

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

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CN ASIA CORPORATION BHD
(Registration No.: 199601027090 (399442-A))

CIRCULAR TO SHAREHOLDERS IN RELATION TO

PART A

PROPOSED ACQUISITION BY CHIP NGAI ENGINEERING WORKS SDN BHD (REGISTRATION NO.: 197001000934 (10217-A)), A WHOLLY-OWNED SUBSIDIARY OF CN ASIA, 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 TWINSTAR ACRES SDN BHD (REGISTRATION NO.: 201701027868 (1242034-D)) ("TASB"), A COMPANY WHOLLY-OWNED BY A RELATED PARTY FOR A CASH CONSIDERATION OF RM4,000,000 ("PROPOSED ACQUISITION")

PART B

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF CN ASIA IN RELATION TO THE PROPOSED ACQUISITION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Independent Adviser for Part B



(License Number: CMSL/A0330/2015)

Licensed to provide advisory in corporate finance and investment advice

ASIA EQUITY RESEARCH SDN BHD (Registration No.: 201401027762 (1103848-M))

The Notice convening the Extraordinary General Meeting ("EGM") of CN Asia Corporation Bhd ("CN Asia" or "Company") in respect of the Proposed Acquisition together with the Form of Proxy are enclosed in this Circular. The EGM will be held as follows:-

- | | |
|---|---|
| Date and time of the EGM | : Tuesday, 7 July 2020 immediately after the Twenty-Fourth (24th) Annual General Meeting of which scheduled to be held at 10.00 a.m. on the same morning or 11.00 a.m., whichever is earlier or at any adjournment thereof |
| Venue of the EGM | : Ground Floor Office Building, Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan, Malaysia |
| Last date and time for lodging the Proxy Form | : Monday, 6 July 2020 at 11.00 a.m. |

The Form of Proxy must be completed and 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 or any adjournment thereof. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

This Circular is dated 23 April 2020

DEFINITIONS (CONT'D)

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	: Companies Act 2016, as amended from time to time including any re-enactment thereof
Board	: Board of Directors of CN Asia
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
Circular	: This circular to the shareholders of CN Asia dated 23 April 2020 in relation to the Proposed Acquisition
CN Asia Group or Group	: CN Asia and its subsidiaries, collectively
CN Asia or Company	: CN Asia Corporation Bhd (Registration No.: 199601027090 (399442-A))
CN Asia Share(s)	: Ordinary share(s) in CN Asia
CNEW or Purchaser	: Chip Ngai Engineering Works Sdn Bhd (Registration No.: 197001000934 (10217-A)), a wholly-owned subsidiary of CN Asia
EGM	: Extraordinary general meeting
EPS	: Earnings per share
FYE	: the Financial year ended/ending 31 December, as the case may be
LAT	: Loss after taxation
LPD	: 1 April 2020 , being the latest practicable date prior to the date of this Circular
LPS	: Loss per share
Main Market	: Main Market of Bursa Securities
MMLR	: Main Market Listing Requirements of Bursa Securities, an amended from time to time including any re-enactment thereto
NA	: Net assets
PAT	: Profit after taxation
PBT	: Profit before taxation
Property	: A parcel of vacant land measuring approximately 11,407 sqm (122,784 sq ft) held under H.S.(M) 23504, Lot 5856, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan
Proposed Acquisition	: Proposed acquisition by CNEW from TASB of the Property for the Purchase Consideration

DEFINITIONS (CONT'D)

Purchase Consideration	: A cash consideration of RM4,000,000 for the purchase of the Property
Raine & Horne or Valuer	: Raine & Horne International Zaki + Partners Sdn Bhd
RM and sen	: Ringgit Malaysia and sen, respectively
RPGT	: Real Property Gains Tax
Sq ft	: Square feet
Sqm(s)	: Square metres
SPA	: Sale and purchase agreement dated 20 January 2020 between CNEW and TASB for the Proposed Acquisition at the Purchase Consideration
TASB or Vendor	: Twinstar Acres Sdn Bhd (Registration No.: 201701027868 (1242034-D))
Valuation Certificate	: Certificate of valuation dated 6 February 2020 issued in conjunction with the Valuation Report
Valuation Report	: Valuation report dated 11 November 2019 in relation to the Property prepared by Raine & Horne

For the purpose of this Circular, all references to a time of day shall be a reference to Malaysian time, unless otherwise specified.

In this Circular, words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended and re-enacted.

Certain figures included in this Circular have been subject to rounding adjustments.

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PART A

**LETTER TO THE SHAREHOLDERS OF CN ASIA IN RELATION TO THE PROPOSED
ACQUISITION**



CN ASIA CORPORATION BHD
(Registration No.: 199601027090 (399442-A))

Registered Office:

Lot 7907
Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan

23 April 2020

Directors:

Dato' Hilmi bin Mohd Noor (*Independent Non-Executive Chairman*)
Ho Cheng San (*Managing Director*)
Angeline Chan Kit Fong (*Executive Director*)
Lee King Loon (*Independent Non-Executive Director*)
Ariffin bin Khalid (*Independent Non-Executive Director*)
Chong Ying Choy (*Non-Independent Non-Executive Director*)

To: The Shareholders of CN Asia Corporation Bhd

Dear Sir/Madam,

PROPOSED ACQUISITION

1. INTRODUCTION

On **20 January 2020** and **21 January 2020**, the Company had announced that CNEW, a wholly-owned subsidiary of CN Asia, had on **20 January 2020** entered into a SPA with TASB, for the Proposed Acquisition.

The Proposed Acquisition is a related party transaction pursuant to the provisions of Chapter 10 of the MMLR as the Vendor is a company wholly-owned by Mr. Ho Cheng San, a director and major shareholder holding 34.24% direct and 4.37% indirect equity interest in the Company.

The purpose of this Circular is to provide you with the relevant information on the Proposed Acquisition to seek your approval pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM. The notice of EGM and the Form of Proxy are enclosed in this Circular.

SHAREHOLDERS OF CN ASIA ARE ADVISED TO READ AND CONSIDER CAREFULLY THE ENTIRE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED ACQUISITION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED ACQUISITION

2.1 Proposed Acquisition

The Proposed Acquisition involves the acquisition of the Property for a total cash consideration of RM4.00 million ("**Purchase Consideration**"), subject to the terms and conditions contained in the SPA.

2.2 Details of the Property

The Property is located along Jalan Lapis 2 within industrial cum housing area known as RTB Bukit Changgang, Banting, Selangor Darul Ehsan which is approximately 55 kilometres south-west of the Kuala Lumpur City Centre, approximately 45.6 kilometres south-east of the Klang Town, approximately 19.3 kilometres east of the Banting Town, approximately 25.1 kilometres north-west of the Pekan Sepang and approximately 13.6 kilometres west of the Bandar Baru Balak Tinggi.

Located approximately 2.3 kilometres to the south of the Property is the premises of Genting Sanyen Paper Industries Sdn. Bhd. whilst approximately 4.4 kilometres to the north-west is the Kolej Mara Banting.

Geographically, the Property is located approximately 7.7 kilometres to the north-east of Bandar Seri Ehsan, approximately 13.5 kilometres to the east of Bandar Mahkota Banting, about 15.6 kilometres to the east of the Bandar Sungai Emas Business Centre, about 11.5 kilometres to the south-west of the Pekan Dengkil, about 13.5 kilometres to the north-west of Kuala Lumpur International Airport and Kuala Lumpur International Airport 2 and about 13.9 kilometres to the north-west of Sepang F1 International Circuit.

Properties in the neighbourhood comprise mainly parcels of agricultural land planted with palm oil trees, oil palm estates, detached factories of individual design and construction as well as vacant parcel of industrial lands, kampong type houses and future development lands.

Notable future developments which would improve the accessibility of the Property include the development of the West Coast Expressway from Banting to Taiping Bandar which is scheduled to be completed in End 2022. There will be Interchange Banting in Bandar Mahkota Banting, of which Interchange Banting is conveniently located just approximately 10.0 kilometres away from the Property.

The Property site is a parcel of rectangular shaped agricultural land which is zoned for industrial use. Generally, the Property site is flat in terrain and lies at the same level of the frontage road with the site boundaries not demarcated with any form of fencing. The Property is presently planted with oil palm trees of more than 25 years old which was well maintained.

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Details of the Property pursuant to the Proposed Acquisition to be acquired are as follows:-

Title Details	:	Lot 5856 held under Title No. H.S.(M) 23504, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan		
Description	:	An agriculture land with potential for industrial development		
Land Tenure	:	Leasehold interest for a term of 99 years expiring on 12 June 2117. The unexpired term of the lease is approximately 98 years		
Land Area	:	11,407 sqm (122,784 sq ft)		
Net Land Area	:	10,614.22 sqm (114,250 sq ft) after considering the surrender of the 33 feet from the front portion of the frontage road for internal access road reserve and a further 10 feet for drainage reserve, measuring in a total area of approximately 795.78 sqm (8,566 sq ft)		
Encumbrances	:	Free		
Present use	:	Oil palm plantation		
Proposed use	:	Development of CN Asia's manufacturing facility		
Maturity of the trees	:	Approximately 12 years		
Further details	:		<u>FYE 2016</u>	<u>FYE 2017</u>
		Estimated Plantation profits (RM)	13,000	13,000
		Estimated Production (tonnes)	24	24
Market value	:	RM4.00 million as appraised by the independent registered valuer, Raine & Horne		
Restriction-in-interest	:	<i>Tanah ini tidak boleh dipindahmilik, dipijak atau digadai melainkan dengan mendapatkan kebenaran Pihak Berkuasa Negeri</i>		
Net book value	:	RM2,713,891, based on the audited financial statements of TASB for the financial year ended 31 January 2019		

****** *Sources of reference of the above information are the Valuation Report and representations by the Vendor.*

TASB is the registered and beneficial owner of all that piece of 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.

The cost of investment to TASB for the Property was RM2.66 million at the time of acquisition on 8 September 2017 as an agriculture land with the leasehold period expiring on 1 July 2075, with an unexpired term of lease of approximately 56 years, held under title PT 3231, Lot 5856, locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan. Subsequently on 18 June 2018, TASB extended the leasehold period of the Property to a term of 99 years expiring on 12 June 2117 under the title detailed as above.

The category of use of the Property is currently "Agriculture". An application has been made by TASB on 20 February 2020 to Majlis Daerah Kuala Langat ("**MDKL**") for conversion of the Property to the category of industrial use with all additional premiums and fees pertaining to the conversion and issuance of the new title to be borne by the Vendor.

2.3 Background Information on TASB

TASB was incorporated in Malaysia on 8 August 2017 under the Act with its registered office at Unit V3-08-06, Sunway Velocity Designer Office, Lingkaran SV, Sunway Velocity, Kuala Lumpur, 55100 Wilayah Persekutuan as a private limited company. TASB is principally an investment holding company.

As at the LPD, the total issued capital of TASB is RM2,660,001, comprising 2,660,001 ordinary shares. The sole shareholder and director of TASB is Mr. Ho Cheng San.

2.4 Basis of arriving on the Purchase Consideration

The Purchase Consideration was arrived at on a willing buyer-willing seller basis between CNEW and TASB after taking into account the market value of the Property of RM4.00 million as appraised by the Valuer, Raine & Horne on 11 November 2019.

In arriving at the opinion of the market value of the Property, Raine & Horne had appraised the Property in its valuation report dated 11 November 2019 using the Comparison Method of valuation as the Property is a vacant industrial land without any approved plan. The market value was appraised on the basis that the Property which is currently held under the category of land use of agriculture is converted to industrial use with all additional premiums and fees paid, and new title issued with category of land use of industry.

The Valuer is of the opinion that the market value of the Property is RM4.00 million as appraised vide its Valuation Report.

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2.5 Salient terms and conditions of the SPA

The salient terms and conditions of the SPA include, amongst others, the following:

2.5.1 Agreement to Sell and Purchase

Subject to the Conditions Precedent (as detailed in Section 2.5.2(1) of this Circular) being fulfilled, CNEW agrees to purchase and TASB agrees to sell the Property free from all encumbrances at the Purchase Consideration.

2.5.2 Conditions Precedent

- (1) The SPA is conditional upon the following conditions precedent ("**Conditions Precedent**") being satisfied on or before the date falling 120 days from the date of the SPA ("**Stop Date**"):-
 - (a) TASB having obtained the letter of consent to transfer the Property in favour of CNEW from the relevant State Authority;
 - (b) CNEW obtaining the approval from the shareholders of CN Asia for the Proposed Acquisition by way of a resolution passed at a general meeting of CN Asia to be convened;
 - (c) TASB obtaining written approval from the relevant authorities with respect to the property for the change of category of land use from its present use to "industrial" use ("**Land Conversion Approval Letter**") and an official receipt from the relevant authorities to evidence payment by TASB of the conversion premium prescribed in the Land Conversion Approval Letter;
- (2) The SPA shall become unconditional on the date the last of the Conditions Precedent are being fulfilled ("**Unconditional Date**").
- (3) If any of the Conditions Precedent is not fulfilled by the Stop Date, CNEW has the option to extend the Stop Date for a period of thirty (30) days from the Stop Date ("**Extended Stop Date**").
- (4) In the event the Conditions Precedent are not fulfilled by the Extended Stop Date as stipulated in Section 2.5.2(3) above, any subsequent extension of time shall be mutually agreed upon between TASB and CNEW and in such an event, the term "**Extended Stop Date**" shall refer to subsequent extension of time as agreed between TASB and CNEW.
- (5) If the Conditions Precedent are not fulfilled by the Stop Date or the Extended Stop Date, as the case may be, the following will take place:
 - (a) TASB shall refund all monies paid by CNEW to TASB, including the Retention Sum, as detailed in Section 2.5.3(2) of this Circular; and
 - (b) the SPA shall be deemed to be null and void and of no further effect and neither TASB nor CNEW shall have any claim whatsoever against the other under the SPA except for any antecedent breach of the SPA.

2.5.3 Payment of Purchase Consideration

- (1) The Purchase Consideration shall be paid or dealt with at the time and manner as prescribed below:

Milestone	%	Amount(RM)
a. Immediately upon signing of the SPA	3	120,000
b. Within ninety (90) days from the Unconditional Date *	97	3,880,000
Total	100	4,000,000

** with an automatic extension of time of thirty (30) days.*

- (2) The sum of RM0.12 million representing 3% of the Purchase Consideration ("**Retention Sum**"), shall be paid by CNEW to the solicitors as stakeholders and the sum is to be paid to the Director-General of Inland Revenue in accordance with the Real Property Gains Tax Act, 1967.

The sum of RM3.88 million representing 97% of the Purchase Consideration ("**Balance Purchase Price**"), shall be paid by CNEW to the solicitors as stakeholders within ninety (90) days from the Unconditional Date. The Balance Purchase Price shall be released to TASB within ten (10) business days after the Memorandum of Transfer, original title and all other relevant documents are presented at the relevant land registry/ office for registration of the transfer of the Property.

2.5.4 Private Caveat

In recognition that there is no deposit payable to TASB upon the execution of the SPA, it is agreed that CNEW shall not lodge any caveat or cause any caveat to be lodged on the Property or any portion thereof at any time before the Balance Purchase Price is released to TASB.

2.5.5 Purchaser's Default

In the event that CNEW fails to pay the Balance Purchase Price and/or commits a fundamental breach of the SPA, TASB shall be entitled to terminate the SPA by a notice in writing and all payments, including the Retention Sum, made by the Purchaser shall be refunded to the Purchaser subject to the Purchaser simultaneously in exchange returning to the Vendor all relevant documents that may have been forwarded by the Vendor to the Purchaser, the Purchaser's Solicitors or the Purchaser's Financier's solicitors pursuant to the SPA.

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2.5.6 Vendor's Default

In the event that TASB breaches any of its representations, warranties, covenants, undertakings or obligations under the SPA which is not capable of remedy or is capable of remedy but is not remedied within fourteen (14) days from the date of receipt of written notice from the Purchaser requiring the same to be remedied, the Purchaser shall be entitled as follows:-

- (a) to the remedy of specific performance of the SPA against the Vendor; or
- (b) to terminate the SPA by a notice in writing to the Vendor and the Vendor shall, within seven (7) days of receipt of the notice, refund the Purchaser all payments, including the Retention Sum, made by the Purchaser and in addition thereto, pay a further sum of RM0.40 million to the purchaser as agreed liquidated damages.

2.5.7 Non- Registration of Transfer of Land

In the event that the Purchaser cannot be registered as the registered proprietor of the Property for any reason which is not otherwise attributable to a default of TASB (in which case Section 2.5.6 shall apply) or a default of CNEW (in which case Section 2.5.5 shall apply), the Vendor shall, within seven (7) days of receipt of a written notice of the non-registration, refund the Purchaser all payments, including the Retention Sum, made by the Purchaser in exchange for delivery by the Purchaser to the Vendor of vacant possession of the Property (if vacant possession has been delivered to the Purchaser) and, all relevant documents that may have been forwarded by the Vendor to the Purchaser, the Purchaser's Solicitors or the Purchaser's Financier's solicitors pursuant to the SPA. Thereafter, the SPA shall be terminated and become null and void.

2.5.8 Delivery of Possession and Completion

The Proposed Acquisition shall be deemed completed and the Property shall be deemed delivered to CNEW on the date upon which the Balance Purchase Price is paid by CNEW to the solicitors ("**Completion Date**").

2.6 Liabilities to be Assumed

Save for the Purchase Consideration for the Property, there will be no liabilities, including contingent liabilities and guarantees, to be assumed by CNEW pursuant to the Proposed Acquisition.

2.7 Source of Funding

The Proposed Acquisition shall be funded by a combination of bank borrowings (80%) and internally generated funds (20%).

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3. RATIONALE AND BENEFITS OF THE PROPOSED ACQUISITION

The Group is principally engaged in design, fabrication and installation of storage tanks, pressure vessels, LPG vessels, road tankers and provision of metal forming services. The primary group of customers the Group serves is in oil and gas and petrochemical industries. In addition, the Group also serves customers from other industries including sewerage, civil and structural steel construction, power generation and food and beverage. The Group's current manufacturing facility, located along Lebuhraya SILK (formerly known as Jalan Balakong), Balakong, Seri Kembangan, Selangor Darul Ehsan, is equipped with metal forming machinery, enabling it to undertake cold and hot metal forming services such as rolling, dishing, pressing and flanging, to fabricate storage tanks and pressure vessels. In addition, the Group also has the capability to perform heat treatment to improve the strength and lifespan of its manufactured equipment after the welding or machining processes.

As the subsisting tenancy agreement pertaining to the Group's current manufacturing facility is expiring in December 2021 and even if the landlord agrees to extend the lease, the terms of the new lease are uncertain. Therefore, the Group is in a situation of having to consider alternative options to relocate its manufacturing facility. One viable option is for the Group to acquire a vacant parcel of land and construct its new manufacturing facility thereon in order to mitigate the risk of operational disruption and sustain its operations for the long run.

Prior considering the Proposed Acquisition, the Group had conducted preliminary studies on the suitability of the Property and planned the stage-by-stage disassembly and relocation of its machinery to its new manufacturing site concurrently in order to minimise disruption to the Group's current production operations. The Group has taken into consideration the locations of the current residences of its administrative office personnel, the majority of whom are known to live nearby the current business premises. Hence, the Group has decided to maintain its administrative office in Balakong, whilst the production workforce, the majority of whom comprise foreign workers, will be re-located to an identified housing area near the Group's proposed new manufacturing facility. The proposed new manufacturing facility is considered to be strategic as it located nearer to seaports and airports (namely, Kuala Lumpur International Airport, Sepang) which eases the importation of materials and the exportation of the Group's products especially at a time when the current orders in-hand indicate a shift in the Group's revenue composition towards exports. Moreover, the location of the proposed new manufacturing facility is also expected to provide added convenience to the Group's overseas customers as they travel to and from the Group's proposed new premises for product inspections and/or site visits. The relocation to the new manufacturing facility is not expected to be administratively and logistically cumbersome.

Housing its manufacturing facility on the Property is expected to enable the Group to better focus and expand its operations in the future as there will be ample storage space for the Group's products due to an abundance of vacant land near the Property.

In addition, the Property is considered to be suitable for the manufacturing facility and TASB has engaged independent professional consultants to apply for a development order for the development of a single storey factory together with two (2) storey office, one (1) unit guard house and one (1) unit TNB substation on the Property. The application for development order has been submitted by TASB to MDKL on 16 May 2019 and the development order was obtained on 2 December 2019 with the development fees amounted to RM0.24 million paid by the Vendor to MDKL as at the LPD.

The Proposed Acquisition, complete with the development order, will enable the Group to expedite the commencement of the construction of its new manufacturing facility and to complete the said facility by 2nd quarter of 2021 in order to avoid any disruption to its business activities. Hence, the Group is able to expediently undertake the construction of a new

manufacturing facility at an estimated construction costs of approximately RM8.00 million without having to go through the process of applying for the development order from MDKL. In order to fund the estimated construction cost, the Group intends to utilise the balance of the unutilised proceeds from the Proposed Disposals of RM5.74 million as at the LPD, and the balance shall be funded by way of bank borrowings. The cost of construction of a new manufacturing facility and the cost of relocation to the facility, is not expected to be financially cumbersome to the Group.

4. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION

Save as disclosed below which are by no means exhaustive, the Board does not foresee any other additional risks arising from the Proposed Acquisition given that the Group is already involved in the business of manufacturing:-

4.1 Business and Operational Risks

The nature of the Group's products is subject to certain risks inherent in the steel fabrication and oil and gas industries. These include, but are not limited to, shortages of labour, i.e. skilled designers, engineers and technicians, increase in cost of labour; competition from other market players in steel fabrication industry; changes in economic, social and political conditions; fluctuations in the steel material prices; unexpected equipment failures and natural disaster; and performance of third-party subcontractors. Any adverse changes in these conditions may have an adverse impact on the Group's business operations, financial performance and industry reputation.

4.2 Non-Completion Risk of the Proposed Acquisition

The completion of the Proposed Acquisition is subject to certain conditions such as the approvals from the non-interested shareholders of CN Asia and from the relevant authorities (if any). In the event any of the Conditions Precedent as set out in Section 2.5.2 of this Circular is not fulfilled and/or in the event an extension of time is not agreed upon between the parties to the SPA, the SPA will be terminated and become null and void. As such, the rationale and prospects to be realised from the Proposed Acquisition will not materialise.

CNEW however, will take all reasonable and necessary steps to ensure that all the Conditions Precedent are met to ensure the completion of the Proposed Acquisition to realise the business strategy of the Group as detailed in Section 3 and Section 5.2 of this Circular.

4.3 Compulsory Land Acquisition

The State Government of Selangor is empowered under the Selangor Land Code to compulsorily acquire any land in Selangor. In the event that the State Government of Selangor compulsorily acquires the Property pursuant to the Land Acquisition Act, 1960, the risk to the Group may be mitigated by the compensation awarded by the State Government of Selangor for such compulsory acquisition. Pursuant to the Selangor Land Code, the market value of the land shall be taken into consideration in determining the amount of compensation to be awarded for any land resumed by the State of Government of Selangor. However, the risk of compulsory acquisition of the Property is mitigated by the fact that presently, the Property is not subject to any compulsory acquisition notifications issued under the Selangor Land Code.

5. EFFECTS OF THE PROPOSED ACQUISITION

The Proposed Acquisition is not expected to have any material effects on the issued and paid-up share capital, substantial shareholders' shareholdings, consolidated NA, NA per share and gearing level of the Company. However, the construction cost of its new manufacturing facility on the Property may be financed with a combination of equity funding and/or borrowings, the composition of which may increase or decrease the gearing level of the Company, but has not yet to be determined at this juncture.

5.1 Share Capital and Substantial Shareholders' Shareholding

The Proposed Acquisition will not have any effect on the share capital and the substantial shareholders' shareholdings of CN Asia as it does not involve any issuance of CN Asia shares.

5.2 NA, NA per Share and Gearing

Based on the audited consolidated financial statements of CN Asia as at 31 December 2019, the pro forma effects of the Proposed Acquisition on the NA, NA per share and gearing of the Group, assuming the Proposed Acquisition had been effected during FYE 31 December 2019, are as follows:

		Audited as at 31 December 2019 RM'000	After the Proposed Acquisition RM'000
Share capital		40,201	40,201
Translation reserve		228	228
Retained earnings	(i)	2,802	2,866
Shareholders' fund / NA		43,231	43,295
No of CN Asia's shares ('000)		49,921	49,921
NA per share (RM)		0.87	0.87
Interest-bearing borrowings	(ii)	2,562	5,762
Gearing (times)		0.06	0.13

Notes:

(i) After taking into consideration an estimated savings of RM64,000 for the following:-

	RM'000
Reduction in depreciation on Right-of-use asset in relation to the existing tenancy agreements	359
Reduction in Interest on lease liability in relation to the existing tenancy agreements	54
Estimated expenses in relation to the Proposed Acquisition	(148)
Interest expense *	(160)
Amortisation on the Property over the unexpired leasehold period of 98 years	(41)
Total	64

* Interest expense to be incurred on the additional bank borrowings of RM3.20 million (to finance 80% of the Purchase Consideration) computed at an assumed effective interest rate of 5.0% per annum.

(ii) Additional bank borrowings of RM3.20 million to part finance the Purchase Consideration.

5.3 Earnings and EPS

The pro forma effect of the Proposed Acquisition on loss and loss per share of the Group, based on the audited consolidated financial statements of CN Asia for FYE 31 December 2019 and on the assumption that the Proposed Acquisition had been effected on 1 January 2019, being the start of the financial year of CN Asia, are set out as below:-

	Audited FYE 31 December 2019 RM'000	After the Proposed Acquisition RM'000
(LAT) / PAT	(12)	52 ⁽¹⁾
No of CN Asia's shares ('000)	49,921	49,921
(LPS) / EPS (sen)	(0.02)	0.10

Note:

⁽¹⁾ After incorporating the estimated savings of RM64,000 as per calculation as shown in Section 5.2 above.

Based on the pro forma effects of the Proposed Acquisition on the EPS of the Company, the EPS will be improved by 0.12 sen per share, from a LPS of 0.02 sen to an EPS of 0.10 sen per share.

In addition, the Group is expected to construct its new manufacturing facility on the Property at an estimated construction cost of approximately RM8.00 million as stated in Section 3 of this Circular. Going forward, the Group is expected to incur operating costs associated with the construction of new manufacturing facility which include the periodic depreciation charge on the manufacturing facility, and also finance costs arising from the bank borrowings to fund the construction of the new manufacturing facility. As a comparison between the subsisting rental expense on the Group's current manufacturing facility and the cost of owning its own manufacturing facility (i.e. based on the estimated costs associated with owning the Property and constructing a new manufacturing facility thereon), it is likely that the Group's EPS will be lower in the future.

5.4 Convertible Securities

CN Asia does not have any other convertible securities in issues at the LPD.

5.5 Dividends

The Proposed Acquisition is not expected to affect the dividend policy of CN Asia as future dividend payable would be dependent on *inter-alia*, the future profitability and cash flow position of the Group.

6. HIGHEST PERCENTAGE RATIO APPLICABLE

The highest percentage ratio applicable to the Proposed Acquisition pursuant to paragraph 10.02(g) of the MMLR of Bursa Securities is 9.25%, based on the audited consolidated financial statements of CN Asia for FYE 2019.

7. APPROVALS REQUIRED

The Proposed Acquisition is conditional upon the following:-

- (a) approvals being obtained from the Shareholders of CN Asia at an EGM to be convened; and
- (b) where required, the approval and consent of any other relevant authority and/or parties.

The Proposed Acquisition is not conditional upon any other corporate exercises undertaken or to be undertaken by CN Asia.

8. DIRECTORS', MAJOR SHAREHOLDERS' AND PERSONS' CONNECTED INTERESTS

Save as disclosed below, none of the directors and/or major shareholders of the Company, as well as persons connected with them, have any interest, direct or indirect, in the Proposed Acquisition.

The direct and indirect interest of the interested directors and interested major shareholders as at LPD are as follows:-

Directors and Major Shareholders	Direct		Indirect*	
	No. of Shares	%	No. of Shares	%
Ho Cheng San	17,093,535	34.24	2,182,709	4.37
Angeline Chan Kit Fong	562,950	1.13	18,713,294	37.49

Note:

* Deemed interest by virtue of Mr. Ho Cheng San's substantial shareholding in CN Asia Engineering Sdn Bhd and his/her spouse pursuant to Section 8 of the Act.

Mr. Ho Cheng San is the Managing Director and Madam Angeline Chan Kit Fong is the Executive Director of CN Asia. Mr. Ho Cheng San is a major shareholder of CN Asia and Madam Angeline Chan Kit Fong is deemed a major shareholder of CN Asia via her spouse.

Mr. Ho Cheng San is the director and sole shareholder of TASB.

Accordingly, Mr. Ho Cheng San and Madam Angeline Chan Kit Fong are interested in the Proposed Acquisition. They have abstained and will continue to abstain from deliberation and voting at the Board meetings of CN Asia in respect of the Proposed Acquisition.

Mr. Ho Cheng San, Madam Angeline Chan Kit Fong and CN Asia Engineering Sdn Bhd will also abstain and have also undertaken to ensure that persons connected with them will also abstain from voting in respect of their respective direct and/or indirect shareholdings in CN Asia, if any, on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM to be convened.

Save as disclosed above, to the best knowledge of the Board, there are no other Directors, major shareholders and/or persons connected to them who have any interest, direct or indirect, in the Proposed Acquisition.

9. OUTSTANDING PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Acquisition which is the subject matter of this Circular, as at the LPD, the Board confirms that there is no outstanding corporate proposal announced by the Company to Bursa Securities which has yet to be completed.

10. TRANSACTIONS WITH TASB AND THE INTERESTED DIRECTORS FOR THE PRECEDING TWELVE (12) MONTHS

Save for the Proposed Acquisition, CN Asia Group has not entered into any other transactions outside the ordinary course of business with TASB and the interested directors, namely Mr. Ho Cheng San and Madam Angeline Chan Kit Fong, for the twelve (12) months preceding the date of this Circular.

11. RELATED PARTY TRANSACTIONS AND INDEPENDENT ADVISER

In view of the interest of the interested major shareholders as set out in Section 7 above, the Proposed Acquisition is a related party transaction pursuant to Paragraph 10.08(2) of the MMLR. Accordingly, in compliance with paragraph 10.08 of the MMLR, Asia Equity Research Sdn Bhd ("**AER**") has been appointed to act as the Independent Adviser to undertake the following:

- (a) Comment as to whether the Proposed Acquisition is fair and reasonable so far as the shareholders of CN Asia are concerned and also whether the Proposed Acquisition is to detrimental to the non-interested shareholders of the Company and such opinion shall set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (b) Advise the non-interested shareholders of CN Asia whether they should vote for or against the resolutions pertaining to the Proposed Acquisition to be tabled at an EGM respectively; and
- (c) Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in paragraphs (a) and (b) above.

The IAL in relation to the Proposed Acquisition is set out in **Part B** of this Circular. The non-interested shareholders are advised to read the IAL together with **Part A** of this Circular carefully before voting on the resolution pertaining to the Proposed Acquisition at the forthcoming EGM.

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12. STATEMENT AND RECOMMENDATION BY THE BOARD

The Board, save for Mr Ho Cheng San and Madam Angeline Chan Kit Fong, having considered all aspects of the Proposed Acquisition including the financial effects and rationale for the Proposed Acquisition, and the advice of the Independent Adviser, namely AER, is of the opinion that the Proposed Acquisition:-

- (a) is in the best interest of CN Asia;
- (b) is fair and reasonable, and, save for TASB's waiver of deposit payment in exchange for CNEW's waiver on lodgement of a private caveat in the Property, the terms of the Proposed Acquisition are based on normal commercial terms; and
- (c) is not detrimental to the interest of the non-interested shareholders of CN Asia.

Accordingly, the Board, save for Mr Ho Cheng San and Madam Angeline Chan Kit Fong recommends that you vote in favour for the ordinary resolution in relation to the Proposed Acquisition to be tabled at the forthcoming EGM.

13. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of CN Asia, having considered all aspects of the Proposed Acquisition including the financial effects and rationale for the Proposed Acquisition, and the advice of the Independent Adviser, namely AER is of the opinion that the Proposed Acquisition:-

- (a) is in the best interest of CN Asia;
- (b) is fair and reasonable, and, save for TASB's waiver of deposit payment in exchange for CNEW's waiver on lodgement of a private caveat on the Property, the terms of the Proposed Acquisition are based on normal commercial terms; and
- (c) is not detrimental to the interest of the non-interested shareholders of CN Asia.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposed Acquisition is expected to be completed in the following timeframe:

Milestone	Tentative Date
EGM for the Proposed Acquisition	7 July 2020
Completion of the Proposed Acquisition	30 September 2020

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15. EGM

An EGM, the notice of which is enclosed together with this Circular, 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** immediately after the Twenty-Fourth (24th) Annual General Meeting of which scheduled to be held at 10.00 a.m. on the same morning or 11.00 a.m., whichever is earlier or any adjournment thereof, for the purpose of considering and if though fit, passing the resolution so as to give effect to the Proposed Acquisition.

If you are unable to attend and vote in person at the forthcoming EGM, you may complete, sign and return the relevant Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive 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 EGM 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 or any adjournment thereof. The lodging of the Form of Proxy will not, however, preclude you from attending the EGM and voting in person should you subsequently wish to do so.

16. FURTHER INFORMATION

Please refer to Appendix II for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
CN ASIA CORPORATION BHD

DATO' HILMI BIN MOHD NOOR
INDEPENDENT NON-EXECUTIVE CHAIRMAN

PART B

**INDEPENDENT ADVICE LETTER FROM AER TO THE NON-INTERESTED
SHAREHOLDERS OF CN ASIA IN RELATION TO THE PROPOSED ACQUISITION**

Definitions

All definitions used in this independent advice letter including those in the Executive Summary shall have the same meanings as the words and expressions provided in Part A of the Circular and appendices of the Circular, except where the context otherwise requires or where otherwise defined in the table below.

"IAL"	Independent Advice Letter
"Purchaser"	CNEW
"Vendor"	TASB

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Executive Summary

We have prepared this IAL to provide the non-interested shareholders of CN Asia an independent evaluation of the Proposed Acquisition and to express our recommendation thereon. This Executive Summary is intended to be a brief summary of this IAL, highlighting the salient information of the Proposed Acquisition. We advise you to read both this IAL together with the Circular and its enclosed appendices for any other relevant information. The non-interested shareholders of CN Asia should consider carefully the recommendations herein before voting on the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

1. INTRODUCTION

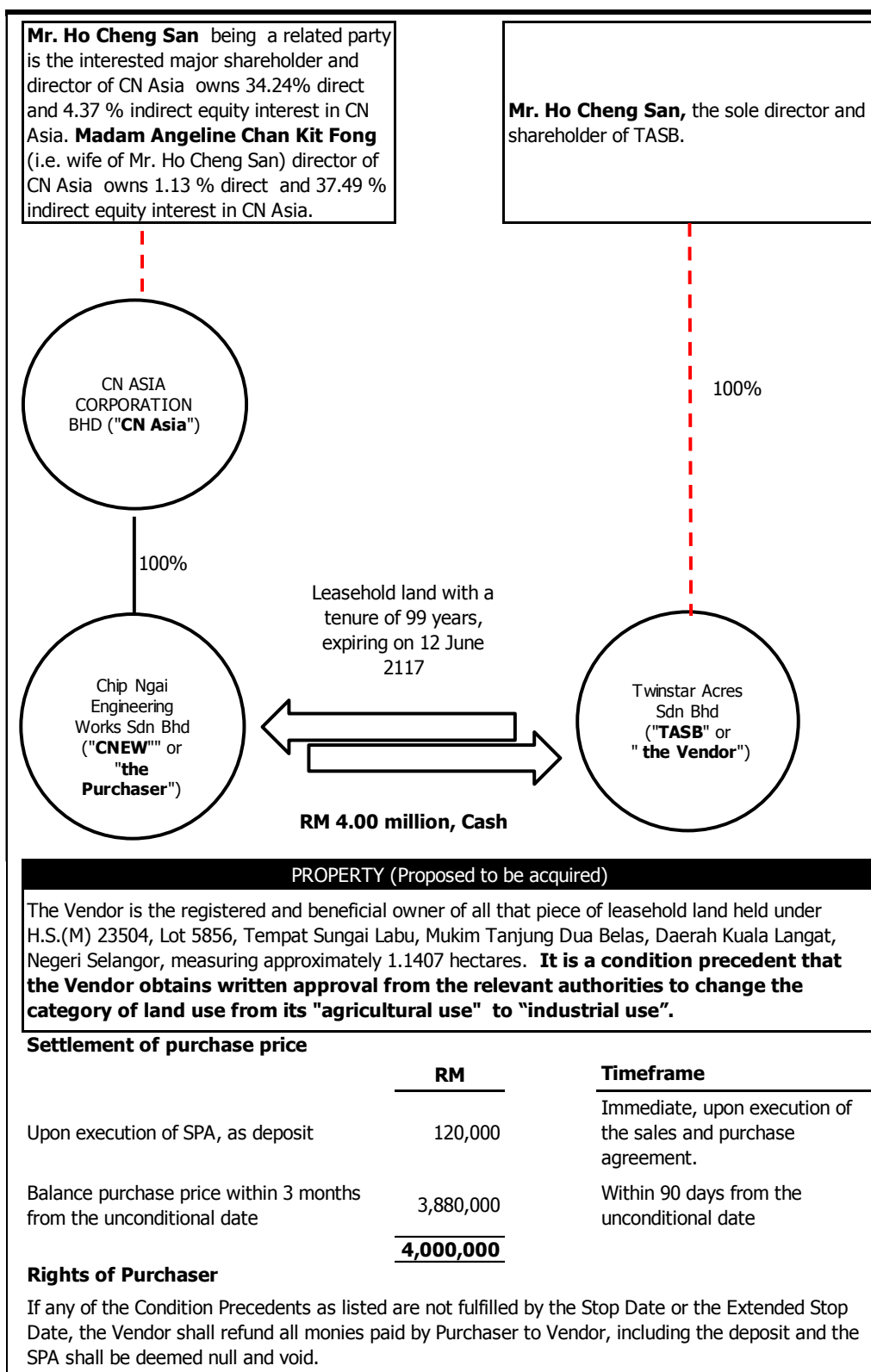
On 20 January 2020, your Board announced that the Company had on even date signed a sales and purchase agreement between CNEW, a wholly owned subsidiary of CN Asia to purchase a parcel of land situated at Lot 5856, Sungai Labu, Tanjung Dua Belas, Kuala Langat Selangor, from TASB a related party for a cash consideration of **RM 4.00 million**.

The Proposed Acquisition is a related party transaction pursuant to Chapter 10 of the MMLR as the Vendor, TASB is a company wholly owned by Mr. Ho Cheng San who is also an Executive Director and shareholder of CN Asia with a direct and indirect equity interest in CN Asia of approximately 34.24% and 4.37% respectively. His wife, Madam Angeline Chan Kit Fong is an Executive Director and also owns a direct and indirect equity interest of approximately 1.13% and 37.49% respectively, in CN Asia. Hence, both Mr. Ho Cheng San and Madam Angeline Chan Kit Fong are deemed to be interested parties in the Proposed Acquisition.

The Board on 6 December 2019 had appointed AER as the Independent Adviser to advise the non-interested directors and non-interested shareholders of the Company on whether the Proposed Acquisition is fair and reasonable and insofar as the non-interested shareholders are concerned, whether the Proposed Acquisition is to the detriment of the non-interested shareholders of CN Asia, as well as our recommendation in relation to the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company, subject to the scope and limitations of our role and evaluation as specified herein. The main purpose of this IAL is to provide the non-interested directors and non-interested shareholders of CN Asia with our independent evaluation of the Proposed Acquisition, together with our independent opinion and recommendation in relation to the relevant resolutions pertaining to the Proposed Acquisition. The non-interested shareholders of CN Asia should nonetheless rely on your own evaluation of the merits and / or demerits of the Proposed Acquisition before making any decision on the course of action to be taken.

The non-interested shareholders of CN Asia are advised to read both the IAL together with the other sections of the Circular and to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Table 1 – Summary of the Proposed Acquisition.



The summary diagram above is intended to only summarize the background and salient features of the Proposed Acquisition. You are advised to read the whole of this IAL carefully for more information and not rely solely on summary diagram above before forming an opinion of the Proposed Acquisition.

2. EVALUATION OF THE PROPOSED ACQUISITION

Appended below is a summary of the factors that we have taken into consideration in determining the fairness and reasonableness of the Proposed Acquisition. Readers are advised to read the whole and of this IAL.

2.1 Assessment of the **fairness** of the Proposed Acquisition

No.	Considerations	AER's Comments
1	<p>Basis and justification in arriving at the Purchase Consideration.</p> <p>As explained in Part A, section 2.4 of the Circular, the Purchase Consideration was arrived at on a willing buyer, willing seller basis between the Purchaser and Vendor and also consideration the Valuer's report.</p> <p>See section 7.1.1 below.</p>	<p>The Purchase Consideration is based on a price at RM 36 per sq ft, which is within the range of the Comparable Companies transacted between RM 27 per sq ft to RM 36 per sq ft as ascribed by Valuer, via their report dated 11 November 2019.</p> <p>Hence, we conclude that the Purchase Consideration is Fair.</p>

2.2 Assessment of the **reasonableness** of the Proposed Acquisition

No.	Considerations	AER's Comments
1	<p>Assessment of the rationales of the Proposed Acquisition by the Board.</p> <p>See Section 7.2.1 below</p>	<p>We noted as extracted from Section 3 Part A of this Circular, that the rationales for the Proposed Acquisition include as follows:-</p> <ul style="list-style-type: none"> - the existing tenancy agreement for the current manufacturing facilities shall expire in December 2021. Therefore, the Group is in a situation of having to consider alternative options to relocate its manufacturing facility. One viable option is for the Group to acquire a vacant parcel of land and construct its new manufacturing facility thereon in order to mitigate the risk of operational disruption and sustain its operations for the long run. - the Proposed Acquisition site is strategic as it is located near Sepang, KLIA with presently abundance of vacant land in the vicinity, permitting future expansion. <p>Hence, we conclude that the rationales of the Proposed Acquisition by the Board are reasonable.</p>

No.	Considerations	AER's Comments
2	<p>Assessment of the reasonableness of the salient terms and conditions of the SPA.</p> <ul style="list-style-type: none"> - Land conversion from agriculture to industrial use. <p>As explained in Part A, section 2.5.2 and section 2.5.3 of the Circular</p> <p>See Section 7.2.2 below</p>	<p>We noted that CN Asia need to make a 3% payment (i.e. RM 0.12 million) to register the Purchaser's interest in land for the Proposed Acquisition and do not need to make any more payment until the Vendor has completed obtaining the written approval from the relevant authorities with respect to the Property for the change of category of land use from its present "agricultural" use to "industrial" use.</p> <p>We conclude that the terms and conditions of the SPA for the Proposed Acquisition with regards to the purchase of the land presently gazette as agriculture use, while awaiting the Vendor to undertake the conversion from agriculture to industrial use is reasonable. The total payment of RM 0.12 million is reasonable considering that this amount represents 3% of the Purchase Consideration and it enables CN Asia to register its interest in the said land and prevent the Vendor from selling to any other party while waiting for the Vendor to undertake all the processes to change the category of land use from its present "agricultural" use to "industrial" use. Further, in any event, the Purchaser is permitted to rescind the contract if the conversion of the land from agricultural to industrial use is not successful and claimed for full refund from the Vendor for the deposit of RM 0.12 million paid.</p> <p>Reference:- Clauses 4.1(a), 4.1(c) and 4.7 of the SPA.</p>

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No.	Considerations	AER's Comments
3	<p>Purchase consideration and manner of settlement.</p> <p>See Section 7.2.3 below</p>	<p>The 3% deposit payment of RM 0.12 million is reasonable as it allows CN Asia to prevent the Vendor from selling to any other party while the Vendor is undertaking the process to change the category of land use. Further CN Asia, is able to claim for full refund in the event that CN Asia decides to terminate the Proposed Acquisition.</p>

No.	Considerations	AER's Comments
4	<p>Timeframe to complete Proposed Acquisition.</p> <p>See Section 7.2.4 below</p>	<p>The time frame of 120 days set to complete the Proposed Acquisition is reasonable.</p>

No.	Considerations	AER's Comments
5	<p>Termination.</p> <p>See Section 7.2.5 below</p>	<p>Upon termination, CN Asia is able to request for full repayment for the deposit paid amounting to RM 0.12 million.</p>

No.	Considerations	AER's Comments
6	<p>Default by Purchaser, i.e. CN Asia.</p> <p>As extracted from Part A, section 2.5.5 of the main circular</p> <p>See Section 7.2.6 below</p>	<p>If the Purchaser fail to pay the Balance Purchase Price of RM 3.88 million, in accordance with the terms of this SPA or breaches any material terms and conditions of this SPA in relation to the Purchase Price, the Vendor is entitled to terminate the SPA. The Vendor shall refund the deposit already paid by Purchaser to the Vendor.</p> <p>This is a reasonable term and it safeguards the Purchaser from incurring any direct financial risk as a result of the Purchaser is unable to complete the Balance Purchase Price of RM 3.88 million. Further, the Purchaser is able to claim for refund of the deposit already paid and not liable for any monetary damages.</p>

No.	Considerations	AER's Comments
7	<p>Risk factors in relation to Proposed Acquisition.</p> <p>As extracted from Part A, section 4 of the main circular</p> <p>See Section 7.2.7 below</p>	<p>The Purchaser only needs to pay a three (3) percent deposit to the Vendor. Hence in any event, the risk to the Purchaser is capped at a sum of RM 0.12 million before the SPA is terminated. If the SPA is terminated or rescinded, the Purchaser is entitled to claim a full refund of the sum of RM 0.12 million from the Vendor.</p> <p>Hence, we conclude that this term is reasonable to CN Asia</p>

3. RECOMMENDATION

Based on the above and the evaluation of AER as a whole, we are of the opinion that the Proposed Acquisition is **FAIR AND REASONABLE** and is **NOT** detrimental to the non-interested shareholders of CN Asia. Accordingly, we recommend that the non-interested shareholders of CN Asia to **VOTE IN FAVOUR** of the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

You should consider carefully the terms and conditions of the Proposed Acquisition based on all the relevant and pertinent factors including those which are set out above, and other considerations as set out in this IAL, Part A of the Circular and the appendices therein and any other publicly available information.

You are advised to read the whole of this IAL carefully for more information and not rely solely on the Executive Summary before forming an opinion of the Proposed Acquisition.

You are also advised to consider carefully the information contained in this IAL, Part A of the Circular and the appendices therein before voting on the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forth coming EGM of the Company.

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**ASIA EQUITY RESEARCH SDN BHD**

(License Number: eCMSL/A0330/2015)

Licensed to provide advisory in corporate finance and investment advice.

Registered Office:-

66-2 Jalan PJU 8/5B.

Damansara Perdana,

48820 Petaling Jaya

Email: general@aer.global

Website: www.aer.global

23 April 2020

CN ASIA CORPORATION BHD (Registration no.: 199601027090 (399442-A))

Registered office

Lot 7907, Batu 11,

Jalan Balakong,

43300 Seri Kembangan,

Selangor Darul Ehsan

To: The non-interested shareholders of CN Asia Corporation Bhd

Dear Sir/Madam,

INDEPENDENT ADVICE LETTER ("IAL") TO THE NON-INTERESTED SHAREHOLDERS OF CN ASIA IN RELATION TO THE PROPOSED ACQUISITION OF A PIECE OF LEASEHOLD LAND UNDER H.S.(M) 23504, LOT 5856, TEMPAT SUNGAI LABU, MUKIM TANJUNG DUA BELAS, DAERAH KUALA LANGAT, SELANGOR, BY CHIP NGAI ENGINEERING WORKS SDN BHD, A WHOLLY OWNED SUBSIDIARY OF CN ASIA CORPORATION BHD FROM TWINSTAR ACRES SDN BHD FOR A CASH CONSIDERATION OF RM 4.00 MILLION

This IAL is prepared for inclusion in the Circular to the shareholders of CN Asia dated 23 April 2020 in relation to the Proposed Acquisition and should be read in conjunction with the same. Unless otherwise defined herein, all terms set out in the Circular shall have the same meaning in this IAL.

1. INTRODUCTION

On 20 January 2020, your Board announced that the Company had on even date signed a sales and purchase agreement between Chip Nai Engineering Works Sdn Bhd ("**CNEW**"), a wholly owned subsidiary of CN Asia to purchase a parcel of land situated at Lot 5856, Sungai Labu, Tanjung Dua Belas, Kuala Langat Selangor, from Twinstar Acres Sdn Bhd ("**TASB**") a related party for a cash consideration of **RM 4.00 million**.

The Proposed Acquisition is a related party transaction pursuant to Chapter 10 of the MMLR as the Vendor, TASB is wholly owned by Mr. Ho Cheng San who is also an Executive Director and shareholder of CN Asia with a direct and indirect equity interest in CN Asia of approximately 34.24% and 4.37% respectively. His wife, Madam Angeline Chan Kit Fong is an Executive Director and also owns a direct and indirect equity interest of approximately 1.13% and 37.49% respectively, in CN Asia. Hence, both Mr. Ho Cheng San and Madam Angeline Chan Kit Fong are deemed to be interested parties in the Proposed Acquisition.

The main purpose of this IAL is to provide the non-interested shareholders of CN Asia with our independent evaluation of the Proposed Acquisition, together with our independent opinion and recommendation in relation to the relevant resolutions pertaining to the Proposed Acquisition. The non-interested shareholders of CN Asia should nonetheless rely on your own evaluation of the merits and / or demerits of the Proposed Acquisition before making any decision on the course of action to be taken.

The non-interested shareholders of CN ASIA are advised to read both this IAL together with the other sections of the Circular and to consider carefully the recommendation contained herein before voting on the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company. If you are in doubt as to the course of action to be taken, you should consult your stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

2. DETAILS OF THE PROPOSED ACQUISITION

The details of the Proposed Acquisition are as set out in **Section 2 of Part A** of the Circular, which should be read in its entirety by the non-interested shareholder of the Company.

3. SCOPE AND LIMITATIONS TO THE EVALUATION OF THE PROPOSED ACQUISITION

The terms of reference of AER pursuant to our appointment as Independent Adviser are in accordance with the requirements relating to an independent adviser as set out in paragraph 10.08(2) and 10.10 of the Listing Requirements as stipulated in our engagement contract executed on 6 December 2019 between the Company and AER. Our scope as Independent Adviser is limited to expressing an opinion on the fairness and reasonableness of the terms of the Proposed Acquisition, based on documents and information provided or made available to us by the Company for which the Board is solely responsible for, of which include, but not limited to the following:-

- (i) the SPA for the Proposed Acquisition;
- (ii) the Valuation Report and Valuation Certificate dated 11 November 2019 and 6 February 2020 respectively, issued by Raine & Horne International Zaki + Partners Sdn Bhd;
- (iii) information contained in this Circular and appendices herein;
- (iv) information as derived from the Company's announcement to Bursa Securities in relation to the Proposed Acquisition;
- (v) Audited financial statements of CN Asia for the past two (2) FYE 31 December 2018 and 31 December 2019; and
- (vi) other relevant information, documents, confirmation and representations furnished to us either directly or indirectly through the directors and management of CN Asia.

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We have relied on the directors and management of CN Asia to take due care to ensure that all information, documents and representations provided to us by them to facilitate our evaluation of the Proposed Acquisition are accurate, valid and complete in all material aspects. Accordingly, we have not independently verified the information provided to us for its feasibility, reliability, accuracy and / or completeness and we express no opinion on any such information and have not undertaken any independent investigation of such information supplied to us. However, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledged that the IAL constitutes a full and true disclosure of all material facts concerning the Proposed Acquisition and we are satisfied with the information obtained and have no reason to believe that the information was unreliable, incomplete, misleading and / or inaccurate as at the LPD. Our advice should be considered in the context of the entirety to this IAL.

We shall notify the non-interested shareholders after the dispatch of the Circular and IAL if we become aware of any of the following that would alter our opinion:-

- (a) significant change affecting the information contained in the IAL;
- (b) there is reasonable ground to believe that the statements in the IAL are misleading;
- (c) there is material omission in the IAL.

AER was not involved in any negotiations on the terms and conditions of the Proposed Acquisition. AER's scope as Independent Adviser is limited to expressing an independent evaluation on the fairness and reasonableness of terms of the Proposed Acquisition insofar as the non-interested shareholders of CN Asia are concerned and whether the Proposed Acquisition will be to the detriment of the non-interested shareholders of CN Asia.

As the Independent Adviser, we have evaluated the Proposed Acquisition and in rendering our advice, we have considered those factors which we believe are of general importance to the assessment of the implications of the Proposed Acquisition and would be of relevance and general concern to the non-interested shareholders of CN Asia. This evaluation is rendered solely for the benefit of the non-interested shareholders of CN Asia. Our evaluation and recommendations expressed herein are confined to the Proposed Acquisition. Our scope as the Independent Adviser does not extend to expressing any opinion on the commercial merits of the Proposed Acquisition as this remains the sole responsibility of the Board.

AER'S VIEW AND RECOMMENDATIONS IN THIS IAL ARE TO THE NON-INTERESTED SHAREHOLDERS OF CN ASIA AT LARGE AND NOT TO ANY NON-INTERESTED SHAREHOLDER INDIVIDUALLY. HENCE, IN CARRYING OUT OUR EVALUATION, WE HAVE NOT GIVEN ANY CONSIDERATION TO THE SPECIFIC OBJECTIVES, FINANCIAL SITUATION AND PARTICULAR NEEDS OF ANY INDIVIDUAL NON-INTERESTED SHAREHOLDER OR ANY SPECIFIC GROUP OF NON-INTERESTED SHAREHOLDERS OF CN ASIA.

We recommend that any individual non-interested shareholder or group of non-interested shareholders of CN Asia, in doubt as to the action to be taken or requiring advice in relation to the Proposed Acquisition in the context of their individual objectives, financial situation or particular needs, to consult their stockbroker, banker, solicitor, accountant or other professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by an individual non-interested shareholder or any group of non-interested shareholders of CN Asia in reliance on the evaluation stated herein for any purpose whatsoever that is particular to such individual non-interested shareholder or group of non-interested shareholders of CN Asia.

4. CREDENTIALS, EXPERIENCE AND EXPERTISE OF AER

AER is licensed to provide two regulated activities by the Securities Commission of Malaysia, namely advisory in corporate finance and investment advice. Our company's profile could be gathered from AER's website at www.aer.global

The past credentials, professional experiences and qualified professional of the individual licensed head in corporate finance to act as an Independent Adviser, where he was involved in numerous corporate transactions which include but not limited to the following transactions: -

- (a) On 28 March 2019, acted as an independent valuer to support the fairness of a proposed major disposal of 50% equity interest in Integrated National Logistics DWC-LLC by Integrated Logistic Bhd for a total cash consideration of United Arab Emirates Dirham 45 million.
- (b) On 28 December 2015, acted as an independent valuer to support the fairness of privatization exercise of Northport Corporation Berhad, specifically the port operations by ascribing a fair range of between RM 1,847 million to RM 1,947 million.
- (d) On 26 March 2013, acted as an independent adviser for a proposed disposal of Wira Kristal Sdn Bhd to Ekovest Bhd for a consideration in Ekovest Bhd's shares worth RM 325.68 million of which one of the vendors of Wira Kristal Sdn Bhd is a related party by virtue being a major shareholder of Ekovest Bhd and also being a common director in both companies.
- (e) On 9 April 2014, acted as an independent adviser in a proposed acquisition of a property by United Bintang Bhd for a cash consideration of RM 15 million, from Meridian Atlantic Sdn Bhd, of which the vendor of Meridian Atlantic Sdn Bhd is a related party by virtue of also being a major shareholder of United Bintang Bhd.

Based on amongst others, AER's assigned personnel's professional qualification, experiences, expertise and past credentials, we have the necessary resources, relevant skills, knowledge, tools and experience to carry out our role and responsibilities as Independent Adviser to advise the non-interested shareholders of CN Asia in respect of the Proposed Acquisition.

5. DECLARATION OF CONFLICT OF INTEREST

AER does not have any other business relationship with CN Asia at the present time or at any time during the past two years, prior to the date of the SPA.

AER is not aware of any existing conflict of interest or any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of our appointment as the Independent Adviser in respect of this Proposals.

Save for the professional fees earned for acting as the Independent Adviser for the Proposed Acquisition, AER does not receive or derive any financial interest or benefit from the outcome of the Proposed Acquisition. Accordingly, we have given our confirmation to the Company that we are not aware of any conflict of interest which exist or is likely to exist in our capacity as the Independent Adviser in respect of the Proposed Acquisition.

6. MAJOR SHAREHOLDERS' AND DIRECTORS' INTERESTS IN THE PROPOSED ACQUISITION

The details of the major shareholders and/or Director who are interested in the Proposed Acquisition as set out in **Section 8** of Part A of the Circular. Save as disclosed in **Section 8** of Part A of the Circular, to the best knowledge of CN Asia's Board, none of the other major shareholders and/or Directors and/or person(s) connected to them has any interest, whether direct or indirect, in the Proposed Acquisition.

Mr. Ho Cheng San, who is a Managing Director and a major shareholder of CN Asia, is deemed interested in the Proposed Acquisition by virtue of him being the sole owner and director of the TASB, i.e. Vendor, in relation to the Proposed Acquisition.

Madam Angeline Chan Kit Fong, who is an Executive Director and a shareholder of CN Asia, is deemed interested in the Proposed Acquisition by virtue of her being the spouse of Mr. Ho Cheng San.

Both Mr. Ho Cheng San and Madam Angeline Chan Kit Fong, will abstain and ensure that all persons connected with them shall also abstain from voting in respect of their direct and / or indirect shareholdings in CN Asia on the resolution pertaining to the Proposed Acquisition which will be tabled at the forth coming EGM.

Interested Directors

1	Mr. Ho Cheng San, is the Managing Director and major shareholder of CN Asia as at LPD. Mr. Ho Cheng San, is also the sole director and beneficial shareholder of the entire equity interest in TASB, i.e. the Vendor.
2	

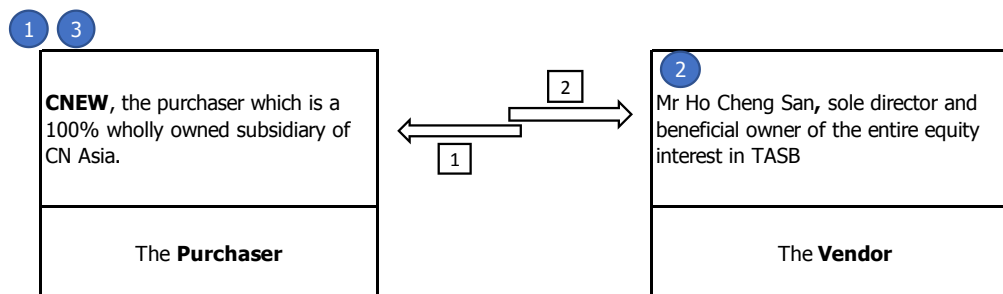
3	Madam Angeline Chan Kit Fong, who is an Executive Director and a shareholder of CN Asia, is deemed interested in the Proposed Acquisition by virtue of her being the spouse of Mr. Ho Cheng San, who is also an executive director and having a direct and indirect shareholding in CN Asia.
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Interested Director and Interested Shareholder

Name	Nature of relationship	Direct		Indirect	
		No. of Shares	%	Number of Shares	%
Ho Cheng San	Managing Director	17,093,535	34.24	2,182,709	4.37
Chan Kit Fong	Executive director and spouse of Ho Cheng San	562,950	1.13	18,713,794	37.49

SUMMARY OF INTEREST OF MAJOR SHAREHOLDERS AND DIRECTORS IN THE PROPOSED ACQUISITION

- 1 Mr Ho Cheng San, a Managing Director and major shareholder of CN Asia, owns a direct interest of 34.24% in CN Asia as at LPD.
- 3 Madam Angeline Chan Kit Fong, an Executive Director and major shareholder of CN Asia, owns a direct interest of 1.13% in CN Asia as at LPD. Madam Angeline is the spouse of Mr. Ho.



- 1 2 Proposed Acquisition by the Purchaser of a piece of leasehold land, measuring approximately 1.1407 hectare, located at Daerah Kuala Langat, Selangor, with the land use presently gazetted as "agricultural use" is being applied to be changed to "industrial use" an undertaking by the Vendor.

7. EVALUATION OF THE PROPOSED ACQUISITION

In arriving at the recommendation in respect of the Proposed Acquisition, we have evaluated the Proposed Acquisition by taking into consideration a number of factors as stated in the table below in forming our opinion.

Assessment of the fairness of the Proposed Acquisition		Section 7.1
No.	Consideration factors	Section reference
1	Basis and justification in arriving at the Purchase Consideration. For the purpose of determining the fairness of the value of the Purchase Consideration, we have relied on the Valuer's report of using recent compiled transacted value of surrounding land in the vicinity based on RM per sq. ft. We are of the opinion that the approach adopted by the Valuer is reasonable due to the nature of the asset, i.e. vacant land, that do not have any other reliable alternative basis of ascribing the fair value aside from the comparison of recently compiled transacted price, as adopted by the Valuer.	Section 7.1.1

Assessment of the reasonableness of the Proposed Acquisition		Section 7.2
No.	Consideration factors	Section reference
1	Assessment of the rationales of Proposed Acquisition by the Board.	Section 7.2.1
2	Assessment of the reasonableness of the terms and conditions of the SPA. - land conversion from agriculture to industrial use.	Section 7.2.2
3	Purchase consideration and manner of settlement.	Section 7.2.3
4	Timeframe to complete Proposed Acquisition.	Section 7.2.4
5	Termination.	Section 7.2.5
6	Default by Purchaser, i.e. CNEW.	Section 7.2.6
7	Risk factors in relation to Proposed Acquisition.	Section 7.2.7

7.1 Assessment of the fairness of the Proposed Acquisition

AER is evaluating the fairness of the Proposed Acquisition from two aspects: -

7.1.1 Basis and justification in arriving at the Purchase Consideration.

No.	Basis and justification in arriving at the Purchase Consideration	AER's comments
1	<p>As extracted from Section 2.4 of Part A of the Circular.</p> <p>The Purchase Consideration of RM 4.00 million was arrived at on a willing-buyer willing-seller after taking into the fair value ascribed for the land by Valuation Report and Valuation Certificate dated issued by Raine & Horne International Zaki + Partners Sdn Bhd</p>	<p>The Purchase Consideration is based on a price at RM 36 per sq ft, which is within the range of the Comparable Companies transacted between RM 27 per sq ft to RM 36 per sq ft as ascribed by Valuer, via their report dated 11 November 2019.</p> <p>The Valuer has adopted the Comparison Method of valuation which seeks to determine the value of a property being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving other similar properties in the vicinity.</p> <p>The Comparison Method adopted by the Valuer is commonly adopted in property valuation and as the Purchase Consideration is within the value range of preceding transactions, we conclude that the Purchase Consideration is Fair.</p>

7.2 Assessment of the reasonableness of the Proposed Acquisition

7.2.1 Assessment of the rationales of Proposed Acquisition by the Board.

No.	Assessment of the rationale of the Proposed Acquisition by the Board	AER's comments
1	<p>As extracted from section 3 of Part A of the Circular, the rationale for the Proposed Acquisition by the Board are set out as follows: -</p> <p><i>"As the subsisting tenancy agreement pertaining to the Group's current manufacturing facility is expiring in December 2021 and even if the landlord agrees to extend the lease, the terms of the new lease are uncertain. Therefore, the Group is in a situation of having to consider alternative options to relocate its manufacturing facility. One viable option is for the Group to acquire a vacant parcel of land and construct its new manufacturing facility thereon in order to mitigate the risk of operational disruption and sustain its operations for the long run.</i></p> <p><i>The Proposed Acquisition, complete with the relevant development order will enable the Group to expedite the commencement of the construction of its new manufacturing facility and to complete the said facility by 2nd quarter of 2021 in order to avoid any disruption to its business activities.</i></p> <p><i>The Proposed Acquisition is considered to be a viable business strategy for the Group as the Property is strategically located near the Sepang, KLIA. Housing its manufacturing facility on the Property is expected to enable the Group to better focus and expand its operations in the future as there will be ample storage space for the Group's products due to an abundance of vacant land near the Property.</i></p>	<p>We are of the view that the Proposed Acquisition is reasonable as presently CN Asia is renting for its current manufacturing facility.</p> <p>The existing tenancy agreement for the current manufacturing facilities shall expire in December 2021. Therefore, the Group is in a situation of having to consider alternative options to relocate its manufacturing facility. One viable option is for the Group to acquire a vacant parcel of land and construct its new manufacturing facility thereon in order to mitigate the risk of operational disruption and sustain its operations for the long run. In addition, the Proposed Acquisition site is strategic as it is located near Sepang, KLIA with abundance of land to cater for future expansion.</p> <p>Purchasing a land also provides an inflation hedge as land is classified under the category of the alternative investment asset classes that will generally increase / (decrease) in value in tandem with the general rate of inflation, i.e. positively correlated.</p> <p>Hence, we conclude that the rationales of the Proposed Acquisition by the Board are reasonable.</p>

No.	Assessment of the rationale of the Proposed Acquisition by the Board.	AER's comments
	<p><i>In addition, the Property is considered to be suitable for the manufacturing facility and TASB has already engaged independent professional consultants to apply for a development order for the development of a single storey factory together with two (2) storey office, one (1) unit guard house and one (1) unit TNB substation on the Property. The application to the relevant authorities for development order has been submitted by TASB prior to the date of the SPA.</i></p> <p><i>The Proposed Acquisition will enable the Group to expediently undertake the construction of a new manufacturing facility at an estimated investment sum of approximately RM8.00 million without having to going through the process of applying for the development order from the relevant authorities."</i></p>	

7.2.2 Assessment of the reasonableness of the salient terms and conditions of the SPA.

No.	Assessment of the reasonableness of the salient terms and conditions of the SPA.	AER's comments
2	<p>Land conversion from agriculture to industrial use.</p> <p>The present state of the land is classified as for agricultural use. It is a condition precedent in the SPA that the Vendor obtains written approval from relevant authorities that the land is changed from its present agricultural state to industrial use and evidenced by the issuance of an official receipt from the relevant authorities to evidence payment by Vendor for the conversion premium as prescribed by relevant authorities.</p> <p>(clause 4.1(d) of the SPA)</p>	<p>The present state of the land is for agricultural use and it is a condition precedent that the Vendor has to convert the land from agriculture use to industrial use. The main purpose of the Purchaser purchasing the Land is that the Purchaser wishes to develop of a single storey factory together with two (2) storey office, one (1) unit guard house and one (1) unit TNB substation on the Land ("Proposed Development"). The application to the Relevant Authorities for the development order was submitted prior to the date of this Agreement.</p> <p>In any event if the Vendor fails to obtain the conversion of the land from agricultural to industrial use, the Purchaser can rescind the SPA and claimed from the Vendor a full refund of the 3% deposit paid by the Purchaser.</p> <p>Reference: Clause 4.9 of the SPA.</p>

No.	Assessment of the reasonableness of the salient terms and conditions of the SPA.	AER's comments
		<p>Refund mechanism if Purchaser rescinds the SPA due to Vendor is unable to comply with the conversion of land use to "industrial".</p> <p>In any event that if the condition precedents are not fulfilled, the Purchaser can elect to rescind the SPA on or prior to the Stop Date or the Extended Stop Date. If such rescission takes place, the Vendor has an obligation to refund to the Purchaser all sums paid by the Purchaser, within 7 days of the date of the notice of rescission if the monies paid are still with the purchaser's lawyer. If the monies paid has already been paid to the Director General of Inland Revenue ("DGIR") for the part settlement of the Real Property Gain Tax, the Vendor shall within five (5) business days of the termination of the SPA, notify the DGIR of the termination of the SPA and apply for the refund of the retention sum. Within five (5) business days from the date the Vendor receives the refund of the amount representing the retention sum from the DGIR, the Vendor shall cause and procure the said amount to be refunded to the Purchaser.</p> <p>Reference: Clauses 4.6, 4.8 and 15.6 of the SPA.</p> <p>We are of the opinion that the salient terms of the SPA, as highlighted in Section 2.5.1 to Section 2.5.8 of the Circular, when assessed in its totality, provides a safeguard to the Purchaser as the main intention of the Purchaser is to Purchase the Land suitable for the Proposed Development, i.e. the intended use of the Purchaser. In the event that the Vendor fails to effect the change of the land use to "industrial", the Purchaser can elect to terminate the contract and claimed full refund for the 3% deposit paid, with the outcome that the Purchaser do not suffer any direct financial loss.</p> <p>Hence, we are of the opinion that the terms of SPA are reasonable.</p>

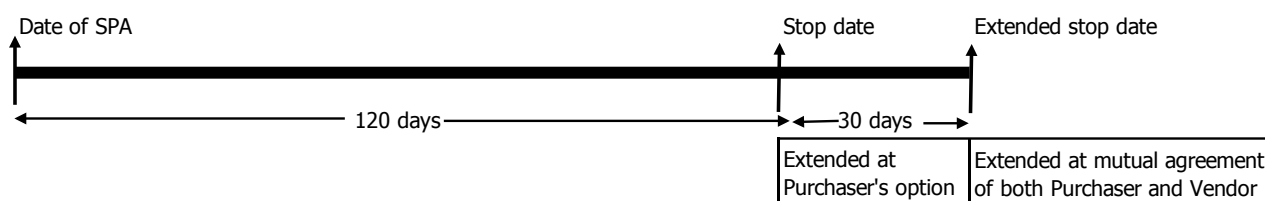
7.2.3 Assessment on purchase consideration and manner of settlement.

No	Assessment on purchase consideration and manner of settlement	AER's comments
3	<p>Purchase consideration and manner of settlement.</p> <p>As extracted from section 2.5.3 of Part A of the Circular.</p>	<p>The terms of the payment are normal commercial arrangement.</p> <ol style="list-style-type: none"> 1. The retention sum of RM 0.12 million is due upon execution of the SPA. This amount is refundable to the Purchaser in the event that the Vendor is unable to fulfill the condition precedents of the SPA, mainly the conversion of the land from agriculture to industrial use. 2. The balance purchase price is due for payment 90 days after the date the Vendor complies with all the condition precedents (Unconditional Date). <p>Reference: Clauses 3 of the SPA.</p> <p>We are of the opinion that the terms of the SPA are reasonable as the Purchaser is given a period of 90 days to complete the Balance Payment.</p>

7.2.4 Assessment on timeframe to complete Proposed Acquisition.

No	Assessment on timeframe to complete Proposed Acquisition	AER's comments
4	<p>Timeframe to complete Proposed Acquisition</p>	<p>Unless otherwise agreed by the Parties in writing, completion of the SPA shall take place on a business day not later than one hundred and twenty (120) days from the date of the SPA, which shall be extended for a further period of 30 days at the option of the Purchaser or a further period based on mutual agreement by both Parties.</p> <p>The terms provide for expected completion to take place on a business day not later than one hundred and twenty (120) days from the date of the SPA and if any event of extension, it requires the consent of the Purchaser and represents a form of protecting the rights of the Purchaser. The time frame set in the SPA is reasonable.</p>

SPA is conditional upon the condition precedents being satisfied on or before 120 days from date of SPA. The condition precedents are listed in Section 2.5.2(1) of the Part A of the Circular



7.2.5 Assessment on termination clauses of the SPA.

No	Assessment on termination clauses of the SPA	AER's comments
4	Termination	<p>In the event that the Conditions Precedent are not fulfilled or satisfied by the Stop Date or the Extended Stop Date, Purchaser may on or prior to Stop Date or the Extended Stop Date rescind the Agreement and claimed from the Vendor all sums paid by the Purchaser.</p> <p>This term is reasonable as it provides an option for the Purchaser to claim full refund of monies paid to Vendor prior to the completion of the SPA.</p>

7.2.6 Assessment on SPA clause on the event of default by Purchaser.

No	Assessment on SPA clause on the event of default by Purchaser	AER's comments
6	<p>Default by Purchaser, i.e. CNEW</p> <p>As extracted from section 2.5.5 of Part A of the Circular.</p> <p><i>"In the event that CNEW fails to pay the Balance Purchase Price and/or commits a fundamental breach of the SPA, TASB shall be entitled to terminate the SPA by a notice in writing and all payments, including the Retention Sum, made by the Purchaser shall be refunded to the Purchaser subject to the Purchaser simultaneously in exchange returning to the Vendor all relevant documents that may have been forwarded by the Vendor to the Purchaser, the Purchaser's Solicitors or the Purchaser's Financier's solicitors pursuant to the SPA."</i></p>	<p>This term is reasonable as in the event that the Vendor has fulfilled its obligation but the Purchaser failed to pay the Balance Purchase Price, the Vendor shall refund the deposit already paid by Purchaser to the Vendor. This is a reasonable term and it safeguards the Purchaser from any direct financial risk as a result of the Purchaser is unable to complete the Balance Purchase Price of RM 3.88 million.</p> <p>Hence, we conclude that this term is reasonable to CN Asia.</p>

7.2.7 Assessment on risk factors in relation to the Proposed Acquisition

No.	Risk factors in relation to the Proposed Acquisition	AER's comments
7	<p><i>As extracted from section 4 of Part A of the Circular.</i></p> <p>4.1 Business and Operational Risks <i>The nature of the Group's products is subject to certain risks inherent in the steel fabrication and oil and gas industries. These include, but are not limited to, shortages of labour, i.e. skilled designers, engineers and technicians, increase in cost of labour; competition from other market players in steel fabrication industry; changes in economic, social and political conditions; fluctuations in the steel material prices; unexpected equipment failures and natural disaster; and performance of third-party sub-contractors. Any adverse changes in these conditions may have an adverse impact on the Group's business operations, financial performance and industry reputation.</i></p> <p>4.2 Non-Completion Risk of the Proposed Acquisition <i>The completion of the Proposed Acquisition is subject to certain conditions such as the approvals from the non-interested shareholders of CN Asia and from the relevant authorities (if any). In the event any of the Conditions Precedent as set out in Section 2.5.2 of this Circular is not fulfilled and/or in the event an extension of time is not agreed upon between the parties to the SPA, the SPA will be terminated and become null and void. As such, the rationale and prospects to be realised from the Proposed Acquisition will not materialise. CNEW however, will take all reasonable and necessary steps to ensure that all the Conditions Precedent are met to ensure the completion of the Proposed Acquisition to realise the business strategy of the Group as detailed in Section 3 and Section 5.2 of this Circular.</i></p>	<p>The risks as highlighted in Section 4, Part A of the Circular could be categorized under the following headings:-</p> <ul style="list-style-type: none"> - Business and operational risk. This is a general business risk affecting any company involved in the manufacturing of steel fabrication for the oil and gas industries. This risk is expected to be mitigated by the capability and experiences of senior management and board of directors of CN Asia. - Non-Completion Risk of the Proposed Acquisition. This is a specific risk related to the Proposed Acquisition. One of the main risk in our view is that the Vendor is unable to meet the Condition Precedent such as to apply for the change in the status of the land from "agricultural" to "industrial use". In the event that such incident occurs or any of the condition precedents are not fulfilled, Purchaser has a right to rescind the contract and all the monies paid to the Vendor shall be refunded, without incurring any financial loss. <p>Hence, we conclude that this risk could be avoided and the Company should monitor this matter.</p> <ul style="list-style-type: none"> - Compulsory land acquisition This is a legal risk and also a general risk in nature for any land owners. This risk could be mitigated by a compensatory award by the State Government of Selangor.

No.	Risk factors in relation to the Proposed Acquisition	AER's comments
	<p>4.3 Compulsory Land Acquisition</p> <p><i>The State Government of Selangor is empowered under the Selangor Land Code to compulsorily acquire any land in Selangor. In the event that the State Government of Selangor compulsorily acquires the Property pursuant to the Land Acquisition Act, 1960, the risk to the Group may be mitigated by the compensation awarded by the State Government of Selangor for such compulsory acquisition. Pursuant to the Selangor Land Code, the market value of the land shall be taken into consideration in determining the amount of compensation to be awarded for any land resumed by the State of Government of Selangor. However, the risk of compulsory acquisition of the Property is mitigated by the fact that presently, the Property is not subject to any compulsory acquisition notifications issued under the Selangor Land Code.</i></p>	<p>Hence, we conclude that even though there are potential risk as highlighted, the specific risk in relation to the Proposed Acquisition could be avoided as there are provisions within the SPA that permits CN Asia to abort the Proposed Acquisition if any of the condition precedents in the SPA are not fulfilled, and incur no financial loss.</p> <p>As for the other general risks, such as risk of the business and operations, shareholders have to rely on the wisdom and capability of the senior management to mitigate and avoid such risk, acting in the best interest and report in a transparent manner to protect the interest of the non-interested shareholders. This risk is mitigated as CN Asia being a listed company is required to comply with the rules of the listing requirements, which has a main objective to ensure good governance.</p>

7.2.8 Effects of the Proposed Acquisition

7.2.8.1 Share capital

The Proposed Acquisition **do not** have any effect on the share capital and the substantial shareholders' shareholding of CN Asia as the Proposed Acquisition does not involve any issuance of CN Asia's shares but funded entirely by cash.

7.2.8.2 Net assets

The Proposed Acquisition **do not** have any effect on the net assets. The total estimated transaction cost directly attributable to the Proposed Acquisition, which includes professional fees, stamp duty and direct cost of holding the EGM is approximately RM 262,000.

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7.2.8.3 EPS

The Proposed Acquisition is expected to improve the proforma EPS for FYE 31 December 2019, assuming that the Proposed Acquisition of land takes place on the first day of the financial year, from a loss per share of 0.02 sen to an earnings per share of 0.10 sen, resulting from the annual savings of approximately RM 64,000 as explained in Section 5.2(i) of the Circular.

Upon completion of the Proposed Acquisition and the completion of the manufacturing facility of approximately RM 8.00 million, this shall result in additional depreciation cost for both land, building and interest cost. As a comparison, between renting and owning a completed facility, it is likely that EPS **is lower** during the period of the loan and the EPS **is higher** after the loan has been repaid.

7.2.8.4 Substantial Shareholder's Shareholding

The Proposed Acquisition **do not have any effect** on the substantial shareholders' shareholding as it does not involve any issuance of CN Asia's shares.

8. POTENTIAL OUTCOME OF THE PROPOSALS

The completion of the Proposed Acquisition will be conditional upon the SPA Conditions being satisfied or obtained.

9. RECOMMENDATION FROM THE BOARD

We note from **Section 11 of Part A** of the Circular that the Board, save for Interested Directors who have abstained from all deliberations on the Proposed Acquisition, your Board has recommended to the shareholders of CN Asia to vote in favour for the relevant resolutions pertaining to the Proposed Acquisition at the forthcoming EGM of the Company.

10. SOURCE OF CASH FUNDING FOR THE PROPOSED ACQUISITION

As stated in **Section 2.7 of Part A** of this Circular, we noted that the Cash Consideration of RM 4 million, for the Proposed Acquisition will be funded by CN Asia via internally generated funds and bank borrowings in a proportion of 20% and 80% respectively. CN Asia has already secured an offer from a bank, for a total facility sum of RM 17.1 million, to part finance the proposed development and also some machineries. The present gearing level of CN Asia immediately before and upon the drawdown of the banking facility for a sum of RM 3.2 million, being 80% cost of the land, shall translate to a projected gearing level of 0.06 times to 0.13 times respectively. As for the proposed development estimated at approximately RM 8.00 million, CN Asia have an option to utilize internal cash balance estimated and finance the remainder by debt. The projected gearing level is **reasonable** in commercial practice.

11. CONCLUSION AND RECOMMENDATION FROM AER

Premised on the evaluation of AER as a whole, we are of the opinion that the Proposed Acquisition are **Fair** and **Reasonable** and are **NOT detrimental** to the interest of the non-interested shareholders of CN Asia.

Accordingly, we recommend that the non-interested shareholders of CN Asia to VOTE IN FAVOUR of the relevant resolutions pertaining to the Proposed Acquisition to be tabled at the forthcoming EGM of the Company.

Yours faithfully

ASIA EQUITY RESEARCH SDN BHD

ONG TEE CHIN, CFA, FRM

DIRECTOR

KHAIRIL ANUAR BIN MOHD NOR

DIRECTOR

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Our Ref. : VPJ 19.530.SC
Date : 6th February 2020

The Board of Directors
CN Asia Corporation Bhd
Lot 7907, Batu 11, Jalan Balakong
43300 Seri Kembangan
Selangor Darul Ehsan

Dear Sirs,

**Raine & Horne International
Zaki + Partners Sdn. Bhd.**

(Company No. 99440-T)
124B, 2nd Floor, Jalan SS 24/2,
Taman Megah, 47301 Petaling Jaya,
Selangor Darul Ehsan.
Telephone : 03-7880 6542
Fax : 03-7880 6544
Email : adminrhizppj@gmail.com

VALUATION CERTIFICATE OF LOT 5856, HELD UNDER TITLE NO. HSM 23504, LOCALITY OF SUNGAI LABU, MUKIM OF TANJUNG DUA BELAS, DISTRICT OF KUALA LANGAT, STATE OF SELANGOR DARUL EHSAN ("THE SUBJECT PROPERTY")

This Valuation Certificate has been prepared for inclusion in the circular to shareholders of CN Asia Corporation Bhd in relation to the proposed acquisition of the Subject Property by CN Asia Corporation Bhd through its wholly-owned subsidiary of Chip Ngai Engineering Works Sdn Bhd by a related party transaction ("Proposed Acquisition").

In accordance with your instruction to value the Subject Property for the purpose of the proposed acquisition, we have inspected the Subject Property on 11th November 2019 and the material date of valuation as at 11th November 2019. We have also extracted particulars of the title at the Kuala Langat District Land Office, Kota Seri Langat, Banting on 11th November 2019 and gathered other necessary information to arrive at our opinion of value.

WE WERE SPECIFICALLY INSTRUCTED BY THE CLIENT TO CARRY OUT A VALUATION OF THE SUBJECT PROPERTY ON THE ASSUMPTION THAT IT IS CONVERTED TO INDUSTRIAL USE WITH ALL ADDITIONAL PREMIUMS AND STATUTORY FEES PAID.

"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION(S) THAT IS/ARE NOT YET OR FULLY REALISED".

Based on the terms and conditions of the agreement for the corporate exercise, the condition precedent in the agreement are as follows:-

a) The Subject Property shall be sold and purchased:-

- i) free from all encumbrances;
- ii) subject to all conditions of title and all restrictions-in-interest whether express or implied) in the title and affecting the land;
- iii) on the basis that the vendor undertakes to apply for the conversion of the category of land use from its present use to "industrial";
- iv) with vacant possession,

but otherwise on an "as is where is basis" in accordance with the terms of this agreement.

- b) The vendor obtaining consent from the state authority for the transfer the Subject Property to purchaser on terms that are satisfactory to the purchaser at its sole and absolute discretion.
- c) The purchaser obtaining the approval from the shareholders of CN ASIA by way of resolution passed at a general meeting of CN ASIA to be convened, for the acquisition of the Subject Property in accordance with the terms and conditions herein.
- d) The vendor obtaining written approval from the relevant authorities with respect to the Subject Property for the change of category of land use from its present use to "industrial" with the terms and conditions set out in the approval letter is satisfactory to the purchaser at its sole and absolute discretion and an official receipt from the relevant authorities to evidence payment by the vendor of the conversion premium prescribed in the land conversion approval letter.
- e) The vendor undertakes to apply for the conversion of the category of land use from its present use to "industrial" and to pay to the relevant authorities the premium for conversion of the category of land use upon being notified in writing that the terms and conditions set out in the land conversion approval letter is satisfactory to the purchaser.

This valuation has been carried out in accordance with the Asset Valuation Guidelines issued by the Securities Commission Malaysia and also comply with the "Malaysian Valuation Standards" issued by Board of Valuers, Appraisers, Estate Agents and Property Managers and with the necessary professional responsibility and due diligence.

The basis of valuation adopted in the valuation of the Subject Property is the "Market Value" which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing where the parties had each acted knowledgeably, prudently and without compulsion.

Perunding Harta Tanah Antarabangsa • International Property Consultants

PENANG IPOH KELANG PETALING JAYA SUBANG JAYA MELAKA Kuantan JOHOR BAHRU KUCHING KOTA KINABALU MIRI

Representative offices throughout Asia, Australia, New Zealand, Europe, Americas & Africa



I) PROPERTY IDENTIFICATION

1) Location of the Subject Property

The Subject Property is located along Jalan Lapor 2 within industrial cum housing area known as RTB Bukit Changgang, Banting, Selangor Darul Ehsan.

2) Title Detail

Lot 5856, held under Title No. HSM 23504, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan.

3) Tenure

Leasehold interest for a term of 99 years expiring on 12th June 2117. The unexpired term is about 98 years.

4) Category of Land Use

Pertanian

5) Registered Owner

Twinstar Acres Sdn Bhd

6) Encumbrances

Nil.

II) GENERAL DESCRIPTION

1) Description of Site:

The site is a parcel of rectangular shaped agricultural land which is zoned for industrial use and having a title provisional land area of 11,407.00 square metres (122,784 square feet).

We wish to draw attention that a final survey has been carried out by the Department of Survey and Mapping Malaysia (JUPEM). From a copy of the Certified Plan bearing Reference No. PA 243070 dated 26th November 2018, we noted that the Subject Property is identified as Lot 5856 and has a final surveyed land area of 1.141 hectares/ 11,410.00 square metres (122,816 square feet). For the purpose of this valuation, we have adopted the certified plan land area of 11,410.00 square metres (122,816 square feet) in arriving at our opinion of value.

The site is generally flat in terrain and lies at the same level of the frontage road.

At the date of our inspection we noted that the site boundaries were not demarcated with any form of fencing. We also noted that the Subject Property is presently planted with oil palm trees of more than 25 years old which were well maintained.

2) Description of Existing Use:

The Subject Property is designated for agricultural use as per the title document.

3) Planning Matters/Approval

Our enquiries with the planning department of Kuala Langat District Council (MDKL) revealed that the Subject Property is located within an area zoned for industrial use in conformity with the Kuala Langat Local Plan 2030. Type of industry is light or medium industry.

At the date of the inspection and valuation, we were verbally informed that they have yet to submit the application for conversion of land use. However, a letter dated 14th February 2020, we noted that they have made a submission the application to the District Land Administrator of Kuala Langat. From a letter dated 16th May 2019, the vendor has submitted an application letter to Kuala Langat District Council (MDKL) for the Planning Approval to construct a detached factory vide a letter bearing Reference No. JRA/TASB-5856/KM/MDKL/0488-2019(1) dated on 16 May 2019.

III) METHOD OF VALUATION

Methods of Valuation

Comparison Approach

Comparison Approach

In arriving at the Market Value of the Subject Property, we have adopted only the Comparison Approach. This Comparison Approach seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sales evidence involving other similar properties in the vicinity. Adjustments are being made to differences in time, location, land size, tenure, accessibility, improvements made on the site and other value considerations.

In accordance with the requirements as set out in the AVA Guidelines, at least 2 valuation approaches should be adopted for the valuation exercise. However, for the purpose of this valuation, we have only adopted the Comparison Approach mentioned above. We are unable to adopt the other valuation methods due to the following reasons:

- i) There is no approved layout for the Subject Property. There is no evidence to indicate whether the owner intends to proceed with the said development in the near future, as the proposal is still at a nascent stage with no proper feasibility studies carried out. Therefore, we have not adopted the Income Approach (Residual Method).
- ii) Without proper detailed development plans, the Income Approach (Residual Method) may not be appropriate as it requires many assumptions and estimations regarding the hypothetical improvements that the end-result is very much speculative and subjective. In the absence of definite, detailed and approved development plans, the Income Approach (Residual Method) is very much a theoretical methodology where the finer details of the hypothetical end product and estimated construction costs are much more difficult to determine with precision. Merely relying on master planning, proposed developments, zoning or other planning controls are theoretical in nature as the reliability of the Income Approach (Residual Method) depends on the confidence placed on the Gross Development Value and Gross Development Cost computations.

Land Value

The value of the land is determined by the Comparison Approach. Within the surrounding areas of the Subject Property, the market prices for vacant industrial land range from RM27.00 to RM33.00 per square foot depending on the location, time, tenure, land size and site improvement.

Summary of analysis of comparable sales are as follows:-

Details	Comparable 1	Comparable 2	Comparable 3
Source	Valuation and Property Services Department, Ministry of Finance Malaysia (JPPH).		
Title No.	PT 41539, held under Title No. HSD 39426, Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor Darul Ehsan	Lot 5951, held under Title No. PM 3701, Mukim of Tanjong Dua belas, District of Kuala Langat, State of Selangor Darul Ehsan	Lot 46458, held under Title No. GERAN 329327, Mukim of Tanjong Duabelas, District of Kuala Langat, State of Selangor Darul Ehsan
Location	PT 41539, Off Persiaran Mahkota, Bandar Baru Brooklands, Banting	Lot 5951, Persiaran Gombak, Bukit Changgang, Banting	Lot 46458, Jalan Graphite 1, Mahkota Industrial Park, Bandar Baru Brooklands, Banting
Express Condition	Heavy Industry	Medium Industry	Medium Industry
Type	A parcel of vacant industrial land	A parcel of vacant industrial land	A parcel of vacant industrial land
Tenure	Freehold interest	Leasehold interest for a term of 99 years expiring on 15 th July 2075. The unexpired term is about 56 years.	Freehold interest
Land area (square feet)	370,967.41	131,212.07	1,349,794.37
Date of Transaction	6 th August 2018	27 th June 2018	30 th September 2016
Vendor (s)	Che Kiang Realty Sdn Bhd	Medang Perkasa Sdn Bhd	SGL Carbon Sdn Bhd
Purchaser (s)	Lotus Essential Sdn Bhd	Tay Keng Yau + Other	Ong Juk Soo & Sons Realty Sdn Bhd + Others
Price	RM 13,504,310.00	RM 4,400,000.00	RM 36,713,200.00
Analysed Land	RM36.40 per square foot	RM33.53 per square foot	RM27.20 per square foot
Adjustment	Adjustment for location, time, land size, express condition, tenure and estimation cost of earthworks		
Adjusted Land Value	RM28.76 per square foot	RM32.89 per square foot	RM27.28 per square foot
Best Comparable	RM32.89 per square foot (Comparable 2)		
Land Value Adopted	RM33.00 per square foot		

*Note: A rate of RM4.00 per square foot has been deducted from the comparable and this cost of earthworks reflects all necessary works done so that the site is suitable for industrial use. We have cross checked with the market average and found it to be reasonable.

Taking into consideration all the factors with relevant adjustments made, the adjusted land values ranged from RM27.00 per square foot to RM33.00 per square foot.

However, we have adopted the land value of RM33.00 per square foot as a fair representation for land value of the Subject Property. This figure derived and rounded up from adjusted land value of Comparable 2, which we considered as the best comparable since it was transacted within 1.5 years and located near to the Subject Property.

IV) MARKET VALUE

Having regard to the foregoing, we are of the opinion that the Market Value of Lot 5856, held under Title No. HSM 23504, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan, located along Jalan Lapis 2, RTB Bukit Changgang, Banting, with the benefit of a 99 year leasehold title with an unexpired term of about 98 years **ON THE ASSUMPTION THAT IT IS CONVERTED TO INDUSTRIAL USE WITH ALL ADDITIONAL PREMIUMS AND STATUTORY FEES PAID** with vacant possession and free from all encumbrances is **RM4,000,000.00 (RINGGIT MALAYSIA: FOUR MILLION ONLY).**

"IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ADDITIONAL ASSUMPTION(S) AS STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION(S) THAT IS/ARE NOT YET OR FULLY REALISED".

For and on behalf of
**RAINE & HORNE INTERNATIONAL
ZAKI + PARTNERS SDN. BHD.**


JAMES TAN KEEN MENG
Registered Valuer
Reg. No. V423
B. AppSc PRM CDipAF



APPENDIX II – FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board and they collectively and individually accept full responsibility for the accuracy, completeness and correctness of the information given herein and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. MATERIAL LITIGATION

Neither the Company nor any of its subsidiaries are engaged in any material litigations, claims or arbitrations, either as plaintiff or defendant, which may have a material effect on its financial position and the Board does not have any knowledge of any proceeding, pending or threatened, against CN Asia and/or its subsidiaries or any facts which is likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and/or its subsidiaries as at the LPD.

3. MATERIAL CONTRACTS

Save for the SPA, the Company and its subsidiaries have not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the two (2) years immediately preceding the date of this Circular.

4. MATERIAL COMMITMENTS

As at the LPD, the Board is not aware of any material commitment, incurred or known to be incurred, which may have a material impact on the results or financial position of the Group.

5. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, the Board is not aware of any contingent liabilities, incurred or known to be incurred, which upon becoming enforceable, may have a substantial impact on the ability of the Group to meet its obligations as and when they fall due:

	RM'000
Banker's guarantee issued in favour of third parties	1,210
Letters of credit issued in favour of third parties	286
	<hr/> 1,496 <hr/>

6. LETTER OF CONSENTS

AER, being the Independent Adviser for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and its Independent Advice Letter, all references thereto in the form and context in which they appear in this Circular.

Raine & Horne, being the Valuer for the Proposed Acquisition, has given and has not subsequently withdrawn its written consent to the inclusion of its name and its Valuation

Certificate and all references thereto, in the form and context in which they are contained in this Circular.

7. DECLARATION OF CONFLICT OF INTERESTS

AER and Raine & Horne have given their confirmations that they are not aware of any existing conflict of interest nor of any circumstances which would or are likely to give rise to a possible conflict of interest by virtue of their roles as the Independent Adviser and Valuer for the Proposed Acquisition.

8. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at Lot 7907, Batu 11, Jalan Balakong, 43300 Seri Kembangan, Selangor Darul Ehsan during normal business hours from Mondays to Fridays (except public holidays) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (a) Constitution of the Company;
- (b) The SPA, Valuation Certificate and the Valuation Report;
- (c) The audited consolidated financial statements of CN Asia for the past two (2) financial years ended 31 December 2018 to 2019; and
- (d) The letter of consents referred to in Section 6 and Section 7 of this Appendix II.

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CN ASIA CORPORATION BHD
(Registration No.: 199601027090 (399442-A))

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting ("EGM") of CN Asia Corporation Bhd ("CN Asia" or the "Company") 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** immediately after the Twenty-Fourth (24th) Annual General Meeting of which scheduled to be held at 10.00 a.m. on the same morning or 11.00 a.m., whichever is earlier or any adjournment thereof for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

PROPOSED ACQUISITION BY CHIP NGAI ENGINEERING WORKS SDN BHD (REGISTRATION NO.: 197001000934 (10217-A)) ("CNEW"), A WHOLLY-OWNED SUBSIDIARY OF CN ASIA, 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 TWINSTAR ACRES SDN BHD (REGISTRATION NO. 201701027868 (1242034-D)) ("TASB"), A COMPANY WHOLLY OWNED BY A RELATED PARTY FOR A CASH CONSIDERATION OF RM4.00 MILLION ("PROPOSED ACQUISITION")

"THAT subject to fulfilment of the conditions precedent and approvals of relevant authorities being obtained or waived, approval be given for CNEW to acquire a parcel of vacant land measuring approximately 11,407 sqm (122,784 sq ft) held under H.S.(M) 23504, Lot 5856, Locality of Sungai Labu, Mukim of Tanjung Dua Belas, District of Kuala Langat, State of Selangor Darul Ehsan from TASB for a cash consideration of RM4,000,000, subject to the terms and conditions as contained in the Sale and Purchase Agreement dated 20 January 2020 between CNEW and TASB and such other ancillary agreements, instruments and documents, whatsoever that have been or will be entered into by the relevant parties in connection with the Proposed Acquisition.

THAT the Directors of the Company be authorised to do all acts, deeds and things and to take all such decisions as the Directors of the Company shall from time to time in their absolute discretion deem fit, expedient or advisable in order to implement, finalise and give full effect to the above proposal in the best interest of the Company and its subsidiary, and to enter into, execute, sign and deliver for and on behalf of the Company all such documents, agreements, arrangements, undertakings, indemnities, transfers, extensions, assignments, confirmations, guarantees, instruments or deeds as may be necessary including without limitation with full powers to assent and/or give effect to any terms, conditions, variations, amendments, additions and/or modifications or as a consequence of any requirements or as may be deemed necessary and/or expedient.

THAT authority be given for the Common Seal of the Company to be affixed to any documents, agreements and deeds to be entered by the Company in connection with the Proposed Acquisition, if so required, in accordance with the Constitution of the Company.

AND THAT all previous actions that were taken by the Directors of the Company for the purpose of or in connection with the Proposed Acquisition be adopted, approved and ratified."

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 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 notarial 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 resolution as set out in this notice of the general meeting is to be voted by poll.*

Registration of Members/Proxies.

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



CN ASIA CORPORATION BHD
(Registration No.: 199601027090 (399442-A))

PROXY FORM

(To be completed in block letters for the entire form)

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	I/C/Passport No	Address (Residential/As per I/C)	Proportion of shareholdings	
			No. of Shares	%

as *my/our proxy/proxies to attend and vote for *me/us on *my/our behalf at the Extraordinary General Meeting 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** immediately after the Twenty-Fourth (24th) Annual General Meeting of which scheduled to be held at 10.00 a.m. on the same morning or 11.00 a.m., whichever is earlier or any adjournment thereof, in respect of *my/our shareholding in the manner indicated below:

ORDINARY RESOLUTION		For	Against	Abstain
1	PROPOSED ACQUISITION			

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 thisday of.....2020

Tel No. (during office hours) and email address

Signature of Shareholder
(If the shareholder 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 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 notarial 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 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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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)