CN ASIA CORPORATION BHD

(199601027090 (399442-A))
(Incorporated In Malaysia)

ANNUAL REPORT 2019


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ANOTHER PRESTIGIOUS DISHED HEAD by CN
TEL: 03-8942 6888 WEBSITE: http://www.cnasia.com
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CONTENT

Notice of the Twenty-Fourth Annual General Meeting

NOTICE IS HEREBY GIVEN that the Twenty-Fourth (24th) Annual General Meeting ("AGM") of CN Asia Corporation Bhd will be held at **Ground Floor Office Building, Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia** on **Tuesday**, **7 July 2020** 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 2019 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 2020 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 23.3 of the Company's Constitution:

   (i) Mr Lee King Loon ***Resolution 2***
   (ii) Encik Ariffin bin Khalid ***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 twenty per cent (20%) 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."

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

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

Selangor Darul Ehsan
23 April 2020

Notes:

Members entitled to attend

1. Only depositors whose names appear in the record of depositors as at **30 June 2020** 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) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportions of his holdings to be represented by each proxy.

4. A Member who is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("SICDA") may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

   Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. An Exempt Authorised Nominee refers to an authorised nominee as defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

5. The instrument appointing a proxy shall be in writing 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 seal or under the hand of an officer or attorney duly authorised. Any alteration to the proxy form must be initialled.

6. The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. (Registration No. 197101000970 (11324-H)), at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Counter, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote or, in the case of a poll, not less than twenty-four (24) hours before the time for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

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 are 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 2020 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 2020 and a total of RM105,000 for the period from 1 January 2021 until the next AGM in 2021.

(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 had issued 4,538,200 new shares by way of private placement exercise under the general authority which was approved at the last AGM of which will lapse at the conclusion of this AGM. The details of the proceeds raised, status and purpose of utilisation of proceeds from the issuance of new shares are as stated in the Statement Accompanying Notice, Page 5 of the Annual Report 2019.

The 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.

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

(i) The Company had issued 4,538,200 new shares and raised proceeds amounting to RM1,815,280 by way of private placement exercise under the general authority which was approved at the last AGM of which will lapse at the conclusion of this AGM. The details of the status and purpose of utilisation of proceeds from the issuance of new shares are as below:-

	As Per Circular RM'000	Actual Utilisation RM'000	Deviation* RM'000	Balance Unutilised RM'000
Overhaul of machinery	1,665	(80)	66	1,651
Estimated Expenses	150	(84)	(66)	-
	1,815	(164)	-	1,651

Note:

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

(ii) The Board is of the view that the general mandate, on the issuance of new securities of not more than 20% of the total number of issued shares (excluding treasury shares), is in the best interest of the Company and its shareholders as it provides more flexibility to the Company in the event it needs to raise additional funds for capital expenditure, working capital and/or debt repayment amidst the current uncertain economic and financial environment.

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.

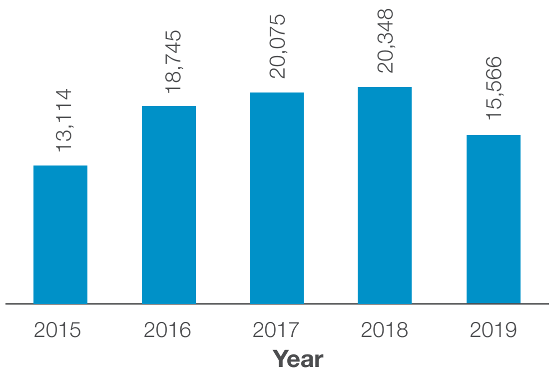
Mission

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

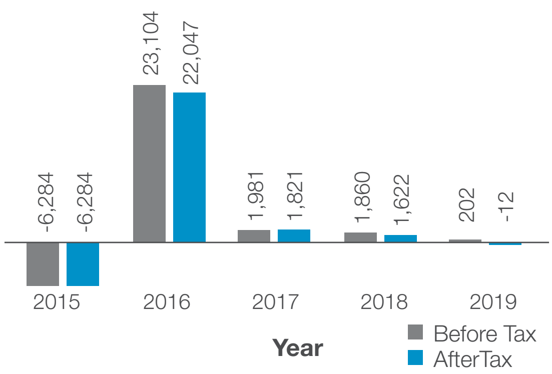
5-Year Group Financial Highlights

Year	Revenue (RM'000)	(Loss)/Profit before tax (RM'000)	(Loss)/Profit after tax (RM'000)	Shareholders' equity (RM'000)	Basic (loss)/ earnings per share (sen)	Net assets per share (sen)	Return on shareholders' equity (%)
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
2019	15,566	202	-12	43,231	-0.03	89.31	-0.03

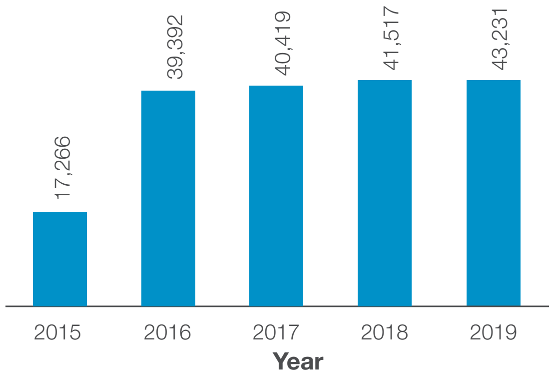
Revenue (RM'000)



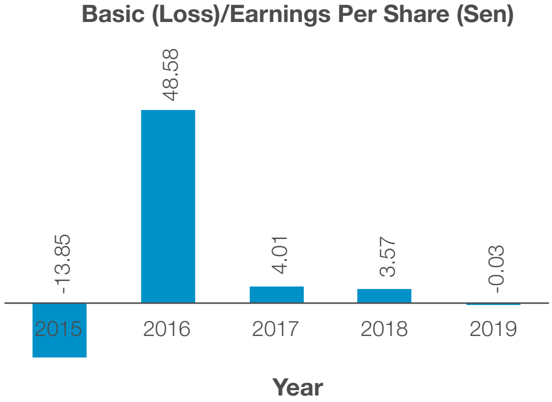
(Loss)/Profit Before & After Tax (RM'000)



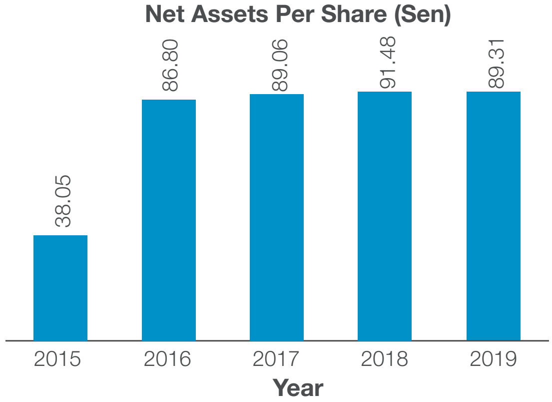
Shareholders' Equity (RM'000)



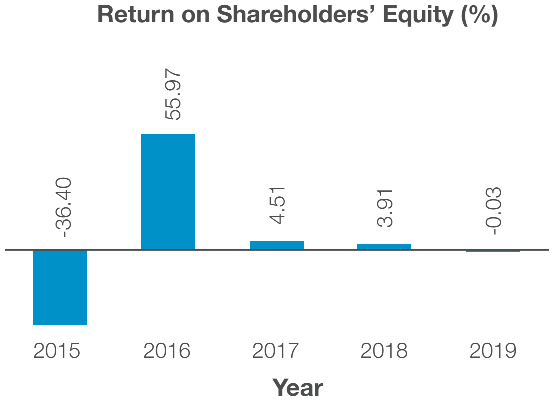
Basic (Loss)/Earnings Per Share (Sen)



Net Assets Per Share (Sen)



Return on Shareholders' Equity (%)



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
(Independent Director)

Chong Ying Choy
(Non-Independent Non-Executive Director)

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

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)*
Ariffin bin Khalid
Angeline Chan Kit Fong

COMPANY SECRETARIES
Lim Paik Goot *(MIA 13304) (SSM PC NO.202008001525)*
Wong Chooi Fun *(MAICSA 7027549) (SSM PC NO.201908002976)*
Goh Chooi Woan *(MAICSA 7056110) (SSM PC NO.201908000145)*

REGISTERED OFFICE
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan
Malaysia
Tel : +603-8942 6888
+6010-205 2278
+6010-206 2278
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
(Registration No. 197101000970 (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
(Registration No.: 199601027090 (399442-A))
(Incorporated In Malaysia)
Investment Holding &
Providing Management Services

100%
Chip Ngai Engineering Works Sdn Bhd
(Registration No.: 197001000934 (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.
  (Registration No.: 914404006633391955)
  (Incorporated in People's Republic of China)

  Dormant

- **20%**
  PICN Engineering Sdn Bhd
  (Registration No.: 200001009023 (511629-T))
  (Incorporated in Malaysia)

  Fabrication and trading of tanks for specialised industries

100%
Asia Tank Containers (Malaysia) Sdn Bhd
(Registration No.: 199601032298 (404650-W))
(Incorporated in Malaysia)
Dormant

100%
CN Asia Capital Sdn Bhd
(Registration No.: 199701030524 (446023-T))
(Incorporated in Malaysia)
Dormant

100%
Douwin Sdn Bhd
(Registration No.: 199001014325 (205994-P))
(Incorporated in Malaysia)

Investment holding

Lloyd's Register

Certificate of Approval

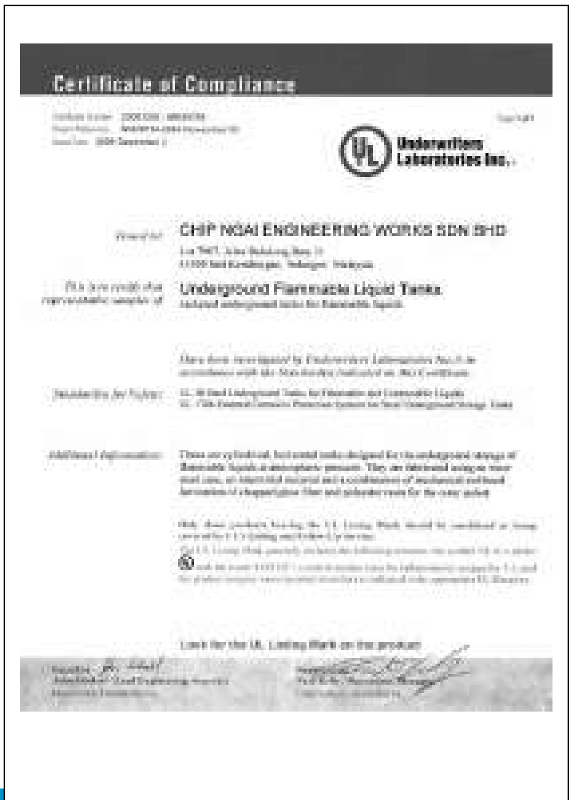
Chip Ngai Engineering Works Sdn. Bhd.
(10217-A)

ISO 9001:2015

CIDB MALAYSIA

PERAKUAN PENDAFTARAN

CIDB



Certificate of Compliance

Underwriters Laboratories Inc.

CHIP NGAI ENGINEERING WORKS SDN BHD

Underground Flammable Liquid Tanks

UL 58 & UL 1746

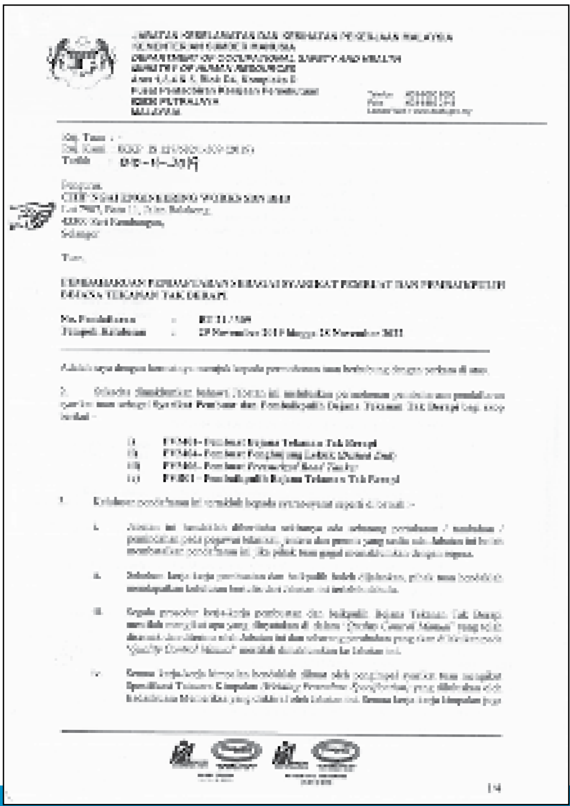
KEMENTERIAN KEWANGAN MALAYSIA

SIJIL AKUAN PENDAFTARAN SYARIKAT

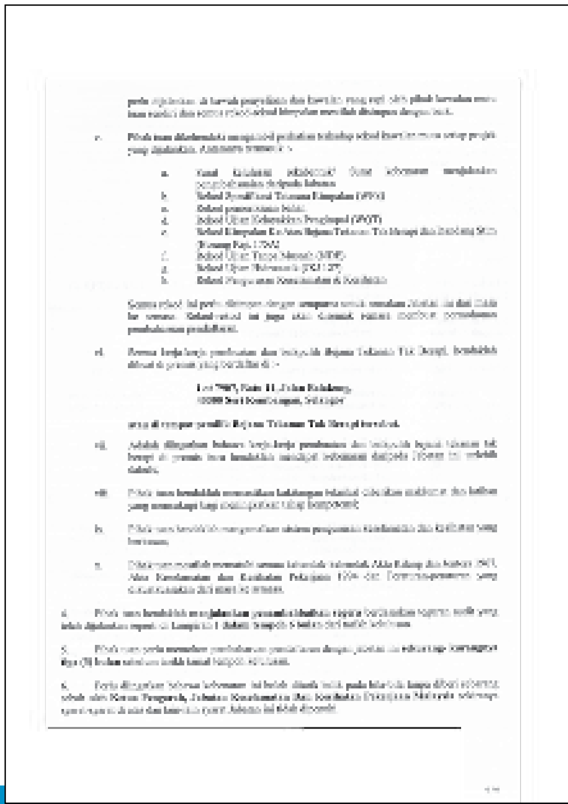
DATO' OTHMAN BIN ISMAIL

MOF

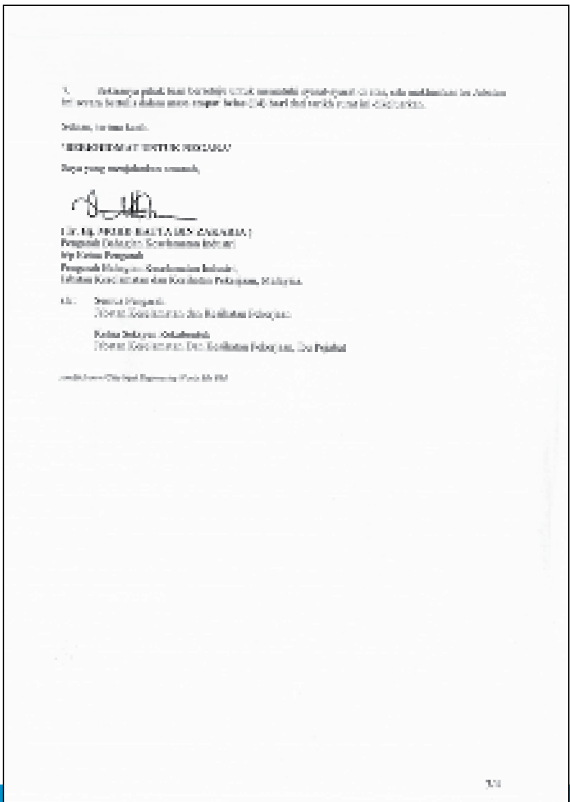
Certification and Accreditation
(cont'd)



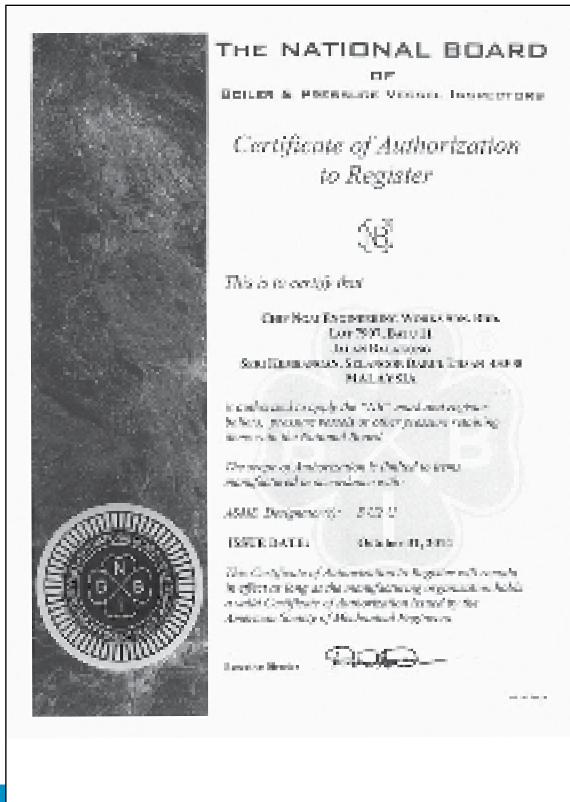
DOSH - PRESSURE VESSEL & DISH END - 1/3



DOSH - PRESSURE VESSEL & DISH END - 2/3

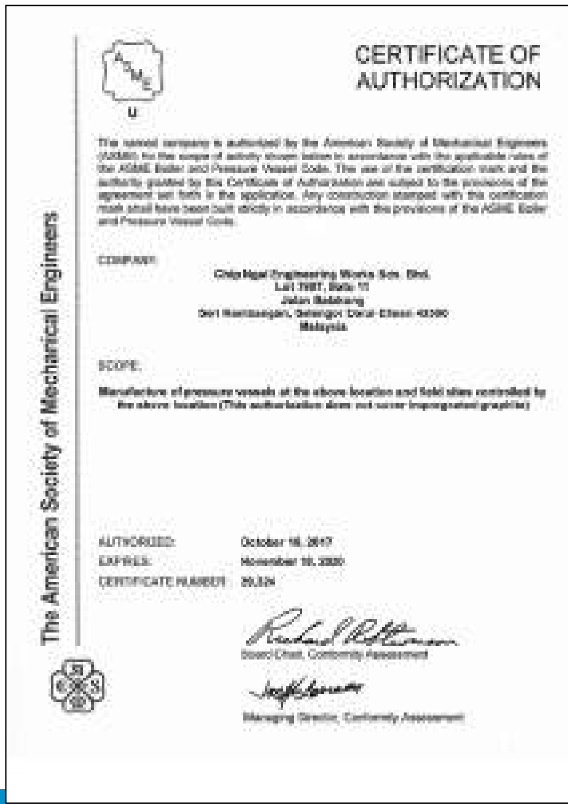


DOSH - PRESSURE VESSEL & DISH END - 3/3


THE NATIONAL BOARD
OF
BOILER & PRESSURE VESSEL INSPECTORS
Certificate of Authorization to Register
This is to certify that

NB STAMP

R STAMP



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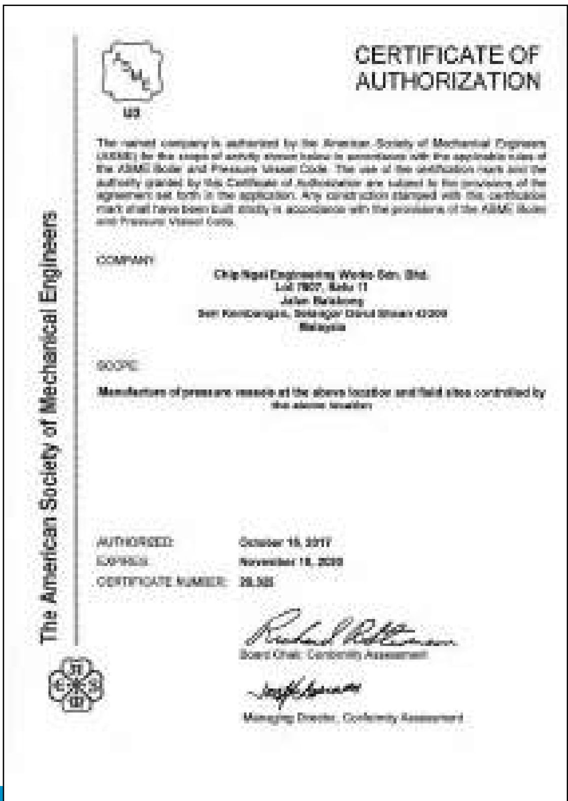

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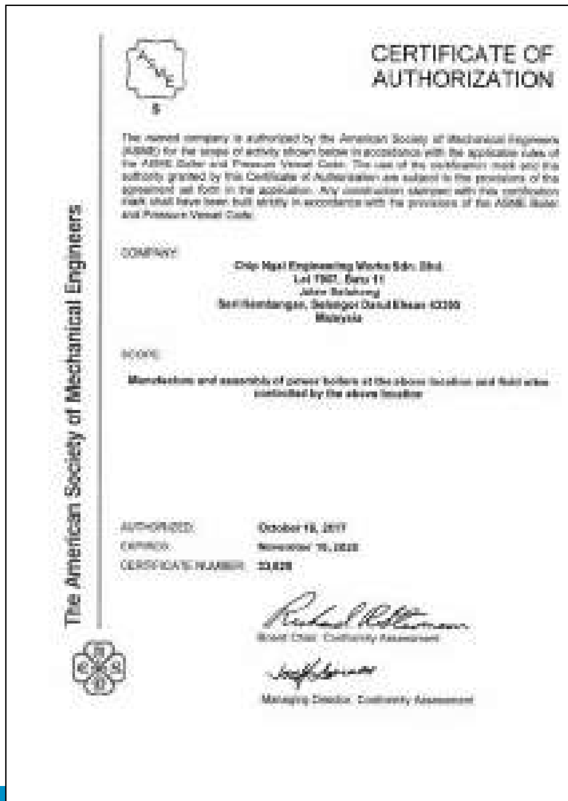

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Certification and Accreditation

(cont'd)

STORAGE TANK AND PRESSURE VESSELS

FABRICATION OF TANKER BODY

MANUFACTURE AND ASSEMBLY OF TRUCKS, TANKERS AND SPECIAL PURPOSE VEHICLES

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.


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 78
- Male
- Malaysian

Dato' Hilmi bin Mohd Noor was appointed to the Board on 1 January 1999 as a Non-Executive Chairman and was redesignated 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 67
- 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 40 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 40 years of management experience in the field of marketing and property development.

ANGELINE CHAN KIT FONG
Executive Director
- Aged 48
- Female
- Malaysian

Madam 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.

Madam 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.

LEE KING LOON
Independent Director
- Aged 49
- 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 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, a company that holds a Capital Markets Services Licence to provide corporate finance advisory. In 2019, Mr. Lee co-founded Meridian Care Capital Berhad, a company specialising in investment holding in entities engaged in the Healthcare and Life Sciences industry.

ARIFFIN BIN KHALID
Independent Director
- Aged 75
- Male
- Malaysian

Encik Ariffin bin Khalid was appointed to the Board on 16 June 2016 as a Non-Independent NonExecutive Director and was redesignated 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 Containers (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 65
- Male
- Malaysian

Mr. Chong Ying Choy was appointed to the Board on 5 April 1997 as an Independent Non-Executive Director and was redesignated as a Non-Independence 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	Interest in the securities of the company*	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	None
Ho Cheng San	Yes	Spouse of Angeline Chan Kit Fong	None	None
Angeline Chan Kit Fong	Yes	Spouse of Ho Cheng San	None	None
Lee King Loon	None	None	None	Yes
Ariffin bin Khalid	None	None	None	None
Chong Ying Choy	None	None	None	Yes

* The securities holding in the company is set out in Analysis of shareholdings on page 113 of the Annual Report

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

Name of Directors	Board Committee (Date appointed)			
	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)
Lee King Loon	√ (16 Jun 2016)*	√ (16 Jun 2016)	√ (16 Jun 2016)	√ (27 Nov 2017)*
Chong Ying Choy	√ (5 Apr 1997)	√ (5 Apr 1997)*	√ (5 Apr 1997)	-

* *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 2019 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	72/ 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	50/ 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	74/ Male/ Malaysian	• Diploma in Management, Malaysian Institute of Management	• Joined in February 2007 and has vast experience in Marketing and Business Development and has 38 years in Exxon Mobil in marketing, training, marketing planning and procurement.
Wong Ai Meng Production Manager	68/ 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	33/ 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 Head of Project since 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") and its subsidiaries (collectively referred to as "the Group") for the financial year ended 31 December ("FYE") 2019. 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, unless stated otherwise.

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 2019, the Group's total revenue decreased by RM4.8 million or 23.5% compared to the FYE 2018. The Group recorded decreases across all revenue streams - which includes the mechanical and engineering, tanks, LPG vessels, road tankers, provision of metal forming services – with the exception of revenue from pressure vessels which increased by 150%. The overall decrease in revenue was mainly due to weak domestic market sentiments, low oil prices, and volatility of the political and economic conditions which adversely affected the export markets especially during the third and fourth quarters of 2019. Nevertheless, there has been no significant change to the revenue stream of the Group as compared to the preceding year. These factors gave rise to a shift in the proportion of revenues derived from the domestic market and export market. In FYE 2019 the ratio of revenues derived from domestic market and export markets was 68.1% and 31.9% respectively, as compared to 89.0% and 11.0% respectively 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 2019 RM'000	FYE 2018 RM'000
Revenue	15,566	20,348
Gross profit	3,204	4,832
Profit before tax	202	1,860
Tax expense	214	238
(Loss)/Profit after tax	(12)	1,622
(Loss)/Earnings per share (sen)	(0.03)	3.57
Net assets per share (sen)	89.31	91.48

The Group recorded a total revenue of RM15.6 million in FYE 2019 compared to RM20.3 million in FYE 2018, representing a decreased of RM4.8 million or 23.5%. With the exception of revenue derived from pressure vessels which recorded an increase of RM1.8 million, revenues from all other streams decreased by RM6.6 million in aggregate.

In tandem with the abovementioned decrease in total revenue, the gross profit ("GP") margin decreased from 23.7% to 20.6% mainly due to an overall decline in economies of scale exacerbated by delays in delivery to customers, particularly those under the export markets. The aforementioned delays in delivery to customers were mainly attributable to the persistent global economic and political turmoil. Consequently, the Group also reported a lower profit before tax ("PBT") of RM0.2 million in FYE 2019 as compared to RM1.86 million in FYE 2018, representing a decrease of RM1.66 million or 89%.

The abovementioned factors resulted in a lower PBT of RM0.20 million in FYE 2019 as compared to RM1.86 million in FYE 2018, and a loss after tax of RM0.01 million in FYE 2019 as compared to a profit after tax of RM1.62 million in FYE 2018. Despite recording a loss after tax, the Group incurred tax expense of RM0.2 million mainly due to tax imposed on interest income earned from the placement of fixed deposits, which was taxable as a separate source of income.

	FYE 2019 RM'000	FYE 2018 RM'000
Selling and distribution expenses	168	158
Administrative expenses	3,544	3,483
Other operating expenses	89	117
Other income	942	854
Finance costs	143	68

There was no significant fluctuation in the Group's expenditure during the financial year except for the increase in finance costs by RM0.1 million (110.3%) mainly due to the adoption of MFRS 16 on leases with effect from 1 January 2019, whereby the lease rental commitments (pertaining to the Group's business premises) which were previously "off-balance sheet" and progressively recognized as direct expenses (included under 'cost of sales') as and when the lease payments become due, are now recognized as a liability with a corresponding "right-of-use" asset recognized in the Statement of Financial Position. The liability is amortized over the remaining life of the lease and the embedded finance costs are charged to the Profit or Loss periodically, whilst the right-of-use asset is depreciated on straight-line basis (the depreciation charge is included under 'cost of sales') over the remaining lease period. In FYE 2019, the Group recognized finance cost (associated with the lease labilities). The finance cost (associated with the lease liability) recognized during FYE 2019 amounted to RM53,921.

Other income increased by 10.3% mainly attributable to higher interest income from the placement of the unutilised proceeds from the Proposed Private Placement into fixed deposits with licensed banks.

The Group recorded a basic loss per ordinary share of 0.03 sen for FYE 2019 as compared to a basic earnings per ordinary share of 3.57 sen for FYE 2018, whilst net assets per share was reduced to 89.31 sen as at 31 December 2019 from 91.48 sen as at 31 December 2018. Both the basic earnings per share and net assets per share for FYE 2019 were calculated based on the weighted average number of ordinary share of 48.4 million, taking into consideration the effects of the increase in the issued and paid-up ordinary share capital of the Company from the Proposed Private Placement which was completed in May 2019.

Assets and Liabilities

	FYE 2019 RM'000	FYE 2018 RM'000
Assets		
Non-current	11,802	11,681
Current	36,897	34,488
Total assets	48,699	46,169
Equity and Liabilities		
Equity	43,231	41,517
Liabilities		
Non-current	552	317
Current	4,916	4,335
Total liabilities	5,468	4,652
Total equity and liabilities	48,699	46,169

The Group's total assets increased from RM46.17 million as at 31 December 2018 to RM48.70 million as at 31 December 2019, representing an increase of RM2.53 million or 5.5%. The increase in total assets was mainly attributable to the increase in cash and cash equivalents from the issuance of 4,538,200 of the Company's ordinary shares pursuant to the Proposed Private Placement whereby RM1.8 million was raised, and the recognition of "right-of-use" asset pursuant to the adoption of MFRS 16 as explained above. The carrying value of the "right-of-use" asset amounted to RM0.72 million as at 31 December 2019.

The Group's total liabilities increased from RM4.65 million as at 31 December 2018 to RM5.47 million as at 31 December 2019, representing an increase of RM0.82 million or 17.5% mainly attributable to the recognition of lease liability pursuant to the adoption of MFRS 16 as explained above. The unamoritized balance of the lease liability as at 31 December 2019 amounted to RM0.74 million as at 31 December 2019.

The Group's current assets exceeded current liabilities by RM31.98 million (as at 31 December 2019) which indicates that the Group has adequate resources to meet its short term obligations as and when they fall due.

The Group's average inventory turnover period for FYE 2019 was consistent with that of FYE 2018, at 121 days. Despite the lower balance of inventories of RM4.09 million as at 31 December 2019 as compared to RM5.14 million as at 31 December 2018, the inventory turnover period was status quo mainly due to the delay in delivery of completed orders to customers, especially those under the export markets. The aforementioned delay in delivery to customers were mainly attributable to the persistent global economic and political turmoil.

The Group recorded a higher average trade receivables turnover period of 52 days in FYE 2019 as compared to 37 days in FYE 2018 partly due to the effects of the delay in delivery of completed orders to customers as mentioned above. The Group has been actively monitoring its trade receivables and taken active steps in collecting trade receivables. The steps taken include holding regular meetings between the finance team and the sales team to co-ordinate the monitoring and collection process. The trade receivables that are past due for more than 60 days amounted to RM0.42 million, representing 19% of the total trade receivables of the Group as at 31 December 2019, comprised mainly of retention sum which only fall due in 2020. The Group's trade receivables are considered to be recoverable and accordingly, no allowance for doubtful debts is required.

Shareholders' equity increased from RM41.52 million as at 31 December 2018 to RM43.23 million as at 31 December 2019, representing an increase of RM1.71 million or 4.1%, mainly attributable to the increase share capital from the Proposed Private Placement completed during the year.

Cash, Bank Balances and Borrowings

	FYE 2019 RM'000	FYE 2018 RM'000
Net Cash Used In Operating Activities	(927)	(108)
Net Cash Generated From Investing Activities	771	432
Net Cash Generated From Financing Activities	1,731	879
Net increase in Cash and Cash Equivalents	1,575	1,203
Cash And Cash Equivalents At End of the Financial Year	16,274	14,699

The Group's cash and cash equivalents increased from RM14.70 million as at 31 December 2018 to RM16.27 million as at 31 December 2019, representing an increase of RM1.57 million or 10.7%. The Group continued to maintain a relatively low debt to equity ratio of 0.13 times as at 31 December 2019 as compared to 0.11 times as at 31 December 2018.

As at 31 December 2019, the Group's cash and cash equivalents and fixed deposits amounted to RM27.24 million (2018: RM25.70 million), representing 55.9% (2018: 55.7%) of its total assets.

ANTICIPATED OR KNOWN RISKS

The Group is exposed to the risks posed by the continued uncertainty of the global economic and geopolitical 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 adverse effects on the Group's operations and financial performance. The Group is of the view that the aforementioned risks would have a significant impact on the price competitiveness of our products and services which may in turn have material impact on the overall financial performance of the Group. In this regard, managing the price competitiveness of our products and services forms the major component of the Group's strategy to mitigate the adverse effects of the risks and to sustain its business.

One of the strategies implemented to manage the competitiveness of the price of our products and services is the reorganisation of our project execution and production team in order to streamline the fabrication process as a measure to control or reduce production cost. In addition, the Group is also in exploring the strategic sourcing of materials in order to achieve further cost savings. We believe that emphasising on improving the processes of project execution and production will enable us to attain greater efficiency and timeliness of delivery of our products and services, ultimately translate into better financial performance. The aforementioned measures are also expected to enhance our competitive advantage, thus enabling to secure more orders from existing and new customers.

The Group remains committed in strengthening its core business and will continue to explore and identify new opportunities and markets. During the fourth quarter of FYE 2019, the Group successfully secured an order from a customer based in Bangladesh for the fabrication of road tankers. The work on this project commenced in the first quarter of 2020 and is expected to complete by the second quarter of 2020.

In line with the recent outbreak of COVID-19 and the Government's Movement Control Order ("MCO") from 18 March 2020 to 14 April 2020, the Group has implemented a number measures to minimize the impact of these factors on the business of the Group. These measures include allow employees to work from home and remote access to office email to ensure the day-to-day operation of the Group remain active and at the same time remain in contact with the stakeholders through online meetings and email communications. Each employee is required to submit a weekly progress report to the human resource department on the task that has been executed during the reporting period. The reports will be compiled and reviewed by the management throughout the MCO period. In addition, meetings of the Board of Directors and the Board Committees will be conducted via virtual meeting rooms, utilizing the available technology, as and when necessary.

The Risk Management Committee together with the Audit Committee, and the outsourced Internal Auditors continue to provide their independent oversight on the effectiveness of the Group's risk management process. The Group is confident that the risk mitigation measures implemented will help to mitigate the adverse effects to its business.

MOVING FORWARD

Proposed Acquisition and Relocation Plan

On 20 January 2020, CN Asia's subsidiary, Chip Ngai Engineering Works Sdn Bhd, had entered into a Sale and Purchase Agreement with Twinstar Acres Sdn Bhd ("TASB"), a company wholly owned by Mr Ho Cheng San, for the Proposed Acquisition of a parcel of vacant land held under H.S.(M) 23504, Lot 5856, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan for a cash consideration of RM4.0 million ("Proposed Acquisition"). As Mr Ho Cheng San is also the Managing Director and major shareholder of CN Asia, the Proposed Acquisition is a related party transaction in accordance with Paragraph 10.08 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). Therefore, Proposed Acquisition is subject to the approval of the shareholders of the Company at an Extraordinary General Meeting to be convened at a date to be determined.

The Proposed Acquisition is undertaken as a viable strategy to address the impending expiry of the subsisting tenancy agreement (pertaining to the Group's current manufacturing facility) in December 2021, and the uncertainty as regards to the terms of the new lease even if the landlord agrees to extend the lease. The Proposed Acquisition will enable the Group to construct its new manufacturing facility on the vacant parcel of land – the relevant development order of which has been obtained – in order to mitigate the risk of operational disruption and sustain its operations for the long run.

The Group has carefully designed proposed new manufacturing facility t embodies our initiative to further enhance production efficiency in terms of material handling and the 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 existing machineries shall be mobilized to the new manufacturing facility in stages in order to minimise disruption to the Group's current production operations. The relocation to the proposed new manufacturing facility is expected to commence in the first quarter of 2021. Barring unforeseen circumstances, we do not foresee that the Group's operations will be materially affected by the relocation of manufacturing facility.

Future Outlook

The Group anticipates that the challenging economic and market conditions will persist until the health crisis caused by COVID-19 is curtailed. As such, we remain cautiously optimistic that the demand for our products and services will not be significantly dampened in spite of the uncertain economic and market conditions. We remain focused to further develop our core business – improving operational efficiencies while exploring opportunities to expand the scope of products and services, and to expand to new markets.

During these challenging times, we shall remain committed to our customers – in terms of delivering the high-quality products and services on a timely basis and at competitive prices.

We believe that with our reasonably robust financial position and low gearing, we are well positioned to navigate the challenging environment and remain resilient.

DIVIDEND

The Board does not propose any dividend for FYE 2019.

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, dedication, loyalty, commitment and invaluable contributions to CN Asia and help us go through this turbulent year. We must continue to work hard and stay safe to achieve our goals. More importantly, we must work together as a team.

I am confident that with their continued support and commitment, the Group will be well poised to endure the challenging environment and to sustain its 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 Director)*
Chong Ying Choy	*(Member)*	*(Non-Independent Non-Executive Director)*

MEETINGS

There were five (5) Audit Committee ("AC") Meetings held during the financial year ended 31 December 2019. The details of the members' attendances are as follows: -

Audit Committee Member	Number of Meetings Attended
Lee King Loon	5/5
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 external auditors, Messrs. Ong & Wong were also invited to attend the first, second and fifth AC Meetings held during the year.

SUMMARY OF ACTIVITIES

The main activities carried out by the AC during the financial year are summarised 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, and 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 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 their independence, and recommended to the Board for approval.
- 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 2019 and recommended to the Board for approval.
- Reviewed the Audit Committee Report, Additional Compliance Information and Statement on Risk Management and Internal Control, and recommended to the Board for approval for inclusion in the Company's annual report.
- Review all recurrent related party transactions of the Group for the financial year ended 31 December 2019 and recommend the same for Board's approval, if any.

INTERNAL AUDIT FUNCTIONS

The Group's internal audit function is outsourced to the external consultant, GovernanceAdvisory.com Sdn Bhd ("GA") which 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 2019 amounted to RM21,200 (2018: 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: -

- Reviewed and assessed the 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 Group's product quality control management which also include the bill-of-material ("BOM") management and the rework management system of the Group to ensure that the existence and compliances of the product quality standard as well as the manner applied in the quality control, inspections and documentation of the product quality control management of the Group.
- Performed follow-up review on the product quality control management 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 59 to 61 of this Annual Report.

Corporate Governance Overview Statement

The Board of Directors of CN Asia Corporation Bhd (the "Board") recognises 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 the 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 the 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 who are in line with the recommendations of the Code. The different 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 with recording the Board's deliberations, in terms of issues discussed, and the conclusions and the minutes of the previous Board and Board Committees meetings are distributed to the Directors before the meetings for their perusal before confirmation of the minutes at the commencement of the next Board and Board 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 matters 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 about 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 before 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 promptly 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 has adopted the Board Charter, 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 is 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 organisation 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	Independent Director	Yes
Chong Ying Choy	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.

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 Company has amended its Constitution to be in line with the recommendation of the Code 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 recognises 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 before 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 of this Annual Report respectively.

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 the 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 a 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 Nomination Committee 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 a 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	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.

The current criteria for an 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.

During the year, the Group has developed a new Directors' Evaluation Form, which includes more comprehensive coverage on the area to be assessed. In the case of individual Directors, peer and self-assessment being carried out to evaluate their strategic direction, ethical and values are driven, knowledgeable, diligent, team player and personal development, such as the ability to give constructive suggestions and assertive in expressing their viewpoint, provide a logical and honest opinion on issues deliberated, maintain confidentiality, demonstrate objectivity and integrity in the decision making process, understand critical issues affecting the Company, offer practical and realistic advice and demonstrate a willingness to devote adequate 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 evaluated on their personal development and identified their strength and weaknesses in discharging their duties and responsibility as a member of the Board as well as continuously improving themselves to keep update to counter with the ever-changing environment.

In accordance with the Company's Constitution, newly appointed Directors shall hold office until the next following annual general meeting. They 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 is 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 2019, the Board held five (5) meetings to deliberate and decide on various issues including the Group's financial results, strategic decisions, the 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	5/5	100
Ho Cheng San	5/5	100
Angeline Chan Kit Fong	5/5	100
Lee King Loon	5/5	100
Ariffin bin Khalid	5/5	100
Chong Ying Choy	5/5	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 2019:-

(i) Audit Committee

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

(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	2/2	100
Ariffin bin Khalid	Member	2/2	100
Angeline Chan Kit Fong	Member	2/2	100

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 2019, the Directors have attended seminars and training as follows:

Director	Seminar and Training Programmes	Date
Dato' Hilmi bin Mohd Noor	• Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	20 Nov 2019
Ho Cheng San	• The Cooler Earth: Sustainability Summit • Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	1 & 2 Oct 2019 20 Nov 2019
Angeline Chan Kit Fong	• Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	20 Nov 2019
Chong Ying Choy	• Preview: AMLA, Fraud in Digital Economy & Forensic Auditing • National Indirect Tax Conference 2019 • Comprehensive Tax Computation for Companies • Listing on the Leading Entrepreneur Accelerator Platform (LEAP) market • Special Voluntary Disclosure Programme (SVDP) "Let's Chat" • National Tax Conference 2019 • Practical Auditing Methodology for SMPs • Updates of the 2018 & 2019 MFRS – Preparing MFRS – Compliant Financial Statements in 2018, 2019 and thereafter • 2020 Budget Seminar • Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	21 Mar 2019 4 Apr 2019 17 Apr 2019 10 May 2019 28 May 2019 5 & 6 Aug 2019 4 & 5 Sep 2019 14 & 15 Oct 2019 24 Oct 2019 20 Nov 2019
Lee King Loon	• Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	20 Nov 2019
Ariffin bin Khalid	• Corporate Liability Act – Defense Mechanism For Directors, Executives & Company	20 Nov 2019

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 reviewed periodically 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 was approved by the Board with a recommendation from the Remuneration Committee.

The 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	Non-Independent Director	Chairman
Lee King Loon	Independent Director	Member
Ariffin bin Khalid	Independent Director	Member

For the financial year ending 31 December 2020, the Group is proposing the same fees payable to all the Directors of the Group, excluding 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 2019 and the financial year ending 31 December 2020, which are subject to the shareholders' approval at the forthcoming Annual General Meeting, are as follows:

Name of Directors	Directorate	2019 Fees RM	2020 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	42,000	42,000
Ariffin bin Khalid	Independent Director	36,000	36,000
Chong Ying Choy	Non-Independent Director	36,000	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 2019 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	42,000	-	-	42,000
Ariffin bin Khalid	36,000	-	-	36,000
Non-Independent Director				
Chong Ying Choy	36,000	-	-	36,000
	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	247,072	607,072
Angeline Chan Kit Fong	36,000	144,000	35,003	215,003
Independent Director				
Dato' Hilmi bin Mohd Noor	60,000	-	-	60,000
Lee King Loon	42,000	-	-	42,000
Ariffin bin Khalid	36,000	-	-	36,000
Non-Independent Director				
Chong Ying Choy	36,000	-	-	36,000
Total	210,000	504,000	282,075	996,075

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 2019 disclosed in bands of RM50,000 is as follow:

Range of Remuneration	Benefit-in-kind and Other emoluments
RM50,000 -RM100,000	1
RM100,001-RM150,000	1
RM150,001-RM200,000	2
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. 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 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 2019, 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.

8.3 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 2019, 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. 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 reviewed the External Auditors' Assessment Policy (the "Policy") during the financial year to ensure that the Policy is relevant and effective.

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.

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.

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 59 to 61 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 6;
- 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.

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. 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 Audit Committee Report and Statement on Risk Management and Internal Control set out on pages 28 to 29 and 59 to 61 of this Annual Report respectively.

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 proposed Private Placement undertaken by the Company which was completed in May 2019.

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 the release of material and price sensitive information. This CDPP provided 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 the 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 the vote by poll. A poll administrator was appointed to administrate, coordinate and to count 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.

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 Annual General Meeting, to participate, speak and vote on their behalf.

In considering the recent outbreak of the COVID-19 and the Government's decision on the Movement Control Order for the period from 18 March to 31 March 2020 initially and thereafter, further extended to 14 April 2020 and subsequently to 28 April 2020, the Company will explore the availability of a reliable technology which is suitable, efficient and effective for this purpose.

This statement was presented and approved by the Board on 1 April 2020.

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 2019 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 1 April 2020.

INTRODUCTION

This Sustainability Statement of the Group covers the financial period from 1 January 2019 to 31 December 2019 ("FYE 2019"), and where available, relevant data collated over three (3) financial years from FYE 2017, 2018 and 2019 have been provided. This Sustainability Statement is prepared in compliance with the MMLR of Bursa Securities and guided by the Sustainability Reporting Guide issued by Bursa Securities.

OUR COMMITMENT

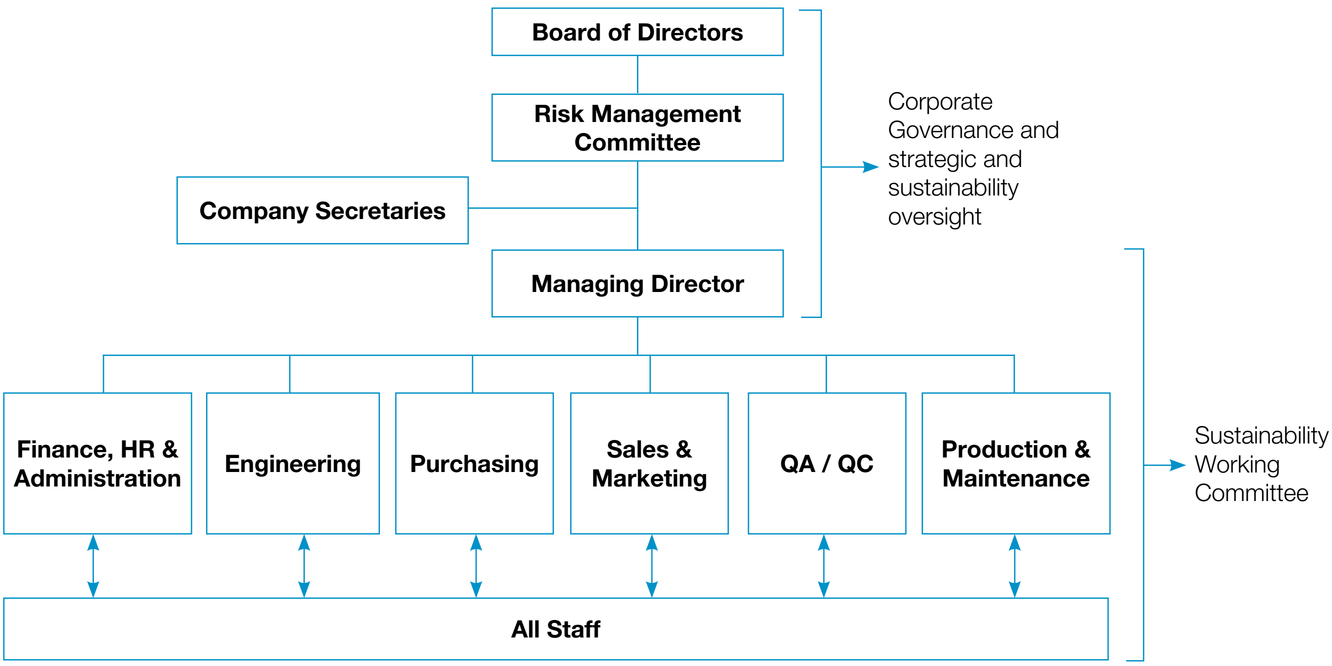
The Board of Directors acknowledges the importance of maintaining good corporate governance and transparency in the Group's operations in order to create positive sustainable impact on the Group's business, its stakeholders and environment in which the Group operates, with the objective of safeguarding shareholders' interests. In our effort to deliver long term sustainable value and growth to our stakeholders, we have drawn upon our efforts to focus on the economic, environmental and social ("EES") impact of the Group's activities. Our sustainability practices encompass EES matters that are essential to the Group via stakeholder engagement, materiality assessment and continuous monitoring.

As reported herein, the Group has demonstrated its commitment towards the sustainable practices and comprehensive sustainability reporting with the adoption of a comprehensive sustainability management structure that encompasses the contribution from the entire Group as illustrated below.

The Board is ultimately responsible for ensuring that the sustainability efforts are embedded in the strategic direction of the Group and is primarily responsible for reviewing and approving the sustainability report of the Group. The Board has entrusted the Risk Management Committee ("RMC") - with the responsibility of providing risk management oversight - to support and complement its effort in reviewing, assessing and analysing the risks and opportunities within the Group, and in identifying the areas of business upon which the Group should focus its sustainable practices and sustainability reporting. 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 his strong commitment towards sustainable practices and overseeing the formulation, planning and execution of sustainability matters to ensure sustainability reporting initiatives across the Group. The sustainability matters are managed by various departments within the Group with the support from all staff.

The Group's business operating units are guided by the guidelines, policies and procedures in cultivating good corporate governance, managing sustainability risks and promoting social and environmental awareness across the Group. These policies and procedures have been reviewed regularly and updated as and when applicable to ensure that they are remain effective, relevant and appropriately in line with the relevant laws and regulations.

Sustainability Management Structure



STAKEHOLDER ENGAGEMENT

Stakeholder engagement forms an essential part of the overall sustainability strategy of the Group. It provides 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. Regular stakeholder engagement denotes better relationship and values recognition with the Group's internal and external stakeholders and be more conscious of the impact or potential to impact the Group's activities.

During FYE 2019, the Group engaged with a wide range of stakeholder groups, which include employees, customers, suppliers, government, shareholders, investors, regulators, financial institutions, business associates, consultants and communities. We endeavour to engage with our stakeholders in an efficient, conversant, open-minded and responsive manner through various means of communication which include interviews, dialogues, meeting, workshops and trainings, road shows and events, surveys and face-to-face meetings. The voices of stakeholders are heard and ascertained with precise responses and feedback to the stakeholders in order to create a transparent and clear route on the business direction and intentions.

Through the effort of the SWC in the previous year, the Group has identified the prioritised stakeholder groups for the sustainability reporting based on a set of criterion to rank each of the stakeholder group. As there have been no significant change in the Group's business direction and the environment where the Group is operating, we continue to focus on the key stakeholder groups that had been identified, namely employees, customers, suppliers and government.

MATERIALITY ASSESSMENT

Through the stakeholder engagement and prioritisation processes, the Group had at the same time undergone the process of materiality assessment and developed a list of matters considered material to the Group's business from the perspective of its stakeholders. During FYE 2019, the SWC carefully considered the expectations and feedback of the stakeholders, and had sought the views of the stakeholders in finalising the list of material matters. The list of material matters was then deliberated at length by the management prior to its inclusion in this Sustainability Report.

MATERIAL SUSTAINABILITY MATTERS

Economic

Economic Performance

The economic performance of the Group is the core element of the Group's ability to continue as a going concern. During the FYE 2019, the Group continued to engage with its customers within Malaysia as well as abroad, including those based in Hong Kong, Singapore and Bangladesh, 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	2017	2018	2019
Economic Value Generated			
Revenues	21,033	21,202	16,509
Economic Value Distributed			
Operating costs	13,640	14,054	9,123
Employee wages and benefits	4,002	4,346	4,088
Payments to government	642	666	468
Payments to providers of capital	37	68	143
	18,321	19,134	13,822
Economic Value Retained	2,712	2,068	2,687

During FYE 2019, the Group generated RM16.5 million in revenue, a 22.1% decrease from the prior year's revenue of RM21.2 million. Correspondingly, the Group distributed total direct economic value of RM13.8 million which is 27.8% lower as compared to RM19.1 million in the preceding year. The decrease was mainly due to decrease in operating costs, employee wages and benefits, and payments to government by 35.1%, 5.9% and 29.7%, respectively as compared to the preceding financial year. The overall decrease in revenue was largely due to weak domestic market sentiments and volatility of the political and economic conditions of the export markets especially during the third and fourth quarters of 2019. The decrease in revenue represents a reduction in the Group's contribution to the wealth of the stakeholders during the year under review. Despite the decrease in revenue, the Group attained a net economic value of RM2.7 million, representing a 29.9% increase compared to RM2.1 million recorded in FYE 2018.

Procurement Practice

The Management believes that regular engagement with its suppliers have, in some cases, fostered better business relationships, resulting in more favourable prices and credit terms offered by suppliers, which in turn had a positive impact on the financial performance of the Group.

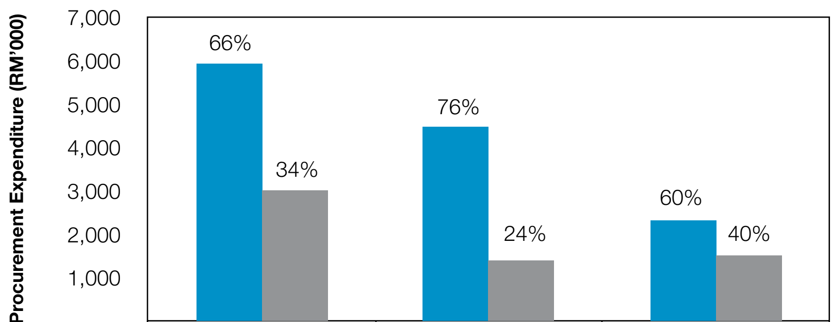
CN Asia established the standards and principles for material procurement as prescribed in the Purchasing Procedure to ensure that all procurement processes are adhered to and that products and services procured conform to the specific requirements especially in the procurement of materials for the production 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.

The Group has in place 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. The new suppliers, once approved, are added onto the Approved Supplier List ("List"). There are total ten (10) new suppliers and two (2) new sub-contractor added into the List during the year. 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. Suppliers whom we have not transacted with for one year, will be classified as inactive supplier and subjected to further evaluation in deciding whether or not to retain these suppliers on the List.

Approved Suppliers (Number)	2017	2018	2019
Active supplier	99	119	96
Active sub-contractor	46	52	40

As at 31 December 2019, there are 96 suppliers and 40 sub-contractors on the List as compared to 119 suppliers and 52 sub-contractors as at 31 December 2018. The purpose of the supplier evaluation process is to ensure that suppliers on the List fully comply with the Group's procurement processes, whilst 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 2017 – 2019



	2017	2018	2019
Series 1	5,899	4,490	2,320
Series 2	3,009	1,378	1,530

The Group transacts with local suppliers as much as possible to support the domestic economy and local communities. The Group's total procurement during the FYE 2019 comprised 60% domestic purchases and 40% imports, as compared to 76% and 24% respectively in the prior year. Total purchases for the year reduced by 34.4% compared to FYE 2018 as a result of decrease in the volume of business during the year.

Environment

Compliance with Environmental Protection Laws and Regulations

CN Asia is mindful of the possible environmental impact of its business activities and strives to minimise the potential risk and impact associated with our operations. The Group endeavours 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. Hence, compliance with environmental protection laws and regulations is one of our main requirements in our operations. We constantly provide trainings, briefings, dialogue sessions and discussions with our stakeholders, particularly our employees, suppliers and customers to create awareness among the stakeholders and ensure our compliance obligations are intact. 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 the relevant environmental protection laws and regulations.

Energy, Water and Paper Management

The Group is aware that energy management is important in our sustainability effort to reduce the overall environmental footprint. It is also form a major part of the utility consumed in the operation of the Group. Hence, CN Asia continues its efforts 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 aims to minimise its energy consumption by implementing the following measures:-

- use of electrical equipment and light fittings with energy efficient feature
- constantly remind and educate users to conserve electricity consumption
- post notice and reminder at the electricity switch
- monthly monitoring of electricity consumption

During FYE 2019, the recorded electricity consumption was 539,228 kWh, representing a 14.4% decrease in electricity consumption compared to 630,274 kWh recorded in FYE 2018. The key statistics pertaining the energy consumption are tabulated below:

Performance Measure	2017	2018	2019
Electricity consumption (kWh)	673,040	630,274	539,228
Variance (%)	7.5	-6.4	-14.4
Water consumption (m3)	3,302	2,765	2,794
Variance (%)	64.3	-16.3	1.0
Paper consumption (kg)	1,237	669	651
Variance (%)	70.9	-45.9	-2.7

The Group also continuously worked towards minimising water consumption in its operations and workplace. Some of our efforts in minimising the water consumptions are as follows:-

- collect rain water, and recycle water used for testing of our products
- raise awareness among employees and visitors to conserve water
- monthly monitoring of water consumption and make appropriate enquiry in the case of high consumption and check if there are any signs of water leakage

During FYE 2019, the total water consumption amounted to 2,794 m3, representing only a minimal increase in water consumption by 1.0% as compared to 2,765 m3 in the preceding year.

In order to cultivate an environmentally friendly workplace, we have been actively promoting a paperless culture within our organisation throughout the year. The following are some of our measures to prevent unnecessary paper consumption that we continued to implement during the year:-

- Disseminating notice of meetings, reports, incoming faxes, memos, notices, statement of account, invoicing and banking instruction to banks via electronic mails
- Having group discussion via WhatsApp mobile apps
- Setting projector during meeting for reports presentations instead of reading from hard copy printouts
- Constantly reminding staff to use recycled paper for internal usage and to print documents in smaller font sizes

During the year under review, the Group organised a "spring cleaning" session to remove waste and redundant documents from the office compound and the archive room. As a result of this spring-cleaning session, we collected and disposed of a total of 1,427 kg of paper to the recycling centre. In addition, certain redundant documents are retained and used as recycled paper. The Group managed to reduce paper consumption by 2.7% from 669 kg in FYE 2018 to 651 kg in FYE 2019.

Waste Management

The Group continued with its effort to reduce 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 and reducing the wastage of raw materials, the Group was able to reduce its purchase of new raw materials. The total purchases for FYE 2019 amounted to RM3.85 million, representing a 34.4% decrease compared to total purchases of RM5.87 million recorded in FYE 2018, which was a proportionally higher than the decrease in revenue for FYE 2019 by 22.1% compared to FYE 2018. The scrap materials disposed during FYE 2019 reduced to 32.5 tonnes, representing a 14.7% decrease compared to 38.7 tonnes disposed in FYE 2018.

Further to the "spring cleaning" activities carried out in the previous year, the remaining scrap materials that were no longer usable due to their depleted quality were recovered and disposed during the reporting year. The volume of scrap material recovered and disposed in FYE 2019 amounted to 175.7 tonnes, a 42.2% higher compared to the preceding year.

Performance Measure	2017	2018	2019
Scrap material disposed (tonne)	71.1	38.7	32.5
Variance (%)	49.4	-45.5	-14.7
Scrap material recovered (tonne)	-	123.6	175.7
Variance (%)	-	100.0	42.2
No of trip of scheduled waste (number)	11	12	12
FRP waste generated (tonne)	0.9	0.7	0.6
Average FRP wastage (%)	7.2	6.6	3.9
Variance (%)	-30.8	-22.2	-14.3

The Group continued to monitor the generation of fiberglass reinforced polymer ("FRP") waste from its manufacturing activities which could have an adverse impact on the environment if not disposed of responsibly and lawfully. The Group observes a quality objective under the ISO 9001:2015 Quality Management System ("QMS") to restrict the generation of FRP wastage to not more than 8% of total FRP material used. The Group was able to achieve this objective with the FRP wastage of 3.9% recorded during the reporting year. The Group engaged a contractor to monitor the FRP production session to ensure proper application of the FRP materials were carried out in production. The Group was able to further reduce the generation of FRP waste to 0.6 tonne in FYE 2019 as compared to 0.7 tonne in FYE 2018. The contractor collected and disposed the FRP wastes over twelve (12) trips during the reporting year.

Social

Employment

We value our employees and their contribution towards the Group's success. We believe in providing a conducive and safe work environment is the utmost basic element for any working class. The Group provides all employees with an equal opportunity merit-based system of performance evaluation and appraisal conducted on an annual basis. Each employee will be assessed and appraised by the respective head of department based on the employee's performance and contribution during the year. The final assessment report will be compiled by the Human Resource ("HR") department for management to consider on remuneration decision. Aside from the performance review, we also assess the employees' development needs, provide them with on-going opportunity for training and career development, and long-term career progression. We believe the aforementioned factors will help to attract and retain talented and skilled employees in the Group.

In order to create sense of belongings among employees towards the Group, we believe that the welfare of our employees is essential in retaining productive, trustworthy and loyal employees. 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 HR 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.

Chinese New Year Event

HR department played an important role in maintaining a harmonious work environment, stimulating employee interaction and cultivate team work, aside from work, through regular employee gathering events to celebrate various festive occasions that are peculiar to each of the main races in the organisation. During FYE 2019, the Group organised festive events in celebrating of Chinese New Year, Hari Raya, welcoming new joined employees and organising farewell for resigned employees. During the Group's annual dinners, various programmes were planned to ensure an eventful and remembrance occasion for all employees and inviting guests. Long service employees and best employees are rewarded with cash prizes and souvenirs as a token of the Group's appreciation for their service and loyalty to the Group.

Group Annual Dinner

Sports Event

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 bonding, develop a higher degree of trust, harmony and balanced work life among the employees. During FYE 2019, we organised a badminton tournament and all staff from the workshop and office were participated in the game.

Badminton Tournament

The Group 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 35.6% which was higher than the previous year's turnover rate of 27.3%. There were 17 new recruitments and 15 resignations. The Group's HR 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 resigned employees conducted during FYE 2019, we noted that 25% of resignations were due to the employees receiving higher remuneration offers; whilst 37.5% of resignations were attributable to the expiry of contracts and the remaining 37.5% of resignations were due to personal reasons.

We also noted that 56.3% (2018: 63.6%) of employees who resigned during the reporting year were from the executive category. The highest percentage of resignations was recorded from the age group of below 30 years old, i.e. 46.7% in FYE 2019 as compared to 50.0% in FYE 2018. The key demographics pertaining to the Group's employees are tabulated below:-

Analysis of workforce (Number)	2017	2018	2019
Total employees	42	43	45
By gender			
- Male	29	31	33
- Female	13	13	12
By management level			
- Senior management	9	8	8
- Executive	16	16	13
- Non-executive	17	19	24
By age group			
- <30	11	14	15
- 31-40	7	7	9
- 41-50	11	10	8
- 51-60	6	5	6
- >60	7	7	7
New hires	13	13	17
By gender			
- Male	8	9	13
- Female	5	4	4
By age group			
- <30	10	9	10
- 31-40	2	3	5
- 41-50	-	1	-
- 51-60	-	-	1
- >60	1	-	1
Resigned	14	12	15
By gender			
- Male	9	7	11
- Female	5	5	4
By age group			
- <30	11	6	7
- 31-40	2	3	4
- 41-50	-	1	2
- 51-60	-	2	-
- >60	1	0	2
Employee turnover rate (%)	32.1	27.3	35.6
Variance (%)	34.9	-15.9	30.4

Training and Development

The Group considers continual improvement as an essential feature of employees' development and growth. We believe the sustainability of our business is highly dependent on the competency of our employees. Operating in a rapidly changing environment and volatile economic and political conditions, it is vital that our talents keeps constantly improve and uplift with the latest market climate and strengthen themselves with new skills and knowledge. We have a systematic Training Procedures implemented under the Group's ISO 9001:2015 QMS, with the objective to ensure our employees' training needs are addressed and that they attain the necessary competency levels to achieve the desired results. The Training Procedures also encompasses a systematic documentation of the training courses conducted and the evaluation of the effectiveness of these training courses.

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 during the employee's appraisal. These training needs identified are compiled by the HR department to derive at the annual training plan. Thereafter, the training courses are arranged based on the training plan and modifications are made as and when deemed necessary.

Employees Training	2017	2018	2019
Total training planned (number)	14	13	15
Total training conducted (Number)	13	8	18
Total training hour (Hour)	1,074	414	1,208
Average training hour/employee (Hour)	25.6	9.6	26.8

During FYE 2019, there were 18 training courses conducted whilst only 15 training courses were planned, resulting in a materialisation rate of 120%. The higher materialisation rate in FYE 2019 was mainly due to greater emphasis placed on training courses related to health, safety and environmental ("HSE") which constituted ten (10) out of the eighteen (18) training courses conducted during the year.

Customers' Satisfaction

The Group works with a variety of organisations, from oil and gas, petrochemical, sewerage, civil and steel construction industries, both local and abroad. We value our customers' support and ensure our products and services supplied to our customers meet their expectation. We conduct annual customer surveys at least once a year to ensure our products and services are customised to their needs and their expectations are met with the ultimate goal to attain customers' satisfaction. The results of measuring customers' satisfaction were compiled and used by the management team to enhance the overall customers' experience and improve business performance.

During FYE 2019, the CN Asia's subsidiary, Chip Ngai Engineering Works Sdn Bhd, was one of the few pressure vessels and steam boiler manufacturers in Malaysia selected by the Department of Occupational, Safety and Health ("DOSH"), a department under the Ministry of Human Resource, to participate in the "Fast Track Program" ("FTP") in April 2019. This program enables shorter period of approval on engineering design by DOSH. Under the FTP, engineering designs submitted to DOSH will be approved within a week whereas the usual submission will take at least a month to obtain the approval from DOSH. In normal circumstances, manufacturing process of a pressure vessel commence upon obtaining approval from DOSH on the engineering design. Hence, the Group will be able to expedite the delivery schedule for its pressure vessel products, providing it with an added competitive advantage compared to other pressure vessel manufacturers, as evidenced by the increase revenue from pressure vessels by 150.5% in FYE 2019 compared to the previous financial year.

In addition, CN Asia's policy also incorporates the compilation and analysis of customers' complaints in a systematic manner where complaints require remedial action shall be addressed urgently and documented with appropriate course of action to be taken. The customers' complaints report also form part of the customer satisfaction assessment. These reports were than presented at the scheduled Management Review Meetings convened twice a year to formulate ideas or strategies to improve customers' satisfaction. The key statistics pertaining to the customer satisfaction surveys are tabulated below: -

Customer Satisfaction Survey	2017	2018	2019
Customers selected for survey (Number)	53	62	48
Percentage responded on survey form (%)	17.0	16.1	14.6
Satisfaction level (%)	78.0	76.7	77.5

During FYE 2019, a total 48 customers were selected for survey, out of which 14.6% of the selected customers responded to the survey. Based on the analysis, the Group attained an overall customers' satisfaction score of 77.5% in FYE 2019. 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 rates of response (i.e. between 14.6% to 17.0%) over the past three years. Nevertheless, the Group will continue to enhance its level of customer satisfaction which is the fundamental element of its ISO 9001:2015 QMS.

Health, Safety and Environment

The Group recognises the importance of HSE to all people 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, customers and contractors. 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 management representatives (managers) and employee representative (executives and non-executives) from various departments including the production department.

Our HSE target is to ensure zero accident rate in the workplace and this objective has been monitored and documented under the purview of the Group's ISO 9001:2015 QMS. The Group, with the assistance of an external consultant, a Registered Safety and Health Officer with DOSH Malaysia, successfully completed the reorganisation of the entire HSE management manual and policies and procedures of the Group during the year. The new HSE manual together with the quality manual under the ISO 9001:2015 are being reviewed and updated regularly as an effort to continuously enhance the HSE policies across the Group.

In October 2019, the Group organised a comprehensive "Gotong-Royong" exercise in the entire factory compound involving all the HSE committee members and the workshop to undergo a thorough clean-up of the entire factory compound. The exercise was led by the Financial Controller and the entire factory compound was segregated into nine (9) difference zone. Each HSE committee member was assigned as the zone owner and a total of thirty-four (34) employees were involved in this exercise, including a few administrative personnel who volunteered to participate.

Gotong-Royong

As part of the HSE awareness program during the year under review, the HR training plan for the year emphasised on training courses related to health and safety to all employees of the Group. The training courses related to HSE conducted during the year are:-

No	Date	Training Course Title	No of participants
1	13 March 2019	Induction Course Safety & Healthy For Construction Workers	2
2	16 March 2019	Confined Space Entry Person	7
3	22 March 2019	Chemical & Spray Gun Handling	9
4	30 April 2019	OSH (Noise Exposure) Regulation 2019 and HIRARCS Training	18
5	20-21 May 2019	Project Safety Management for Construction manager	1
6	23-24 May 2019	Project Safety and Health Management For Site Manager	1
7	30-31 May 2019	Occupational Safety & Health(OSH) for Supervisor	1
8	26 June 2019	First Aid & CPR	24
9	23 July 2019	Safe Confined Space Ventilation Technical Seminar	4
10	24-26 July 2019	OSH Coordinator	2

First Aid & CPR

Chemical & Spray Gun Handling

OSH (Noise Exposure) Regulation 2019 and HIRARCS Training

To further enhance the Group's effort in cultivating a high standard of HSE, the Group implemented the Hazard Identification, Risk Assessment and Risk Control ("HIRARC") throughout the organisation. Hazard Identification involves the identification and documentation of all the factors that may cause injury or harm to a person. Risk Assessment involves assessing the possible of injury or harm to a person in the event he or she is exposed to a hazard. Risk Control involves the measures to be taken to eliminate or mitigate the risk of a person being exposed to a hazard. The Guidelines for HIRARC provide a systematic and objective approach in assessing hazards and the risks associated with these hazards, as well as the objective measures to be taken to minimize the occurrence and/or the impact of these hazards. HIRARC complements one of the general duties of employers, as prescribed under the Occupational Safety and Health Act 1994 (Act 514), to provide a safe workplace to their employees and other related person. The Group is required to analyse, compile and document risks and hazards associated with the activities carried out in the factory, and these documents are made available for inspection as and when required.

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 2019, there was no accident occurred at the Group's factory compound compared to four (4) accidents and loss of four (4) working days in FYE 2018. 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. There is one (1) attempted theft and four (4) theft cases occurred in the month of August and September 2019 involving the break-in through the fencing besides the factory compound. The Group has taken corrective action in early October 2019 alongside with the "gotong-royong" exercise, and added reinforcement fencing to prevent any future break-in and increase the frequency of patrol especially in the late evening.

HSE Statistics		2017	2018	2019
I.	**Health**			
	Medical leave (days)			
	- Office	141	100.5	115.5
	- Factory	12	2.5	22
	Hospitalisation (days)	3	28	-
II	**Safety**			
	Lost Time Incident			
	- Fatality	-	-	-
	- Permanent total disability	-	-	-
	- Permanent partial disability	-	-	-
	- Lost work day care	1	4	-
	No of Lost Time Incident			
	- First aid	-	-	-
	- Medical treatment case	2	2	-
	- Restrict work case	2	2	-
	Fire / Explosion	-	-	-
	Property loss/damage	-	2	-
III	**Security**			
	No. of attempted theft	-	-	1
	No of theft	-	-	4
IV	**Environment**			
	Schedule waste disposal (No. of trip)	11	12	12

Local Communities

CN Asia is committed to support 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 2019, we offered internship programmes to nine (9) interns as compared to eleven (11) interns in the previous financial year. These interns were given the opportunities to gain valuable experience and knowledge during their engagement with the Group. In 2019, one of the interns was offered a permanent position and became a full-time employee in the Group upon the completion of his practical training.

Performance Measure	2017	2018	2019
Number of internships recruited	2	11	9
By gender			
- Male	2	8	5
- Female	-	3	4
Intern offered as full-time employee (Number)	-	1	1

Another CSR programme undertaken by CN Asia during the reporting year was an eventful movie session involving a group of thirty (30) of orphans from Rumah Victory Children & Youth Home. The Board of Directors and the Group's employees and their respective family members were invited to attend the movie session at TGV Cinema, AEON Cheras Selatan in May 2019. CN Asia also arranged the distribution of snacks and beverages to all who attended the movie session.

Moving forward, the Group will continue to enhance its effort towards sustainability growth. The Group is of the view that this can be achieved by actively engaging with its stakeholders, and conscientiously formulating and implementing programmes that will have a positive impact to the EES as one of our main CSR initiatives.

This statement was presented and approved by the Board on 1 April 2020.

Additional Compliance Information

1. UTILISATION OF PROCEEDS

(a) Proposed Disposals

The status of the utilisation of proceeds from the Proposed Disposals of RM36,682,500 as at 31 March 2020 is 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	(256)	-	5,744
Pledge to secure banking facilities	5,000	(5,000)	-	-
Working capital	11,797	(11,125)	(672)	-
Estimated expenses	1,000	(1,072)	72	-
	36,683	(30,939)	-	5,744

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

(b) Proposed Private Placement

The status of the utilisation of proceeds from the Proposed Private Placement of RM1,815,280 as at 31 March 2020 is as follows:-

	As per Circular RM'000	Actual Utilisation RM'000	Deviation* RM'000	Balance Unutilised RM'000
Overhaul of machinery	1,665	(80)	66	1,651
Estimated expenses	150	(84)	(66)	-
	1,815	(164)	-	1,651

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

2. NON-AUDIT FEES

The amounts of audit fees and non-audit fees paid / payable to the external auditors of the Group during the financial year ended 31 December 2019 are as follows:

Paid By	Audit Fees RM	Non-Audit Fees RM	Total (RM)
Company	30,000	2,000	32,000
Group	73,000	2,000	75,000

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 2019. The statement of recurrent related party transactions is disclosed in the Notes to 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.

The Group continued its efforts in reviewing, assessing and analyzing the risks and opportunities as documented in the Risk and Opportunity Register to ensure that the risks are being monitored, managed and reduced if not eliminated. Each Risk Owner that has been assigned with the risk is responsible to manage the risk and implement the Risk Treatment Plan as proposed, continuously assessing the risks, compile and record the process and activities in the Risk Assessment Reports on a systematic and regular basis.

During the financial year ended 31 December ("FYE") 2019, the Risk Assessment Reports were reviewed and tabled at the Management Review Meeting held in November 2019. The treatment and action plan for risks that were rated at medium level were deliberated during the meeting and the effectiveness of the treatment plan shall be reviewed on a quarterly at the departmental head meeting to ensure that processes to mitigate identified risks are effectively implemented and maintained on a continuous basis which form part of the Group's ISO 9001:2015 QMS procedures. These reports were then reviewed by the third party surveillance team in November 2019 to further enhance the risk assessment and management process within the Group.

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	2/2
Ariffin bin Khalid	Member	Independent Non-Executive	2/2
Angeline Chan Kit Fong	Member	Executive	2/2

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 Auditors assist 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 process 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.

During the FYE 2019, the outsourced Internal Auditors had conducted the review on the product quality control management which also include the bill-of-material ("BOM") management and the rework management system of the Group to ensure that the existence and compliances of the product quality standard as well as the manner applied in the quality control, inspections and documentation of the product quality control management of the Group. During the process of the internal audit review, the outsourced Internal Auditors identified and reviewed the risk areas of the product quality control standards of the Group. Interviews and face-to-face discussions were performed 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.

Upon completion of the reviews, the external consultants outlined some areas of concern and recommended some improvements to the management. The findings were reported to the Audit Committee and the same were deliberated and approved by the Board. In addition, follow up reviews were carried out to ensure the recommendations and resolution of issues highlighted in the previous audit reviews were duly implemented and executed. The costs incurred for the internal audit functions for the FYE 2019 amounted to RM21,200.

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 FYE 2019, 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

In view of the above control measures carried out in the Company, 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 appropriate control measures and actions in order to further strengthen the Group's control environment.

FINANCIAL STATEMENTS

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 2019.

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
Loss after taxation attributable to:		
Owners of the Company	(12,404)	(229,857)

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

During the financial year, the issued and paid-up share capital of the Company was increased from 45,382,500 ordinary shares to 49,920,700 ordinary shares by the issuance of 4,538,200 new ordinary shares for cash pursuant to a private placement exercise on 9 May 2019 at an issue price of RM0.40 per share. The new shares issued rank pari passu in all respects with the existing shares of the Company.

The Company did not issue any new 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 Constitution.

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 24 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 01.01.2019	**Bought**	**Sold**	**As at 31.12.2019**
Direct interests				
Ho Cheng San	17,093,535	-	-	17,093,535
Angeline Chan Kit Fong	562,950	-	-	562,950
Indirect interests				
Ho Cheng San *#	2,182,709	-	-	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 no 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 no amount written off for bad debts or no 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.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

Details of significant event during the financial year are disclosed in Note 29 to the financial statements.

SUBSEQUENT EVENT

Details of subsequent event after the financial year end are disclosed in Note 30 to the financial statements.

AUDITORS

Details of the auditors' remuneration for the financial year are disclosed in Note 21 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: 17 March 2020

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 70 to 112 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 2019 and of their results and cash flows for the financial year ended on that date.

Signed in Kuala Lumpur on 17 March 2020
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 70 to 112 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 17 March 2020

HO CHENG SAN

Before me

KHOR YUN LING (B524)
Commissioner for Oaths

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 2019 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 70 to 112.

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 2019, 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.

Trade receivables and contract assets

As at 31 December 2019, the carrying amount of trade receivables of the Group was RM2,226,597. 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 9 to the financial statements with carrying amount of RM4,085,039 as at 31 December 2019. 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: 17 March 2020

Statements of Financial Position
as at 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	10,398,281	10,996,193	-	-
Investment in subsidiary companies	5	-	-	14,416,461	14,416,461
Right-of-use asset	6	718,937	-	-	-
Other investment	7	-	-	-	-
Deferred tax assets	8	685,000	685,000	-	-
		11,802,218	11,681,193	14,416,461	14,416,461
CURRENT ASSETS					
Inventories	9	4,085,039	5,141,653	-	-
Trade receivables		2,226,597	2,080,059	-	-
Contract assets	10	2,748,055	1,091,456	-	-
Other receivables, deposits and prepayments	11	590,735	469,212	9,480	1,000
Amount owing by subsidiary companies	12	-	-	25,961,721	26,263,725
Current tax asset		5,658	6,908	5,658	5,658
Cash and cash equivalents	13	27,241,593	25,699,397	1,897,564	88,211
		36,897,677	34,488,685	27,874,423	26,358,594
TOTAL ASSETS		48,699,895	46,169,878	42,290,884	40,775,055
EQUITY AND LIABILITIES					
EQUITY					
Share capital	14	40,200,834	38,385,554	40,200,834	38,385,554
Foreign exchange translation reserve	14	228,092	232,260	-	-
Retained earnings/(accumulated losses)		2,802,417	2,899,065	(10,942,104)	(10,628,003)
Total equity attributable to owners of the Company		43,231,343	41,516,879	29,258,730	27,757,551
TOTAL EQUITY		43,231,343	41,516,879	29,258,730	27,757,551
LIABILITIES					
NON-CURRENT LIABILITIES					
Lease liabilities	15	552,521	316,931	-	-
		552,521	316,931	-	-
CURRENT LIABILITIES					
Trade payables		1,502,467	1,543,215	-	-
Contract liabilities	16	360,063	623,141	-	-
Other payables and accruals	17	235,639	198,564	51,649	35,499
Amount owing to a subsidiary company	12	-	-	12,980,505	12,982,005
Lease liabilities	15	500,737	160,816	-	-
Short term borrowings	18	2,245,375	1,775,332	-	-
Current tax liabilities		71,750	35,000	-	-
		4,916,031	4,336,068	13,032,154	13,017,504
TOTAL LIABILITIES		5,468,552	4,652,999	13,032,154	13,017,504
TOTAL EQUITY AND LIABILITIES		48,699,895	46,169,878	42,290,884	40,775,055

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 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM	RM	RM	RM
REVENUE	19	15,566,327	20,347,543	104,444	60,000
COST OF SALES		(12,362,772)	(15,515,956)	-	-
GROSS PROFIT		3,203,555	4,831,587	104,444	60,000
OTHER INCOME		942,216	854,586	-	-
SELLING AND DISTRIBUTION EXPENSES		(168,607)	(158,066)	-	-
ADMINISTRATIVE EXPENSES		(3,544,024)	(3,483,384)	(334,301)	(361,375)
OTHER OPERATING EXPENSES		(88,671)	(117,127)	-	-
		344,469	1,927,596	(229,857)	(301,375)
FINANCE COSTS	20	(143,351)	(68,285)	-	-
PROFIT/(LOSS) BEFORE TAX	21	201,118	1,859,311	(229,857)	(301,375)
TAX EXPENSE	22	(213,522)	(237,725)	-	-
(LOSS)/PROFIT AFTER TAX		(12,404)	1,621,586	(229,857)	(301,375)
OTHER COMPREHENSIVE LOSS, NET OF TAX, THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS					
Foreign currency translation differences		(4,168)	(8,600)	-	-
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE FINANCIAL YEAR		(16,572)	1,612,986	(229,857)	(301,375)
(LOSS)/PROFIT AFTER TAX ATTRIBUTABLE TO:					
Owners of the Company		(12,404)	1,621,586		
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:					
Owners of the Company		(16,572)	1,612,986		
(LOSS)/EARNINGS PER SHARE					
- Basic (Sen)	23	(0.03)	3.57		
- Diluted (Sen)	23	(0.03)	3.57		

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

Statements of Changes in Equity

for the financial year ended 31 December 2019

Group	<---------Attributable to owners of the Company--------> Share capital RM	Foreign currency translation reserve RM	Distributable Retained earnings RM	Total equity RM
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 / 1 January 2019	38,385,554	232,260	2,899,065	41,516,879
Issuance of shares arising from private placement	1,815,280	-	-	1,815,280
	40,200,834	232,260	2,899,065	43,332,159
Loss after tax	-	-	(12,404)	(12,404)
Share issuance expenses	-	-	(84,244)	(84,244)
Other comprehensive loss:				
Foreign currency translation differences	-	(4,168)	-	(4,168)
Total comprehensive loss for the financial year	-	(4,168)	(96,648)	(100,816)
Balance at 31 December 2019	40,200,834	228,092	2,802,417	43,231,343

Company	Share capital RM	Distributable Accumulated losses RM	Total equity RM
Balance at 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/ 1 January 2019	38,385,554	(10,628,003)	27,757,551
Issuance of shares arising from private placement	1,815,280	-	1,815,280
	40,200,834	(10,628,003)	29,572,831
Loss after tax	-	(229,857)	(229,857)
Share issuance expenses	-	(84,244)	(84,244)
Total comprehensive loss for the financial year	-	(314,101)	(314,101)
Balance at 31 December 2019	40,200,834	(10,942,104)	29,258,730

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

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before tax		201,118	1,859,311	(229,857)	(301,375)
Adjustments for:					
Allowance for impairment of property, plant and equipment		50,000	-	-	-
Allowance for impairment of inventories		-	101,388	-	-
Depreciation of property, plant and equipment		709,258	728,979	-	-
Depreciation of right-of-use asset		359,469	-	-	-
Loss / (Gain) on disposal of property, plant and equipment		755	(14,024)	-	-
Loss on foreign exchange translation - unrealised		13,172	2,828	-	-
Interest expenses		143,351	68,285	-	-
Interest income		(942,216)	(840,562)	(44,444)	-
Property, plant and equipment written off		5,229	-	-	-
Operating profit/(loss) before working capital changes		540,136	1,906,205	(274,301)	(301,375)
Decrease in inventories		1,056,614	299,255	-	-
(Increase)/Decrease in receivables		(1,936,815)	265,731	(8,480)	-
(Decrease)/Increase in payables		(266,751)	(2,107,275)	16,150	(13,411)
Cash (used in)/generated from operations		(606,816)	363,916	(266,631)	(314,786)
Interest paid		(143,351)	(68,285)	-	-
Tax paid		(176,772)	(403,975)	-	-
Net cash used in operating activities		(926,939)	(108,344)	(266,631)	(314,786)

Statements of Cash Flows
for the financial year ended 31 December 2019

	Note	Group 2019 RM	Group 2018 RM	Company 2019 RM	Company 2018 RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Advance from subsidiary companies		-	-	300,504	390,853
Capital work in progress incurred		(101,002)	(35,703)	-	-
Interest received		942,216	840,562	44,444	-
Purchase of property, plant and equipment		(70,764)	(479,168)	-	-
Proceeds from disposal of property, plant and equipment		500	106,000	-	-
Net cash generated from investing activities		770,950	431,691	344,948	390,853
CASH FLOWS FROM FINANCING ACTIVITIES					
Net proceeds from issuance of shares		1,731,036	-	1,731,036	-
Drawdown of bankers' acceptance		503,171	700,000	-	-
(Repayment)/Drawdown of lease liabilities		(502,895)	179,199	-	-
Net cash generated from financing activities		1,731,312	879,199	1,731,036	-
Net increase in cash and cash equivalents		1,575,323	1,202,546	1,809,353	76,067
Effect of change in foreign exchange differences		-	(2,933)	-	-
Cash and cash equivalents at beginning of financial year		14,699,065	13,499,452	88,211	12,144
Cash and cash equivalents at end of financial year		16,274,388	14,699,065	1,897,564	88,211
CASH AND CASH EQUIVALENTS COMPRISE:					
Cash and cash equivalents	13	27,241,593	25,699,397	1,897,564	88,211
Bank overdrafts		(467,205)	(500,332)	-	-
		26,774,388	25,199,065	1,897,564	88,211
Less: Fixed deposits pledged as securities		(10,500,000)	(10,500,000)	-	-
		16,274,388	14,699,065	1,897,564	88,211

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 2019 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.

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**
Amendments to MFRS 3: Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and MFRS 108: Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17: Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

The Group and the Company plan to apply the abovementioned accounting standards, interpretations and amendments from the annual period beginning on 1 January 2020 for those accounting standards, interpretations and amendments, that are effective for annual periods beginning on or after 1 January 2020.

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.

(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.

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

(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 16 "Leases", there are changes to the accounting policies applied to lease contracts entered into by the Company as compared to those applied in previous financial statements. The impact arising from the changes is disclosed in Note 32.

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis Of Consolidation (cont'd)

(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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(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) 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.

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.

(d) 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(g)(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.

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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(g)(i)) where the effective interest rate is applied to the amortised cost.

- *Fair value through other comprehensive income*

  <u>Equity investments</u>

  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(g)(i)).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (cont'd)

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

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.

(g) 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (cont'd)

(i) Financial assets (cont'd)

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)

(h) Leases

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception of a contract, the Group and the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use if an identified asset for a period of time in exchange for consideration.

(ii) Recognition and initial measurement

(a) As a lessee

The Group and the Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the incremental borrowing rate is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar term, security and conditions.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payables under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Company is reasonably certain not to terminate early.

The Group and the Company excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or us occurs.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Leases (cont'd)

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life if the right-of-use asset or the same basis as those of property, plant and equipment. In addition, the right-of-used asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability us measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's and the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Foreign Currency (cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Revenue and Other Income (cont'd)

(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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial positions and is disclosed as contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(r) 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.

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 2018	1,864,502	1,119,510	32,577,182	199,499	35,760,693
Additions	17,000	462,168		35,703	514,871
Disposals		(253,610)		-	(253,610)
Foreign currency translation	-	-	(7,188)	-	(7,188)
At 31 December 2018/1 January 2019	1,881,502	1,328,068	32,569,994	235,202	36,014,766
Additions	14,255	-	56,508	101,002	171,765
Disposals	-	(1,550)	-	-	(1,550)
Written off	(7,216)	-	-	-	(7,216)
Foreign currency translation	-	-	(16,531)	-	(16,531)
At 31 December 2019	1,888,541	1,326,518	32,609,971	336,204	36,161,234
Accumulated depreciation					
At 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		(161,634)	-	-	(161,634)
Foreign currency translation	-	-	(2,318)	-	(2,318)
At 31 December 2018/1 January 2019	1,280,987	695,614	22,913,473	-	24,890,074
Charge for the financial year	54,010	126,351	528,897	-	709,258
Disposals	-	(295)	-	-	(295)
Written off	(1,987)	-	-	-	(1,987)
Foreign currency translation	-	-	(5,331)	-	(5,331)
At 31 December 2019	1,333,010	821,670	23,437,039	-	25,591,719
Accumulated impairment losses					
At 1 January 2018	-	-	128,499	-	128,499
Impairment loss for the year	-	-	-	-	-
At 31 December 2018/1 January 2019	-	-	128,499	-	128,499
Impairment loss for the year	-	-	50,000	-	50,000
Foreign currency translation	-	-	(7,265)	-	(7,265)
At 31 December 2019	-	-	171,234	-	171,234
Net carrying amount					
At 31 December 2019	555,531	504,848	9,001,698	336,204	10,398,281
At 31 December 2018	600,515	632,454	9,528,022	235,202	10,996,193

Leased plant and equipment

At 31 December 2019, the net carrying amount of leased motor vehicle was RM501,422 (2018: RM626,777).

5. INVESTMENT IN SUBSIDIARY COMPANIES

	Company 2019 RM	Company 2018 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

Details of the subsidiary companies are as follows:

Name of subsidiary companies	Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	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	Dormant

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

6. RIGHT-OF-USE ASSET

Group	Factory land and building RM
Cost	
At 1 January 2019	1,078,406
Additions	-
At 31 December 2019	1,078,406
Accumulated depreciation	
At 1 January 2019	-
Charge for the financial year	359,469
At 31 December 2019	359,469
Carrying amount	
At 31 December 2019	718,937

The Group leases factory land and building. The lease term was from 7 December 2016 to 6 December 2019 and subsequently extended for a further 2 years during the financial year. The maturity analysis of lease liabilities is presented in Note 15.

7. OTHER INVESTMENT

	Group	
	2019 RM	2018 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	79,480
Addition	-	-
At 31 December	79,480	79,480

Equity investments designated at fair value through other comprehensive income

At 1 January 2019, 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 2018, this investment was classified as available-for-sale.

8. DEFERRED TAX ASSETS

	Group	
	2019 RM	2018 RM
At 1 January / 31 December	685,000	685,000

8. DEFERRED TAX ASSETS (CONT'D)

Unrecognised deferred tax assets

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

	2019 RM	2018 RM
Unutilised reinvestment allowances carry-forward	797,391	1,357,085
Unutilised business losses carry-forward	19,851,330	19,821,216
	20,648,721	21,178,301

9. INVENTORIES

	Group	
	2019 RM	2018 RM
At cost:		
Raw materials	1,073,178	-
Work-in-progress	1,883,216	-
Finished goods	859,527	938,851
Consumables	269,118	273,996
	4,085,039	1,212,847
At net realisable value:		
Raw materials	-	790,987
Work-in-progress	-	3,137,819
	-	3,928,806
	4,085,039	5,141,653

These amounts were determined at the lower of cost and net realisable value.

The Group's cost of inventories recognised as an expense during the financial year amounted to RM4,906,546 (2018: RM6,164,697).

10. CONTRACT ASSETS

	Group	
	2019 RM	2018 RM
Contract assets in relation to: -		
- construction project	2,748,055	1,091,456

	2019 RM	2018 RM
Aggregate costs incurred to date	6,457,548	4,205,660
Add: Attributable profits	1,937,344	894,340
	8,394,892	5,100,000
Less: Progress billings	(5,646,837)	(4,008,544)
	2,748,055	1,091,456

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.

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Other receivables	341,755	142,216	-	-
Deposits	133,400	138,887	1,000	1,000
Prepayments	115,580	188,109	8,480	-
	590,735	469,212	9,480	1,000

12. AMOUNT OWING BY / (TO) SUBSIDIARY COMPANIES

	Company	
	2019	2018
	RM	RM
Amount owing by subsidiary companies		
- non-trade	30,694,315	30,996,319
Less: Accumulated impairment losses	(4,732,594)	(4,732,594)
	25,961,721	26,263,725
Amount owing to a subsidiary company		
- non-trade	12,980,505	12,982,005

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

13. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Cash on hand	13,664	6,005	-	-
Cash at bank	474,358	1,815,104	55,370	88,211
Fixed deposits with licensed banks	26,753,571	23,878,288	1,842,194	-
	27,241,593	25,699,397	1,897,564	88,211

The fixed deposits with licensed banks earn interest at rates ranging from 2.95% to 4.28% (2018: 3.20% to 4.30%) per annum.

Included in fixed deposits with licensed banks is an amount of RM10,500,000 (2018: RM10,500,000) being fixed deposits pledged for banking facilities granted to the Group.

14. CAPITAL AND RESERVES

Share capital

	Group and Company		Group and Company	
	2019	2018	2019	2018
	Number of ordinary shares		RM	RM
Issued and fully paid				
At 1 January	45,382,500	45,382,500	38,385,554	38,385,554
Add: Issuance of shares	4,538,200	-	1,815,280	-
At 31 December	49,920,700	45,382,500	40,200,834	38,385,554

14. CAPITAL AND RESERVES (CONT'D)

Ordinary shares

During the financial year, the Company increased its issued and paid-up share capital from RM38,385,554 to RM40,200,834 by the allotment of 4,538,200 new ordinary shares at an issue price of RM0.40 per Placement Share to the allottees for a total cash consideration of RM1,815,280. The new shares were issued for cash consideration and rank pari passu in all respects with the existing shares of the Company

Translation reserve

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

15. LEASE LIABILITIES

	Group	
	2019	**2018**
	RM	**RM**
Future minimum lease payments		
- Within 1 year	549,073	180,216
- Between 2 to 5 years	580,569	337,642
	1,129,642	517,858
Less: Future finance charges	(76,384)	(40,111)
Present value of lease liability	1,053,258	477,747
Present value of lease liabilities		
- Within 1 year	500,737	160,816
- Between 2 to 5 years	552,521	316,931
	1,053,258	477,747

The effective interest rates of the lease liabilities ranged from 4.35% to 6.54% per annum.

16. CONTRACT LIABILITIES

	Group	
	2019	**2018**
	RM	**RM**
Contract liabilities in relation to: -		
- manufacturing of tanks and vessels	360,063	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.

17. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Other payables	51,155	8,941	21,649	5,499
Accruals	184,484	189,623	30,000	30,000
	235,639	198,564	51,649	35,499

18. SHORT TERM BORROWINGS

	Group	
	2019	2018
	RM	RM
Secured		
- Bankers' acceptances	1,778,170	1,275,000
- Bank overdraft	467,205	500,332
	2,245,375	1,775,332

As at 31 December 2019, the bankers' acceptances are secured by the pledge of RM10,500,000 (2018: RM10,500,000) fixed deposits of its subsidiary, Chip Ngai Engineering Works Sdn Bhd.

The above borrowings bear interest at rates ranging from 0.56% to 6.00% (2018: 3.70% to 6.00%) per annum.

19. REVENUE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Sale of goods	11,344,435	16,509,853	-	-
Contract revenue	4,221,892	3,837,690	-	-
Interest income	-	-	44,444	-
Management fees	-	-	60,000	60,000
	15,566,327	20,347,543	104,444	60,000

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Timing of revenue recognition:-				
- at a point in time	11,344,435	16,509,853	104,444	60,000
- over time	4,221,892	3,837,690	-	-
	15,566,327	20,347,543	104,444	60,000

20. FINANCE COSTS

	Group	
	2019	2018
	RM	RM
Bankers' acceptances	63,272	50,188
Bank overdrafts	6,758	2,483
Lease liabilities	73,321	15,614
	143,351	68,285

21. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Profit/(loss) before tax is stated *after charging:*				
Auditors' remuneration				
- current year's provision	73,000	73,000	30,000	30,000
Depreciation of property, plant and equipment	709,258	728,979	-	-
Depreciation of right-of-use asset	359,469	-	-	-
Impairment loss on property, plant and equipment"	50,000	-	-	-
Inventories written down	-	101,388	-	-
Loss on disposal of property, plant and equipment	755	-		
Loss on foreign exchange translation:				
- realised	15,791	10,172	-	-
- unrealised	13,172	2,828	-	-
Property, plant and equipment written off	5,229	-	-	-
Rental of premises	-	396,000	-	-
Rental of empty cylinder	3,756	5,190	-	-
Staff costs *(Note 25)*	4,379,420	4,638,049	210,000	210,000
and crediting:				
Gain on disposal of property, plant and equipment	-	14,024	-	-
Interest income	942,216	840,562	44,444	-

22. TAX EXPENSE

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
Malaysia income tax:				
- current year's provision	212,000	200,000	-	-
- under provision in respect of prior years	1,522	37,725	-	-
	213,522	237,725	-	-

22. TAX EXPENSE (CONT'D)

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	
	2019	**2018**	**2019**	**2018**
	RM	**RM**	**RM**	**RM**
Profit/(loss) before tax	201,118	1,859,311	(229,857)	(301,375)
Tax expense at Malaysian statutory tax rate of 24% (2018: 24%)	48,268	446,235	(55,166)	(72,330)
• Adjustments for the following tax effects:				
- expenses not deductible for tax purposes	274,514	301,197	55,166	72,330
- utilisation of previously unrecognised tax losses	(110,782)	(547,432)	-	-
	163,732	(246,235)	55,166	72,330
• Under provision of taxation in respect of prior years	1,522	37,725	-	-
	213,522	237,725	-	-

23. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share at 31 December 2019 was based on the (loss)/profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	Group	
	2019	**2018**
(Loss)/profit attributable to owners of the Company (RM)	(12,404)	1,621,586
Weighted average number of ordinary shares at 31 December	48,408,000	45,382,500
Basic (loss)/earnings per share (Sen)	(0.03)	3.57

Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per ordinary share at 31 December 2019 was based on (loss)/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 (loss)/earnings per share is same as per the basic (loss)/earnings per share as there were no potential dilutive ordinary shares outstanding at the end of the reporting period.

24. STAFF COSTS

	Group		Company	
	2019 RM	2018 RM	2019 RM	2018 RM
Directors' emoluments:				
- fees	210,000	223,000	210,000	210,000
- remuneration	504,000	499,200	-	-
- defined contribution plan	85,680	85,104	-	-
- social security cost	1,516	1,516	-	-
- other emoluments	194,880	186,985	-	-
	996,076	995,805	210,000	210,000
Other staff costs:				
- salaries, allowances and wages	3,088,588	3,369,285	-	-
- defined contribution plan	210,725	206,456	-	-
- social security cost	25,609	23,121	-	-
- other staff related expenses	58,422	43,382	-	-
	3,383,344	3,642,244	-	-
	4,379,420	4,638,049	210,000	210,000

25. 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.

25. OPERATING SEGMENTS (CONT'D)

Business segments

Group 2019	Manufacturing RM	Construction RM	Investment RM	Eliminations RM	Total RM
Revenue					
External revenue	15,566,327	-	-	-	15,566,327
Inter-segment revenue	-	-	60,000	(60,000)	-
External revenue	15,566,327	-	60,000	(60,000)	15,566,327
Results					
Segment results	(253,499)	-	(344,249)	-	(597,748)
Interest income	897,773	-	44,444	-	942,217
Interest expense	(143,351)	-	-	-	(143,351)
Profit/(loss) before tax	500,923	-	(299,805)	-	201,118
Tax expense	(213,522)	-	-	-	(213,522)
Profit/(loss) after tax	287,401	-	(299,805)	-	(12,404)
Assets					
Segment assets	45,073,517	1,492,310	2,134,068	-	48,699,895
Liabilities					
Segment liabilities	5,013,310	395,116	60,126	-	5,468,552
Other information					
Depreciation	1,074,214	-	(5,487)	-	1,068,727
Included in the measure of segment assets are:					
Additions to non-current assets other than financial instruments and deferred tax assets	171,766	-	-	-	171,766

25. OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

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

25. OPERATING SEGMENTS (CONT'D)

Geographical information

Group 2019	Malaysia RM	Republic of China RM	Elimination RM	Total RM
Revenue				
External	15,566,327	-	-	15,566,327
Inter-segment revenue	60,000	-	(60,000)	-
	15,626,327	-	(60,000)	15,566,327
Results				
Operating results	(547,823)	(49,925)	-	(597,748)
Interest income	942,217	-	-	942,217
Interest expenses	(143,351)	-	-	(143,351)
Profit/(loss) before tax	251,043	(49,925)	-	201,118
Tax expense	(213,522)	-	-	(213,522)
Profit/(loss) after tax	37,521	(49,925)	-	(12,404)
Assets				
Segment assets	48,617,903	81,992	-	48,699,895
Liabilities				
Segment liabilities	5,468,552	-	-	5,468,552
Other information				
Depreciation	1,068,727	-	-	1,068,727
Included in the measure of segment assets are:				
Additions to non-current assets other than financial instruments and deferred tax assets	171,766	-	-	171,766

25. OPERATING SEGMENTS (CONT'D)

Geographical information (cont'd)

Group 2018	Malaysia RM	Republic of China RM	Elimination RM	Total RM
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

26. FINANCIAL INSTRUMENTS

(a) Categories of Financial Instruments

The table below provides an analysis of financial instruments as at 31 December 2019 categorised as follows:

	Carrying amount RM	Amortised cost RM
2019		
Financial assets		
Group		
Trade receivables	2,226,597	2,226,597
Contract assets	2,748,055	2,748,055
Other receivables and deposits	475,155	475,155
Cash and cash equivalents	27,241,593	27,241,593
	32,691,400	32,691,400
Company		
Deposits	1,000	1,000
Amount owing by subsidiary companies	25,961,721	25,961,721
Cash and cash equivalents	1,897,564	1,897,564
	27,860,285	27,860,285
Financial liabilities		
Group		
Trade payables	1,502,467	1,502,467
Other payables and accruals	235,639	235,639
Lease liabilities	1,053,258	1,053,258
Short term borrowings	2,245,375	2,245,375
	5,036,739	5,036,739
Company		
Other payables and accruals	51,649	51,649
Amount owing to a subsidiary company	12,980,505	12,980,505
	13,032,154	13,032,154

26. FINANCIAL INSTRUMENTS (CONT'D)

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

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

	Carrying amount RM	Loan and receivables / (financial liabilities measured at 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
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

(b) Financial Risk Management

The Group has exposure to the following risks from its financial instruments:

- Credit risk
- Liquidity risk
- Market risk

26. FINANCIAL INSTRUMENTS (CONT'D)

(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 Group'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.

(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 Group. The Group 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 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 (2018: 2) major customers constituting approximately 26% (2018: 19%) 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 2019 which are grouped together as they are expected to have similar risk nature.

26. 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)	4,450,984	-	4,450,984
1 - 30 days past due	99,347	-	99,347
31 - 60 days past due	-	-	-
More than 61 days past due	424,321	-	424,321
	4,974,652	-	4,974,652
Trade receivables	2,226,597	-	2,226,597
Contract assets	2,748,055	-	2,748,055
	4,974,652	-	4,974,652

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

The aging of trade receivables as at 31 December 2018 was as follows:

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

(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.

(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 Group did not recognised any allowance for impairment losses.

26. FINANCIAL INSTRUMENTS (CONT'D)

(c) Credit Risk (cont'd)

(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 2019.

Company	Gross carrying amount RM	Impairment loss allowance RM	Net balance RM
Low credit risk	25,940,000	-	25,940,000
Credit impaired	4,754,315	(4,732,594)	21,721
	30,694,315	(4,732,594)	25,961,721

(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.

26. 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
2019							
Group							
Non-derivative financial liabilities							
Trade payables	-	1,502,467	1,502,467	1,502,467	-	-	1,502,467
Other payables and accruals	-	235,639	235,639	235,639	-	-	235,639
Lease liabilities	4.35 - 6.54	1,053,258	1,129,642	549,073	485,204	95,365	1,129,642
Short term borrowings	3.63 - 6.00	2,245,375	2,245,375	2,245,375	-	-	2,245,375
		5,036,739	5,113,123	4,532,554	485,204	95,365	5,113,123
Company							
Non-derivative financial liabilities							
Other payables and accruals	-	51,649	51,649	51,649	-	-	51,649
Amount owing to a subsidiary company	-	12,980,505	12,980,505	12,980,505	-	-	12,980,505
		13,032,154	13,032,154	13,032,154	-	-	13,032,154

26. FINANCIAL INSTRUMENTS (CONT'D)

(d) Liquidity Risk (cont'd)

	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
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 by 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

26. 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 Renminbi ("RMB").

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:

	EUR RM	RMB RM	SGD RM	USD RM	Total RM
2019					
Financial Assets					
Trade receivables	-	-	230,929	-	230,929
Other receivables and deposits	176,696	-	13,602	24,840	215,138
Cash and cash equivalents	67	7,659	53,670	282,242	343,638
	176,763	7,659	298,201	307,082	789,705
Financial Liabilities					
Trade payables	93,796	-	11,703	-	105,499
	93,796	-	11,703	-	105,499
Net financial assets	82,967	7,659	286,498	307,082	684,206
Foreign currencies exposures	82,967	7,659	286,498	307,082	684,206
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

Currency sensitivity analysis

A 10% (2018: 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 Group 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.

26. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market Risk (cont'd)

(i) Currency risk (cont'd)

	2019 RM Increase/ (Decrease)	2018 RM Increase/ (Decrease)
Effects on profit after taxation/equity		
Strengthened by 10%		
- EUR	8,297	(12,531)
- RMB	766	-
- SGD	28,650	50,204
- USD	30,708	8,302
Weakened by 10%		
- EUR	(8,297)	12,531
- RMB	(766)	-
- SGD	(28,650)	(50,204)
- USD	(30,708)	(8,302)

(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	
	2019 RM	2018 RM
Fixed rate instruments		
Financial assets	24,911,377	23,878,288
Financial liabilities	(2,831,428)	(1,752,747)
	22,079,949	22,125,541
Floating rate instruments		
Financial liabilities	(467,205)	(500,332)

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.

26. FINANCIAL INSTRUMENTS (CONT'D)

(e) Market Risk (cont'd)

(ii) Interest rate risk (cont'd)

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	
	2019	**2018**
	RM	**RM**
Effects on profit before tax/equity		
Increase of 100 basis points	(4,672)	(5,003)
Decrease of 100 basis points	4,672	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.

27. 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.

28. 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.

28. 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	
	2019	2018
	RM	RM
Subsidiaries		
Management fees	60,000	60,000

	Group		Company	
	2019	2018	2019	2018
	RM	RM	RM	RM
<u>Key management personnel</u>				
Directors				
- fees	210,000	223,000	210,000	210,000
- remuneration	504,000	499,200	-	-
- defined contribution plan	85,680	85,104	-	-
- social security cost	1,516	1,516	-	-
- other emoluments	194,880	186,985	-	-
	996,076	995,805	210,000	210,000

29. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 9 May 2019, the Company issued and allotted 4,538,200 new ordinary shares at an issue price of RM0.40 per Placement Share to the allottees for a total cash consideration of RM1,815,280. The new shares issued rank pari passu in all respects with the existing shares of the Company.

30. SUBSEQUENT EVENT

On 20 January 2020, the Board of Directors of the Group had announced that Chip Ngai Engineering Works Sdn Bhd, a wholly-owned subsidiary of the Company, had on 20 January 2020 entered into a Sale and Purchase Agreement with Twinstar Acres Sdn Bhd ("TASB"), a company wholly owned by Mr. Ho Cheng San, a major shareholder and director of the Company, for the proposed acquisition of a parcel of vacant land held under H.S.(M) 23504, Lot 5856, locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan from TASB, for a cash consideration of RM4 million.

The proposed acquisition is conditional upon obtaining the approval of shareholders of the Company at an Extraordinary General Meeting, to be held at a date to be determined, and the approval and consent of any other relevant authority and/or parties, where required.

31. CONTINGENT LIABILITIES

	Group	
	2019	2018
	RM	RM
Secured		
- Bankers' guarantee issued in favour of third parties	1,381,060	130,800
- Letters of credit issued in favour of third parties	93,625	187,965
	1,474,685	318,765

32. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES

During the financial year, the Group adopted MFRS 16, Leases. The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of the initial application. Accordingly, comparatives are not restated.

The effect of adopting MFRS 16 to the statements of financial position of the Group as at 1 January 2019 is as follows:

Statement of financial position

	Impact of change in accounting policies		
Group	**As previously reported**	**MFRS 16 adjustments**	**After adjustments**
1 January 2019	**RM**	**RM**	**RM**
Non-current assets			
Right-of-use asset	-	1,078,406	1,078,406
Impact to non-current assets	-	1,078,406	1,078,406
Non-current liabilities			
Lease liabilities	-	(1,053,258)	(1,053,258)
Finance lease liabilities	(316,931)	316,931	-
Impact to non-current liabilities	(316,931)	(736,327)	(1,053,258)
Current liabilities			
Lease liabilities	-	(502,895)	(502,895)
Finance lease liabilities	(160,816)	160,816	-
Impact to current liabilities	(160,816)	(342,079)	(502,895)

Leases previously accounted for as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The finance lease liabilities have been reclassified to lease liabilities. The requirements of MFRS 16 were applied to these leases from 1 January 2019.

As a Lessee

Where the Group is a lessee, the Group applied the requirements of MFRS 16 retrospectively.

At 1 January 2019, lease liabilities were measured at the present value of the remaining lease payment, discounted at the Group's incremental borrowing rate as at 1 January 2019 of 5%. Right-of-use assets are measured at either:

- their carrying amount as if MFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at 1 January 2019; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use asset at the date of initial application;
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

33. AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

These financial statements were authorised for issue on 17 March 2020 by the Board of Directors.

Analysis of Shareholdings
as at 25 March 2020

Issued and Fully Paid-Up Capital	:	RM40,200,834
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	429	22.67	20,095	0.04
100-1,000	127	6.71	72,121	0.14
1,001-10,000	1,111	58.72	3,043,294	6.10
10,001-100,000	174	9.20	5,540,688	11.10
100,001-less than 5% of issued shares	49	2.59	21,106,667	42.28
5% and above of issued shares	2	0.11	20,137,835	40.34
Total	1,892	100.00	49,920,700	100.00

Thirty Largest Shareholders

	Name	No. of Shares Held	% of Issued Capital
1	HO CHENG SAN	17,093,535	34.24
2	TA NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHARLES ROSS MCKINNON	3,044,300	6.10
3	KENANGA NOMINEES (TEMPATAN) SDN BHD KOK WAI MENG	2,250,000	4.51
4	CN ASIA ENGINEERING SDN. BHD.	1,619,759	3.24
5	CHARLES ROSS MCKINNON	1,450,000	2.91
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD ARUN KUMAR A/L SIVANGANAM	1,188,200	2.38
7	TENGKU AB MALEK BIN TENGKU MOHAMED	1,186,900	2.38
8	OON KIM WOON	1,110,400	2.22
9	CHAI KUET FAR	1,100,000	2.20
10	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI KUET FAR (DAMANSARA UTAMA-CL)	1,032,100	2.07
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR AU KWAN SENG (E-KLC)	747,100	1.50
12	LEE HUI LEONG	632,000	1.27
13	UOB KAY HIAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	614,308	1.23
14	ANGELINE CHAN KIT FONG	562,950	1.13
15	YEW SIEW CHOO	451,100	0.90
16	LEE WAN HOOI	436,100	0.87
17	CHONG MONG YUEN	389,400	0.78
18	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG PEK SEE (CEB)	345,700	0.69
19	GOH CHIN CHOOI	331,000	0.66
20	CGS-CIMB NOMINEES (ASING) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	310,800	0.62

Thirty Largest Shareholders (cont'd)

	Name	No. of Shares Held	% of Issued Capital
21	LEE KIM SEONG	303,000	0.61
22	CHIN CHEE LEONG	250,000	0.50
23	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	243,000	0.49
24	LEE WAN HOOI	240,300	0.48
25	KEW CHIN FAH	238,400	0.48
26	DANCOMAIR ENGINEERING SDN. BHD.	228,800	0.46
27	AMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP YEE PING	219,300	0.44
28	CHAN CHENG CHOY	205,500	0.41
29	KEW YUEN CHENG	200,000	0.40
30	KHONG CHENG YEE	200,000	0.40
	Total	38,223,952	76.57

Substantial Shareholders

	Name	No. of Shares Held		% of Issued Capital	
		Direct	Indirect	Direct	Indirect
1	HO CHENG SAN	17,093,535	2,182,709*#	34.24	4.37
2	CHARLES ROSS MCKINNON	4,609,900	-	9.23	-
3	ANGELINE CHAN KIT FONG	562,950	18,713,294*#	1.13	37.49

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

Directors' Shareholdings

Name	No. of Shares Held		% of Issued Capital	
	Direct	Indirect	Direct	Indirect
DATO' HILMI BIN MOHD NOOR	-	-	-	-
HO CHENG SAN	17,093,535	2,182,709*#	34.24	4.37
ANGELINE CHAN KIT FONG	562,950	18,713,294*#	1.13	37.49
LEE KING LOON	-	-	-	-
ARIFFIN BIN KHALID	-	-	-	-
CHONG YING CHOY	-	-	-	-

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

CN ASIA CORPORATION BHD
((Registration No.: 199601027090 (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 24th Annual General Meeting ("AGM") of the Company to be held at **Ground Floor Office Building, Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia** on **Tuesday, 7 July 2020** 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 2020 until the next AGM.		
2.	To re-elect Mr Lee King Loon as Director.		
3.	To re-elect Encik Ariffin bin Khalid 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 approve the continuation in office of Dato' Hilmi bin Mohd Noor as Independent Director.		
6.	To empower the Board to allot and issue shares.		

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 2020

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* ***30 June 2020*** *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 instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn. Bhd. (Registration No. 197101000970 (11324-H)), at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Counter, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia. In the case of an appointment made via TIIH Online, the electronic proxy form must be submitted at https://tiih.online. Please refer to the Annexure to the proxy form for further information on submission of electronic of proxy form via TIIH Online. All proxy forms submitted must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposed to vote or, in the case of a poll, not less than twenty-four (24) hours before the time for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.*
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 Share Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
(Registration No. 197101000970 (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: (03) 2783 9299 Fax: (03) 2783 9222

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tricor | TIIH online

ANNEXURE TO PROXY FORM

ELECTRONIC SUBMISSION OF PROXY FORM VIA TIIH ONLINE

Dear shareholders,

We are pleased to inform that you as a shareholder can have the option to submit your proxy forms by electronic means through our system, TIIH Online (“**e-Proxy”**).

TIIH Online is an application that provides an online platform for shareholders *(individuals only)* to submit document/form electronically which includes proxy form in paperless form (“e-Submission”). Once you have successfully submitted your e-proxy form, you are no longer required to complete and submit the physical proxy form to Tricor office.

To assist you on how to engage with e-Proxy, kindly read and follow the guidance notes which are detailed below:

1. Sign up as user of TIIH Online

- Using your computer, access our website at https://tiih.online
- Sign up as a user by completing the registration form, registration is free
- Upload a softcopy of your MyKad (front and back) or your passport
- Administrator will approve your registration within one working day and notify you via email
- Activate your account by re-setting your password

Notes:
(i) If you are already a user of TIIH Online, you are not required to sign up again
(ii) An email address is allowed to be used once to register as a new user account, and the same email cannot be used to register another user account
(iii) At this juncture, only individual security holders are offered to register as user and participate in e-Proxy

2. Proceed with submission of e-Proxy

- After the release of the Notice of Meeting by the Company, login with your user name (i.e. e-mail address) and password
- Select the corporate event: **“Submission of Proxy Form”**
- Read and agree to the Terms & Conditions and confirm the Declaration
- Select/insert the CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf
- Appoint your proxy(s) or chairman and insert the required details of your proxy(s)
- Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote
- Review & confirm your proxy(s) appointment
- Print e-proxy for your record

Should you need assistance on our e-Submission, please contact us. Thank you.

Tricor Investor & Issuing House Services Sdn Bhd Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia	Telephone No: 03-27839299 Fax No: 03-27839222 E-mail: is.enquiry@my.tricorglobal.com
Ms. V R Santhi A/P. Renganathan	: +603-2783 7971 (Santhi.Renganathan@my.tricorglobal.com)
En. Mohamad Khairudin Bin. Tajudin	: +603-2783 7973 (Mohamad.Khairudin@my.tricorglobal.com)

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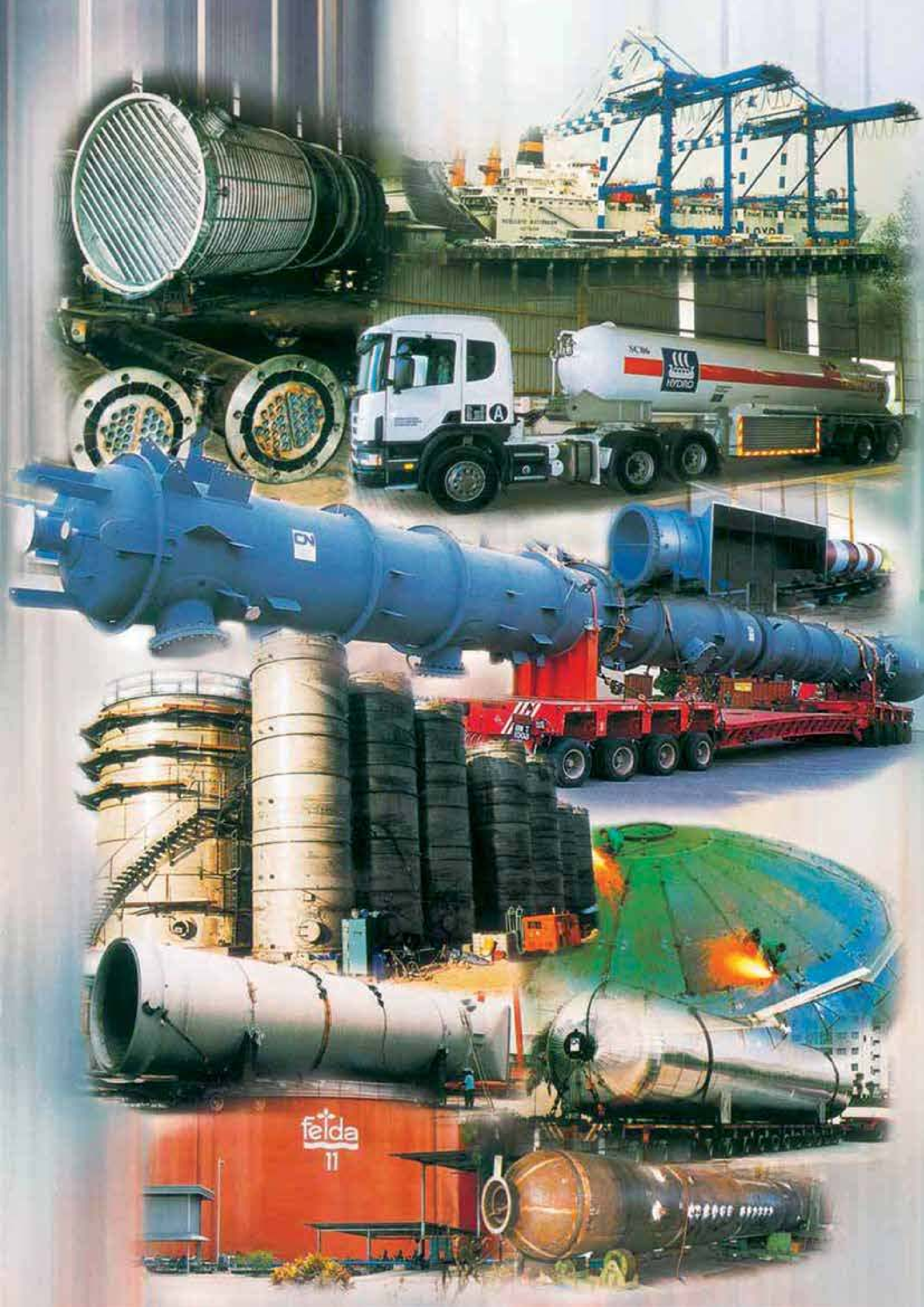
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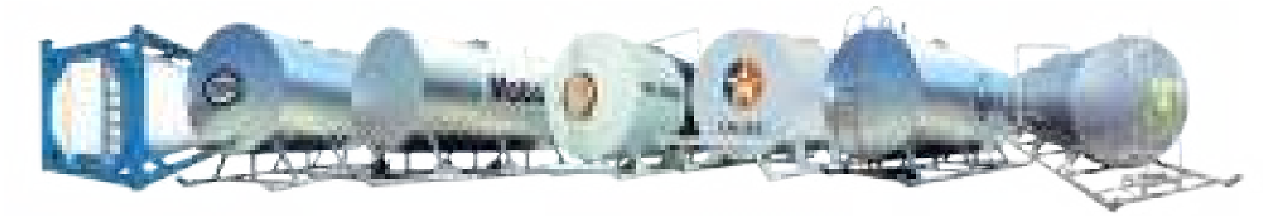

cnasia.com

CN ASIA CORPORATION BHD (199601027090 (399442-A))
(Incorporated In Malaysia)

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