

CAN-ONE BERHAD

(Company No. 638899-K)

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

(Financial year ending 31 December 2018)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2018 RM'000	As at 31/12/2017 (Audited) RM'000
Non-current assets		
Property, plant and equipment	428,737	351,629
Intangible assets	310	235
Investment in associate	516,476	515,928
Goodwill on consolidation	1,424	1,408
Total non-current assets	946,947	869,200
Current assets		
Inventories	175,105	170,955
Trade and other receivables	362,855	365,620
Current tax assets	2,244	782
Derivative financial assets	-	10
Cash and cash equivalents	91,475	95,556
Total current assets	631,679	632,923
Total assets	1,578,626	1,502,123
Equity		
Share capital	197,660	197,660
Reserves	623,196	595,586
	820,856	793,246
Liabilities		
Loans and borrowings	265,903	258,687
Deferred tax liabilities	30,949	30,914
Total non-current liabilities	296,852	289,601
Loans and borrowings	271,008	240,965
Trade and other payables	188,087	177,211
Current tax payables	1,781	1,100
Derivative financial liabilities	42	-
Total current liabilities	460,918	419,276
Total liabilities	757,770	708,877
Total equity and liabilities	1,578,626	1,502,123
Net assets per share attributable to equity holders of the Company (Sen)	427.19	412.82

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 30/09/2018 RM'000	Preceding year corresponding quarter ended 30/09/2017 RM'000	Changes %	Current year-to-date ended 30/09/2018 RM'000	Preceding year-to-date ended 30/09/2017 RM'000	Changes %
Continuing Operations						
Revenue	297,786	298,208	(0)	904,623	835,521	8
Cost of sales	(264,173)	(267,018)		(802,579)	(744,268)	
Gross profit	33,613	31,190	8	102,044	91,253	12
Other income/(expenses)	(159)	2,147		(3,297)	1,974	
Sales and distribution expenses	(4,490)	(3,195)		(13,131)	(9,935)	
Administrative expenses	(8,258)	(6,833)		(25,227)	(21,416)	
Profit from operations	20,706	23,309	(11)	60,389	61,876	(2)
Interest income	193	195		604	634	
Finance costs	(6,512)	(5,480)		(18,187)	(16,250)	
Net finance cost	(6,319)	(5,285)		(17,583)	(15,616)	
Share of profit of equity-accounted investees, net of tax	858	2,953		5,750	13,645	
Profit before tax	15,245	20,977	(27)	48,556	59,905	(19)
Tax expense	(4,260)	(5,052)		(14,934)	(13,904)	
Profit for the period	10,985	15,925	(31)	33,622	46,001	(27)

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

	Individual quarter			Cumulative quarter		
	Current quarter ended 30/09/2018 RM'000	Preceding year corresponding quarter ended 30/09/2017 RM'000	Changes %	Current year-to-date ended 30/09/2018 RM'000	Preceding year-to-date ended 30/09/2017 RM'000	Changes %
Profit for the period	10,985	15,925	(31)	33,622	46,001	(27)
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	604	(246)		1,030	(1,045)	
- Share of other income/(loss) of associate	1,898	(1,164)		644	(5,581)	
Total comprehensive income for the period attributable to the Owners of the Company	13,487	14,515	(7)	35,296	39,375	(10)
Earnings per share						
Basic (Sen)	5.72	8.29		17.50	23.94	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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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 September 2018						
Balance at 1 January 2018	197,660	-	-	9,018	586,568	793,246
Comprehensive income for the period						
Profit for the period	-	-	-	-	33,622	33,622
Dividend paid	-	-	-	-	(7,686)	(7,686)
Currency translation differences of foreign operations	-	-	-	1,030	-	1,030
Share of currency translation differences of associate	-	-	-	644	-	644
Total comprehensive income for the period	-	-	-	1,674	25,936	27,610
Balance at 30 September 2018	<u>197,660</u>	<u>-</u>	<u>-</u>	<u>10,692</u>	<u>612,504</u>	<u>820,856</u>
Preceding period corresponding period ended 30 September 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	-	-	-	-	46,001	46,001
Dividend Paid	-	-	-	-	(7,686)	(7,686)
Currency translation differences of foreign operations	-	-	-	(1,045)	-	(1,045)
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	-	-	-	(5,581)	-	(5,581)
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)	-	(39,355)	71,044	31,689
Balance at 30 September 2017	<u>197,660</u>	<u>-</u>	<u>(75,441)</u>	<u>13,531</u>	<u>644,435</u>	<u>780,185</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.

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 30/09/2018 RM'000	Preceding year-to-date ended 30/09/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	48,556	59,905
Adjustments:		
Interest expense	18,187	16,250
Interest income	(604)	(634)
Property, plant and equipment written off	140	-
Impairment loss on receivables, net	1,257	146
Amortisation of intangible assets	122	230
Depreciation of property, plant and equipment	17,689	17,263
Unrealised (gain)/loss on forward exchange contracts	52	(138)
(Gain)/Loss on disposal of property, plant and equipment	26	(6,352)
Share of profit of equity-accounted investee, net of tax	(5,750)	(13,645)
Operating profit before changes in working capital	79,675	73,025
Inventories	(4,089)	838
Trade and other receivables	(23,115)	(85,348)
Trade and other payables	10,654	17,199
Cash generated from operations	63,125	5,714
Tax paid	(15,716)	(16,309)
Net cash from operating activities	47,409	(10,595)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	769	24,652
Goodwill from acquisition of a subsidiary	(16)	-
Acquisition of intangible assets	(197)	-
Acquisition of property, plant and equipment	(70,162)	(23,455)
Dividend received	5,845	5,845
Interest received	604	634
Net cash used in investing activities	(63,157)	7,676
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(18,187)	(16,250)
Dividend paid	(7,686)	(7,686)
Net movement in borrowings	36,640	32,797
Pledged deposits for bank borrowings	7,540	(193)
Net cash flows generated from financing activities	18,307	8,668
Net increase in cash and cash equivalent	2,559	5,749
Effects of changes in foreign currency rates	900	(216)
Cash and cash equivalent brought forward	88,016	75,421
Cash and cash equivalent carried forward	91,475	80,954
Comprises :		
Cash and bank balances	82,703	70,454
Short term deposits with licensed banks (excluding deposits pledged)	8,772	10,500
	91,475	80,954

The above excluded short term deposits placed with a licensed bank of RM Nil (2017 : RM7,477,000) pledged for bank borrowings.

NOTE:

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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 30/09/2018	At 31/12/2017
	RM'000	RM'000
Share of net assets in associate	<u>516,476</u>	<u>515,928</u>
Market value	<u>365,329</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, cancellations, 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 September 2018 are as follows :

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THIRD QUARTER ENDED 30 SEPTEMBER 2018

10. Segment information (cont'd)

	Year-to-date ended 30/09/2018						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	356,463	634,022	98,191	16,744	1,105,420	(200,797)	904,623
Inter-segment sales	14,612	-	-	12,973	27,585	(27,585)	-
	<u>371,075</u>	<u>634,022</u>	<u>98,191</u>	<u>29,717</u>	<u>1,133,005</u>	<u>(228,382)</u>	<u>904,623</u>
Results							
Segment results	7,527	53,758	1,686	4,843	67,814	(7,425)	60,389
Interest income	785	935	-	192	1,912	(1,308)	604
Financial expenses	(4,706)	(5,059)	-	(9,715)	(19,480)	1,293	(18,187)
Share of profit after tax of associate	-	-	-	5,750	5,750	-	5,750
Profit before taxation	<u>3,606</u>	<u>49,634</u>	<u>1,686</u>	<u>1,070</u>	<u>55,996</u>	<u>(7,440)</u>	<u>48,556</u>
Assets							
Segment assets	493,601	579,474	20,489	559,372	1,652,936	(76,554)	1,576,382
Unallocated assets	-	-	-	-	2,244	-	2,244
Total assets	<u>493,601</u>	<u>579,474</u>	<u>20,489</u>	<u>559,372</u>	<u>1,655,180</u>	<u>(76,554)</u>	<u>1,578,626</u>
Liabilities							
Segment liabilities	245,431	285,876	10,640	262,246	804,193	(79,153)	725,040
Unallocated liabilities	-	-	-	-	32,616	114	32,730
Total liabilities	<u>245,431</u>	<u>285,876</u>	<u>10,640</u>	<u>262,246</u>	<u>836,809</u>	<u>(79,039)</u>	<u>757,770</u>
Preceding year-to-date ended 30/09/2017							
	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	355,588	547,011	78,194	19,654	1,000,447	(164,926)	835,521
Inter-segment sales	12,122	-	-	12,945	25,067	(25,067)	-
	<u>367,710</u>	<u>547,011</u>	<u>78,194</u>	<u>32,599</u>	<u>1,025,514</u>	<u>(189,993)</u>	<u>835,521</u>
Results							
Segment results	25,270	37,745	1,521	17,757	82,293	(20,417)	61,876
Interest income	1,424	324	-	428	2,176	(1,542)	634
Finance expenses	(4,443)	(3,949)	-	(9,400)	(17,792)	1,542	(16,250)
Share of profit after tax of associate	-	-	-	13,645	13,645	-	13,645
Profit before taxation	<u>22,251</u>	<u>34,120</u>	<u>1,521</u>	<u>22,430</u>	<u>80,322</u>	<u>(20,417)</u>	<u>59,905</u>
Assets							
Segment assets	481,556	524,347	22,203	531,260	1,559,366	(94,976)	1,464,390
Unallocated assets	-	-	-	-	2,489	-	2,489
Total assets	<u>481,556</u>	<u>524,347</u>	<u>22,203</u>	<u>531,260</u>	<u>1,561,855</u>	<u>(94,976)</u>	<u>1,466,879</u>
Liabilities							
Segment liabilities	235,787	271,704	14,385	230,436	752,312	(97,473)	654,839
Unallocated liabilities	-	-	-	-	31,741	114	31,855
Total liabilities	<u>235,787</u>	<u>271,704</u>	<u>14,385</u>	<u>230,436</u>	<u>784,053</u>	<u>(97,359)</u>	<u>686,694</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 26 November 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 September 2018.

As at 26 November 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 September 2018, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>41,614</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 30/09/2018 RM'000
Sales of goods to associated companies	<u><u>2,016</u></u>
Purchases of goods from a related party	673
Purchases of goods from associated companies	<u><u>40,128</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 28 November 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 September 2018 ("Q3, 2018") compared with previous corresponding quarter ended 30 September 2017 ("Q3, 2017")

The Group's revenue decreased marginally from RM298.2 million in Q3, 2017 to RM297.8 million in Q3, 2018. Profit before taxation and profit after taxation decreased from RM21.0 million and RM15.9 million in Q3, 2017 to RM15.2 million and RM11.0 million respectively in Q3, 2018.

General Cans division

General Cans division generated total revenue of RM126.8 million in Q3, 2018, an increase of RM1.5 million from RM125.3 million in Q3, 2017. Revenue increased mainly due to higher demand for tin cans. Profit before taxation decreased by RM8.8 million to RM0.6 million in Q3, 2018 mainly attributable to higher raw material and production overhead costs in the quarter under review and a gain on disposal of property, plant and equipment in the preceding corresponding quarter.

Food Products division

Revenue in Food Products division grew by RM2.8 million to RM205.8 million in Q3, 2018 compared to RM203.0 million in Q3, 2017 mainly due to higher sales in evaporated creamer. Profit before taxation of Q3, 2018 increased by RM5.5 million to RM17.0 million mainly due to sales growth, sales mix and lower average material consumed price.

International Trading division

Revenue of International Trading division decreased by RM2.0 million to RM24.1 million in Q3, 2018 compared to RM26.1 million in Q3, 2017 due to reduced trading in resins. Profit before taxation in the current quarter under review approximated that of the preceding year corresponding quarter.

Investment in associate

The Group has equity accounted the results of associate, Kian Joo Can Factory Berhad ("KJCF") amounting to RM0.9 million (net of tax) in Q3, 2018 compared to RM3.0 million in Q3, 2017. The lower profit contributed by KJCF was mainly due to decrease in revenue, higher raw material costs and pre-operating loss incurred in Myanmar.

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THIRD QUARTER ENDED 30 SEPTEMBER 2018

1. Review of performance (cont'd.)

(b) *Current year-to-date ended 30 September 2018 ("YTD Q3, 2018") compared with previous year-to-date ended 30 September 2017 ("YTD Q3, 2017")*

The Group recorded an increase in net revenue by 8.3% or RM69.1 million to RM904.6 million in YTD Q3, 2018 as compared to YTD Q3, 2017. However, profit before taxation and profit after taxation decreased from RM59.9 million and RM46.0 million in YTD Q3, 2017 to RM48.6 million and RM33.6 million respectively in YTD Q3, 2018.

General Cans division

Revenue of General Cans division for YTD Q3, 2018 was RM371.1 million, an increase of RM3.4 million compared to YTD Q3, 2017. However, profit before taxation dropped by RM18.6 million to RM3.6 million in YTD Q3, 2018 mainly attributable to sales mix, higher average material and production overhead costs and a loss on disposal of plant and equipment in YTD Q3, 2018 amounting to RM0.1 million compared to a gain on disposal of property, plant and equipment in YTD Q3, 2017 amounting to RM6.7 million and higher distribution expenses.

Food Products division

Food Products division generated revenue of RM634.0 million in YTD Q3, 2018, an increase of RM87.0 million compared to YTD Q3, 2017, mainly due to effective execution of sales plan and improved production efficiency. In tandem with higher sales growth, better production efficiency and sales mix, profit before taxation improved by RM15.5 million to RM49.6 million compared to YTD Q3, 2017.

International Trading division

Revenue of International Trading division increased by RM20.0 million to RM98.2 million in YTD Q3, 2018 due to increase in trading activities which contributed to the increase in profit before taxation of RM0.2 million as compared to YTD Q3, 2017.

Investment in associate

The share of equity results of the associate, KJCF, decreased by RM7.9 million to RM5.8 million in YTD Q3, 2018 mainly attributable to lower sales, higher costs of raw material costs and pre-operating expenses incurred in Myanmar.

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2. Variation of results against immediate preceding quarter ended 30 June 2018 ("Q2, 2018")

	Current Quarter Ended 30/09/2018 RM'000	Immediate Preceding Quarter Ended 30/06/2018 RM'000	Changes RM'000
Revenue	297,786	296,358	1,428
Operating Profit	20,706	21,701	(995)
Profit Before Interest and Taxation	21,564	23,104	(1,540)
Profit Before Taxation	15,245	17,364	(2,119)
Profit After Taxation / Profit Attributable to Owners of the Company	<u>10,985</u>	<u>11,212</u>	<u>(227)</u>

Revenue in current quarter under review increased from RM296.4 million in Q2, 2018 to RM297.8 million in Q3, 2018. Profit before taxation, however, decreased by RM2.1 million to RM15.2 million for the current quarter under review.

General Cans division

Revenue of General Cans division increased by RM6.1 million from RM120.7 million in Q2, 2018 to RM126.8 million in Q3, 2018. Profit before taxation increased by RM0.3 million to RM0.6 million in the current quarter under review mainly due to higher sales and sales mix.

Food Products division

Revenue of Food Products division decreased by RM2.1 million to RM205.8 million in Q3, 2018. Profit before taxation decreased by RM2.3 million from RM19.3 million to RM17.0 million in Q3, 2018 mainly due to lower sales, sales mix and production efficiency.

International Trading division

International Trading division recorded a decrease in turnover of RM14.0 million from RM38.1 million in Q2, 2018 to RM24.1 million in Q3, 2018 mainly due to lower demand in trading activities.

Investment in associate

The Group has equity accounted the results of associate, KJCF amounting to RM0.9 million in Q3, 2018, a decrease of RM0.5 million from last quarter. The lower profit contributed by KJCF was mainly due to higher losses at its contract packaging division and losses in derivative financial instruments compared to a gain in last quarter.

CAN-ONE BERHAD
(Company No. 638899-K)

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3. Prospects

The Group's operating environment for the last quarter of the financial year is expected to remain challenging with volatile foreign exchange rates, uptrend price of raw materials and low demand for jerry cans especially in General Cans division. To ensure the Group is well-positioned to manage the challenges, the management will continue to review its marketing strategies whilst improving on production efficiencies and reviewing the operation costs.

Barring any unforeseen circumstances, the Board anticipates 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 30/09/2018 RM'000	Preceding year corresponding quarter ended 30/09/2017 RM'000	Current year-to-date ended 30/09/2018 RM'000	Preceding year-to-date ended 30/09/2017 RM'000
Current tax expense				
- Current year	5,995	5,505	15,976	14,795
- Prior year	(1,075)	(329)	(1,075)	1
Deferred tax expense	(660)	(124)	33	(892)
	4,260	5,052	14,934	13,904

Effective tax rate was higher than the Income Tax rate of 24% was mainly due to losses incurred by a subsidiary 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 26 November 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 September 2018 are as follows :

	As at 30/09/2018 RM'000	As at 31/12/2017 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	262	656
Term loans	1,726	2,726
Bankers' acceptances	21,815	29,774
	<u>23,803</u>	<u>33,156</u>
Unsecured		
Bills receivable financing	7,661	5,482
Term loans	19,840	12,348
Bankers' acceptances	158,430	143,691
Revolving credits	46,000	6,000
	<u>255,734</u>	<u>200,677</u>
Non-current		
Secured		
Finance leases	832	1,388
Term loans	218,699	222,827
	<u>219,531</u>	<u>224,215</u>
Unsecured		
Term loans	46,371	34,472
	<u>265,902</u>	<u>258,687</u>
Total borrowings in RM	<u><u>521,636</u></u>	<u><u>459,364</u></u>
Borrowings denominated in USD		
Current		
Secured		
Foreign currencies trade loans	2,505	7,417
Unsecured		
Foreign currencies trade loans	8,633	28,823
Revolving credits	4,137	4,048
Total borrowings in USD	<u><u>15,275</u></u>	<u><u>40,288</u></u>
Total Group borrowings	<u><u>536,911</u></u>	<u><u>499,652</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
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7. Group borrowings and debts securities (cont'd)

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

	As at 30/09/2018 %	As at 31/12/2017 %
Term loans:		
- Fixed	3.05	3.05
- Floating	5.35	5.03
Trade facilities	4.11	3.61
Finance leases	2.19	2.87
Revolving credits	<u>4.61</u>	<u>4.32</u>

There are no major changes in the Group's total borrowings except for the new term loans drawn down amounting to RM30.4 million during the year. 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 30/09/2018 RM'000	As at 31/12/2017 RM'000
Derivative financial (liabilities)/assets	<u>(42)</u>	<u>10</u>
Forward foreign exchange contracts, net		
- Notional value	3,860	53
- Fair value	<u>(42)</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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THIRD QUARTER ENDED 30 SEPTEMBER 2018

9. Profit before taxation

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

	Current quarter ended 30/09/2018 RM'000	Preceding year corresponding quarter ended 30/09/2017 RM'000	Current year-to-date ended 30/09/2018 RM'000	Preceding year-to-date ended 30/09/2017 RM'000
Interest income	(193)	(195)	(604)	(634)
Other expenses/(income)	199	(559)	763	(2,943)
Interest expense	6,512	5,480	18,187	16,250
Depreciation and amortisation	6,192	6,025	17,811	17,493
Property, plant and equipment written off	139	-	140	-
Impairment loss of receivables, net	763	171	1,257	146
(Gain)/Loss on disposal of property, plant and equipment	(23)	(3,937)	26	(6,352)
(Gain)/Loss on foreign currency exchange	58	2,383	2,323	7,360
(Gain)/Loss on derivative financial instruments	(216)	(35)	43	(41)

10. Changes in material litigation

There was no pending material litigation as at 26 November 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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12. Earnings per share

The basic earnings per share are computed as follows :

	Current quarter ended 30/09/2018	Preceding year corresponding quarter ended 30/09/2017	Current year-to-date ended 30/09/2018	Preceding year-to-date ended 30/09/2017
Net profit attributable to shareholders of the Company (RM'000)	10,985	15,925	33,622	46,001
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>5.72</u>	<u>8.29</u>	<u>17.50</u>	<u>23.94</u>

Dated : 28 November 2018
Petaling Jaya,
Selangor Darul Ehsan