

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the Second Quarter ended 30 June 2018. The figures have not been audited.

(Financial year ending 31 December 2018)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2018 RM'000	As at 31/12/2017 (Audited) RM'000
Non-current assets		
Property, plant and equipment	413,161	351,629
Intangible assets	332	235
Investment in associate	513,720	515,928
Goodwill on consolidation	1,424	1,408
Total non-current assets	<u>928,637</u>	<u>869,200</u>
Current assets		
Inventories	140,505	170,955
Trade and other receivables	363,596	365,620
Current tax assets	720	782
Derivative financial assets	-	10
Cash and cash equivalents	103,287	95,556
Total current assets	<u>608,108</u>	<u>632,923</u>
Total assets	<u><u>1,536,745</u></u>	<u><u>1,502,123</u></u>
Equity		
Share capital	197,660	197,660
Reserves	617,396	595,586
	<u>815,056</u>	<u>793,246</u>
Liabilities		
Loans and borrowings	266,915	258,687
Deferred tax liabilities	31,607	30,914
Total non-current liabilities	<u>298,522</u>	<u>289,601</u>
Loans and borrowings	262,006	240,965
Trade and other payables	159,428	177,211
Current tax payables	1,474	1,100
Derivative financial liabilities	259	-
Total current liabilities	<u>423,167</u>	<u>419,276</u>
Total liabilities	<u>721,689</u>	<u>708,877</u>
Total equity and liabilities	<u><u>1,536,745</u></u>	<u><u>1,502,123</u></u>
Net assets per share attributable to equity holders of the Company (Sen)	<u>424.17</u>	<u>412.82</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current quarter ended 30/06/2018 RM'000	Preceding year corresponding quarter ended 30/06/2017 RM'000	Changes %	Current year-to-date ended 30/06/2018 RM'000	Preceding year-to-date ended 30/06/2017 RM'000	Changes %
Continuing Operations						
Revenue	296,358	276,350	7	606,837	537,313	13
Cost of sales	(261,361)	(247,958)		(538,406)	(477,250)	
Gross profit	34,997	28,392	23	68,431	60,063	14
Other income/(expenses)	(401)	868		(3,138)	(173)	
Sales and distribution expenses	(4,270)	(2,677)		(8,641)	(6,740)	
Administrative expenses	(8,625)	(7,122)		(16,968)	(14,583)	
Profit from operations	21,701	19,461	12	39,684	38,567	3
Interest income	230	202		411	439	
Finance costs	(5,970)	(5,322)		(11,674)	(10,770)	
Net finance cost	(5,740)	(5,120)		(11,263)	(10,331)	
Share of profit of equity-accounted investees, net of tax	1,403	4,799		4,892	10,692	
Profit before tax	17,364	19,140	(9)	33,313	38,928	(14)
Tax expense	(6,152)	(4,142)		(10,675)	(8,852)	
Profit for the period	11,212	14,998	(25)	22,638	30,076	(25)

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME (cont'd)

	Individual quarter			Cumulative quarter		
	Current quarter ended 30/06/2018 RM'000	Preceding year corresponding quarter ended 30/06/2017 RM'000	Changes %	Current year-to-date ended 30/06/2018 RM'000	Preceding year-to-date ended 30/06/2017 RM'000	Changes %
Profit for the period	11,212	14,998	(25)	22,638	30,076	(25)
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	1,062	(542)		426	(799)	
- Share of other income/(loss) of associate	4,040	(3,093)		(1,254)	(4,417)	
Total comprehensive income for the period attributable to the Owners of the Company	16,314	11,363	44	21,810	24,860	(12)
Earnings per share						
Basic (Sen)	5.83	7.81		11.78	15.65	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to Owners of the Company ----->					
	<----- Non-Distributable ----->			Distributable		
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total equity RM'000
Current period ended 30 June 2018						
Balance at 1 January 2018	197,660	-	-	9,018	586,568	793,246
Comprehensive income for the period						
Profit for the period	-	-	-	-	22,638	22,638
Currency translation differences of foreign operations	-	-	-	426	-	426
Share of currency translation differences of associate	-	-	-	(1,254)	-	(1,254)
Total comprehensive income for the period	-	-	-	(828)	22,638	21,810
Balance at 30 June 2018	<u>197,660</u>	<u>-</u>	<u>-</u>	<u>8,190</u>	<u>609,206</u>	<u>815,056</u>
Preceding period corresponding period ended 30 June 2017						
Balance at 1 January 2017	96,077	101,583	(75,441)	52,886	573,391	748,496
Comprehensive income for the period						
Profit for the period	-	-	-	-	30,076	30,076
Currency translation differences of foreign operations	-	-	-	(799)	-	(799)
Foreign currency translation differences for a subsidiary with functional currency other than Ringgit Malaysia	-	-	-	(32,729)	32,729	-
Share of currency translation differences of associate	-	-	-	(4,417)	-	(4,417)
Transfer in accordance with Section 618(2) of the Companies Act, 2016 (Note ¹)	101,583	(101,583)	-	-	-	-
Total comprehensive income for the period	101,583	(101,583)	-	(37,945)	62,805	24,860
Balance at 30 June 2017	<u>197,660</u>	<u>-</u>	<u>(75,441)</u>	<u>14,941</u>	<u>636,196</u>	<u>773,356</u>

Note ¹

In accordance with Section 618 of Companies Act, 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit.

NOTE:

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(Financial year ending 31 December 2018)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 30/06/2018 RM'000	Preceding year-to-date ended 30/06/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	33,313	38,928
Adjustments:		
Interest expense	11,674	10,770
Interest income	(411)	(439)
Property, plant and equipment written off	1	-
Impairment loss on receivables, net	495	172
Amortisation of intangible assets	75	152
Depreciation of property, plant and equipment	11,544	11,316
Unrealised (gain)/loss on forward exchange contracts	269	(103)
(Gain)/Loss on disposal of property, plant and equipment	49	(2,415)
Share of profit of equity-accounted investee, net of tax	(4,892)	(10,692)
Operating profit before changes in working capital	52,117	47,689
Inventories	30,443	24,683
Trade and other receivables	(23,661)	(57,336)
Trade and other payables	(17,403)	15,052
Cash generated from operations	41,496	30,088
Tax paid	(9,574)	(9,104)
Net cash from operating activities	31,922	20,984
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	363	6,529
Goodwill from acquisition of a subsidiary	(16)	-
Acquisition of intangible assets	(171)	-
Acquisition of property, plant and equipment	(48,381)	(19,109)
Dividend received	5,845	5,845
Interest received	411	439
Net cash used in investing activities	(41,949)	(6,296)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,674)	(10,770)
Net movement in borrowings	28,949	(9,203)
Pledged deposits for bank borrowings	7,540	(131)
Net cash flows generated from financing activities	24,815	(20,104)
Net increase in cash and cash equivalent	14,788	(5,416)
Effects of changes in foreign currency rates	483	(187)
Cash and cash equivalent brought forward	88,016	75,421
Cash and cash equivalent carried forward	103,287	69,818
Comprises :		
Cash and bank balances	99,252	55,018
Short term deposits with licensed banks (excluding deposits pledged)	4,035	14,800
	103,287	69,818

The above excluded short term deposits placed with a licensed bank of RM Nil (2017 : RM7,415,000) pledged for bank borrowings.

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2018

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparations

The Interim Financial Statements are unaudited and have been prepared in compliance with the requirements of MFRS 134 *Interim Financial Reporting* and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

These interim financial statements include only condensed financial statements and should be read in conjunction with the annual financial statements for the financial year ended 31 December 2017. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the financial position and performance of the Group since the financial year ended 31 December 2017.

2. Significant Accounting Policies

The accounting policies adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2017 except for the following :

The Group adopted (where applicable) the following accounting standards, amendments and interpretations which are applicable to the Group that have been issued by the Malaysian Accounting Standards Board ("MASB") effective 1 January 2018.

MFRS 9	<i>Financial Instruments (2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
Clarifications to MFRS 15	<i>Revenue from Contracts with Customers</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)**</i>
Amendments to MFRS 2	<i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions**</i>
Amendments to MFRS 4	<i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts**</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>
Amendments to MFRS 140	<i>Investment Property - Transfers of Investment Property**</i>

The adoption of these new standards does not have any material financial impact to the Group.

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2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16	<i>Leases</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 9	<i>Financial Instruments – Prepayment Features with Negative Compensation</i>
Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)**</i>
Amendments to MFRS 112	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>
Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)	

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

MFRS 17	<i>Insurance Contracts**</i>
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MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10	<i>Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
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**** - Not applicable to the Group.**

The Group plans to apply the abovementioned accounting standards, amendments and interpretations in the respective years when they become effective.

The initial applications of the above mentioned accounting standards, amendments or interpretations are not expected to have any material financial impact on the Group.

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3. Auditors' report

The auditors' report dated 21 March 2018 on the financial statements for the financial year ended 31 December 2017 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The operations of the Group are not subject to seasonal or cyclical fluctuations except that certain products are subject to seasonal demand where higher sales will be recorded a few months before major festive seasons such as Ramadan and Chinese New Year but lower sales in the first quarter of every financial year.

5. Unusual Items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence during the current financial period under review.

6. Investment in associate

	At 30/06/2018	At 31/12/2017
	RM'000	RM'000
Share of net assets in associate	<u>513,720</u>	<u>515,928</u>
Market value	<u>393,094</u>	<u>438,395</u>

7. Changes in Estimates

There were no major changes in estimates of amounts which may have a material effect on the current financial period under review.

8. Issues, repurchases and repayments of debt and equity securities

There were no issues, cancellations, repurchases and repayments of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the current financial period under review.

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9. Dividend paid

A first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2017 was paid on 20 July 2018.

10. Segment information

The Group organised its activities principally into 3 reportable business segments :

- a) Manufacture of metal and lithographed tin cans, plastic jerry cans, flexible packaging and rigid packaging (collectively, "General Cans");
- b) Manufacturing, packaging and distribution of dairy, non-dairy and edible oil products ("Food Products");
- c) International trading; and
- d) Property and investment holding ("Others")

Segment revenue and results for the financial year-to-date ended 30 June 2018 are as follows :

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SECOND QUARTER ENDED 30 JUNE 2018

10. Segment information (cont'd)

	Year-to-date ended 30/06/2018						Consolidated RM'000
	General Cans RM'000	Food Products RM'000	International Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	
Revenue							
External sales	234,285	428,239	74,081	16,245	752,850	(146,013)	606,837
Inter-segment sales	10,014	-	-	7,345	17,359	(17,359)	-
	<u>244,299</u>	<u>428,239</u>	<u>74,081</u>	<u>23,590</u>	<u>770,209</u>	<u>(163,372)</u>	<u>606,837</u>
Results							
Segment results	5,455	35,229	1,161	8,721	50,566	(10,882)	39,684
Interest income	413	607	-	104	1,124	(713)	411
Financial expenses	(2,861)	(3,206)	-	(6,320)	(12,387)	713	(11,674)
Share of profit after tax of associate	-	-	-	4,892	4,892	-	4,892
Profit before taxation	<u>3,007</u>	<u>32,630</u>	<u>1,161</u>	<u>7,397</u>	<u>44,195</u>	<u>(10,882)</u>	<u>33,313</u>
Assets							
Segment assets	464,291	552,777	27,352	553,761	1,598,181	(62,156)	1,536,025
Unallocated assets	-	-	-	-	720	-	720
Total assets	<u>464,291</u>	<u>552,777</u>	<u>27,352</u>	<u>553,761</u>	<u>1,598,901</u>	<u>(62,156)</u>	<u>1,536,745</u>
Liabilities							
Segment liabilities	215,485	274,377	18,141	245,491	753,494	(64,886)	688,608
Unallocated liabilities	-	-	-	-	32,967	114	33,081
Total liabilities	<u>215,485</u>	<u>274,377</u>	<u>18,141</u>	<u>245,491</u>	<u>786,461</u>	<u>(64,772)</u>	<u>721,689</u>
Preceding year-to-date ended 30/06/2017							
	General Cans RM'000	Food Products RM'000	International Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External sales	234,833	343,989	52,122	10,419	641,363	(104,050)	537,313
Inter-segment sales	7,594	-	-	5,845	13,439	(13,439)	-
	<u>242,427</u>	<u>343,989</u>	<u>52,122</u>	<u>16,264</u>	<u>654,802</u>	<u>(117,489)</u>	<u>537,313</u>
Results							
Segment results	14,864	24,909	969	8,588	49,330	(10,763)	38,567
Interest income	889	261	-	289	1,439	(1,000)	439
Finance expenses	(2,902)	(2,511)	-	(6,357)	(11,770)	1,000	(10,770)
Share of profit after tax of associate	-	-	-	10,692	10,692	-	10,692
Profit before taxation	<u>12,851</u>	<u>22,659</u>	<u>969</u>	<u>13,212</u>	<u>49,691</u>	<u>(10,763)</u>	<u>38,928</u>
Assets							
Segment assets	468,541	479,636	23,827	535,239	1,507,243	(91,716)	1,415,527
Unallocated assets	-	-	-	-	2,566	-	2,566
Total assets	<u>468,541</u>	<u>479,636</u>	<u>23,827</u>	<u>535,239</u>	<u>1,509,809</u>	<u>(91,716)</u>	<u>1,418,093</u>
Liabilities							
Segment liabilities	228,439	225,937	16,427	233,775	704,578	(93,908)	610,670
Unallocated liabilities	-	-	-	-	33,954	114	34,068
Total liabilities	<u>228,439</u>	<u>225,937</u>	<u>16,427</u>	<u>233,775</u>	<u>738,532</u>	<u>(93,794)</u>	<u>644,738</u>

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11. Valuation of property, plant and equipment

The Group did not carry out any revaluation exercise during the financial period under review.

12. Material subsequent events

As at 20 August 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there were no material events subsequent to the end of the balance sheet date which may have an impact on the consolidated financial statements of the Group.

13. Changes in the Group composition

There were no changes in the Group composition during the quarter under review.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2018.

As at 20 August 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), no material contingent liabilities or contingent assets have arisen since the end of the financial period.

15. Capital commitment

As at 30 June 2018, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>29,123</u>

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16. Related party disclosures

The Group has related party relationship with the following :

- i) associate company and its subsidiaries ("associated companies"); and
- ii) a company in which a Director has substantial financial interests ("related party")

Related party transactions have been entered into the normal course of business under trade terms. The significant related party transactions of the Group are as follows :

	Current year-to-date ended 30/06/2018 RM'000
Sales of goods to associated companies	<u><u>1,478</u></u>
Purchases of goods from a related party	413
Purchases of goods from associated companies	<u><u>27,855</u></u>

17. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") at the Board Meeting held on 23 August 2018.

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PART B: REQUIREMENTS OF MAIN MARKET LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

1. Review of performance

(a) Current quarter ended 30 June 2018 ("Q2, 2018") compared with previous corresponding quarter ended 30 June 2017 ("Q2, 2017")

The Group's revenue increased from RM276.4 million in Q2, 2017 to RM296.4 million in Q2, 2018. Profit before taxation and profit after taxation decreased from RM19.1 million and RM15.0 million in Q2, 2017 to RM17.4 million and RM11.2 million respectively in Q2, 2018.

General Cans division

General Cans division generated total revenue of RM120.7 million in Q2, 2018, a net decrease of RM10.0 million from RM130.7 million in Q2, 2017. Overall revenue dropped mainly due to lower demand for jerry cans. Profit before taxation decreased by RM7.8 million to RM0.3 million in Q2, 2018 mainly attributable to lower sales, higher raw material cost and production overhead costs. Furthermore, it recorded a loss on disposal of property, plant and equipment in Q2, 2018 of RM0.1 million as compared to gain on disposal of property, plant and equipment of RM2.7 million in Q2, 2017.

Food Products division

Revenue in Food Products division grew by RM32.7 million to RM207.9 million in Q2, 2018 compared to RM175.2 million in Q2, 2017 mainly due to effective execution of sales plan and improved production efficiency. The profit before taxation of Q2, 2018 increased by RM8.9 million to RM19.3 million mainly due to sales growth, sales mix and better operation efficiency.

International Trading division

Revenue of International Trading division increased by RM10.6 million to RM38.1 million in Q2, 2018 compared to RM27.5 million in Q2, 2017 due to improved trading activities in milk products. However, the profit before taxation of Q2, 2018 approximated that of Q2, 2017 despite higher sales.

Investment in associate

The Group has equity accounted the results of associated company, Kian Joo Can Factory Berhad ("KJCF") amounting to RM1.4 million (net of tax) in Q2, 2018 compared to the RM4.8 million in Q2, 2017. Overall, KJCF reported a lower profit before taxation mainly due to decrease in revenue, increase cost of tinplate, aluminium and paper rolls and pre-operating loss in Myanmar.

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1. Review of performance (cont'd.)

(b) *Current year-to-date ended 30 June 2018 ("YTD Q2, 2018") compared with previous year-to-date ended 30 June 2017 ("YTD Q2, 2017")*

The Group recorded an increase in net revenue by 12.9% or RM69.5 million to RM606.8 million in YTD Q2, 2018 as compared to YTD Q2, 2017. Profit before taxation and profit after taxation decreased from RM38.9 million and RM30.1 million in YTD Q2, 2017 to RM33.3 million and RM22.6 million respectively in YTD Q2, 2018.

General Cans division

Revenue of General Cans division for YTD Q2, 2018 was RM244.3 million, a marginal increase of RM1.9 million compared to YTD Q2, 2017. Profit before taxation dropped by RM9.8 million to RM3.0 million in YTD Q2, 2018 mainly attributable to higher average material costs and production overhead costs during the period under review coupled with loss on disposal of plant and equipment in Q2, 2018 compared to gain on disposal of property, plant and equipment in Q2, 2017, higher sales and distribution expenses and administration expenses.

Food Products division

Food Products division generated revenue of RM428.2 million in YTD Q2, 2018, an increase of RM84.3 million compared to YTD Q2, 2017, mainly due to effective execution of sales plan and improved production efficiency. In tandem with sales growth, profit before taxation improved by RM10.0 million to RM32.6 million compared to YTD Q2, 2017.

International Trading division

Revenue of International Trading division increased by RM22.0 million to RM74.1 million in YTD Q2, 2018 due to increase in trading activities. Profit before taxation in YTD Q2, 2018 approximated that of YTD Q2, 2017.

Investment in associate

The share of equity results of the associate, KJCF, decreased by RM5.8 million to RM4.9 million in YTD Q2, 2018. Lower share of associate results was mainly due to escalating costs of tin plate, aluminum and paper rolls, loss on derivative financial instruments as compared to gain on derivative financial instruments in YTD Q2, 2017 and as well as pre-operating expenses incurred in Myanmar.

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2. Variation of results against immediate preceding quarter ended 31 March 2018 ("Q1, 2018")

	Current Quarter Ended 30/06/2018 RM'000	Immediate Preceding Quarter Ended 31/03/2018 RM'000	Changes RM'000
Revenue	296,358	310,479	(14,121)
Operating Profit	21,701	17,982	3,719
Profit Before Interest and Taxation	23,104	21,471	1,633
Profit Before Taxation	17,364	15,947	1,417
Profit After Taxation / Profit Attributable to Owners of the Company	<u>11,212</u>	<u>11,425</u>	<u>(213)</u>

Revenue in current quarter under review decreased from RM310.5 million in Q1, 2018 to RM296.4 million in Q2, 2018. Profit before taxation, however, increased by RM1.4 million to RM17.4 million for the current quarter under review.

General Cans division

Revenue of General Cans division decreased by RM2.9 million from RM123.6 million in Q1, 2018 to RM120.7 million in Q2, 2018. Profit before taxation decreased by RM2.5 million to RM0.3 million in current quarter under review mainly due to higher average raw material costs and production overhead costs and unfavourable foreign currency exchange.

Food Products division

Revenue of Food Products division decreased by RM12.4 million to RM207.9 million in Q2, 2018 mainly due to festival shut down and upgrading of a production line. Despite lower sales, profit before taxation increased by RM6.0 million to RM19.3 million in Q2, 2018 mainly attributable to sales mix, production efficiency as well as favourable foreign currency exchange.

International Trading division

International Trading division recorded an increase in turnover of RM2.1 million from RM36.0 million in Q1, 2018 to RM38.1 million in Q2, 2018 mainly due to favourable foreign currency exchange and sales mix. Profit before taxation in Q2, 2018 approximated that of Q1, 2018.

Investment in associate

The Group has equity accounted the results of KJCF, amounting to RM1.4 million in Q2, 2018, a decrease of RM2.1 million from last quarter. This was mainly attributable to lower sales and foreign currency exchange loss of RM4.6 million compared to RM1.6 million in Q1, 2018 and higher finance cost.

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SECOND QUARTER ENDED 30 JUNE 2018

3. Prospects

The Board expects the Group's operating environment to remain challenging due to competition, increase in production cost and escalating cost of raw materials at General Cans division. In addition, strengthening of United States Dollar against Ringgit Malaysia will have an adverse effect on the results of the General Cans division. Nevertheless, the management is managing and monitoring the challenges by continuing to emphasise on marketing strategy for both overseas and local markets whilst continuing to improve on production and operation efficiencies to reduce the operation costs.

Barring any unforeseen circumstances, the Directors anticipate the results of the Group for the financial year ending 31 December 2018 to be satisfactory.

4. Profit forecast/profit guarantee

The Group did not publish any profit forecast nor provide any profit guarantee.

5. Tax expense

	Current quarter ended 30/06/2018 RM'000	Preceding year corresponding quarter ended 30/06/2017 RM'000	Current year-to-date ended 30/06/2018 RM'000	Preceding year-to-date ended 30/06/2017 RM'000
Current tax expense				
- Current year	6,095	5,814	9,982	9,628
- Prior year	(1)	(8)	-	(8)
Deferred tax expense	58	(1,664)	693	(768)
	<u>6,152</u>	<u>4,142</u>	<u>10,675</u>	<u>8,852</u>

Effective tax rate was higher than the Income Tax rate of 24% mainly due to losses incurred by a subsidiary in the current quarter and certain expenses which were not tax deductible.

6. Status of Corporate Proposals

There were no corporate proposals announced which have not been completed as at 20 August 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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7. Group borrowings and debts securities

Group borrowings as at 30 June 2018 are as follows :

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	643	656
Term loans	1,726	2,726
Bankers' acceptances	30,480	29,774
	<u>32,849</u>	<u>33,156</u>
Unsecured		
Bills receivable financing	3,593	5,482
Term loans	18,203	12,348
Bankers' acceptances	154,742	143,691
Revolving credits	35,035	6,000
	<u>244,422</u>	<u>200,677</u>
Non-current		
Secured		
Finance leases	1,325	1,388
Term loans	219,131	222,827
	<u>220,456</u>	<u>224,215</u>
Unsecured		
Term loans	46,460	34,472
	<u>266,916</u>	<u>258,687</u>
Total borrowings in RM	<u><u>511,338</u></u>	<u><u>459,364</u></u>
Borrowings denominated in USD		
Current		
Secured		
Foreign currencies trade loans	2,381	7,417
Unsecured		
Foreign currencies trade loans	7,127	28,823
Revolving credits	8,075	4,048
Total borrowings in USD	<u><u>17,583</u></u>	<u><u>40,288</u></u>
Total Group borrowings	<u><u>528,921</u></u>	<u><u>499,652</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2018

7. Group borrowings and debts securities (cont'd)

The weighted average of interest rates for the borrowings are as follows :

	As at 30/06/2018 %	As at 31/12/2017 %
Term loans:		
- Fixed	3.05	3.05
- Floating	5.38	5.03
Trade facilities	4.07	3.61
Finance leases	2.72	2.87
Revolving credits	<u>4.30</u>	<u>4.32</u>

There are no major changes in the Group's total borrowings except for the new term loans amounting to RM21.6 million which were granted during the quarter under review. Certain amounts of the Group's borrowings denominated in USD were hedged.

8. Derivatives Financial Instruments

Derivatives consist of foreign exchange contracts which are measured at fair value together with their corresponding notional value amounts as follows :

	As at 30/06/2018 RM'000	As at 31/12/2017 RM'000
Derivative financial (liabilities)/assets	<u>(259)</u>	<u>10</u>
Forward foreign exchange contracts, net		
- Notional value	12,064	53
- Fair value	<u>(259)</u>	<u>10</u>

The Group uses forward exchange contracts to hedge its foreign currency risks. All of the forward exchange contracts have maturities of less than 1 year after the end of the reporting period. When necessary, the forward exchange contracts are rolled over at maturity.

The fair value represents marked-to-market value. The difference between the fair value and the contractual value was recognised in profit or loss statement as shown in Note 9.

Other than the forward exchange contracts which were measured at fair value, the Group does not remeasure other financial assets and financial liabilities after initial recognition.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2018

9. Profit before taxation

The profit before taxation is stated after charging/(crediting) :

	Current quarter ended 30/06/2018 RM'000	Preceding year corresponding quarter ended 30/06/2017 RM'000	Current year-to-date ended 30/06/2018 RM'000	Preceding year-to-date ended 30/06/2017 RM'000
Interest income	(230)	(202)	(411)	(439)
Other expenses/(income)	518	(2,402)	564	(2,383)
Interest expense	5,970	5,322	11,674	10,770
Depreciation and amortisation	5,918	5,965	11,619	11,468
Property, plant and equipment written off	1	-	1	-
Impairment loss of receivables, net	510	660	495	172
(Gain)/Loss on disposal of property, plant and equipment	115	(2,316)	49	(2,415)
(Gain)/Loss on foreign currency exchange	(637)	3,948	2,265	4,977
(Gain)/Loss on derivative financial instruments	404	(98)	259	(6)

10. Changes in material litigation

There was no pending material litigation as at 20 August 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. Dividend

No interim dividend has been proposed for the current quarter under review.

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SECOND QUARTER ENDED 30 JUNE 2018

12. Earnings per share

The basic earnings per share are computed as follows :

	Current quarter ended 30/06/2018	Preceding year corresponding quarter ended 30/06/2017	Current year-to-date ended 30/06/2018	Preceding year-to-date ended 30/06/2017
Net profit attributable to shareholders of the Company (RM'000)	11,212	14,998	22,638	30,076
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>5.83</u>	<u>7.81</u>	<u>11.78</u>	<u>15.65</u>

Dated : 23 August 2018
Petaling Jaya,
Selangor Darul Ehsan