmes, seminars, workshops and conferences to keep themselves updated with new regulatory developments and changes affecting the Group of which are detailed in Item 5.1 – Directors' Training of this statement.

Part II – Risk Management and Internal Control Framework

9. Effective Risk Management and Internal Control Framework

The Board has ultimate responsibility in reviewing the Group's risks, approving the risk management framework and overseeing the Group's strategic risk management and internal control system to safeguard shareholders' investments and the Group's assets. The Audit Committee and Risk Management Committee, which comprises a majority of Independent Directors assist the Board in discharging these responsibilities by overseeing and reviewing the risk management framework and the effectiveness of the risk management and internal control of the Group.

The Group has outsourced the activities and function of the internal audit to external consultants that reports administratively to the Managing Director and functionally to the Audit Committee. Details of the Group's risk management and internal control framework including the scope of work covered by the outsourced internal audit function are provided in the Statement on Risk Management and Internal Control as set out in pages 60 to 62 of this Annual Report.

10. Effective Governance, Risk Management and Internal Control Framework

The Board acknowledged that the overall responsibility in maintaining a sound risk management framework and system of internal control that provides reasonable assurance of effective and efficient operations and compliance with the internal procedures and guidelines

The outsourced internal audit function provides the Audit Committee with periodic internal audit reported outlined the observations and recommendations to accomplish its goals by bringing an objective and disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.

During the financial year under review, a self-assessment evaluation was carried out by the outsourced internal audit function to assess their performance competency, resources and independence in discharging their duties of internal audit function of the Group. Further evaluation was carried out by the Audit Committee on the performance of the outsourced internal audit function of the Group and the results were reported to the Board and that the outcome of the assessment is as follows:-

- The outsourced internal audit team are independent and objective from the management of the Group;
- The number of resources in the outsourced internal audit team is 5;
- The name and qualification of the persons responsible for the audits are:-
  - Jason Tee – Associate Member of The Institute of Internal Auditors Malaysia (AIIA), Bachelor of Commerce;
  - Wong Tchen Cheg – Master in Commerce; Master in Administration; CPA;
- The intenal audit function is carried out in accordance with a recognised framework.

The Board is satisfied that the outsourced internal audit has the necessary competency, experience, resources and independency to carry out its function effectively in discharging its duties internal audit functions of the Group.

Further details of the Group's risk management and internal control framework is provided in the Statement on Risk Management and Internal Control and Audit Committee Report set out in pages 60 to 62 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I – Communication with Stakeholders

11. Continuous Communication between the Company and Stakeholders

The Board recognises the importance of an effective, transparent and regular communication between the Company and its stakeholders to facilitate mutual understanding of each other's objectives and expectations. The primary modes of disseminating information on the Group's business activities, corporate activities and financial performance are the annual reports, quarterly results and any announcements on material corporate exercise, in particular, the update of the Company's PN 17 status.

The Board has formalised its Corporate Disclosure Policy and Procedure ("CDPP") to enable comprehensive, timeliness, accuracy and quality disclosures to the regulators, shareholders and stakeholders with the intention of giving as clear and complete information of the Group's position and financial performance as possible within the bounds of practicality and legal and regulatory framework governing release of material and price sensitive information. This CDPP provides a good framework for compliance with the disclosure policies under the MMLR of Bursa Securities and set out the designated persons authorised and responsible to approve, coordinate and disclose material information to shareholders and stakeholders.

The Group maintains its corporate website at www.cnasia.com for shareholders and the public to access information relating to its businesses, financial performance, operations and corporate development through annual reports, quarterly reports, circulars and various announcements on a timely manner. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. Primary contact details are set out at the Company's website. Written communications are attended to within a reasonable time from the day of receipt.

Part II – Conduct of General Meetings

12. Encourage Shareholders' Participation at General Meetings

The Board acknowledges the need for shareholders to be informed of the developments and performance of the Company and the Group. The distribution of annual reports, announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations.

The principal forum for dialogue with shareholders remains at the Annual General Meeting. The Annual Report together with the notice of Annual General Meeting is circulated at least twenty-eight (28) days before the meeting date to provide shareholders sufficient time to go through the Annual Report and make the necessary attendance and voting arrangement at the Annual General Meeting. Each item of special business included in the notice of meeting will be accompanied by a full explanation on the effects of a proposed resolution.

Shareholders are encouraged to ask questions and seek clarification at the Annual General Meeting of the Company on both the resolutions being proposed and the Group's business and performance. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. The Share Registrar is available to attend to matters relating to shareholders' interest during the Annual General Meeting. Alternatively, shareholders can seek additional information and divert queries to the Company through the Company's website at www.cnasia.com which is being updated and enhanced from time-to-time to include corporate, financial as well as non-financial information.

During the last Annual General Meeting, which had been attended by all the Directors, the Chairman provided shareholders with a brief review of the Company's financial year's performance and operations. The Group's senior management and external auditors were also in attendance to respond to the shareholders' queries. All resolutions as set out in the Notice of Annual General Meeting were put to vote by poll. A poll administrator was appointed to administrate, coordinate and counting the votes and a scrutineer was appointed to validate the vote cast during the Annual General Meeting. The voting decisions were then announced to the shareholders by the Chairman at the Annual General Meeting that all resolutions as set out in the Notice of Annual General Meeting were duly passed by the shareholders except for the Resolution 7 on the retainment of Mr. Chong Ying Choy to continue office as Independent Director of the Company for a cumulative term of more than twelve (12) years, where shareholders' approval was sought through a two-tier voting process pursuant to Practice 4.2, Principle A (II) of the Code, tier 1 voting was passed whereas the tier 2 voting was defeated by a simple majority.

The Board is satisfied with the current Annual General Meeting programme and there have been no major controversial issues noted with shareholders/investors during the Annual General Meeting.

The Company's General Meeting has been held within the Klang Valley at locations which are accessible by public transport and never in a remote location.

As an alternative practice, shareholders who are unable to make the journey can send a proxy in place to attend the AGM, to participate, speak and vote on their behalf.

However, the Company will continue to explore the availability of a reliable technology which is suitable and efficient for this purpose.

This statement was presented and approved by the Board on 3 April 2019.

Directors' Responsibilities Statement
for Preparing the Financial Statements

The Directors are responsible for the preparation of the financial statements of the Group that give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and of the results and cash flows of the Group and of the Company for the financial year then ended in accordance with Malaysia Financial Reporting Standards, International Financial Reporting Standards, the Companies Act, 2016 (the "Act") in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

In preparing the financial statements, the Directors have:-

- adopted appropriate accounting policies and applied these accounting policies consistently;
- made judgements and estimates that are prudent and reasonable; and
- prepared the financial statements on a going concern basis, unless they consider that to be inappropriate.

The Directors have the responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure the financial statements comply with the provisions of the Act.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Group and of the Company to prevent and detect fraud and other irregularities.

This statement was presented and approved by the Board on 3 April 2019.

Sustainability Statement

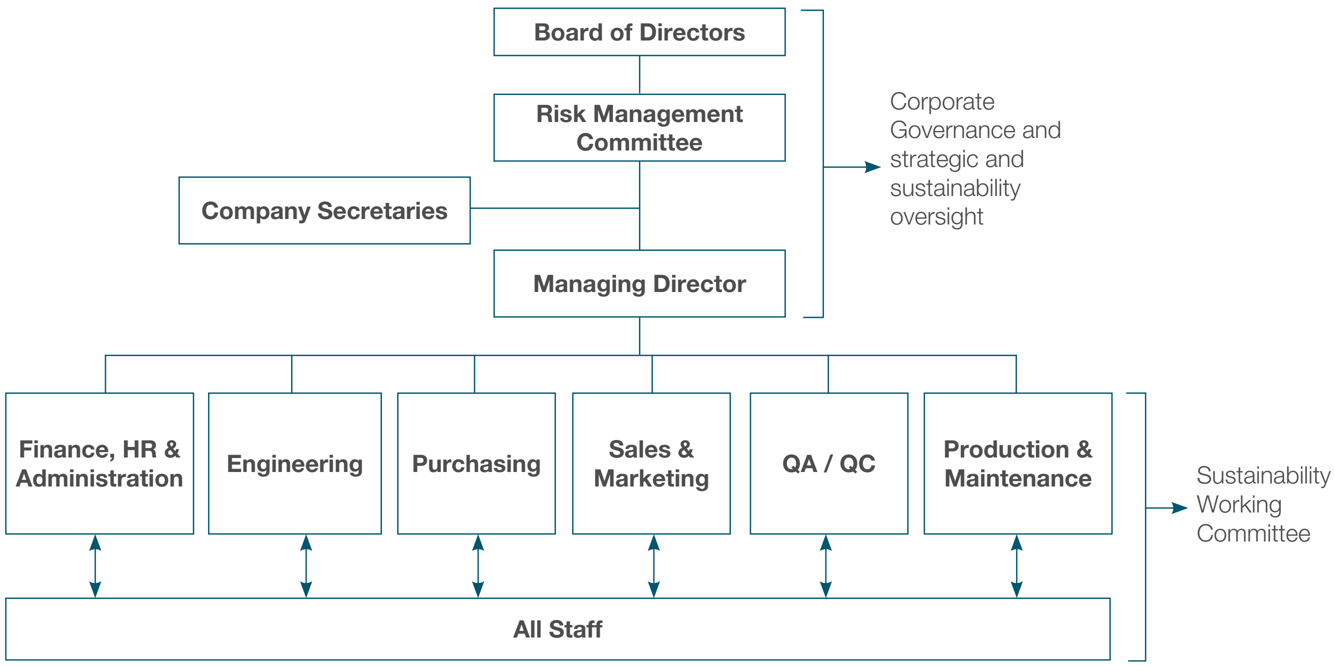
INTRODUCTION

The Board of Directors recognizes the growing importance of sustainability related issues which can have a significant impact on the Group's business. This is the second Sustainability Statement of the Group that covers the financial period from 1 January 2018 to 31 December 2018 for all the active entities included in this Annual Report. This statement is prepared in accordance with Part III, Practice Note 9 of the MMLR of Bursa Securities.

OUR COMMITMENT

CN Asia upholds high standards of corporate governance and transparency to safeguard shareholders' interests. It has in place an adequate and effective Risk Management framework to enhance its business resilience and agility. In the effort of enhancing its sustainability governance, the matters relating to sustainability come under the purview of the Board, supported by its Risk Management Committee ("RMC") and administrated by the Company Secretaries. The RMC provides an oversight and advisory of the sustainability agenda of CN Asia while reviewing and deliberating on matters relating to sustainability risks and opportunities of the Group. The RMC is assisted by the Sustainability Working Committee ("SWC"), comprising key management personnel and heads of department across the Group's organisation structure. The SWC is led by the Managing Director ("MD"), who has demonstrated a strong commitment towards sustainability and provides stewardship in driving the sustainability reporting initiatives across the Group. The sustainability matters are managed by various departments within the Group.

Sustainability Management Structure



By adopting the above sustainability management structure, the Group has a robust framework that support accountability, internal controls, risk mitigation as well as oversight and management of economic, environmental and social ("EES") related matters of the Group. The framework provides us with a foundation to deliver our responsibilities and stay mindful of the social and environmental needs of our stakeholders. The framework sets the approach by which CN Asia manages its governance affairs and sustainability matters across the Group, and provides a set of guidelines, policies and procedures in cultivating good corporate governance, managing sustainability risks and promoting social and environmental awareness across the Group, encompassing the following subjects:

- Board Charter
- Terms of Reference for all respective Board Committees
- Code of Ethics and Conduct
- Corporate Disclosure Policy and Procedure
- Whistleblowing Policy
- Policy and Procedure on Disaster Recovery Plan
- Health, Safety and Environment ("HSE") Policy

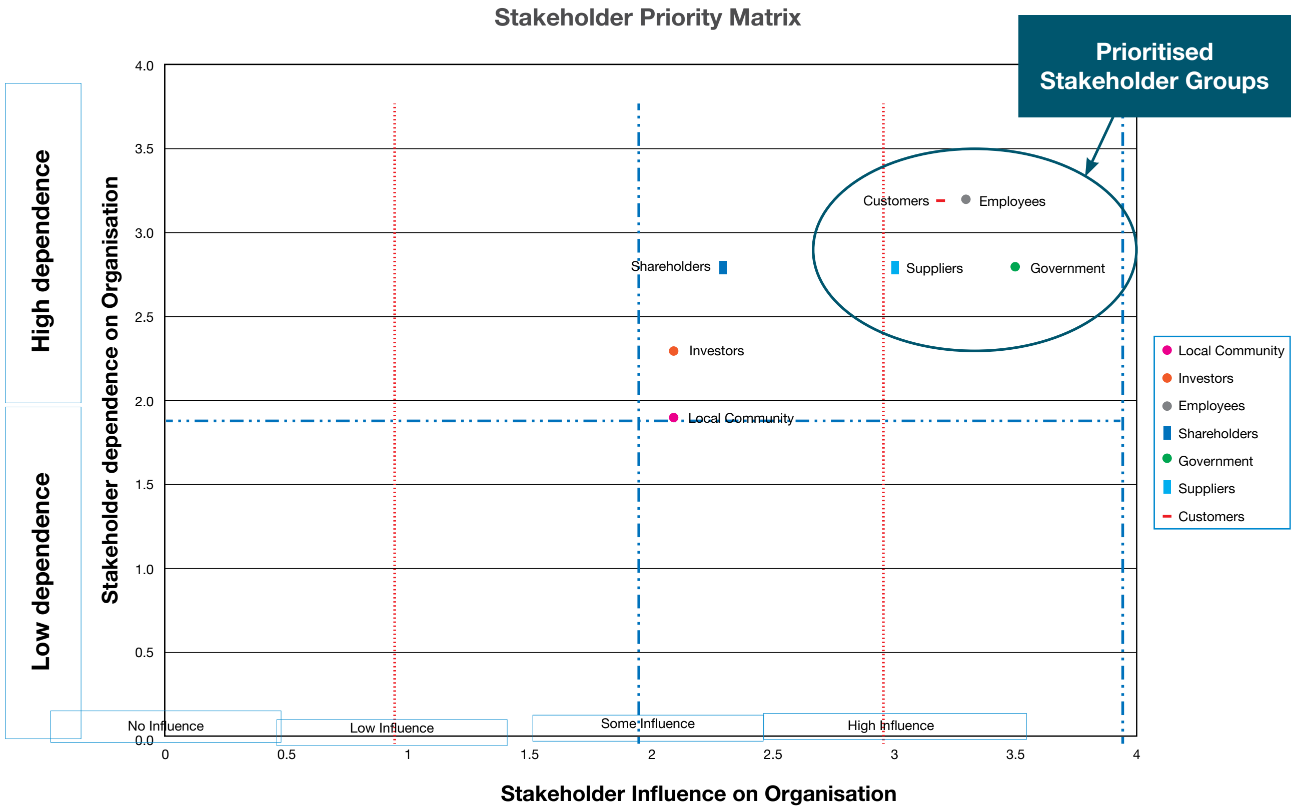
STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms an integral part of the overall sustainability strategy of the Group. Engagement with stakeholders will provide the Group with a better understanding of the way in which our activities have an impact on the EES, and an opportunity to identify sustainability risks and prospects that may not be otherwise considered by the Group. It also enables the Group to stay engaged with its internal and external stakeholders and be more conscious of the impact or potential to impact of the Group's activities on these stakeholders. The continuous engagement with stakeholders, via a two-way communication process, will also enable us to gain more insight as to how we may foster a closer relationship with our stakeholders, and ultimately enhancing sustainability.

During FYE 2018, the Group engaged with a wide range of stakeholder groups, which include employees, customers, suppliers, government, shareholders, investors and communities. The engagement with stakeholders was carried out through various methods which include interviews, dialogues, workshops and trainings, road shows and event, surveys and formal meetings.

In order to determine the importance of each stakeholder group for the purpose of defining the Group's impact on EES and significant sustainability matters, the Group assessed each internal and external stakeholder group and ranked the stakeholders using the Stakeholder Prioritisation Matrix. The SWC has identified some criterion used to rank and ascribe a weightage to each stakeholder group taking into consideration the influence of these stakeholder groups and their dependency on the Group and degree of impact on the Group's business.

The assessment was carried out by placing a score and weightage on each of the stakeholder group based on the criterion set by the SWC to arrive at a weighted average score by department. These scores were then transcribed into the Stakeholder Prioritisation Matrix. The resulting prioritised stakeholder groups are employees, customers, suppliers and government as illustrated below:



MATERIALITY ASSESSMENT

For the purpose of addressing the sustainability matters that are considered material to the Group's business from the perspective of its stakeholders, discussions and brainstorming sessions were held among the members of the SWC during the year under review. The SWC also takes into account the stakeholders' expectations and assimilate with the Group's own internal information to arrive at the sustainability matters that are relevant to the prioritised stakeholders.

The materiality assessment gave rise to a list of material matters that reflected the most significant elements of the Group's business. The Group prioritises each material topic according to its significance to the prioritised stakeholder groups and its potential impact on the Group. The final list of material matters was deliberated by the senior management and reassessed by the SWC during the preparation of this Sustainability Report. These material matters were then reviewed by the Risk Management Committee and endorsed by the Board at the Board of Directors Meetings held during the financial year. The table below depicts the material matters identified and forms the benchmark of CN Asia's Sustainability Reporting moving forward.

Economic	Environment	Social
• Economic Performance • Procurement Practice	• Water, Energy and Paper Management • Waste Management • Environment Compliance	• Employment • Training and Development • Customers' Satisfaction • Occupational, Health and Safety • Local Communities

MATERIAL SUSTAINABILITY MATTERS

Economic

Economic Performance

The economic performance of the Group is one of the key indicators of the Group's ability to continue as a going concern. During the financial year under review, the Group continued to engage with its customers within Malaysia as well as abroad, including those based in Hong Kong, Singapore and the Philippines, in order to strengthen the business relationship with these customers. The Management believes these initiatives have, in some cases, resulted in repeated orders from certain customers.

In RM'000	2016	2017	2018
Economic Value Generated			
Revenues	28,953	20,894	21,202
Economic Value Distributed			
Operating costs	11,351	13,534	13,940
Employee wages and benefits	3,396	3,870	4,137
Payments to government	916	642	666
Payments to providers of capital	583	37	68
Economic Value Retained	12,707	2,811	2,391

During FYE 2018, the Group generated RM21.2 million in revenue which increased by 1.5% as compared to prior year. In the same year, the Group also distributed total direct economic value of RM18.8 million which is 4% higher as compared to RM18.1 million in the preceding year. The increase was mainly due to an increase in employee wages and benefits from RM3.9 million in the preceding financial year to RM4.1 million in the current financial year, an increase of 6.9%. This indicates the Group's increased contribution to the wealth of the stakeholders during the year under review.

Following the completion of the implementation of the Company's Regularisation Plan on 8 November 2017, the Group successfully achieved net profits for two (2) consecutive quarters as prescribed in the Practice Note 17 ("PN17") of the MMLR of Bursa Securities. As such, the Group had regularised its financial condition and no longer trigger any of the criteria under Paragraph 2.1 of PN 17 of the MMLR. Accordingly, CN Asia was uplifted from being classified as a PN17 Company effective from 24 July 2018. Nevertheless, the Management team under the leadership of the MD will continue to implement the reorganisation processes in particular the cost reduction and monitoring measures to further improve the Group's financial performance.

Procurement Practice

The Group regularly engages with its suppliers in order to enhance the relationship and trust between the Group and its suppliers. The Management believes that these initiatives have, in some cases, resulted in better payment terms and pricing offered by suppliers which in turn improved the financial performance of the Group.

CN Asia adopts a centralised approach to its supply chain management. In managing the Group's supply chain, we require all levels of staff within the organisation to abide by the standards and principles stipulated in the Purchasing Procedure when conducting procurement activities to ensure that all procurement processes are adhered to and that products and services procured conform to the specific requirements especially in the procurement of materials for the production of coded pressure vessels that must comply with the American Standards of Mechanical Engineers ("ASME"). Thus, maintaining the defined controls over procurement activities will uphold the quality of the Group's products and services. These procedures are reviewed and monitored regularly to ensure their relevancy and effectiveness in light of the Group's business activities and environment in which it operates.

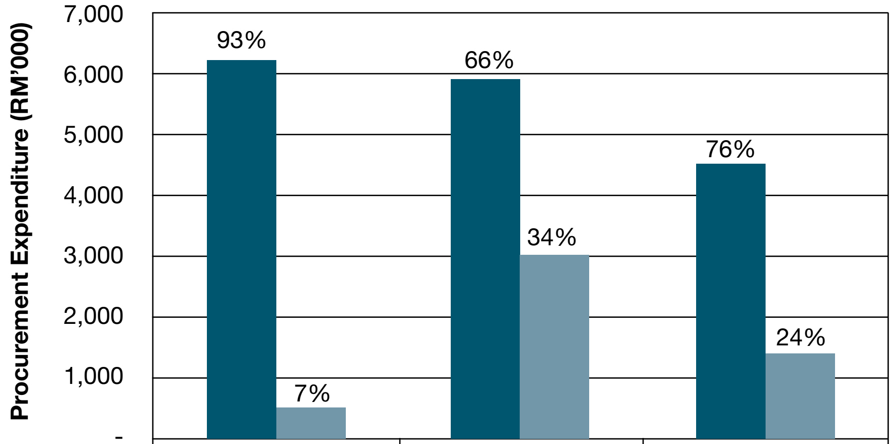
In order to ensure timely delivery of the procured products, the Group also closely monitors the materials procured for pressure vessels from local suppliers with import permits to ensure that these materials are delivered within the stipulated timeframe as these materials usually require a relatively long lead time from order to delivery. The timely delivery of materials is one of the main criteria in selection of sustainable suppliers given the importance of the timely delivery of the Group's products and services to its customers. The Group maintains an Approved Supplier List ("the List"), whereby products and services can only be procured from suppliers and sub-contractors listed therein.

The Group has also established the Supplier Selection, Evaluation and Re-evaluation Procedure ("SSERP") to evaluate new suppliers with the objective of providing the Group with a wider selection of qualified suppliers and sub-contractors which in turn is expected to improve the quality and prices of the materials procured by the Group. Upon fulfilment of specific requirements, these new suppliers will be approved by the Head of Procurement and added into the Approved Supplier List. All active suppliers in the List are subjected to annual evaluations based on a set of criterions as prescribed in the SSERP. If a supplier's performance is found to be unsatisfactory, the Head of Procurement will recommend this particular supplier to be removed from the List.

Approved Suppliers (Number)	2016	2017	2018
Active supplier	92	99	119
Active sub-contractor	43	46	52

As at 31 December 2018, there are 119 suppliers and 52 sub-contractors in the List as compared to 99 suppliers and 46 sub-contractors as at 31 December 2017. The purpose of the supplier evaluation process is to ensure that suppliers on the List fully comply with the Group's procurement processes, while ensuring the procurement of materials and services are obtained at a reasonable price, and that such materials and services meet the Group's requirements in terms of quantity and quality. Emphasis is also placed on the suppliers' responsiveness to inquiries and ability to deliver materials and services in a timely manner.

Procurement Expenditure Spent on Local Suppliers and Overseas Suppliers For the FYE 2016 – 2018



	2016	2017	2018
Local Suppliers	6,234	5,899	4,490
Overseas Suppliers	506	3,009	1,378

We use local suppliers as much as possible to support the domestic economy and local communities. The Group's total procurement during the FYE 2018 comprised 76% domestic purchases and 24% imports as compared to 66% and 34% respectively in the prior year.

Environment

Compliance with Environmental Protection Laws and Regulations

As an engineering company producing products and providing services for the oil and gas oil, and gas and petrochemical industries, we are mindful of the environmental impact of our activities and make every possible effort to minimise the potential risk and impact associated with our operations. The Group strives to uphold full compliance with the relevant environmental protection laws and regulations. Any non-compliance of the environmental laws and regulations may result in costly obligations and contingent liabilities that may affect the Group's ability to expand its operations or obtain/renew licenses and permits. As a responsible corporate citizen, the Group is conscious that its activities invariably have an impact on the environment and constantly seeks ways to reduce its environmental footprint. We will continue to develop effective environmental impact mitigation initiatives and raise awareness on environmental protection among our stakeholders. During the year under review, there were neither any legal action against the Group nor any fines or monetary sanctions imposed on the Group as a result of non-compliance with environmental protection laws and regulations.

Energy, Water and Paper Management

Electricity is the main utility consumed by the Group. Therefore, our efforts are directed towards monitoring, analysing and optimising the consumption of energy as a means to lower our operating costs and to foster a greener environment. The Group continues to improve its energy consumption statistics by adopting various measures including the use of energy efficient lighting and the posting of reminder notices at the electrical switches within the Group's facilities to constantly remind the users to save energy. During FYE 2018, the recorded electricity consumption was 630,274 kWh, representing a 6.4% reduction in electricity consumption as compared to 673,040 kWh recorded in FYE 2017. The key statistics pertaining the energy consumption are tabulated below:

Performance Measure	2016	2017	2018
Electricity consumption (kWh)	626,190	673,040	630,274
Variance (%)	-	7.5	-6.4
Water consumption (m3)	2,010	3,302	2,765
Variance (%)	-	64.3	-16.3
Paper consumption (kg)	724	1,237	669
Variance (%)	-	70.9	-45.9

The Group also constantly worked towards reducing water consumption in its operations. Various measures have been implemented, including the recycling of water used for testing of our products, raising awareness among staff and visitors to conserve water and the close monitoring of monthly water consumption to detect signs of water leakage, and to take remedial actions expediently. During FYE 2018, the total water consumption amounted to 2,765 m3, representing a reduction of 16.3% as compared to the total water consumption of 3,302 m3 in the preceding year.

We also continued to promote a paperless culture within our organisation by increasing the use electronic mails for communications and distribution of reports. When hard copies of documents are required, we inculcate the practice of printing on both sides of paper. We foster the minimisation of paper usage by the encouraging the use of projectors for presenting reports at meetings instead of distributing hardcopies and constantly remind all staff to use recycled paper and to print in smaller font size documents in order to conserve paper. During the year under review, the Group has organised "spring cleaning" sessions to remove waste and redundant documents from the office compound and the archive room. As a result of these spring-cleaning sessions, we disposed of a total of 3,305 kg of paper to the recycle centre during the year under review. In addition, certain redundant documents are being used as recycled paper. The Group managed to reduce paper consumption by 45.9% from 1,237 kg in FYE 2017 to 669 kg in FYE 2018.

Waste Management

The nature of our business operation is such that different types of waste are generated at different stages of our production process. Generally, the volume of solid waste generated is relatively small but correlate with the level of production activities. The main component of our products is steel related materials and the wastage is very much dependent on how efficiently these materials are utilised at the various stages of production. Since 2016, the Group had reduced material costs by optimising the usage of off-cut raw materials instead of selling it as scrap metal as one of its cost reduction initiatives mentioned in its Regularisation Plan. By optimising the use of raw materials, the Group was able to lower its material costs and increase profitability as evidenced by the improved gross profit margins recorded from FYE 2016 – FYE 2018 of 23.7% - 26.7% as compared to the gross loss margin of 10.1% recorded in FYE 2015. With the reduced wastage of raw materials, the Group was able to reduce its purchase of new raw materials. The scrap materials disposed during the FYE 2018 amounted to 38.7 tonnes, representing a 45.5% reduction as compared to 71.1 tonnes disposed in FYE 2017.

In conjunction with the "spring cleaning" activities during FYE 2018, the Group was able to recover a substantial amount of scrap materials that were no longer usable due to their depleted quality. The volume of scrap materials recovered and disposed during the reporting year amounted to 123.6 tonnes.

Performance Measure	2016	2017	2018
Scrap material disposed (tonne)	47.4	71.1	38.7
Variance (%)	-	49.4	-45.5
Scrap material recovered (tonne)	-	-	123.6
Variance (%)	-	7.5	-6.4
No of trip of scheduled waste (number)	21	11	12
FRP waste generated (tonne)	1.3	0.9	0.7
Average FRP wastage (%)	7.6	7.2	6.6
Variance (%)	-	-30.8	-22.2

Other waste generated from the Group's production activities is the fiberglass reinforced polymer ("FRP") waste which could have an impact to the environment if not disposed of responsibly and lawfully. The Group engaged a licensed waste disposal contractor to remove and dispose the waste to a designated dumping site approved by the relevant government authorities. The Group recorded FRP wastage of 6.6% during the reporting year. Therefore, the Group's policy to restrict the generation of FRP wastage to not more than 8% of total FRP material used has been adhered to as part of the requirements under the ISO 9001:2015 Quality Management System ("QMS"). With the continuous improvement in application of the FRP materials in production, the Group was able to further reduce the generation of FRP waste to 0.7 tonne in FYE 2018 as compared to 0.9 tonne in FYE 2017. The contractor collected and disposed the FRP wastes over twelve (12) trips as compared to eleven (11) trips in the preceding year. In order to ensure less wastage from the production activities, the Group will continue to seek ways to improve its production methods and improve production efficiency.

Social

Employment

Our employees are a valuable resource and a key to long term success of the business. The growth of the Group is driven by the knowledge, expertise and contribution of our employees. Thus, we believe in empowering our employees and providing them with equal opportunity with a merit-based system of performance evaluation. We also provide our employees with a safe and conducive working environment, competitive remuneration and benefits, on-going opportunity for training and career development, and long-term career prospect. We believe the aforementioned factors will help to attract and retain talented and skilled employees in the Group.

Due to the nature of our business operations, our employees at the factory workshop are predominantly male. Nevertheless, we make continuous efforts to ensure workplace diversity and provide fair rewards for employees regardless of their background. No gender-specific criteria are taken into account when assessing remuneration and work activities within the Group. We value every individual who applies for a job with CN Asia, whom will be evaluated according to their ability without bias or discrimination. The Human Resource ("HR") department will review the resumes and shortlist the suitable candidates to be interviewed by the respective departmental heads. The entire recruitment process is closely monitored by the HR Department.

The Group believes that the welfare of its employees is essential in the retention of good employees. The minimum employment benefits provided to its full-time employees include basic salary, bonus, annual leave, medical leave, maternity leave, medical coverage, insurance benefits, employees' provident fund and social security contributions. In addition, the Group also promotes strong family values by granting employees with compassionate leave and marriage leave. The annual leave entitlement of employees increases in tandem with their length of service with the Group, ranging from eight (8) days to twenty-six (26) days per annum.

The Group's employee handbook sets out relevant information on the Group's standard employment policies, and rules and administrative procedures relating to human resource. This handbook is intended to enable the employees to conveniently gain a concise understanding of the Group's human resource policies and procedures to enable the employees, in particular the new employees to familiarise with the Group's work environment and to promptly adapt to the Group's work culture and practices.

Regular employee gathering events are organised to celebrate various festive occasions that are peculiar to each of the main races of the country in the spirit of promoting better relations and to maintain a harmonious work environment. During FYE 2018, the Group organised festive events in celebrating Chinese New Year, Hari Raya and Christmas. During the Group's annual dinners, long service employees are usually recognised and rewarded with cash prizes and souvenirs as a token of the Group's appreciation for their service and loyalty to the Group.

In addition, the Group also organised sports activities among the employees whereby most employees of the Group participated in the games and events. These events enabled the employees, at all levels, to mingle and work as a team to foster a higher degree of trust and harmony among the employees.

CN Asia strives to maintain a low employee turnover rate of less than 30% as one of the objectives set forth in its ISO 9001:2015 QMS. A high rate of employee turnover can indicate uncertainty and dissatisfaction among employees which may result in low morale and sub-par performance by employees leading to a decline in productivity. The Group actively promotes career advancement for existing employees by encouraging internal promotions instead of recruiting externally.

During the year under review, the Group's employee turnover rate was 27.3% which was lower than the previous year's turnover rate of 32.1%. There were 13 are new recruitments and 12 resignations. The Group's human resource policy includes the conduct of exit interviews and assessments of resigned employees to gain an understanding of the reasons that led to the resignation of each employee concerned. Based on the findings from the exit interviews and assessments of employees resigned during FYE 2018, 54.6% of resignations was due to higher remuneration offers and 63.6% of resignations were from the executive category. It was also noted that the highest percentage of resignations was recorded from the age group of below 30 years old, i.e. 50.0% in respect of FYE 2018 as compared to 78.6% in respect of FYE 2017. The key demographics pertaining to the Group's employees are tabulated below: -

Analysis of workforce (Number)	2016	2017	2018
Total employees	43	42	43
By gender			
- Male	29	29	31
- Female	14	13	13
By management level			
- Senior management	9	9	8
- Executive	18	16	16
- Non-executive	16	17	19
By age group			
- <30	14	11	14
- 31-50	7	7	7
- 41-50	9	11	10
- 51-60	6	6	5
- >60	7	7	7
New hires	8	13	13
By gender			
- Male	4	8	9
- Female	4	5	4
By age group			
- <30	5	10	9
- 31-40	2	2	3
- 41-50	1	-	1
- 51-60	-	-	-
- >60	-	1	-
Resigned	12	14	12
By gender			
- Male	9	9	7
- Female	3	5	5
By age group			
- <30	6	11	6
- 31-40	5	2	3
- 41-50	1	-	1
- 51-60	-	-	2
- >60	-	1	0
Employee turnover rate (%)	23.8	32.1	27.3
Variance (%)	-	34.9	-15.0

Training and Development

CN Asia strives to develop a progressive working environment that allows employees to demonstrate their capabilities and professionalism through comprehensive development and training programs. We believe the sustainability of our business is highly dependent on the competency of our employees. Operating in a rapidly changing environment and volatile market condition, it is vital that our talents keeps abreast with the latest market trends and equip themselves with new skills and knowledge. Thus, continuous professional and personal training is considered as an essential success factor. We have in place a systematic training programme with the objective of ensuring that our employees' training needs are addressed and the necessary competency levels are achieved.

The Human Resource ("HR") and Administration Manager is responsible for the implementation and monitoring of the training programme of employees across the Group. The training needs of each employee are identified by the Heads of Department on an annual basis after the employee's appraisal. All the employees within the Group are appraised once a year during the annual appraisal process which usually takes place at the end of the financial year.

The training needs identified are compiled by the HR department based on which an annual training plan is developed. Thereafter, the training courses are arranged based on the training programme and modifications are made as and when deemed necessary.

Employees Training	2016	2017	2018
Total training planned (number)	17	14	13
Total training conducted (Number)	6	13	8
Total training hour (Hour)	266	1,074	414
Average training hour/employee (Hour)	6.2	25.6	9.6

During FYE 2018, only 8 out of the 13 training courses planned were attended by the enrolled employees, resulting in a materialisation rate of 61.5%. The materialisation rate in FYE 2017 was much higher at 92.9% because the training courses in FYE 2017 were mainly relating to the upgrade and implementation of ISO 9001:2015 QMS and this course was conducted in a series for which attendance was compulsory for all enrolled employees.

Customers' Satisfaction

We value our customers' support and ensure our products and services supplied to our customers meet their expectation. Thus, we place emphasis on measuring customers' satisfaction and feedback their experiences in dealing with the Group. We believe the process of measuring of customers' satisfaction will lead to the retention of customers and enhance the loyalty of these customers towards the Group, ultimately leading to the generation of repeat orders for the Group's products and services. In CN Asia, we conduct customer satisfaction survey at least once a year to ascertain that the quality and timeliness of delivery of our products and services meet the expectations of our customers.

Sustainability Statement
(cont'd)

The Group's customer satisfaction survey is measured based on a set of criteria or attributes which include quality, price, responsiveness and delivery which are ascribed a weighting based on their perceived importance to the customer. The customer will then assign a score to each prescribed attribute and the weighted average scores will then be computed and converted to a percentage that indicates the degree of the customer's satisfaction towards the Group. The Group's policy is such that complaints from customers that require remedial action shall be addressed urgently. The Head of Sales and Marketing is responsible in analysing the complaint and recommend the appropriate course of action to be taken. In addition, the said personnel must also recommend plans for improvement and preventive measures, if applicable. The results and findings from customer satisfaction surveys are compiled, analysed and presented at the scheduled Management Review Meetings which are convened to review and discuss the key findings of the customer satisfaction surveys, and to formulate ideas or strategies to improve customers' satisfaction. The key statistics pertaining to the customer satisfaction surveys are tabulated below: -

Customer Satisfaction Survey	2016	2017	2018
Customers selected for survey (Number)	96	53	62
Percentage responded on survey form (%)	14.6	17.0	16.1
Satisfaction level (%)	73.6	78.0	76.7

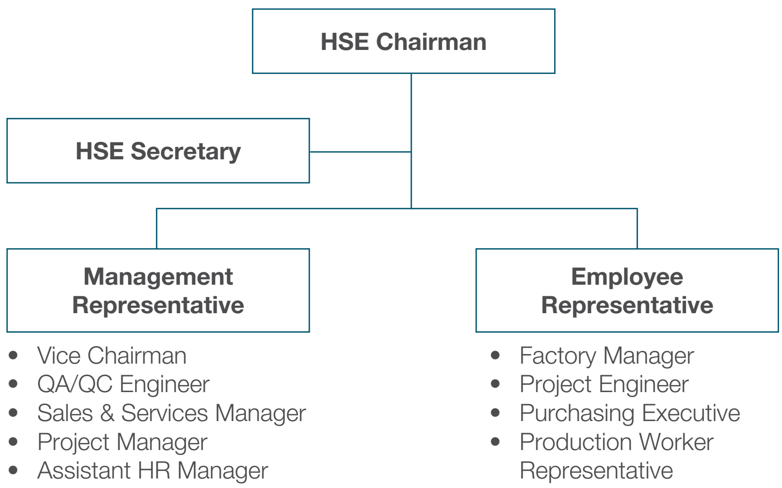
During FYE 2018, a total 62 customers were selected for survey and 16.1% of the selected customers were responded to the survey. Based on the analysis, the Group attained an overall customers' satisfaction score of 76.7% in FYE 2018. However, the Group is mindful that the results of this survey may not be reflective of the degree of satisfaction of the majority of the Group's customers given the relatively low rate of response (i.e. 14.6% to 17.0%) over the past three years.

Health, Safety and Environment

The Group recognises the important of the health, safety and environmental ("HSE") matters associated with its business activities and places such matters high on its priority list to ensure a safe and healthy work environment for its employees. The Board develops strategies to promote and strengthen its HSE culture across the Group and supports long term sustainability. The Managing Director is primary responsible for the effectiveness of the HSE and risk management practices of the Group. The HSE committee is chaired by the MD who oversees the operational aspects of the HSE practices across the Group with the support of the other HSE committee members comprising of representatives (managers, executives and non-executives) from various departments including the production department.

During the year under review, the Group engaged an external consultant who is a Registered Safety and Health Officer with the Department of Safety and Health ("DOSH") Malaysia, to advise and enhance our HSE efforts as well as to assist in reorganising the entire HSE management manual and policies and procedures of the Group. The existing HSE manual together with the quality manual under the ISO 9001:2015 are being reviewed to include additional safety elements to enhance the HSE policies across the Group.

HSE Organisation Chart



On 28 September 2018, a workplace safety inspection was carried out by the consultant together with the HSE committee and various areas were identified for improvement. The areas for improvement were acknowledged by the MD and continued monitoring and follow-up reviews were conducted by the safety officer from time to time. In order to enhance the enforcement of safety measures in the production area, certain employees were assigned as "Area Owners" to be responsible for the adherence to HSE policies within their designated area as a means to enhance the effectiveness in monitoring and enforcing safety measures and other HSE policies.

Another HSE related activity is the conduct of weekly "toolbox" meetings involving all employees working in the factory compound whereby the respective Area Owners will report the condition and status of their designated areas in terms of safety, compliance and other matters of concern. All employees are constantly reminded of the safety measures and precautions to be taken while performing activities within the factory compound. During FYE 2018, the Group has made compulsory the requirement for all employees who entered the factory compound to wear personal protection equipment ("PPE"), and a fine/ penalty is imposed for non-compliance with this policy based on the following scale: -

Management Category	Fine/Penalty
	RM
Manager and above	100
Engineer and office employee	50
Worker	10

The HSE Committee has established a set of relevant statistics to measure the effectiveness of the Group's HSE practice and these statistics are tabled at the Group's monthly management meetings. One of the objectives of the HSE Committee is to attain zero accident rate at the workplace. During FYE 2018, there were four (4) accidents that occurred at the Group's factory compound which resulted in a loss of four (4) working days. Each of the accidents was carefully investigated, analysed and recorded in the Incident/Accident Report. The information recorded included the cause of accident, the circumstances that led to the occurrence, and steps taken to prevent the future occurrences.

HSE Statistics		2016	2017	2018
I.	**Health**			
	Medical leave (days)			
	Office	84	141	100.5
	Factory	41	12	2.5
	Hospitalisation (days)	6	3	28
II	**Safety**			
	Lost Time Incident			
	- Fatality	-	-	-
	- Permanent total disability	-	-	-
	- Permanent partial disability	-	-	-
	- Lost work day care	2	1	4
	No of Lost Time Incident			
	- First aid	2	-	-
	- Medical treatment case	2	2	2
	- Restrict work case	1	2	2
	Fire / Explosion	1	-	-
	Property loss/damage	-	-	2
III	**Security**			
	No. of attempted theft	-	-	-
	No of theft	-	-	-
IV	**Environment**			
	Schedule waste disposal (No. of trip)	21	11	12

Local Communities

CN Asia is committed to contribute to and invest in the communities in which we operate. We continue to invest in our corporate social responsibility ("CSR") initiatives to contribute to the betterment of our local communities. Our initiatives include the provision of internship programmes to Malaysian undergraduates to undergo their practical training. We also offer employment opportunities to these interns upon the completion of their studies. During FYE 2018, we offered internship programmes to eleven (11) interns as compared to two (2) interns in the previous financial year. These interns were given the opportunities to gain valuable experience and knowledge during their engagement with the Group. One of the interns was eventually offered a permanent position and became a full-time employee in the Group upon the completion of her practical training.

Performance Measure	2016	2017	2018
Number of internships recruited	-	2	11
By gender			
- Male	-	2	8
- Female	-	-	3
Intern offered as full-time employee (Number)	-	-	1

CN Asia invited students from an international school located nearby our premises to participate in social service and support work, and to assist in our CSR programme which took place at the Special Children Charity Organization Centre ("the Centre") in conjunction with the moon cake festival celebration. The activities that conducted at the Centre included storytelling, arts and craft, and singing.

The Group will continue to embark on its journey towards long term sustainability, and we believe this can be achieved by actively engaging with our stakeholders, and conscientiously formulating and implementing programmes that will have a positive EES impact as one of our main CSR initiatives.

This statement was presented and approved by the Board on 3 April 2019.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

The utilisation of proceeds from the Proposed Disposals of RM36,682,500 as at 31 March 2019 are as follows:-

	As per Circular RM'000	Actual Utilisation RM'000	Deviation* RM'000	Balance Unutilised RM'000
Real property gain tax	1,100	(1,700)	600	-
Repayment of bank borrowings	11,786	(11,786)	-	-
Relocation and construction costs	6,000	(235)	-	5,765
Pledge to secure banking facilities	5,000	(5,000)	-	-
Working capital	11,797	(11,125)	(672)	-
To defray estimated expenses for the Proposed Disposals	1,000	(1,072)	72	-
	36,683	(30,918)	-	5,765

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

2. NON-AUDIT FEES

The amount of audit fees and non-audit fees paid / payable to the external auditors of the Group during the financial year ended 31 December 2018 are as follows:

	Audit Fees	Non-Audit Fees		
Paid By	RM	RM	RM*	Total (RM)
Company	30,000	16,000	13,000	29,000
Group	73,000	16,000	13,000	29,000

* *This was in respect of non-audit fees paid to the formal external auditors.*

3. MATERIAL CONTRACTS OR LOANS INVOLVING DIRECTORS OR MAJOR SHAREHOLDERS

There were no material contracts of the Company and subsidiaries involving Directors' and major shareholders' interests during the financial year. There were no contracts relating to loans entered into by the Company and its subsidiaries which involve the Directors' and major shareholders' interest during the financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS STATEMENT

The Company did not incur any significant recurrent related party transactions of a revenue / trading nature during the financial year ended 31 December 2018. The statement of recurrent related party transactions is disclosed in the Financial Statements.

Statement on Risk Management and Internal Control

The Board is pleased to present the Statement on Risk Management and Internal Control (the "Statement") pursuant to Paragraph 15.26 (b) of the MMLR of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Code on Corporate Governance 2017 ("the Code").

BOARD RESPONSIBILITY

The Board acknowledges its responsibilities for maintaining a sound risk management framework and system of internal control in order to safeguard shareholders' interest and the Group's assets, and for reviewing the adequacy and integrity of the same. However, in view of the limitations that are inherent in any system of risk management and internal control, the system adopted by the Group is designed to mitigate rather than to eliminate the risks that may impede the Group's achievement of its business objectives. Therefore, the Group's risk management framework and internal control system can only provide reasonable but not absolute assurance against material misstatement, financial losses or fraud.

Accordingly, the Statement that has been prepared in accordance with the "Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers" endorsed by Bursa Securities and that the Board has confirmed that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group in achieving its objectives and strategies.

RISK MANAGEMENT FRAMEWORK

Risk management is a firmly embedded process for identifying, evaluating, prioritizing and reporting the major business risks of the Group with the objective of maintaining a reasonably sound system of internal control. Regular reviews, evaluation and update of the risk profile and the corresponding action plans have been reported to the Board. The Board, through the Risk Management Committee ("RMC"), aims to further enhance the Group's risk management practices to ensure that the Group's assets and shareholders' interest are protected, and that shareholders' value is preserved or enhanced.

The Group's Risk Management Procedure outlines the risk management framework which consists of a combination of the core elements that define business risk assessment, namely the process of identification, assessment, treatment, implementation and reviewing of risks. The Management Representative of the ISO 9001:2015 QMS is responsible for the co-ordination of the risk management activities of the Group as an on-going process.

In identifying business risks, the Group has divided its operational activities into various categories taking into consideration whether the risk is an internal or external issue. Each identified risk is assigned to a selected employee who is labeled as a " Risk Owner", who will then record the most significant and probable risks that may arise, together with the possible causes of the risks in terms of people, technology, process and/or environment, in the Group's Risk and Opportunity Register.

These identified risks will be assessed based on the risk matrix to determine their risk level. The appropriate Risk Treatment Plan ("RTP"),that outlines the management actions, responsibilities and priorities for managing risks, will be formulated to address the identified risks. The RTP will be implemented by the Risk Owner with the aim to reduce the risks to an acceptable level and in order to achieve the internal control objectives.

These risk management activities will be compiled and recorded in the Risk Assessment Reports by the Risk Owners, and these reports are reviewed during the Management Review Meeting to ensure that processes to mitigate identified risks are effectively implemented and maintained as part of the Group's ISO 9001:2015 QMS procedures.

There were two (2) RMC Meetings held during the financial year ended 31 December 2018 and the details of the members' attendances are as follows:

Name	Position	Directorate	Number of Meetings Attended
Lee King Loon	Chairman	Independent Non-Executive	1/2
Chong Ying Choy *(Resigned w.e.f. 17 July 2018)*	Member	Non-Independent Non-Executive	1/1
Angeline Chan Kit Fong	Member	Executive	2/2
Ariffin bin Khalid *(Appointed w.e.f. 17 July 2018)*	Member	Independent Non-Executive	1/1

During the RMC Meetings, the Group's risk and opportunity profile, analysed by departments, comprising risk matrix, impact/harm, the risk profile and Risk & Opportunity Register, were reviewed, deliberated and recommended for the Board's approval.

Hence, the Group has in place the necessary review and reporting and implementation processes to cultivate the appropriate discipline to continuously improve the risk management capabilities of the respective Risk Owners.

INTERNAL CONTROL PROCESS

The Group's system of internal control comprises the following key elements:-

- Organization structure with clear lines of roles and responsibilities including delegation of duties are well-defined to ensure enhancement of the Group's performance.
- Delegations of authority including authorization limits at appropriate levels of management are clearly defined to ensure accountabilities and responsibilities.
- Documented standard operating policies and procedures are regularly reviewed and revised to meet operational needs and made available and accessible by all employees.
- Systematic and regular audits are carried out to ensure compliance of the ISO 9001:2015 Quality Management Systems of its subsidiary company, Chip Ngai Engineering Works Sdn Bhd.
- Centralised human resource function that sets out the policies for recruitment, training and appraisal of the employees within the Group.
- The outsourced internal auditor assists the Audit Committee in discharging its duties in maintaining and monitoring the internal control systems within the Group.
- Regular Board and Audit Committee Meetings are carried out to review and assess the overall performance and internal controls of the Group.
- Adequate reports are generated on a consistent basis for review on the operational and financial performance of the Group.
- Scheduled and ad-hoc operation and management meetings were held and attended by the Managing Director, Executive Director and head of departments to discuss and resolve business and operational issues.
- Training needs are reviewed and analysed on an annual basis to identify appropriate training and development programs to be conducted to ensure the staff are competent in carrying out their duties and responsibilities.

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to external consultants to review and evaluate the adequacy and effectiveness of the Group's systems of internal control and risk management processes. Periodic reviews of the Group's business processes and visits to the Group's active business operations based on the Internal Audit Plan as approved by the Audit Committee. The audit findings and recommendations were reported to the Audit Committee and communicated to the management for remedial actions.

The outsourced internal audit function provides the Audit Committee with periodic internal audit reports identifying risks and internal control gaps of existing state of internal control, highlighting observations and providing recommendations with management action plans to improve the system of internal control. Regular follow-up audits were carried out to ensure that the remedial actions in respect of internal control deficiencies, as recommended in the internal audit reports, have been adequately addressed by the management.

The Internal Audit Plan is approved by the Audit Committee and audit reports and the status of the audit plan are presented to the Audit Committee. Internal audits are carried out on a risk-based approach, in line with the Group's objectives and policies, taking into consideration input from the senior management and the Board. Significant findings and recommendations for improvements are highlighted to the Audit Committee, with periodic follow-up and reviews of action plans.

Statement on Risk Management and Internal Control (cont'd)

During the financial year ended 31 December 2018, the outsourced internal auditors proposed a 3-year Internal Audit Plan for the years 2020 - 2023 to the Audit committee and the same was deliberated and approved by the Board. The external consultants conducted a production review on the customised / non-standard products of the Group. In addition, follow up reviews were carried out to ensure the implementation of recommendations and resolution of issues highlighted in previous audit reviews.

During the process of the internal audit, the outsourced internal auditors also carried out the process of identifying and reviewing the risk areas of the production of non-customised / standard products of the Group. Interviews and face-to-face discussions were conducted by the internal auditors with the respective heads of department to understand, review and discuss the proposed actions to be taken in managing as well as mitigating the identified risks.

The costs incurred for the internal audit functions for the financial year ended 31 December 2018 amounted to RM20,300.

WEAKNESSES IN RISK MANAGEMENT AND INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

The Board remains committed towards maintaining a robust system of risk management and internal control and is of the opinion that there were no material financial losses, contingencies or uncertainties that would require disclosure in the Group's annual report during the year resulting from weaknesses in risk management and internal control. The management continues to take measures to strengthen the control environment as an on-going process incorporated in the Group's ISO 9001:2015 QMS.

ASSURANCE FROM MANAGEMENT

The Board has received assurance from the Managing Director and the Group Financial Controller that the Group's risk management and internal control system are adequate and effective, in all material aspects, during the financial year under review and up to date of this Statement.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement pursuant and the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3") "Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report" issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report, and reported to the Board that nothing has come to their attention that causes them to believe that the Statement intended to be included the annual report of the Group for the financial year ended 31 December 2018, in all material respects:

a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

b) is factually inaccurate.

As required by paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with the AAPG 3 issued by MIA. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

The Board believes that the above framework is considered appropriate for the Group's business operations to provide reasonable assurance of the integrity of the Group's risk management and systems of internal control and that the risks are at an acceptable level throughout the Group's business operations. There were no material financial losses incurred during the financial year under review as a result of weaknesses in the Group's risk management and system of internal control.

The Board is of the view that the system of risk management and internal controls in place are satisfactory to protect the Group's interest and that of its stakeholders, including the preservation of shareholders' value.

The Board together with the management will continue to take measures and appropriate actions in order to strengthen the Group's control environment.

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Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and providing management services. The principal activities of the subsidiary companies are as set out in Note 5 to the financial statements. There were no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	Group RM	Company RM
Profit/(loss) after taxation attributable to:		
Owners of the Company	1,621,586	(301,375)

DIVIDEND

No dividend has been paid or declared since the end of the previous financial year. The directors do not recommend that a final dividend to be paid in respect of the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

SHARE OPTIONS

No option has been granted by the Company to any party during the financial year to take up unissued shares of the Company.

No share has been issued during the financial year by virtue of the exercise of any option to take up unissued shares of the Company. At the end of the financial year, there was no unissued share of the Company under option.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to date of report are:

Dato' Hilmi Bin Mohd Noor
Ho Cheng San
Angeline Chan Kit Fong
Lee King Loon
Ariffin Bin Khalid
Chong Ying Choy

The retirement and re-election of the directors are in accordance with the Company's Articles of Association.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit *(other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors as shown in Note 23 to the financial statements, or the fixed salary of a full-time employee of the Company)* by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors to acquire benefits through the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, particulars of interests of directors who held office at the end of the financial year in the shares in the Company and its related companies during the financial year are as follows:

	----------- Number of Ordinary Shares -------------			
	As at 01.01.2018	**Bought**	**Sold**	**As at 31.12.2018**
Direct interests				
Ho Cheng San	16,093,535	1,000,000	-	17,093,535
Angeline Chan Kit Fong	562,950	-	-	562,950
Indirect interests				
Ho Cheng San *#	3,182,709	-	1,000,000	2,182,709
Angeline Chan Kit Fong *#	18,713,294	-	-	18,713,294

* *Deemed interest by virtue of substantial shareholdings in CN Asia Engineering Sdn. Bhd.*
\# *Deemed interest by virtue of shares held by spouse.*

By virtue of their interests in the shares of the Company, Mr. Ho Cheng San and Madam Angeline Chan Kit Fong are deemed to have interests in the shares of all the subsidiary companies during the financial year to the extent that the Company has an interest.

The other directors holding office at the end of the financial year have no interest in shares in the Company or its related corporations during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, there is no indemnity given to or insurance effected for Directors, officers and auditors of the Group and of the Company.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps:
(a) to ascertain that proper action had been taken in relation to the writing-off of bad debts and the making of allowance for doubtful debts, and have satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts; and
(b) to ensure that any current assets which were unlikely to be realised at their book values in the ordinary course of business have been written down to their estimated realisable values.

At the date of this report, the directors are not aware of any circumstances:
(a) which would render the amount written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent in the financial statements of the Group and of the Company; or
(b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; or

(d) not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and of the Company that has arisen since the end of the financial year.

No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may substantially affect the ability of the Group and of the Company to meet its obligations as and when they fall due.

In the opinion of the directors: -

(a) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(b) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which would likely affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DISCLOSURE ON PRACTICE NOTE NO. 17 ("PN17") OF THE MAIN MARKET LISTING REQUIREMENTS ("MMLR") OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES")

On 23 July 2018, the Company announced that Bursa Securities has vide its letter dated 23 July 2018 noted that with the completion of the Company's regularisation exercise, the Company has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of PN17 of the MMLR. Consequently, Bursa Securities has decided to approve the application of the Company for the upliftment from being classified as a PN17 company with effect from 24 July 2018.

AUDITORS

The details of the auditors' remuneration for the financial year are disclosed in Note 20 to the financial statements. The auditors, Messrs Ong & Wong, Chartered Accountants, have expressed their willingness to continue in office. Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

HO CHENG SAN
Director

ANGELINE CHAN KIT FONG
Director

Kuala Lumpur,
Date: 3 April 2019

STATEMENT BY DIRECTORS
Pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the directors, the financial statements set out on pages 72 to 115 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2018 and of their results and cash flows for the financial year ended on that date.

Signed in Kuala Lumpur on 3 April 2019.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors

HO CHENG SAN

ANGELINE CHAN KIT FONG

STATUTORY DECLARATION
Pursuant to Section 251(1) of the Companies Act 2016

I, Ho Cheng San, being the director primarily responsible for the financial management of CN Asia Corporation Bhd, do solemnly and sincerely declare that to the best of my knowledge and belief the financial statements of the Group and of the Company set out on pages 72 to 115 are correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly
declared in Kuala Lumpur on 3 April 2019.

HO CHENG SAN

Before me

KHOR YUN LING (B524)
Commissioner for Oaths

Independent Auditors' Report

to the Members of CN Asia Corporation Bhd (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CN Asia Corporation Bhd, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 72 to 115.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

Adoption of MFRS 15 " Revenue from Contracts with Customers"

MFRS 15 Revenue from Contracts with Customers became effective on 1 January 2018. Arising from the adoption of MRFS 15, the Group were required to change accounting policies on revenue recognition. Consequently, new judgements were required to evaluate contracts with customers, in particular on the number of performance obligations, allocation of transaction price to each performance obligation and the determination of whether revenue for each contract is to be recognised over time or at a point in time and new disclosures were made in the financial statements.

The accounting policy changes arising from adoption of MFRS 15 are a key audit matter because it required our assessment of the evaluation of the contracts with the customers performed by the management and required management's judgement in allocation of transaction price to each performance obligation and the timing of revenue recognition.

Our audit response:

Our audit procedures included, among others,

- comparing the accounting policies adopted with the requirements of MFRS 15;
- reviewing and obtaining an understanding of the Group's new or revised processes, systems and controls implemented;
- obtaining an understanding of the basis of the key judgements made for the revenue recognition and compared them with the requirements of the accounting standard;
- evaluating the estimates made for the revenue recognition by determining that inputs applied were not biased and these were reasonable and supportable; and
- assessing the completeness, accuracy and appropriateness of disclosures as required by MFRS15.

Trade receivables

As at 31 December 2018, the carrying amount of trade receivables if the Group was RM2,080,059. Trade receivables are subject to credit risk due to probability of default, thus the management needs to exercise significant judgement in order to ascertain the probability of default by trade receivables and recoverability. The assessment of trade receivables includes analysing historical bad debts, customer concentration, customer creditworthiness, current or future economic trend, customers payment terms, credit term and appropriate forward looking information.

Our audit response:

Our audit procedures included, among others,

- obtaining an understanding of the Group's control over the trade receivables collection process and made enquiries regarding the action plans to recover the overdue amount;
- reviewing the ageing analysis of trade receivables and test the reliability thereof;
- obtaining confirmation letter from trade receivables;
- reviewing subsequent collection and past payment trend from trade receivables; and
- evaluating the reasonableness and adequacy of the impairment losses provided by the management.

Inventories

Inventories are disclosed in Note 8 to the financial statements with carrying amount of RM5,141,653 as at 31 December 2018. Inventories comprise of raw materials, work-in-progress, finished goods and consumables. The Group measures inventories at lower of cost and net realisable value. Management judgement is required in determining their net realisable value and the adequacy of write down of obsolete and slow-moving inventories.

Our audit response:

Our audit procedures included, among others,

- reviewing the design and implementation of key controls in inventories of the Group and evaluated the policies and procedures associated with monitoring, detection and write down of obsolete and slow-moving inventories;
- attending year-end physical inventories count performed by the Group to observe physical existence and condition of inventories; and
- selecting samples from inventories list to perform lower of cost and net realisable value test, and reviewed subsequent sales and purchases after the financial year.

Information Other Than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors are disclosed in Note 5 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

ONG & WONG
AF: 0241
Chartered Accountants

ONG KOON LIANG
2909/02/21(J)
Chartered Accountant

Kuala Lumpur,
Date: 3 April 2019

Statements of Financial Position

as at 31 December 2018

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	10,996,193	11,307,146	-	-
Investment in subsidiary companies	5	-	-	14,416,461	14,416,461
Other investment	6	-	-	-	-
Deferred tax asset	7	685,000	685,000	-	-
		11,681,193	11,992,146	14,416,461	14,416,461
CURRENT ASSETS					
Inventories	8	5,141,653	4,051,167	-	-
Trade receivables		2,080,059	3,273,296	-	-
Contract assets	9	1,091,456	834,202	-	-
Other receivables, deposits and prepayments	10	469,212	435,604	1,000	1,000
Amount owing by subsidiary companies	11	-	-	26,263,725	26,669,578
Current tax asset		6,908	5,658	5,658	5,658
Cash and cash equivalents	12	25,699,397	23,999,452	88,211	12,144
		34,488,685	32,599,379	26,358,594	26,688,380
TOTAL ASSETS		46,169,878	44,591,525	40,775,055	41,104,841
EQUITY AND LIABILITIES					
EQUITY					
Share capital	13	38,385,554	38,385,554	38,385,554	38,385,554
Foreign exchange translation reserve	13	232,260	240,860	-	-
Retained earnings/(accumulated losses)		2,899,065	1,792,302	(10,628,003)	(10,326,628)
Total equity attributable to owners of the Company		41,516,879	40,418,716	27,757,551	28,058,926
TOTAL EQUITY		41,516,879	40,418,716	27,757,551	28,058,926
LIABILITIES					
NON-CURRENT LIABILITIES					
Finance lease liabilities	14	316,931	196,912	-	-
		316,931	196,912	-	-
CURRENT LIABILITIES					
Trade payables		1,543,215	2,176,515	-	-
Contract liabilities	15	623,141	-	-	-
Other payables and accruals	16	198,564	922,746	35,499	48,910
Amount owing to a subsidiary company	11	-	-	12,982,005	12,997,005
Finance lease liabilities	14	160,816	101,636	-	-
Short term borrowings	17	1,775,332	575,000	-	-
Current tax liabilities		35,000	200,000	-	-
		4,336,068	3,975,897	13,017,504	13,045,915
TOTAL LIABILITIES		4,652,999	4,172,809	13,017,504	13,045,915
TOTAL EQUITY AND LIABILITIES		46,169,878	44,591,525	40,775,055	41,104,841

The accompanying notes form an integral part of the financial statements.

Statements of Profit or Loss and other Comprehensive Income

for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
REVENUE	18	20,347,543	20,074,973	60,000	60,000
COST OF SALES		(15,515,956)	(15,195,886)	-	-
GROSS PROFIT		4,831,587	4,879,087	60,000	60,000
OTHER INCOME		854,586	958,081	-	-
SELLING AND DISTRIBUTION EXPENSES		(158,066)	(140,716)	-	-
ADMINISTRATIVE EXPENSES		(3,483,384)	(3,377,861)	(361,375)	(265,765)
OTHER OPERATING EXPENSES		(117,127)	(301,365)	-	-
		1,927,596	2,017,226	(301,375)	(205,765)
FINANCE COSTS	19	(68,285)	(36,617)	-	-
PROFIT/(LOSS) BEFORE TAX	20	1,859,311	1,980,609	(301,375)	(205,765)
TAX EXPENSE	21	(237,725)	(159,363)	-	-
PROFIT/(LOSS) AFTER TAX		1,621,586	1,821,246	(301,375)	(205,765)
OTHER COMPREHENSIVE INCOME, NET OF TAX, THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
Capital reduction expenditure		-	(768,944)	-	(768,944)
Foreign currency translation differences		(8,600)	(25,388)	-	-
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE FINANCIAL YEAR		1,612,986	1,026,914	(301,375)	(974,709)
PROFIT/(LOSS) AFTER TAX ATTRIBUTABLE TO:					
Owners of the Company		1,621,586	1,821,246		
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company		1,612,986	1,026,914		
EARNINGS PER SHARE					
- Basic (Sen)	22	3.57	4.01		
- Diluted (Sen)	22	3.57	4.01		

The accompanying notes form an integral part of the financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2018

Group	Share capital RM	Foreign currency translation reserve RM	Distributable (Accumulated losses)/ retained earnings RM	Total equity RM
	<-------------Attributable to owners of the Company------------>			
Balance at 1 January 2017	48,874,465	266,248	(9,748,911)	39,391,802
Profit after tax	-	-	1,821,246	1,821,246
Other comprehensive loss:				
Capital reduction expenditure			(768,944)	(768,944)
Foreign currency translation differences	-	(25,388)	-	(25,388)
Total comprehensive (loss)/income for the financial year	-	(25,388)	1,052,302	1,026,914
Capital reduction	(10,488,911)	-	10,488,911	-
Balance at 31 December 2017	38,385,554	240,860	1,792,302	40,418,716
Impact arising from adoption of MFRS 15	-	-	(514,823)	(514,823)
Balance at 1 January 2018	38,385,554	240,860	1,277,479	39,903,893
Profit after tax	-	-	1,621,586	1,621,586
Other comprehensive loss:				
Foreign currency translation differences	-	(8,600)	-	(8,600)
Total comprehensive (loss)/income for the financial year	-	(8,600)	1,621,586	1,612,986
Balance at 31 December 2018	38,385,554	232,260	2,899,065	41,516,879

Company	Share capital RM	Distributable Accumulated losses RM	Total equity RM
Balance at 1 January 2017	48,874,465	(19,840,830)	29,033,635
Loss after tax	-	(205,765)	(205,765)
Other comprehensive loss:			
Capital reduction expenditure	-	(768,944)	(768,944)
Total comprehensive loss for the financial year	-	(974,709)	(974,709)
Capital reduction	(10,488,911)	10,488,911	-
Balance at 31 December 2017/1 January 2018	38,385,554	(10,326,628)	28,058,926
Loss after tax	-	(301,375)	(301,375)
Total comprehensive loss for the financial year	-	(301,375)	(301,375)
Balance at 31 December 2018	38,385,554	(10,628,003)	27,757,551

The accompanying notes form an integral part of the financial statements.

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		1,859,311	1,980,609	(301,375)	(205,765)
Adjustments for:					
Allowance for impairment of property, plant and equipment		-	128,499	-	-
Allowance for impairment of inventories		101,388	105,105	-	-
Depreciation of property, plant and equipment		728,979	754,380	-	-
Gain on disposal of property, plant and equipment		(14,024)	-	-	-
Loss/(gain) on foreign exchange translation - unrealised		2,828	(29,945)	-	-
Interest expenses		68,285	36,617	-	-
Interest income		(840,562)	(903,071)	-	-
Property, plant and equipment written off		-	63,846	-	-
Reversal of impairment loss on trade receivables		-	(20,779)	-	-
Operating profit/(loss) before working capital changes		1,906,205	2,115,261	(301,375)	(205,765)
Decrease/(increase) in inventories		299,255	(1,378,591)	-	-
Decrease/(increase) in receivables		265,731	(2,430,074)	-	254,846
Decrease in payables		(2,107,275)	(1,470,410)	(13,411)	(21,486)
Cash generated/(used in) from operations		363,916	(3,163,814)	(314,786)	27,595
Interest paid		(68,285)	(36,617)	-	-
Tax paid		(403,975)	(1,823)	-	-
Net cash (used in)/generated from operating activities		(108,344)	(3,202,254)	(314,786)	27,595

Statements of Cash Flows
for the financial year ended 31 December 2018 (cont'd)

	Note	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance from subsidiary companies		-	-	390,853	727,138
Capital reduction expenditure incurred		-	(768,944)	-	(768,944)
Capital work in progress incurred		(35,703)	(199,499)	-	-
Deferred expenditure incurred		-	(252,951)	-	-
Interest received		840,562	903,071	-	-
Purchase of property, plant and equipment		(479,168)	(119,709)	-	-
Proceeds from disposal of property, plant and equipment		106,000	-	-	-
Real property gains tax paid		-	(349,016)	-	-
Net cash generated from/(used in) investing activities		431,691	(787,048)	390,853	(41,806)
CASH FLOWS FROM FINANCING ACTIVITIES					
Placement of pledged fixed deposits		-	(1,000,000)	-	-
Drawdown/(repayment) of bankers' acceptance		700,000	(650,000)	-	-
Drawdown/(repayment) of finance lease liabilities		179,199	(97,196)	-	-
Net cash used in financing activities		879,199	(1,747,196)	-	-
Net increase/(decrease) in cash and cash equivalents		1,202,546	(5,736,498)	76,067	(14,211)
Effect of change in foreign exchange differences		(2,933)	(14,728)	-	-
Cash and cash equivalents at beginning of financial year		13,499,452	19,250,678	12,144	26,355
Cash and cash equivalents at end of financial year		14,699,065	13,499,452	88,211	12,144
CASH AND CASH EQUIVALENTS COMPRISE:					
Cash and cash equivalents	12	25,699,397	23,999,452	88,211	12,144
Bank overdrafts		(500,332)	-	-	-
		25,199,065	23,999,452	88,211	12,144
Less: Fixed deposits pledged as securities		(10,500,000)	(10,500,000)	-	-
		14,699,065	13,499,452	88,211	12,144

The accompanying notes form an integral part of the financial statements.

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Company is a public limited company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

The address of the registered office and principal place of business of the Company is at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The principal activities of the Company are investment holding and providing management services. The principal activities of the subsidiary companies are as set out in Note 5. There were no significant changes in the nature of these activities during the financial year.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

(a) Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 ("CA 2016") in Malaysia.

The Company is an Affected Listed Issuer pursuant to Paragraph 2.1(e) of Practice Note No. 17 of the Main Market Listing Requirements of Bursa Securities. During the current financial year, the Group recorded profit after tax amounting to RM1,621,586 (2017: profit after tax of RM1,821,246). As of 31 December 2018, the Group's current assets exceeded its current liabilities by RM30,152,617 (2017: current assets exceeded current liabilities by RM28,623,482) and the Group's retained earnings amounted to RM2,899,065 (2017: retained earnings of RM1,792,302). These indicate the Group's ability to continue as a going concern. Premised on the financial position, result and cash flows of the Group for the financial year ended 31 December 2018, the financial statements of the Group have been prepared on a going concern basis and do not include any adjustments relating to the amounts and classification of assets and liabilities that might be necessary should the Group be unable to continue as a going concern.

As at the date of this report, the Company has regularised its financial condition and no longer triggers any of the criteria under Paragraph 2.1 of PN17 of the MMLR. Consequently, Bursa Securities has approved the application of the Company for the upliftment from being classified as a PN17 company with effect from 24 July 2018.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(a) Statement of Compliance (cont'd)

MFRSs, Amendments to MFRSs and Issue Committees ("IC") Interpretation that have been issued but are not yet effective

The Group and the Company have not adopted the following MFRSs, Amendments to MFRSs and IC Interpretation that have been issued but not yet effective:

MFRSs/Amendments to MFRSs/IC Interpretation	**Effective for annual periods beginning on or after**
MFRS 16 - Leases	1 January 2019
IC Interpretation 23: Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119: Employee Benefits - Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 – 2017 Cycles	1 January 2019
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10: Consolidated Financial Statements and MFRS 128: Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be confirmed

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2019 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2019.

The Group and the Company do not plan to apply MFRS 17, Insurance Contracts that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Company.

The initial application of the accounting standards, interpretations or amendments are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group has completed a detailed assessment of the impact on its financial statements.

No significant impact is expected on the Group's finance leases.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and Presentation Currencies

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency.

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than:

1) Construction contracts

The Group measures the performance of construction work done by comparing the actual costs incurred with the estimated total costs required to complete the construction. Significant judgements are required to estimate the total contract costs to complete. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. A change in the estimates will directly affect the revenue to be recognised.

2) Deferred tax asset

Deferred tax assets are recognised for all unused tax losses, unabsorbed capital allowances and unutilised tax allowances to the extent that it is probable that taxable profits will be available against which the losses and tax allowances can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments, there are changes to the accounting policies of:

i) financial instruments;
ii) revenue recognition; and
iii) impairment losses of financial instruments

as compared to those adopted in previous financial statements. The impact arising from the changes is disclosed in Note 29.

(a) Basis Of Consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis Of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra- group transactions, are eliminated in preparing the consolidated financial statements.

(b) Property, Plant And Equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, Plant And Equipment (cont'd)

(i) Recognition and measurement (cont'd)

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day- to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a reducing balance basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

	%
Furniture, fittings and equipment	5 - 10
Motor vehicles	20
Plant and machinery	5 - 10

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

(c) Finance Lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

(d) Inventories

Inventories are valued at the lower of cost and net realisable value.

The cost of inventories is calculated using the first-in-first-out method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and finished goods, cost includes an appropriate share of production overheads based on normal operating capacity.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Inventories (cont'd)

Net realisable value is the estimate of the selling price in the ordinary course of business, less the estimated cost necessary to make the sale.

(e) Contract Asset/Contract Liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, Financial Instruments (see Note 3(h)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

(f) Cash And Cash Equivalents

Cash and cash equivalents consists of cash on hand, balances and deposits with banks, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(g) Financial Instruments

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company have elected not to restate the comparatives.

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

- *Amortised cost*

  Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

  Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 3(h)(i)) where the effective interest rate is applied to the amortised cost.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial Instruments (cont'd)

(ii) Financial instrument categories and subsequent measurement (cont'd)

- Fair value through other comprehensive income

  Equity investments

  This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by- investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

All financial assets, except for those measured at fair value through profit or loss were subject to impairment assessment (see Note 3(h)(i)).

Financial Liabilities

The categories of financial liabilities at initial recognition are as follows:

- *Amortised cost*

  Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

  Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

(iii) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(h) Impairment

(i) Financial assets

Unless specifically disclosed below, the Group and the Company generally applied the following accounting policies retrospectively. Nevertheless, as permitted by MFRS 9, Financial Instruments, the Group and the Company elected not to restate the comparatives.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Impairment (cont'd)

(i) Financial assets (cont'd)

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for cash and bank balances for which credit risk has not increased significantly since initial recognition, which are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while 12-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a simplified approach with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit- impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

(ii) Other assets

The carrying amounts of other assets (except for inventories, contract assets, lease receivables, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal groups) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Equity Instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(j) Foreign Currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Employee Benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit- sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

(l) Revenue and Other Income

(i) Revenue

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

i) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;
ii) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
iii) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(m) Borrowing Costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(o) Earnings Per Ordinary Share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

(p) Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Fair Value Measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Fair Value Measurement (cont'd)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. PROPERTY, PLANT AND EQUIPMENT

Group	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
Cost					
At 1 January 2017	1,956,766	1,119,510	32,817,532	-	35,893,808
Additions	78,209	-	41,500	199,499	319,208
Disposals/written off	(170,474)	-	(267,014)	-	(437,488)
Foreign currency translation	-	-	(14,836)	-	(14,836)
At 31 December 2017/1 January 2018	1,864,501	1,119,510	32,577,182	199,499	35,760,692
Additions	17,000	462,168	-	35,703	514,871
Disposals/written off	-	(253,610)	-	-	(253,610)
Foreign currency translation	-	-	(7,188)	-	(7,188)
At 31 December 2018	1,881,501	1,328,068	32,569,994	235,202	36,014,765
Accumulated depreciation					
At 1 January 2017	1,285,521	656,005	22,007,565	-	23,949,091
Charge for the financial year	62,015	92,701	599,664	-	754,380
Disposals/written off	(124,182)	-	(249,460)	-	(373,642)
Foreign currency translation	-	-	(4,782)	-	(4,782)
At 31 December 2017/1 January 2018	1,223,354	748,706	22,352,987	-	24,325,047
Charge for the financial year	57,633	108,542	562,804	-	728,979
Disposals/written off	-	(161,634)	-	-	(161,634)
Foreign currency translation	-	-	(2,318)	-	(2,318)
At 31 December 2018	1,280,987	695,614	22,913,473	-	24,890,074

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Furniture, fittings and equipment RM	Motor vehicles RM	Plant and machinery RM	Capital work-in-progress RM	Total RM
Accumulated impairment losses					
At 1 January 2017	-	-	-	-	-
Impairment loss for the financial year	-	-	128,499	-	128,499
At 31 December 2017/1 January 2018	-	-	128,499	-	128,499
Impairment loss for the financial year	-	-	-	-	-
At 31 December 2018	-	-	128,499	-	128,499
Net carrying amount					
At 31 December 2018	600,514	632,454	9,528,022	235,202	10,996,192
At 31 December 2017	641,147	370,804	10,095,696	199,499	11,307,146

Leased plant and equipment

At 31 December 2018, the net carrying amount of leased plant and equipment was RM626,777 (2017: RM365,452).

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company	
	2018 RM	2017 RM
Unquoted shares in Malaysia, at cost		
At 1 January/31 December	28,298,215	28,298,215
Less: Accumulated impairment losses		
At 1 January/31 December	(13,881,754)	(13,881,754)
Net carrying value	14,416,461	14,416,461

5. INVESTMENT IN SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Effective equity interest 2018 %	Effective equity interest 2017 %	Principal activities
Direct holding:				
Asia Tank Containers (Malaysia) Sdn. Bhd.	Malaysia	100	100	Dormant
Chip Ngai Engineering Works Sdn. Bhd.	Malaysia	100	100	Manufacturing and trading of tanks and related products, specialized engineering, fabrication and sub-contractor for civil engineering works
CN Asia Capital Sdn. Bhd.	Malaysia	100	100	Dormant
Douwin Sdn. Bhd.	Malaysia	100	100	Investment holding
Indirect holding:				
Held through CNEW				
Zhuhai CN Engineering Works Co., Ltd. *	People's Republic of China	100	100	Manufacturing and trading of tanks for specialised industries

* Subsidiary company not audited by Ong & Wong. The financial statements of the Company however were reviewed by Ong & Wong for consolidation purpose.

6. OTHER INVESTMENT

	Group 2018 RM	Group 2017 RM
Unquoted shares in Malaysia,		
At 1 January	79,480	79,480
Less: Accumulated impairment losses	(79,480)	(79,480)
	-	-
Movement of accumulated impairments losses:-		
At 1 January	79,480	67,439
Addition	-	12,041
At 31 December	79,480	79,480

<u>Equity investments designated at fair value through other comprehensive income</u>

At 1 January 2018, the Group designated the investment shown above as equity securities at fair value through other comprehensive income because these equity securities represent investments that the Group intends to hold for long-term strategic purposes. In 2017, this investment was classified as available-for-sale.

7. DEFERRED TAX ASSET

	Group	
	2018	2017
	RM	RM
At 1 January / 31 December	685,000	685,000

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	2018	2017
	RM	RM
Unutilised reinvestment allowances carry-forward	1,357,085	2,958,373
Unutilised business losses carry-forward	19,821,216	20,507,482
	21,178,301	23,465,855

8. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost:		
Raw materials	936,501	1,629,265
Work-in-progress	3,198,797	1,413,265
Finished goods	938,851	816,173
Consumables	273,997	297,569
	5,348,146	4,156,272
Less: Accumulated impairment losses	(206,493)	(105,105)
	5,141,653	4,051,167

The Group's cost of inventories recognised as an expense during the financial year amounted to RM6,164,697 (2017: RM7,521,627).

9. CONTRACT ASSETS

	Group	
	2018	2017
	RM	RM
Contract assets in relation to: -		
- construction project	1,091,456	834,202

	2018	2017
	RM	RM
Aggregate costs incurred to date	4,205,660	1,040,950
Add: Attributable profits	894,340	221,360
	5,100,000	1,262,310
Less: Progress billings	(4,008,544)	(428,108)
	1,091,456	834,202

Contract assets primarily relate to the Group's rights to consideration for work completed on a construction project but not billed at the reporting date. Contract assets are transferred to receivables when the rights become unconditional.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Other receivables	142,216	19,779	-	-
Deposits	138,887	142,137	1,000	1,000
Prepayments	188,109	273,688	-	-
	469,212	435,604	1,000	1,000

11. AMOUNT OWING BY / (TO) SUBSIDIARY COMPANIES

	Company	
	2018 RM	2017 RM
Amount owing by subsidiary companies		
- non-trade	30,996,319	31,402,172
Less: Accumulated impairment losses	(4,732,594)	(4,732,594)
	26,263,725	26,669,578
Amount owing to a subsidiary company		
- non-trade	12,982,005	12,997,005

These amounts are unsecured, interest-free and receivable / (repayable) on demand.

12. CASH AND CASH EQUIVALENTS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Cash on hand	6,005	6,005	-	-
Cash at bank	1,815,104	963,137	88,211	12,144
Fixed depsoits with licensed banks	23,878,288	23,030,310	-	-
	25,699,397	23,999,452	88,211	12,144

The fixed deposits with licensed banks earn effective interest at rates ranging from 3.20% to 4.30% (2017: 2.95% to 4.25%) per annum.

Included in fixed deposits with licensed banks is an amount of RM10,500,000 (2017: RM10,500,000) being fixed deposits pledged for banking facilities granted to the Group.

13. CAPITAL AND RESERVES

Share capital

	Group and Company		Group and Company	
	2018	2017	2018	2017
	Number of ordinary shares		RM	RM
Issued and fully paid				
At 1 January	45,382,500	45,382,500	38,385,554	45,382,500
Add: Reclassification from share premium pursuant to S618(2) of CA 2016	-	-	-	3,491,965
	45,382,500	45,382,500	38,385,554	48,874,465
Less: Capital reduction	-	-	-	(10,488,911)
At 31 December	45,382,500	45,382,500	38,385,554	38,385,554

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

In accordance with section 618 of Companies Act 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company had twenty four (24) months upon the commencement of Companies Act 2016 on 31 January 2017 to utilise the credit in accordance with Section 618(3) of Companies Act 2016 on or before 30 January 2019 (24 months from commencement of Section 74 of Companies Act 2016).

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

14. FINANCE LEASE LIABILITIES

	Group	
	2018	2017
	RM	RM
Total outstanding amount	517,858	317,000
Less: Interest in suspense	(40,111)	(18,452)
	477,747	298,548
Repayable within 12 months	160,816	101,636
Repayable after 12 months	316,931	196,912
	477,747	298,548

The effective interest rates of the finance lease ranged from 4.35% to 6.54% (2017: 4.35% to 4.47%) per annum.

15. CONTRACT LIABILITIES

	Group	
	2018	2017
	RM	RM
Contract liabilities in relation to: -		
- manufacturing of tanks and vessels	623,141	-

Contract liabilities primarily relate to the advance consideration received from customers for manufacturing of tanks and vessels, for which revenue is recognised at a point in time when the Company satisfies its performance obligation.

16. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Other payables	8,941	308,081	5,499	7,910
Accruals	189,623	614,665	30,000	41,000
	198,564	922,746	35,499	48,910

17. SHORT TERM BORROWINGS

	Group	
	2018	2017
	RM	RM
Secured		
- Bankers' acceptances	1,275,000	575,000
- Bank overdraft	500,332	-
	1,775,332	575,000

As at 31 December 2018, the bankers' acceptances are secured by the pledge of RM10,500,000 (2017: RM10,500,000) fixed deposits of its subsidiary, Chip Ngai Engineering Works Sdn Bhd.

The above borrowings bear interest at rates ranging from 3.70% to 6.00% (2017: 3.86% to 6.00%) per annum.

18. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Sale of goods	16,509,853	18,812,663	-	-
Contract revenue	3,837,690	1,262,310	-	-
Management fees	-	-	60,000	60,000
	20,347,543	20,074,973	60,000	60,000
Timing of revenue recognition:-				
- at a point in time	16,509,853	18,812,663	60,000	60,000
- over time	3,837,690	1,262,310	-	-
	20,347,543	20,074,973	60,000	60,000

19. FINANCE COSTS

	Group 2018 RM	Group 2017 RM
Bankers' acceptances	50,188	11,542
Bank overdrafts	2,483	10,107
Finance lease liabilities	15,614	14,968
	68,285	36,617

20. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(loss) before tax is stated after charging:				
Auditors' remuneration				
- current year's provision	73,000	70,000	30,000	30,000
Depreciation of property, plant and equipment	728,979	754,380	-	-
Impairment loss on property, plant and equipment	-	128,499	-	-
Impairment loss on other inventories	101,388	105,105	-	-
Loss on foreign exchange translation:				
- realised	10,172	-	-	-
- unrealised	2,828	-	-	-
Property, plant and equipment written off	-	63,846	-	-
Rental of premises	396,000	387,000	-	-
Rental of empty cylinder	5,190	3,940	-	-
Rental of plant and machinery	-	64	-	-
Staff costs (Note 23)	4,638,049	4,295,575	210,000	132,000
and crediting:				
Gain on foreign exchange translation:				
- realised	-	2,536		-
- unrealised	-	29,945		-
Gain on disposal of property, plant and equipment	14,024	-		-
Interest income	840,562	903,071		-
Reversal of impairment loss on trade receivables	-	20,779		-

21. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Malaysia income tax:				
- current year's provision	200,000	201,533	-	-
- under provision in respect of prior years	37,725	289	-	-
	237,725	201,822	-	-
Real property gains tax	-	(42,459)	-	-
	237,725	159,363	-	-

A reconciliation of tax expense applicable to profit/(loss) before tax at the statutory income tax rate to tax expense at the effective income tax rate is as follows:

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(loss) before tax	1,859,311	1,980,609	(301,375)	(205,765)
Tax expense at Malaysian statutory tax rate of 24% (2017: 24%)	446,235	475,346	(72,330)	(49,384)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	301,197	221,426	72,330	49,384
- utilisation of previously unrecognised tax losses	(547,432)	(495,239)	-	-
	(246,235)	(273,813)	72,330	49,384
• Under provision of taxation in respect of prior years	37,725	289	-	-
• Real property gains tax	-	(42,459)	-	-
	237,725	159,363	-	-

22. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 December 2018 was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2018	2017
Profit attributable to owners of the Company (RM)	1,621,586	1,821,246
Weighted average number of ordinary shares at 31 December	45,382,500	45,382,500
Basic earnings per share (Sen)	3.57	4.01

Diluted earnings per share

The calculation of diluted earnings per ordinary share at 31 December 2018 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares. The diluted earnings per share is same as per the basic earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

23. STAFF COSTS

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors' emoluments:				
- fees	223,000	158,000	210,000	132,000
- remuneration	499,200	499,200	-	-
- defined contribution plan	85,104	85,104	-	-
- social security cost	1,516	1,421	-	-
- other emoluments	186,985	71,098	-	-
	995,805	814,823	210,000	132,000
Other staff costs:				
- salaries, allowances and wages	3,369,285	3,223,195	-	-
- defined contribution plan	206,456	208,219	-	-
- social security cost	23,121	21,454	-	-
- other staff related expenses	43,382	27,884	-	-
	3,642,244	3,480,752	-	-
	4,638,049	4,295,575	210,000	132,000

24. 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 works 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.

The Executive Directors assess the performances of the operating segments based on operating profits or losses which is measured differently from those disclosed in the consolidated financial statements.

The Executive Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and have been established based on negotiated and mutually agreed terms.

24. OPERATING SEGMENTS (CONT'D)

Business segments

Group 2018	Manufacturing RM	Construction RM	Investment RM	Eliminations RM	Total RM
Revenue					
External revenue	16,509,853	3,837,690	-	-	20,347,543
Inter-segment revenue	-	-	60,000	(60,000)	-
External revenue	16,509,853	3,837,690	60,000	(60,000)	20,347,543
Results					
Segment results	786,417	672,980	(372,363)	-	1,087,034
Interest income	840,562	-	-	-	840,562
Interest expense	(68,285)	-	-	-	(68,285)
Profit/(loss) before tax	1,558,694	672,980	(372,363)		1,859,311
Tax expense	(230,566)	-	(7,159)	-	(237,725)
Profit/(loss) after tax	1,328,128	672,980	(379,522)	-	1,621,586
Assets					
Segment assets	44,362,861	1,492,310	314,707	-	46,169,878
Liabilities					
Segment liabilities	3,967,109	642,390	43,500	-	4,652,999
Other information					
Depreciation	734,756	-	(5,777)	-	728,979
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	514,871	-	-	-	514,871

24. OPERATING SEGMENTS (CONT'D)

Business segments

Group 2017	**Manufacturing RM**	**Construction RM**	**Investment RM**	**Eliminations RM**	**Total RM**
Revenue					
External revenue	18,812,663	1,262,310	-	-	20,074,973
Inter-segment revenue	-	-	87,000	(87,000)	-
External revenue	18,812,663	1,262,310	87,000	(87,000)	20,074,973
Results					
Segment results	1,268,809	221,360	(376,014)	-	1,114,155
Interest income	819,513	-	83,558	-	903,071
Interest expense	(36,617)	-	-	-	(36,617)
Profit/(loss) before tax	2,051,705	221,360	(292,456)	-	1,980,609
Tax expense	(138,074)	-	(21,289)	-	(159,363)
Profit/(loss) after tax	1,913,631	221,360	(313,745)	-	1,821,246
Assets					
Segment assets	43,519,092	834,202	238,231	-	44,591,525
Liabilities					
Segment liabilities	3,403,949	690,950	77,910	-	4,172,809
Other information					
Depreciation	760,460	-	(6,080)	-	754,380
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	319,208	-	-	-	319,208

24. OPERATING SEGMENTS (CONT'D)

Geographical information

Group	Malaysia RM	Republic of China RM	Elimination RM	Total RM
2018				
Revenue				
External	20,347,543	-	-	20,347,543
Inter-segment revenue	60,000	-	(60,000)	-
	20,407,543	-	(60,000)	20,347,543
Results				
Operating results	1,180,925	(93,891)	-	1,087,034
Interest income	840,562	-	-	840,562
Interest expenses	(68,285)	-	-	(68,285)
Profit/(loss) before tax	1,953,202	(93,891)	-	1,859,311
Tax expense	(237,725)	-	-	(237,725)
Profit/(loss) after tax	1,715,477	(93,891)	-	1,621,586
Assets				
Segment assets	46,033,793	136,085	-	46,169,878
Liabilities				
Segment liabilities	4,652,999	-	-	4,652,999
Other information				
Depreciation	728,979	-	-	728,979
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	514,871	-	-	514,871

24. OPERATING SEGMENTS (CONT'D)

Geographical information

Group	**Malaysia RM**	**Republic of China RM**	**Elimination RM**	**Total RM**
2017				
Revenue				
External	20,074,973	-	-	20,074,973
Inter-segment revenue	87,000	-	(87,000)	-
	20,161,973	-	(87,000)	20,074,973
Results				
Operating results	1,348,128	(233,973)	-	1,114,155
Interest income	903,071	-	-	903,071
Interest expenses	(36,617)	-	-	(36,617)
Profit/(loss) before tax	2,214,582	(233,973)	-	1,980,609
Tax expense	(157,829)	(1,534)	-	(159,363)
Profit/(loss) after tax	2,056,753	(235,507)	-	1,821,246
Assets				
Segment assets	44,346,250	245,275	-	44,591,525
Liabilities				
Segment liabilities	4,172,809	-	-	4,172,809
Other information				
Depreciation	754,380	-	-	754,380
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	319,208	-	-	319,208

25. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The table below provides an analysis of financial instruments as at 31 December 2018 categorised as follows:

	Carrying amount RM	Amortised cost RM
2018		
Financial assets		
Group		
Trade receivables	2,080,059	2,080,059
Contract assets	1,091,456	1,091,456
Other receivables and deposits	281,103	281,103
Cash and cash equivalents	25,699,397	25,699,397
	29,152,015	29,152,015
Company		
Deposits	1,000	1,000
Amount owing by subsidiary companies	26,263,725	26,263,725
Cash and cash equivalents	88,211	88,211
	26,352,936	26,352,936
Financial liabilities		
Group		
Trade payables	1,543,215	1,543,215
Other payables and accruals	198,564	198,564
Finance lease liabilities	477,747	477,747
Short term borrowings	1,775,332	1,775,332
	3,994,858	3,994,858
Company		
Other payables and accruals	35,499	35,499
Amount owing to a subsidiary company	12,982,005	12,982,005
	13,017,504	13,017,504

25. FINANCIAL INSTRUMENTS (CONT'D)

(a) Categories of Financial Instruments (cont'd)

The table below provides an analysis of financial instruments as at 31 December 2017 categorised as follows:

	Carrying amount RM	Loan and receivables / (financial liabilities measured at amortised cost) RM
2017		
Financial assets		
Group		
Trade receivables	3,273,296	3,273,296
Contract assets	834,202	834,202
Other receivables and deposits	161,916	161,916
Cash and cash equivalents	23,999,452	23,999,452
	28,268,866	28,268,866
Company		
Deposits	1,000	1,000
Amount owing by subsidiary companies	26,669,578	26,669,578
Cash and cash equivalents	12,144	12,144
	26,682,722	26,682,722
Financial liabilities		
Group		
Trade payables	2,176,515	2,176,515
Other payables and accruals	922,746	922,746
Finance lease liabilities	298,548	298,548
Short term borrowings	575,000	575,000
	3,972,809	3,972,809
Company		
Other payables and accruals	48,910	48,910
Amount owing to a subsidiary company	12,997,005	12,997,005
	13,045,915	13,045,915

(b) Financial Risk Management

The Group has exposure to the following risks from its financial instruments:
- Credit risk
- Liquidity risk
- Market risk

(c) Credit Risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from trade receivables, contract assets, other receivables and cash and cash equivalents. The Company's exposure to credit risk arises principally from other receivables, advances to subsidiaries and cash and cash equivalents. There are no significant changes as compared to prior periods.

25. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

(i) Trade receivables and contract assets

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally credit evaluations are performed on customers requiring credit over a certain amount.

A significant portion of these trade receivables are regular customers that have been transacting with the Company. The Company uses ageing analysis to monitor the credit quality of the trade receivables.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by the carrying amounts in the statement of financial position.

Concentration of credit risk

The Group has no significant concentration of credit risk that may arise from exposure to a single receivable or to groups of receivables except for the amount owing by 2 (2017: 2) major customers constituting approximately 19% (2017: 25%) of the outstanding trade receivables of the Group at reporting date.

Recognition and measurement of impairment loss

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 60 days.

The Group uses a provision matrix to measure ECLs of trade receivables for all segments except for construction segment. Invoices which are exceeded the credit period will be considered as credit impaired.

Loss rates are based on actual credit loss experience over the past five years. The Group also considers differences between (a) economic conditions during the period over which the historic data has been collected, (b) current conditions and (c) the Group's view of economic conditions over the expected lives of the receivables. Nevertheless, the Group believes that these factors are immaterial for the purpose of impairment calculation for the financial year.

For construction contracts, as there is only a customer, the Group assessed the risk of loss of the customer individually based on its financial information and past trend of payments. The customer has low risk of default.

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets as at 31 December 2018 which are grouped together as they are expected to have similar risk nature.

25. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

(i) Trade receivables and contract assets (cont'd)

Group	Gross carrying amount RM	Loss allowance RM	Net balance RM
Current (not past due)	1,994,291	-	1,994,291
1 - 30 days past due	41,075	-	41,075
31 - 60 days past due	330,844	-	330,844
More than 61 days past due	805,305	-	805,305
	3,171,515	-	3,171,515
Trade receivables	2,080,059	-	2,080,059
Contract assets	1,091,456	-	1,091,456
	3,171,515	-	3,171,515

Comparative information under MFRS 139, Financial Instruments: Recognition and Measurement

The aging of trade receivables as at 31 December 2017 was as follows:

Group	Gross carrying amount RM	Impairment RM	Net balance RM
Current (not past due)	3,010,917	-	3,010,917
1 - 30 days past due	31,694	-	31,694
31 - 60 days past due	110,163	-	110,163
More than 61 days past due	120,522	-	120,522
	3,273,296	-	3,273,296

The movements in the allowance for impairment losses of trade receivables during the financial year were:

	Group	
	2018 RM	2017 RM
At 1 January	-	111,409
Impairment loss reversed	-	(111,409)
At 31 December	-	-

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group and the Company are of the view that the loss allowance is not material and hence, it is not provided for.

25. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

(iii) Other receivables

Credit risks on other receivables are mainly arising from deposits paid for office buildings and fixtures rented. These deposits will be received at the end of each lease terms. The Group manages the credit risk together with the leasing arrangement.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

As at the end of the reporting period, the Company did not recognised any allowance for impairment losses.

(iv) Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Recognition and measurement of impairment loss

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advance to be credit impaired when:

- The subsidiary is unlikely to repay its advance to the Company in full;
- The subsidiary's advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' advances as at 31 December 2018.

Company	Gross carrying amount RM	Impairment loss allowance RM	Net balance RM
Low credit risk	26,246,504	-	26,246,504
Credit impaired	4,749,815	(4,732,594)	17,221
	30,996,319	(4,732,594)	26,263,725

25. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and short term borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

25. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (cont'd)

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Effective Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 2 Years RM	2 - 5 Years RM	Total RM
2018							
Group							
Non-derivative financial liabilities							
Trade payables	-	1,543,215	1,543,215	1,543,215	-	-	1,543,215
Other payables and accruals	-	198,564	198,564	198,564	-	-	198,564
Finance lease liabilities	4.35 - 6.54	477,747	517,858	180,216	153,073	184,569	517,858
Short term borrowings	3.70 - 6.00	1,775,332	1,775,332	1,775,332	-	-	1,775,332
		3,994,858	4,034,969	3,697,327	153,073	184,569	4,034,969
Company							
Non-derivative financial liabilities							
Other payables and accruals	-	35,499	35,499	35,499	-	-	35,499
Amount owing to a subsidiary company	-	12,982,005	12,982,005	12,982,005	-	-	12,982,005
		13,017,504	13,017,504	13,017,504	-	-	13,017,504
2017							
Group							
Non-derivative financial liabilities							
Trade payables	-	2,176,515	2,176,515	2,176,515	-	-	2,176,515
Other payables and accruals	-	922,746	922,746	922,746	-	-	922,746
Finance lease liabilities	4.35 - 4.47	298,548	317,000	112,164	112,164	92,672	317,000
Short term borrowings	3.86 - 6.00	575,000	575,000	575,000	-	-	575,000
		3,972,809	3,991,261	3,786,425	112,164	92,672	3,991,261
Company							
Non-derivative financial liabilities							
Other payables and accruals	-	48,910	48,910	48,910	-	-	48,910
Amount owing by a subsidiary company	-	12,997,005	12,997,005	12,997,005	-	-	12,997,005
		13,045,915	13,045,915	13,045,915	-	-	13,045,915

25. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

(i) Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily U.S. Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EUR") and Brunei Dollar ("BND").

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk, based on carrying amounts as at the end of the reporting period are as follows:

	BND RM	EUR RM	SGD RM	USD RM	Total RM
2018					
Financial Assets					
Trade receivables	-	-	5,162	-	5,162
Other receivables and deposits	-	81,196	-	1,861	83,057
Cash and cash equivalents	-	69	509,616	83,470	593,155
	-	81,265	514,778	85,331	681,374
Financial Liabilities					
Trade payables	-	93,796	12,734	2,310	108,840
	-	93,796	12,734	2,310	108,840
Net financial (liabilities)/assets	-	(12,531)	502,044	83,021	572,534
Foreign currencies exposures	-	(12,531)	502,044	83,021	572,534
2017					
Financial Assets					
Trade receivables	356,644	-	274,005	8,211	638,860
Other receivables and deposits	-	-	-	1,861	1,861
Cash and cash equivalents	-	2,823	400,071	73,222	476,116
	356,644	2,823	674,076	83,294	1,116,837
Financial Liabilities					
Trade payables	-	93,796	1,970	12,812	108,578
Other payables and accruals	121,600	-	111,083	-	232,683
	121,600	93,796	113,053	12,812	341,261
Net financial assets/ (liabilities)	235,044	(90,973)	561,023	70,482	775,576
Foreign currencies exposures	235,044	(90,973)	561,023	70,482	775,576

25. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market Risk (cont'd)

(i) Currency risk (cont'd)

Currency sensitivity analysis

A 10% (2017: 10%) strengthening and weakening of the functional currency against the following currencies at the end of the reporting period would have increased / (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted transactions.

	Group	
	2018	**2017**
	RM	**RM**
	Increase/ (Decrease)	**Increase/ (Decrease)**
Effects on profit after taxation/equity		
Strengthened by 10%		
- BND	-	23,504
- EUR	(12,531)	(9,097)
- SGD	50,204	56,102
- USD	8,302	7,048
Weakened by 10%		
- BND	-	(23,504)
- EUR	12,531	9,097
- SGD	(50,204)	(56,102)
- USD	(8,302)	(7,048)

(ii) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Investments in equity securities and short term receivables and payables are not significantly exposed to interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period are as follows:

	Group	
	2018	**2017**
	RM	**RM**
Fixed rate instruments		
Financial assets	23,878,288	23,030,310
Financial liabilities	(1,752,747)	(873,548)
	22,125,541	22,156,762
Floating rate instruments		
Financial liabilities	(500,332)	-

25. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market Risk (cont'd)

(ii) Interest rate risk (cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased / (decreased) equity and post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group	
	2018	**2017**
	RM	**RM**
Effects on profit before tax/equity		
Increase of 100 basis points	(5,003)	-
Decrease of 100 basis points	5,003	-

(f) Fair Value Information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

26. CAPITAL MANAGEMENT

The Group defines capital as equity and debt of the Group. The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

There was no change in the Group's approach to capital management during the financial year.

27. RELATED PARTIES

(a) Identity of Related Parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the parties are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

27. RELATED PARTIES (CONT'D)

(b) Significant Related Party Transactions

Related party transactions have been entered into in the normal course of business under negotiated and mutually agreed terms. The significant related party transactions of the Group and the Company are shown below.

	Company	
	2018	**2017**
	RM	**RM**
Subsidiaries		
Management fees	60,000	60,000

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
Key management personnel				
Directors				
- fees	223,000	158,000	210,000	132,000
- remuneration	499,200	499,200	-	-
- defined contribution plan	85,104	85,104	-	-
- social security cost	1,516	1,421	-	-
- other emoluments	186,985	71,098	-	-
	995,805	814,823	210,000	132,000

28. SUBSEQUENT EVENTS

On 18 February 2019, Bursa Securities approved the listing of and quotation for up to 4,538,200 Placement Shares to be issued pursuant to the Proposed Private Placement ("Private Placement") subject to the following conditions:

i. The Company and M&A Securities Sdn Bhd ("M&A") must fully comply with the relevant provisions under the MMLR pertaining to the implementation of the Private Placement;

ii. The Company and M&A to inform Bursa Securities upon the completion of the Private Placement;

iii. M&A to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities's approval once the Private Placement is completed;

iv. The Company to furnish Bursa Securities with a certified true copy of the resolution passed pursuant to Sections 75 and 76 of the Companies Act 2016 in the event the existing authority has expired prior to the full implementation of the Private Placement; and

v. Payment of outstanding processing fee and additional listing fee based on the market value of the Placement Shares to be listed, if applicable. In this respect, the Company is required to furnish Bursa Securities a cheque drawn to the order of "Bursa Malaysia Securities Berhad" for the outstanding processing fee and listing fee together with a copy of the details of the computation of the amount of fees payable.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group and the Company adopted MFRS 15, Revenue from Contracts with Customers and MFRS 9, Financial Instruments on their financial statements. The Group and the Company generally applied the requirements of these accounting standards retrospectively with practical expedients and transitional exemptions as allowed by the standards. Nevertheless, as permitted by MFRS 9, the Group and the Company have elected not to restate the comparatives.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Impact on Financial Statements

The following tables summarise the impact arising from the adoption of MFRS 15 on the Group's financial statements.

(i) Statement of financial position

Group **1 January 2018**	**As previously reported** **RM**	**MFRS 15 adjustments** **RM**	**As restated** **RM**
Inventories	4,051,167	1,491,129	5,542,296
Others	40,534,700	-	40,534,700
Total assets	44,585,867	1,491,129	46,076,996
Contract liabilities	-	2,005,952	2,005,952
Others	4,167,151	-	4,167,151
Total liabilties	4,167,151	2,005,952	6,173,103
Retained earnings	1,792,302	(514,823)	1,277,479
Others	38,626,414	-	38,626,414
Total equity	40,418,716	(514,823)	39,903,893
Total equity and liabilities	44,585,867	1,491,129	46,076,996

(ii) Statement of profit of loss and other comprehensive income

Group

For the financial year ended **31 December 2017**	**As previously reported** **RM**	**MFRS 15 adjustments** **RM**	**As restated** **RM**
Revenue	20,074,973	(2,005,952)	18,069,021
Cost of sales	(15,195,886)	1,491,129	(13,704,757)
Gross profit	4,879,087	(514,823)	4,364,264
Other income	958,081	-	958,081
Selling and distribution expenses	(140,716)	-	(140,716)
Administrative expenses	(3,377,861)	-	(3,377,861)
Other operating expenses	(301,365)	-	(301,365)
Profit from operations	2,017,226	(514,823)	1,502,403
Finance costs	(36,617)	-	(36,617)
Profit before tax	1,980,609	(514,823)	1,465,786
Tax expense	(159,363)	-	(159,363)
Profit after tax	1,821,246	(514,823)	1,306,423

	As previously reported	**As restated**
Basic earnings per share (Sen)	4.01	2.88
Dilute earnings per share (Sen)	4.01	2.88

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

(a) Impact on Financial Statements (cont'd)

(iii) Statement of cash flows

Group

For the financial year ended 31 December 2017	As previously reported RM	MFRS 15 adjustments RM	As restated RM
Profit before tax	1,980,609	(514,823)	1,465,786
Adjustments	134,652	-	134,652
Operating profit before working capital changes	2,115,261	(514,823)	1,600,438
Change in inventories	(1,378,591)	(1,491,129)	(2,869,720)
Change in contract liabilities	-	2,005,952	2,005,952
Others	(3,900,484)	-	(3,900,484)
Cash used in operations	(3,163,814)	-	(3,163,814)
Interest paid	(36,617)	-	(36,617)
Tax paid	(1,823)	-	(1,823)
Net cash used in operating activities	(3,202,254)	-	(3,202,254)

(b) Accounting for Financial Instruments

(i) Transition

In the adoption of MFRS 9, the following transitional exemptions as permitted by the standard have been adopted:

i) The Group and the Company have not restated comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of MFRS 9, but rather those of MFRS 139, Financial Instruments: Recognition and Measurement.

ii) The following assessment has been made based on the facts and circumstances that existed at the date of initial application:

- the determination of the business model within which a financial asset is held.

iii) Loss allowance for receivables (other than trade receivables) is recognised at an amount equal to lifetime expected credit losses until the receivable is derecognised.

(ii) Classification of financial assets and financial liabilities on the date of initial application of MFRS 9

Reclassification from loans and receivables to amortised cost

Receivables and cash and cash equivalents that were classified as loans and receivables under MFRS 139 are now reclassified as amortised cost.

(c) Accounting for Revenue

In the adoption of MFRS 15, the following practical expedients as permitted by the standard have been adopted:

i) for completed contracts, the Group does not restate contracts that:

- begin and end within the same annual reporting period; or
- are completed contracts at the beginning of the earliest period presented.

29. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES (CONT'D)

(c) Accounting for Revenue (cont'd)

i) for completed contracts, the Group does not restate contracts that: (cont'd)

If this practical expedient is not applied, revenue for the current financial year is expected to be higher because performance obligations where revenue was recognised previously could have been recognised in the current financial year.

ii) for comparatives, the Group does not disclose the amount of consideration allocated to the remaining performance obligations and an explanation of when the Company expects to recognise revenue.

The following are the changes in revenue recognition from the adoption of MFRS 15:

Types of revenue	Previous year's revenue recognition	Current year's revenue recognition
Sales of goods	The Group previously recognised revenue when the goods were delivered to the customer's premises, which was taken to be the point in time at which the customer accepted the goods and the related risks and rewards of ownership transferred. Revenue was recognised at the point provided that the revenue and costs could be measured reliably, the recovery of the consideration was probable and there was no continuing managerial involvement with the goods. For others, the Group previously recognised revenue when advance consideration is received.	Revenue is recognised later under MFRS 15 because all revenue from sales of goods recognised at a point in time. Advances received are now included in contract liabilities.
Construction contracts	If the outcome of a construction contract could be estimated reliably, then contract revenue was recognised in proportion to the stage of completion of the contract. The stage of completion was assessed with reference to surveys of work performed. Otherwise, contract revenue was recognised only to the extent of contract costs incurred that were likely to be recoverable. Contract expenses were recognised as they were incurred. An expected loss on a contract was recognised immediately in profit or loss. Advances received were included in deferred revenue.	Under MFRS 15, revenue is recognised over time by reference to the cost incurred over the estimated cost. The related costs are recognised in profit or loss when they are incurred.

30. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 3 April 2019 by the Board of Directors.

Analysis of Shareholdings
as at 29 March 2019

Issued and Fully Paid-Up Capital	:	RM38,385,554
Class of Shares	:	Ordinary Shares
Voting Rights	:	One Vote Per Share

Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Capital
1-99	428	22.26	20,094	0.05
100-1,000	132	6.86	74,591	0.17
1,001-10,000	1,137	59.13	3,159,625	6.96
10,001-100,000	178	9.26	5,429,488	11.96
100,001-less than 5% of issued shares	46	2.39	16,560,867	36.49
5% and above of issued shares	2	0.10	20,137,835	44.37
Total	1,923	100.00	45,382,500	100.00

Thirty Largest Shareholders

	Name	No. of Shares Held	% of Issued Capital
1	HO CHENG SAN	17,093,535	37.67
2	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHARLES ROSS MCKINNON	3,044,300	6.71
3	CN ASIA ENGINEERING SDN. BHD.	1,619,759	3.57
4	CHARLES ROSS MCKINNON	1,450,000	3.20
5	TENGKU AB MALEK BIN TENGKU MOHAMED	1,186,900	2.62
6	OON KIM WOON	1,110,400	2.45
7	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KUET FAR (DAMANSARA UTAMA-CL)	1,032,100	2.27
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG (E-KLC)	747,100	1.65
9	LEE HUI LEONG	632,000	1.39
10	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	614,308	1.35
11	ANGELINE CHAN KIT FONG	562,950	1.24
12	YEW SIEW CHOO	451,100	0.99
13	LEE WAN HOOI	436,100	0.96
14	CHONG MONG YUEN	389,400	0.86
15	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG PEK SEE (CEB)	345,700	0.76
16	GOH CHIN CHOOI	331,000	0.73
17	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	310,800	0.68
18	LEE KOOI YIN	303,000	0.67
19	CHIN CHEE LEONG	250,000	0.55
20	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO HOCK CHUAN (M&A)	250,000	0.55
21	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	243,000	0.54

Thirty Largest Shareholders (cont'd)

	Name	No. of Shares Held	% of Issued Capital
22	LEE WAN HOOI	240,300	0.53
23	KEW CHIN FAH	238,400	0.53
24	DANCOMAIR ENGINEERING SDN. BHD.	228,800	0.50
25	CHAN CHENG CHOY	204,500	0.45
26	KEW YUEN CHENG	200,000	0.44
27	KHONG CHENG YEE	200,000	0.44
28	KEW CHIN FAH	199,700	0.44
29	THAM KAH FOOK	194,500	0.43
30	LEE HUCK CHEE	178,000	0.39
	Total	34,287,652	75.56

Substantial Shareholders

		No. of Shares Held		% of Issued Capital	
	Name	Direct	Indirect	Direct	Indirect
1	HO CHENG SAN	17,093,535	2,182,709*#	37.67	4.81
2	CHARLES ROSS MCKINNON	4,551,300	-	10.03	-
3	ANGELINE CHAN KIT FONG	562,950	18,713,294*#	1.24	41.23

* *Deemed interested by virtue of his substantial shareholdings in CN Asia Engineering Sdn Bhd*
\# *Deemed interested by virtue of shares held by spouse*

Directors' Shareholdings

	No. of Shares Held		% of Issued Capital	
Name	Direct	Indirect	Direct	Indirect
DATO' HILMI BIN MOHD NOOR	-	-	-	-
HO CHENG SAN	17,093,535	2,182,709*#	37.67	4.81
ANGELINE CHAN KIT FONG	562,950	18,713,294*#	1.24	41.23
LEE KING LOON	-	-	-	-
ARIFFIN BIN KHALID	-	-	-	-
CHONG YING CHOY	-	-	-	-

* *Deemed interested by virtue of his substantial shareholdings in CN Asia Engineering Sdn Bhd*
\# *Deemed interested by virtue of shares held by spouse*

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CN ASIA CORPORATION BHD (399442-A)
(Incorporated In Malaysia)

PROXY FORM

(To be completed in block letters)

No. of Shares held	CDS Account No.

*I/We ____

I/C or Passport or Company No. ______________________ of ______________________

____

being a *member/members of the abovenamed Company, hereby appoint *THE CHAIRMAN OF THE MEETING or:

Full name (in Block Letters)	I/C/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

Full name (in Block Letters)	I/C/Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the 23rd Annual General Meeting ("AGM") of the Company to be held at Hang Jebat Room, Level 3, Philea Mines Beach Resort, Jalan Dulang, MINES Resort City, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia on Tuesday, 18 June 2019 at 10.00 a.m. or any adjournment thereof, in respect of *my/our shareholding in the manner indicated above:

ORDINARY RESOLUTION		**For**	**Against**
1.	To approve payment of Directors' fees and benefits for the period from 1 January 2019 until the next AGM.		
2.	To re-elect Mr Ho Cheng San as Director.		
3.	To re-elect Ms Angeline Chan Kit Fong as Director.		
4.	To re-appoint Messrs Ong & Wong as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration.		
5.	To retain Dato' Hilmi bin Mohd Noor as Independent Director.		
6.	To empower the Board to allot and issue shares.		
SPECIAL RESOLUTION		**For**	**Against**
1.	To approve the proposed adoption of new Constitution.		

Please indicate with an "X" in the space above on how you wish to cast your vote. In the absence of specific directions, your proxy will vote or abstain as he/she thinks fit.

Dated this .... day of 2019

Tel No. (during office hours) and email address

____
Signature(s) of member
(If member is a corporation, this form should be executed under common seal)

Notes:

Members entitled to attend

1. *Only depositors whose names appear in the record of depositors as at 11 June 2019 shall be regarded as members and entitled to attend, speak and vote at the meeting or appoint a proxy or proxies to attend and/or vote in his stead.*

Appointment of Proxy

2. *A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend, participate, speak and vote at the same meeting instead of him and that a proxy may but need not be a member of the Company and there shall be no restriction as to the qualification of the proxy.*
3. *Where a member appoints two (2) proxies, the appointment shall be invalid unless the member specifies the proportion of his shareholdings to be represented by each proxy.*
4. *Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) the securities account ("omnibus account"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.*
5. *The instrument appointing a proxy in the case of an individual shall be under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised. Any alteration to the proxy form must be initialed.*
6. *The Proxy Form must be deposited at the registered office of the Company at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia (Attn.: The Company Secretaries), not less than 24 hours before the time appointed for taking of the poll or any adjournment thereof.*
7. *By submitting the duly executed Proxy Form, a member and his/her proxy consent to the Company (and/or its agents/service providers) collecting, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purposes of this meeting and any adjournment thereof.*

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretary

CN ASIA CORPORATION BHD
(399442-A)
Lot 7907, Batu 11
Jalan Balakong
43300 Seri Kembangaan
Selangor Darul Ehsan
Malaysia

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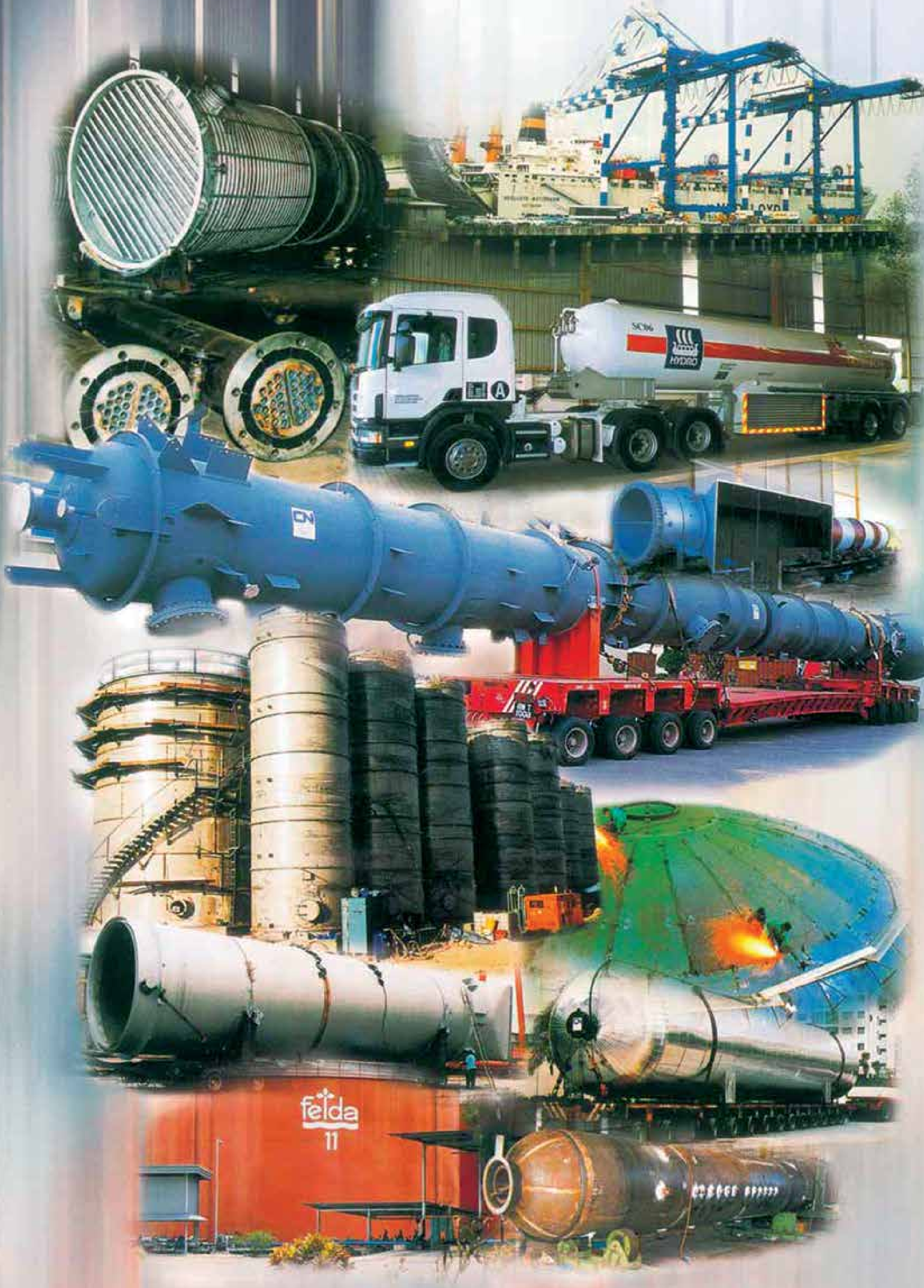
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cnasia.com

CN ASIA CORPORATION BHD (399442-A)
(Incorporated In Malaysia)

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43300 Seri Kembangan
Selangor Darul Ehsan, Malaysia
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