



CN ASIA CORPORATION BHD

(Registration No.: 199601027090 (399442-A))

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000	9 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2019 RM'000
Revenue	6,835	3,749	11,397	12,004
Cost of sales	(6,696)	(2,931)	(12,001)	(9,483)
Gross profit/(loss)	139	818	(604)	2,521
Selling and distribution expenses	(3)	(37)	(63)	(138)
Administrative expenses	(919)	(901)	(2,768)	(2,655)
Other operating expenses	28	(17)	(593)	(71)
Other income	217	244	689	705
(Loss)/Profit from operations before impairment and interest	(538)	107	(3,339)	362
Finance costs	(64)	(22)	(161)	(62)
(Loss)/Profit before tax	(602)	85	(3,500)	300
Tax expense	(50)	(55)	(144)	(161)
(Loss)/Profit after tax for the period	(652)	30	(3,644)	139
Share issuance expenses	-	-	(51)	(84)
Other comprehensive (expense)/income, net of tax that may be reclassified subsequently to profit and loss				
Foreign currency translation differences	(4)	(4)	-	(4)
Total comprehensive (expense)/income for the period	(656)	26	(3,695)	51
Net (loss)/profit for the period attributable to: -				
Owners of the Company	(652)	30	(3,644)	139
Non-controlling interests	-	-	-	-
	(652)	30	(3,644)	139
Total comprehensive (expense)/income for the period attributable to: -				
Owners of the Company	(656)	26	(3,695)	51
Non-controlling interests	-	-	-	-
	(656)	26	(3,695)	51
(Loss)/Earnings per share (sen)				
- Basic	(1.26)	0.06	(7.06)	0.29
- Diluted	(1.26)	0.06	(7.06)	0.29

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2020

	As At End of Current Quarter 30.09.2020 RM'000	As At Preceding Financial Year Ended 31.12.2019 RM'000
ASSETS		
Non-current Assets		
<i>Property, plant and equipment</i>	9,530	10,398
<i>Right-of-use asset</i>	450	719
<i>Other investment</i>	-	-
<i>Deferred tax assets</i>	685	685
	<u>10,665</u>	<u>11,802</u>
Current Assets		
<i>Inventories</i>	5,612	4,085
<i>Trade and other receivables</i>	5,688	2,817
<i>Contract assets</i>	1,202	2,748
<i>Current tax asset</i>	6	6
<i>Cash and cash equivalents</i>	28,149	27,241
	<u>40,657</u>	<u>36,897</u>
TOTAL ASSETS	<u><u>51,322</u></u>	<u><u>48,699</u></u>
EQUITY AND LIABILITIES		
Equity		
<i>Share capital</i>	42,097	40,200
<i>Reserves</i>	(892)	3,031
Shareholders' Equity	<u>41,205</u>	<u>43,231</u>
Liabilities		
Non-current Liability		
<i>Lease liabilities</i>	200	552
	<u>200</u>	<u>552</u>
Current Liabilities		
<i>Trade and other payables</i>	4,144	1,738
<i>Contract liabilities</i>	1,539	360
<i>Lease liability</i>	464	501
<i>Short-term borrowings</i>	3,731	2,245
<i>Current tax liabilities</i>	39	72
	<u>9,917</u>	<u>4,916</u>
TOTAL LIABILITIES	<u>10,117</u>	<u>5,468</u>
TOTAL EQUITY AND LIABILITIES	<u><u>51,322</u></u>	<u><u>48,699</u></u>
Net Assets Per Share (RM)	<u><u>0.80</u></u>	<u><u>0.89</u></u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

	← 9 Months Ended →	
	30.09.2020	30.09.2019
	RM'000	RM'000
Cash Flows From Operating Activities		
(Loss)/Profit Before Tax	(3,500)	300
Adjustments For:-		
Allowance for impairment of PPE	-	50
Allowance for impairment of receivables	255	-
Bad debts written off	243	-
Depreciation of property, plant and equipment	829	531
Depreciation of right-of-use asset	270	-
Loss on foreign exchange - Unrealised	8	4
Loss on disposal of PPE	-	1
Interest expenses	161	60
PPE written off	-	5
Gain on disposal of subsidiary	(11)	-
Interest income	(683)	(705)
	<u>1,072</u>	<u>(54)</u>
Operating (Loss)/ Profit Before Working Capital Changes	(2,428)	246
Changes In Working Capital		
Inventories	(1,527)	1,692
Receivables	(1,831)	(1,497)
Payables	3,406	(725)
Cash Used In Operations	(2,380)	(284)
Interest paid	(161)	(60)
Tax Paid	(177)	(139)
Net Cash Used In Operating Activities	<u>(2,718)</u>	<u>(483)</u>
Cash Flows From Investing Activities		
Capital work-in-progress incurred	-	(82)
Interest received	683	705
Proceeds from disposal of subsidiary	43	-
Proceeds from disposal of property, plant and equipment	-	1
Purchase of property, plant and equipment	(28)	(17)
Net Cash Generated From Investing Activities	<u>698</u>	<u>607</u>
Cash Flows From Financing Activities		
Net proceeds from issuance of shares	1,846	1,731
Net proceeds from bankers' acceptance	1,437	426
Net repayments of lease liabilities	(389)	(121)
Net Cash Generated From Financing Activities	<u>2,894</u>	<u>2,036</u>
Net Increase In Cash And Cash Equivalents	874	2,160
Effects of Change in Foreign Exchange Differences	-	-
Cash And Cash Equivalents At Beginning Of The Financial Year	<u>16,259</u>	<u>14,699</u>
Cash And Cash Equivalents At End Of The Financial Period	<u><u>17,133</u></u>	<u><u>16,859</u></u>

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)**

	← 9 Months Ended →	
	30.09.2020	30.09.2019
	RM'000	RM'000
Cash and cash equivalents at end of the financial period comprise:		
Cash and cash equivalents	28,149	27,359
Bank overdrafts	(516)	-
	<u>27,633</u>	<u>27,359</u>
Less: Deposits pledged as security	(10,500)	(10,500)
	<u><u>17,133</u></u>	<u><u>16,859</u></u>

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD FINANCIAL QUARTER ENDED 30 SEPTEMBER 2020**

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

	Non-distributable	Distributable		
	SHARE CAPITAL RM'000	FOREIGN CURRENCY TRANSLATION RESERVE RM'000	RETAINED EARNINGS/ ACCUMULATED LOSSES RM'000	TOTAL EQUITY RM'000
Current financial period ended 30 September 2020				
At 1 January 2020	40,200	228	2,803	43,231
Issuance of shares arising from private placement	1,897	-	-	1,897
	42,097	228	2,803	45,128
Movement during the period (cumulative)				
- Loss for the period	-	-	(3,644)	(3,644)
- Share issuance expenses	-	-	(51)	(51)
Other comprehensive income				
- Disposal of foreign investment	-	(228)	-	(228)
Total comprehensive income/ (expense) for the period	-	(228)	(3,695)	(3,923)
At 30 September 2020	42,097	-	(892)	41,205
Preceding financial period ended 30 September 2019				
At 1 January 2019	38,385	232	2,899	41,516
Issuance of shares arising from private placement	1,815	-	-	1,815
	40,200	232	2,899	43,331
Movement during the period (cumulative)				
- Profit for the period	-	-	139	139
- Share issuance expenses	-	-	(84)	(84)
Other comprehensive income				
- Foreign currency translation difference	-	(4)	-	(4)
Total comprehensive income for the period	-	(4)	55	51
At 30 September 2019	40,200	228	2,954	43,382

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.)

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020**

Part A: Explanatory Notes Pursuant To MFRS 134

1. Corporate information

CN ASIA CORPORATION BHD is a public limited liability company incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”).

2. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* and Paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2019.

The significant accounting policies applied by the Group in these condensed consolidated interim financial statements are consistent with the audited financial statements of the Group for the financial year ended 31 December 2019 except for the change in depreciation method from reducing balance basis to straight line basis with effect from 1 July 2020 and the adoption of the following MFRSs, Amendments to MFRSs and IC Interpretations that are applicable to the Group effective 1 January 2020:-

- Amendments to MFRS 3: Definition of a Business
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform
- Amendments to MFRS 101 and MFRS 108: Definition of Materiality
- Amendments to References to the Conceptual Framework in MFRS Standards
- MFRS 17: Insurance Contracts

The adoption of the above MFRSs, Amendments to MFRSs and IC Interpretations do not have any material impact to the Group’s financial statements. However, the impact on the change in depreciation method resulting in change in estimates is disclosed in Note A6 of PART A of this report.

3. Auditors’ report on preceding annual financial statements

The auditor’s report of the Group’s annual audited financial statements of the preceding financial year was not subject to any qualification.

4. Seasonal and cyclical factors

The business operations of the Group were not significantly affected by any seasonal and cyclical factors in the current quarter and financial year-to-date.

5. Items of an unusual nature

There was no item affecting assets, liabilities, equity, net income, or cash flows that are unusual due to their nature, size or incidence. However, the outbreak of the COVID-19 pandemic, coupled with the implementation of the Movement Control Orders (“MCO”) has resulted in deferments in certain key activities and progress of the existing order book in hand. These events have adversely affected the Group’s equity and net income for the current quarter and the preceding quarters.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

6. Material changes in estimates

There were no changes in estimates reported in prior interim periods of the current financial year or prior financial year, which have a material effect in the current interim period except for the changes in the recognition of depreciation to straight line basis and estimated useful lives of the property, plant and equipment of the Group with effect from 1 July 2020. The effect of these changes on depreciation expense, included in the income statements are as follow: -

	Corresponding Quarter			Preceding Quarter		
	3 Months	3 Months	Variance	3 Months	3 Months	Variance
	Ended	Ended		Ended	Ended	
	30.09.2020	30.09.2019	30.09.2020	30.06.2020	30.06.2020	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Depreciation expenses	503	177	326	503	163	340

7. Changes in debts and equity securities

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

8. Dividend paid

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

9. Operating Segments

Operating segments are prepared in a manner consistent with the internal reporting provided to the Executive Directors as the chief operating decision makers in order to allocate resources to segments and to assess performance of the Group. For management purposes, the Group is organised into business units based on their products and services provided.

The Group is organised into main business segments as follows:

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

Segmental information (Cont'd)

Business segments

	Manufacturing RM'000	Construction RM'000	Investment RM'000	Elimination RM'000	Consolidated RM'000
Revenue					
External revenue	11,397	-	-	-	11,397
Inter-segment revenue	-	-	45	(45)	-
Total revenue	11,397	-	45	(45)	11,397
Results					
Segment results	(3,507)	(255)	(260)	-	(4,022)
Finance costs	(161)	-	-	-	(161)
Interest income	639	-	44	-	683
Loss before tax	(3,029)	(255)	(216)	-	(3,500)
Tax expense	(144)	-	-	-	(144)
Loss after tax	(3,173)	(255)	(216)	-	(3,644)
Assets					
Segment assets	48,838	255	2,229	-	51,322
Liabilities					
Segment liabilities	10,082	-	35	-	10,117
Included in the measure of segment assets					
Capital expenditure	28	-	-	-	28
Depreciation	1,102	-	-	(4)	1,098

Geographical information

The operating segment by geographical information is not applicable as the Group has disposed its entire shareholdings in the foreign subsidiary incorporated in People's Republic of China during the quarter under review.

10. Trade and other receivables

	Current Quarter Ended 30.09.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
Trade receivables		
Non-related parties	4,503	2,226
Less: Allowance for impairment of receivables	(255)	-
	4,248	2,226
Other receivables, deposits and prepayments		
Other receivables	1,019	343
Deposits	133	133
Prepayments	288	115
	1,440	591
Total trade and other receivables	5,688	2,817

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

Trade and other receivables (Cont'd)

The trade receivables of the Group, net of allowance for impairment, as at the end of the current quarter amounted to RM4.2 million can be analysed as follows: -

	----- Credit Period -----				Total
	Within	Exceeding			
	Not past due, not impaired	1 to 30 days past due, not impaired	31 to 60 days past due, not impaired	> 60 days past due, not impaired	
Trade receivables (RM'000)	3,826	113	136	173	4,248
% of total trade receivables (%)	90	3	3	4	100

The Group's normal trade credit term granted to its customers ranges from 30 to 90 days. In view of the uncertainty in the global economic condition, the Group has taken pre-cautionary step in reviewing the receivables and made specific allowances for doubtful debts amounted to RM0.6 million in the first financial quarter of the year, particularly for those customers in the construction segment. During the current financial quarter ended 30 September 2020, the Group has recovered RM0.1 million and written off RM0.2 million from these doubtful debts, leaving RM0.3 million doubtful debts as at the end of the current quarter.

The trade receivables, net of allowance for impairment, that are past due for more than 60 days amount to RM0.2 million, representing 4% of the total trade receivables of the Group. These receivables are creditworthy receivables and the Group maintains good business relationship with on-going business transactions with these customers. As at the date of the report, RM3.2 million or 76% of the Group's total receivables as at 30 September 2020 has been collected.

Included in the other receivables are the amounts paid for the part payment of the land acquisition pursuant to the Proposed Acquisition and duty to be drawn back of RM0.8 million and RM0.2 million respectively.

11. Material subsequent events

There was no material event subsequent to the end of the current quarter reported, up to 4 November 2020, being the latest practicable date ("LPD") which is not earlier than seven (7) days from the date of issuance of this quarterly report, that has not been reflected in the financial statements for the period, except as disclosed in Note B6(c) of PART B of this report.

12. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date except for the disposal of its wholly-owned subsidiary incorporated in the Peoples' Republic of China, Zhuhai CN Engineering Co., Ltd on 28 September 2020.

The net effect of the disposal of subsidiary on the consolidated cash flow of the Group are as follows: -

	RM'000
Property, plant and equipment	71
Current assets	15
Current liabilities	<u>(16)</u>
Net assets disposed	70
Realisation of reserves	(124)
Proceeds from disposal of subsidiary	<u>43</u>
Gain on disposal of subsidiary	<u>(11)</u>

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

13. Changes in contingent liabilities

	Current Quarter Ended 30.09.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
<u>Secured</u>		
Bankers' guarantee issued in favour of third parties	745	1,381
Letters of credit issued in favour of third parties	855	93
	<u>1,600</u>	<u>1,474</u>

14. Capital commitments

There was no capital expenditure approved and contracted for in the current quarter and the financial year-to-date other than the acquisition of a parcel of vacant land for a cash consideration of RM4.0 million pursuant to the Proposed Acquisition as disclosed in Note B6(c) of PART B of this report.

15. Significant related party transactions

There were no significant transactions entered into between the Group and other related parties during the current quarter under review except as disclosed in Note B6(c) of PART B of this report.

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

1. Performance review

	Individual Quarter				Cumulative Quarter			
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000	Changes		9 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2019 RM'000	Variance	
			Amount RM'000	%			Amount RM'000	%
Revenue	6,835	3,749	3,086	82	11,397	12,004	(607)	(5)
(Loss)/Profit before interest and tax	(538)	107	(645)	(603)	(3,339)	362	(3,701)	(1,022)
(Loss)/Profit before tax	(602)	85	(687)	(808)	(3,500)	300	(3,800)	(1,267)
(Loss)/Profit after tax	(652)	30	(682)	(2,273)	(3,644)	139	(3,783)	(2,722)
(Loss)/Profit attributable to owners of the Company	<u>(652)</u>	<u>30</u>	<u>(682)</u>	<u>(2,273)</u>	<u>(3,644)</u>	<u>139</u>	<u>(3,783)</u>	<u>(2,722)</u>

The Group recorded revenue of RM6.8 million for the current quarter, representing an increase of 82% against the corresponding quarter ended 30 September 2019. Revenue from road tankers and pressure vessels increased by RM4.1 million and RM0.3 million respectively, whereas revenue from the other products collectively declined by RM1.3 million. The overall increase in revenue was largely due to one particular contract to supply road tankers abroad which contributed RM4.9 million, representing 72% of the current quarter revenue. The margin of this contract was relatively low as this contract was the entry point to penetrate the new overseas market. With the exclusion of this contract, the Group revenue for the quarter has plunged by 50% compared to the preceding corresponding quarter. The impact of the Covid-19 pandemic has continue affecting the business activities which have adversely affect the Group's performance during the quarter.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

Performance review (Cont'd)

In addition, the Group has adopted the change in depreciation method from reducing balance basis to straight line basis with effect from 1 July 2020 which has further increase the loss before tax (“LBT”) by RM0.3 million during the quarter. Accordingly, the Group recorded a LBT of RM0.6 million for the current quarter against a profit before tax (“PBT”) of RM0.1 million recorded for the preceding year’s corresponding quarter.

For the current financial year-to-date, the Group’s revenue decreased by RM0.6 million or 5% compared to the preceding financial year-to-date. With the exclusion of the contract to supply road tankers abroad of RM7.0 million, the Group revenue stood at RM4.4 million, which was approximately 60% decline compared to the preceding financial year-to-date. Revenue from all the products stream, except for road tankers, declined as opposed to the preceding year. The declining revenue had led to gross loss position to the Group for the current financial year-to-date. The Group reported a LBT of RM3.5 million, compared to a PBT of RM0.3 million recorded in the preceding financial year-to-date.

2. Comments on results against the immediate preceding quarter

	3 Months Current Quarter 30.09.2020 RM'000	3 Months Preceding Quarter 30.06.2020 RM'000	Variance	
			Amount RM'000	%
Revenue	6,835	2,672	4,163	156
Loss before interest and tax	(538)	(342)	(196)	57
Loss before tax	(602)	(402)	(200)	50
Loss after tax	(652)	(449)	(203)	45
Loss attributable to owners of the Company	(652)	(449)	(203)	45

The Group’s revenue for the current quarter of RM6.8 million was 156% higher than the immediate preceding quarter of RM2.7 million owing to the contribution from the contract to supply road tankers abroad amounted to RM4.9 million. In addition, the change in depreciation method has impacted the LBT by RM0.3 million. As a result, the Group recorded a higher LBT of RM0.6 million compared to RM0.4 million in the immediate preceding quarter.

3. Commentary of prospects

The Directors expect the continued uncertainty in the global economic situation caused by the Covid-19 pandemic coupled with volatility of the foreign currency exchange and the oil price environment will continue to pose challenges to the Group. The Group will remain cautious and constantly monitor the situation by taking appropriate safety measures to safeguard the health and well-being of its employees.

In view of the uncertain outlook, the Group will continue to be vigilant on its capital expenditure and thus has deferred its relocation plan. The Board will continue to exercise caution in managing its business environment and implement cost control measure to improve the execution efficiency in anticipation of prolonged, slow recovery and uncertainty of the overall industry. Currently, the Group will actively focus on pursuing the potential contracts in Malaysia and abroad to enhance its order book.

4. Profit forecast or profit guarantee

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

5. Tax expense

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000	9 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2019 RM'000
Income tax:-				
- Current year	47	53	141	159
- under provision in respect of prior years	3	2	3	2
	<u>50</u>	<u>55</u>	<u>144</u>	<u>161</u>

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

6. Status of corporate proposals

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

(a) Proposed Disposals

On 14 July 2020, the Board announced that the term of the Tenancy Agreements, which will be expiring on 7 December 2020, have now been further extended to 7 December 2022 with effect from 10 July 2020. Hence, the relocation plan of the Group will be deferred accordingly.

The status of utilisation of proceeds of RM36,682,500 raised from the Proposed Disposals as at the LPD is as follows: -

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

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

Status of corporate proposals (Cont'd)

(b) Proposed Private Placement

Following the extension of the relocation as stated in Note 6(a) above, the proceeds from the Proposed Private Placement which was meant to be utilised alongside with the relocation plan will also be extended. The status of the utilisation of proceeds of RM1,815,280 raised from the Private Placement as at the LPD is as follows: -

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised		Time frame for utilisation from 9 May 2019	
				RM'000	%	Intended	Extended
Overhaul of machinery	1,665	(80)	66	1,651	99	9 months	31 months
Estimated expenses in relation to the Private Placement	150	(84)	(66)	-	-	1 month	-
	<u>1,815</u>	<u>(164)</u>	<u>-</u>	<u>1,651</u>			

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

(c) Proposed Acquisition

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

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

On 23 April 2020, the Company issued a circular to shareholders in relation to the Proposed Acquisition together with the Notice of Extraordinary General Meeting ("EGM") to convene an EGM on 7 July 2020.

On 17 June 2020, the Board announced that several Conditions Precedent stipulated in the Sale and Purchase Agreement dated 20 January 2020 in relation to the Proposed Acquisition ("SPA") could not be fulfilled by 17 June 2020 (the extended deadline for the fulfilment of the Conditions Precedent provided in the SPA). In this regard, the Board has resolved to enter into a variation letter with the TASB to extend the time period for the fulfilment of the Conditions Precedent for an additional period of 90 days commencing from 18 June 2020 to 15 September 2020 (inclusive).

On 7 July 2020, the resolution as stipulated in the Notice of EGM was duly passed by the shareholders of the Company at the EGM held by way of poll.

At the date of this report, all Conditions Precedent had been fully complied in accordance to the SPA.

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

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

Status of corporate proposals (Cont'd)

(d) Proposed Private Placement

On 5 June 2020, the Company (“CN Asia”) proposed to undertake a private placement of up to 4,992,070 new ordinary shares of the Company (“Placement Shares”), representing 10% of the total number of issued shares of the Company to third party investor(s) to be identified at a later date (“Proposed Private Placement”).

On 11 June 2020, the additional listing application in relation to the Proposed Private Placement had been submitted to Bursa Securities.

Subsequently on 15 June 2020, the Company announced that Bursa Securities, vide its letter dated 12 June 2020, resolved to approve the listing of and quotation for up to 4,992,070 Placement Shares to be issued pursuant to the Proposed Private Placement.

On 19 June 2020, Inter-Pacific Securities Sdn Bhd (“IPS”) on behalf of CN Asia's Board, announced that the Board resolved to fix the issue price at RM0.38 per Placement Share.

The issue price of RM0.38 per Placement Share represents a premium of approximately RM0.004 or 1.04% to the five (5)-day volume weighted average market price of CN Asia Shares up to and including 18 June 2020, being the last trading day of CN Asia Shares immediately preceding the price-fixing date of RM0.3761.

IPS on behalf of the Company, announced that the Proposed Private Placement is deemed completed following the listing of and quotation for 4,992,070 Placement Shares on the Main Market of Bursa Securities with effect from 9.00 a.m. on 29 June 2020.

The proceeds of RM1,896,987 raised from the Private Placement as at the LPD has been fully utilised as follow:-

Purpose	Proposed utilisation RM'000	Actual utilisation RM'000	Deviation* RM'000	Balance unutilised RM'000	%	Time frame for utilisation from 29 June 2020
Purchase of JBC spare parts	1,837	(1,846)	9	-	-	Within 6 months
Estimated expenses in relation to the Proposed Private Placement	60	(51)	(9)	-	-	Within 1 month
	<u>1,897</u>	<u>1,897</u>	<u>-</u>	<u>-</u>		

* The balance unutilised on estimated expenses is reallocated to purchase of JBC spare parts.

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

7. Group borrowings

	Current Quarter Ended 30.09.2020 RM'000	Financial Year Ended 31.12.2019 RM'000
<u>SECURED</u>		
Short term		
Bank overdraft	516	467
Lease liabilities	464	501
Bankers' acceptance	3,215	1,778
	<u>4,195</u>	<u>2,746</u>
Long term		
Lease liabilities	200	552
Total Borrowings	<u>4,395</u>	<u>3,298</u>

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

8. Material litigation

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

9. Dividend

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

10. (Loss) / Earnings per share

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000	9 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2019 RM'000
(Loss)/Profit after tax for the period	(652)	30	(3,644)	139
Weighted average number of ordinary shares in issue ('000)	51,585	47,904	51,585	47,904
(Loss)/Earnings per share (sen)				
- Basic	<u>(1.26)</u>	<u>0.06</u>	<u>(7.06)</u>	<u>0.29</u>
- Diluted	<u>(1.26)</u>	<u>0.06</u>	<u>(7.06)</u>	<u>0.29</u>

**Notes To The Condensed Consolidated Interim Financial Statements
For The Third Financial Quarter Ended 30 September 2020 (Cont'd)**

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

11. Additional disclosure on profit before tax

	Individual Quarter		Cumulative Quarter	
	3 Months Ended 30.09.2020 RM'000	3 Months Ended 30.09.2019 RM'000	9 Months Ended 30.09.2020 RM'000	9 Months Ended 30.09.2019 RM'000
(Loss)/Profit before tax is derived after charging/(crediting) the following: -				
Allowance for impairment of PPE	-	-	-	50
Allowance for impairment of receivables	(340)	-	255	-
Bad debts written off	243	-	243	-
Depreciation of property, plant and equipment	503	177	828	531
Depreciation of right-of-use asset	90	-	270	-
Loss on disposal of PPE	-	1	-	1
Loss on foreign exchange				
- Unrealised	12	1	8	4
- Realised	53	11	75	10
PPE Written Off	-	5	-	5
Interest expenses	64	20	161	60
Gain on disposal of subsidiary	(10)	-	(10)	-
Interest income	(221)	(244)	(683)	(705)

12. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 11 November 2020.

BY ORDER OF THE BOARD

LIM PAIK GOOT (MIA 13304) (SSM PC No. 202008001525)
WONG CHOOI FUN (MAICSA 7027549) (SSM PC No. 201908002976)
GOH CHOOI WOAN (MAICSA 7056110) (SSM PC No. 201908000145)
Company Secretaries
Selangor, 11 November 2020