

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

Quarterly report on consolidated results for the First Quarter ended 31 March 2019. The figures have not been audited.
(Financial year ending 31 March 2019)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2019 RM'000	As at 31/12/2018 (Audited) RM'000
Non-current assets		
Property, plant and equipment	2,243,783	451,061
Intangible assets	1,013	362
Investment in associate	-	512,671
Goodwill on consolidation	1,408	1,424
Land use rights	118,074	-
Investment properties	36,197	-
Other assets	4,434	-
Deferred tax assets	10,864	-
Total non-current assets	2,415,773	965,518
Current assets		
Inventories	663,170	185,496
Trade and other receivables	688,807	334,673
Current tax assets	21,526	3,720
Derivative financial assets	2	54
Cash and cash equivalents	289,677	108,214
Other assets	4,628	-
Total current assets	1,667,810	632,157
Total assets	4,083,583	1,597,675
Equity		
Share capital	197,660	197,660
Reserves	823,359	633,111
Total equity attributable to owners of the Company	1,021,019	830,771
Non-controlling interest	410,519	-
	1,431,538	830,771
Liabilities		
Retirement benefits obligations	52,996	-
Deferred tax liabilities	104,556	31,384
Loans and borrowings	1,310,112	281,942
Derivative financial liabilities	3,567	-
Total non-current liabilities	1,471,231	313,326
Trade and other payables	450,996	192,480
Provisions	16	-
Retirement benefits obligations	9,338	-
Derivative financial liabilities	4,841	-
Loans and borrowings	710,309	258,179
Current tax payables	5,314	2,919
Total current liabilities	1,180,814	453,578
Total liabilities	2,652,045	766,904
Total equity and liabilities	4,083,583	1,597,675
Net assets per share attributable to equity holders of the Company (Sen)	531.36	432.35

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the First Quarter ended 31 March 2019. The figures have not been audited.

(Financial year ending 31 March 2019)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current quarter ended 31/03/2019 RM'000	Preceding year corresponding quarter ended 31/03/2018 RM'000	Changes %	Current year-to-date ended 31/03/2019 RM'000	Preceding year-to-date ended 31/03/2018 RM'000	Changes %
Continuing Operations						
Revenue	406,217	310,479	31	406,217	310,479	31
Cost of sales	(361,069)	(277,045)		(361,069)	(277,045)	
Gross profit	45,148	33,434	35	45,148	33,434	35
Other income/(expenses)	252,333	(2,737)		252,333	(2,737)	
Sales and distribution expenses	(6,474)	(4,371)		(6,474)	(4,371)	
Administrative expenses	(19,049)	(8,344)		(19,049)	(8,344)	
Profit from operations	271,958	17,982	1,412	271,958	17,982	1,412
Interest income	171	181		171	181	
Finance costs	(7,453)	(5,705)		(7,453)	(5,705)	
Net finance cost	(7,282)	(5,524)		(7,282)	(5,524)	
Share of profit of equity-accounted investees, net of tax	(3,402)	3,489		(3,402)	3,489	
Profit before tax	261,274	15,947	1,538	261,274	15,947	1,538
Tax expense	(4,989)	(4,522)		(4,989)	(4,522)	
Profit for the period	256,285	11,425	2,143	256,285	11,425	2,143
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	(338)	(636)		(338)	(636)	
- Share of other income/(loss) of associate	(564)	(5,294)		(564)	(5,294)	
Total comprehensive income for the period attributable to the Owners of the Company	255,383	5,495	4,548	255,383	5,495	4,548
Profit attributable to :						
Owners of the Company	96,878	11,425		96,878	11,425	
Non-controlling interest	159,407	-		159,407	-	
	256,285	11,425		256,285	11,425	
Total comprehensive income attributable to :						
Owners of the Company	95,976	5,495		95,976	5,495	
Non-controlling interest	159,407	-		159,407	-	
	255,383	5,495		255,383	5,495	
Earnings per share						
Basic (Sen)	50.42	5.95		50.42	5.95	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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CAN-ONE BERHAD
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(Financial year ending 31 March 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	-<Attributable to Owners of the Company->					Total equity RM'000
	<----Non-Distributable---->		Distributable			
	Share capital RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	
Current period ended 31 March 2019						
Balance at 1 January 2019	197,660	7,653	625,458	830,771	-	830,771
Comprehensive income for the period						
Profit for the period	-	-	96,878	96,878	159,407	256,285
Currency translation differences of foreign operations	-	(338)	-	(338)	-	(338)
Share of currency translation differences of associate	-	(564)	-	(564)	-	(564)
Total comprehensive income for the period	-	(902)	96,878	95,976	159,407	255,383
Acquisition of a subsidiary	-	-	-	-	766,519	766,519
Acquisition of non-controlling interest	-	-	94,272	94,272	(515,407)	(421,135)
Balance at 31 March 2019	<u>197,660</u>	<u>6,751</u>	<u>816,608</u>	<u>1,021,019</u>	<u>410,519</u>	<u>1,431,538</u>
Preceding year corresponding period ended 31 March 2018						
Balance at 1 January 2018	197,660	9,018	586,568	793,246	-	793,246
Comprehensive income for the period						
Profit for the period	-	-	11,425	11,425	-	11,425
Currency translation differences of foreign operations	-	(636)	-	(636)	-	(636)
Share of currency translation differences of associate	-	(5,294)	-	(5,294)	-	(5,294)
Total comprehensive income for the period	-	(5,930)	11,425	5,495	-	5,495
Balance at 31 March 2018	<u>197,660</u>	<u>3,088</u>	<u>597,993</u>	<u>798,741</u>	<u>-</u>	<u>798,741</u>

NOTE:

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

Quarterly report on consolidated results for the First Quarter ended 31 March 2019. The figures have not been audited.

(Financial year ending 31 March 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 31/03/2019 RM'000	Preceding year-to-date ended 31/03/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	261,274	15,947
Adjustments:		
Interest expense	7,453	5,705
Interest income	(171)	(181)
Impairment loss on goodwill	16	-
Impairment loss on receivables	81	(15)
Bad debts written-off	3	-
Amortisation of intangible assets	56	34
Depreciation of property, plant and equipment	6,163	5,667
Unrealised (gain)/loss on derivatives	64	(136)
(Gain)/Loss on disposal of property, plant and equipment	(33)	(66)
Gain on bargain purchase, net	(308,284)	-
Share of profit of equity-accounted investee, net of tax	3,402	(3,489)
Operating profit before changes in working capital	<u>(29,976)</u>	23,466
Inventories	20,266	38,175
Trade and other receivables	20,560	(18,099)
Trade and other payables	<u>(16,216)</u>	<u>(29,741)</u>
Cash generated from operations	(5,366)	13,801
Tax paid	<u>(3,207)</u>	<u>(4,698)</u>
Net cash from operating activities	(8,573)	9,103
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	44	297
Acquisition of subsidiaries, net of cash acquired	(480,352)	(16)
Acquisition of property, plant and equipment	(34,011)	(6,352)
Interest received, net of interest received from pledged deposit	171	181
Net cash used in investing activities	(514,148)	(5,890)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,453)	(5,705)
Net movement in borrowings	711,870	(324)
Withdrawal of deposits for bank borrowings	-	7,540
Net cash flows generated from financing activities	704,417	1,511
Net increase in cash and cash equivalent	181,696	4,724
Effects of changes in foreign currency rates	(233)	(235)
Cash and cash equivalent brought forward	108,214	88,016
Cash and cash equivalent carried forward	<u>289,677</u>	<u>92,505</u>
Comprises :		
Cash and bank balances	285,896	88,505
Short term deposits with licensed banks (excluding deposits pledged)	3,781	4,000
	<u>289,677</u>	<u>92,505</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

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 2018. 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 2018.

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 2018 except for the following :

The Group adopted the following additional accounting policies during current quarter :

i) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

The Group has assessed and classified land use rights of the Group as operating leases as management has determined that the risks and rewards incidental to ownership of the land do not reside with the Group.

ii) Investment properties

Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses. The investment properties are depreciated over the lease terms.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

2. Significant Accounting Policies (cont'd)

iii) Hedging and Non-hedging derivatives assets and liabilities

Hedging derivative assets and liabilities are measured at fair value through other comprehensive income whereas non-hedging derivative assets and liabilities are measured at fair value through profit or loss.

a) Cross currency interest rate swap contracts

In the financial year ended 2012, the Group obtained a term loan denominated in RM from a financial institution, with whom the Group entered into a USD/RM cross currency interest rate swap contract. The term loan was subsequently converted into USD and extended to its subsidiary in Vietnam. The Group shall repay the loan in RM at a predetermined USD/RM conversion rate as per the cross currency interest rate swap contract. The subsidiary shall repay the loan in USD to the Group.

b) Cross currency interest rate swaps

Cross currency interest rate swaps have been entered into in order to operationally hedge floating monthly interest payments on borrowings that would mature in various date. The fair value of cross currency interest rate swaps is based on bankers' quotes.

iv) Cash flow hedge

The cash flow hedge comprises the effective portion of the cumulative net change in the fair value of the cash flow hedges related to hedged transactions that have not yet occurred.

v) Retirement benefit obligations

The Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Group's obligation under the Scheme is determined based on the latest actuarial valuation by an independent actuary dated 17 January 2017. The Group carries out the valuation every three years. Under the Scheme, eligible employees are entitled to retirement benefits varying between 18 days and 52 days per year of final salary upon attainment of the retirement age of 60.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

2. Significant Accounting Policies (cont'd)

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 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 119	<i>Employee Benefits - Plan Amendment, Curtailment or Settlement</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>

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	<i>Business Combinations - Definition of Business</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</i>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10 *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*

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.

3. Auditors' report

The auditors' report dated 4 April 2019 on the financial statements for the financial year ended 31 December 2018 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 quarter under review.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

6. Investment in associate

	At 31/12/2018 RM'000
Share of net assets in associate	<u>512,671</u>
Market value	<u>385,787</u>

Pursuant to the Mandatory General Offer for Kian Joo Can Factory Berhad ("KJCF") shares (kindly refer Status of Corporate Proposals - Page 15), on 18 March 2019, the acceptance condition was fulfilled and the offer became unconditional. Accordingly the associated companies have become subsidiaries of Can-One Berhad.

7. Changes in Estimates

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

9. Dividend paid

There was no dividend paid during the quarter under review.

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, rigid packaging, aluminium cans and corrugated fibreboard cartons (collectively, "General Packaging");
- b) Manufacturing, packaging and distribution of dairy, carbonated and non-carbonated beverages, milk powder as well as edible oil products ("Contract Manufacturing");
- c) Trading; and
- d) Property and investment holding ("Others")

Segment revenue and results for the first quarter ended 31 March 2019 are as follows :

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

10. Segment information (cont'd)

	Year-to-date ended 31/03/2019						
	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External sales	193,340	251,598	49,524	607	495,069	(88,852)	406,217
Inter-segment sales	6,844	-	-	-	6,844	(6,844)	-
	<u>200,184</u>	<u>251,598</u>	<u>49,524</u>	<u>607</u>	<u>501,913</u>	<u>(95,696)</u>	<u>406,217</u>
Results							
Segment results	4,448	20,575	1,294	(8,124)	18,193	253,765	271,958
Interest income	363	58	1	436	858	(687)	171
Financial expenses	(2,925)	(2,140)	(1)	(3,074)	(8,140)	687	(7,453)
Share of profit after tax of associate	-	-	-	(3,402)	(3,402)	-	(3,402)
Profit before taxation	<u>1,886</u>	<u>18,493</u>	<u>1,294</u>	<u>(14,164)</u>	<u>7,509</u>	<u>253,765</u>	<u>261,274</u>
Assets							
Segment assets	3,494,615	665,192	375,481	152,561	4,687,849	(636,656)	4,051,193
Unallocated assets	-	-	-	-	32,390	-	32,390
Total assets	<u>3,494,615</u>	<u>665,192</u>	<u>375,481</u>	<u>152,561</u>	<u>4,720,239</u>	<u>(636,656)</u>	<u>4,083,583</u>
Liabilities							
Segment liabilities	1,386,470	367,097	216,385	984,604	2,954,556	(412,381)	2,542,175
Unallocated liabilities	-	-	-	-	109,870	-	109,870
Total liabilities	<u>1,386,470</u>	<u>367,097</u>	<u>216,385</u>	<u>984,604</u>	<u>3,064,426</u>	<u>(412,381)</u>	<u>2,652,045</u>
Preceding year-to-date ended 31/03/2018							
	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External sales	119,166	220,331	36,017	57	375,571	(65,092)	310,479
Inter-segment sales	4,445	-	-	-	4,445	(4,445)	-
	<u>123,611</u>	<u>220,331</u>	<u>36,017</u>	<u>57</u>	<u>380,016</u>	<u>(69,537)</u>	<u>310,479</u>
Results							
Segment results	3,947	14,800	627	(3,186)	16,188	1,794	17,982
Interest income	143	137	-	89	369	(188)	181
Finance expenses	(1,342)	(1,631)	-	(2,920)	(5,893)	188	(5,705)
Share of profit after tax of associate	-	-	-	3,489	3,489	-	3,489
Profit before taxation	<u>2,748</u>	<u>13,306</u>	<u>627</u>	<u>(2,528)</u>	<u>14,153</u>	<u>1,794</u>	<u>15,947</u>
Assets							
Segment assets	425,079	543,256	26,848	561,890	1,557,073	(81,582)	1,475,491
Unallocated assets	-	-	-	-	725	-	725
Total assets	<u>425,079</u>	<u>543,256</u>	<u>26,848</u>	<u>561,890</u>	<u>1,557,798</u>	<u>(81,582)</u>	<u>1,476,216</u>
Liabilities							
Segment liabilities	184,311	274,679	18,436	252,450	729,876	(84,199)	645,677
Unallocated liabilities	-	-	-	-	31,684	114	31,798
Total liabilities	<u>184,311</u>	<u>274,679</u>	<u>18,436</u>	<u>252,450</u>	<u>761,560</u>	<u>(84,085)</u>	<u>677,475</u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

11. Valuation of property, plant and equipment

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

12. Material subsequent events

As at 27 May 2019 (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 except for the Corporate Proposals as disclosed in Note 6 (Part B) of this announcement.

13. Changes in the Group composition

As at 27 May 2019 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there was no material change in the Group composition except for associate company, KJCF which became a subsidiary of the Company on 18 March 2019 consequent to the Corporate Proposals as disclosed in Note 6 (Part B) of this announcement.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 31 March 2019.

As at 27 May 2019 (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 31 March 2019, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>396,830</u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

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 31/03/2019 RM'000
Sales of goods to associated companies	<u><u>2,743</u></u>
Purchases of goods from a related party	410
Purchases of goods from associated companies	<u><u>9,716</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 30 May 2019.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

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

1. Review of performance

(a) Current quarter ended 31 March 2019 ("Q1, 2019") compared with previous corresponding quarter ended 31 March 2018 ("Q1, 2018")

The Group's revenue increased from RM310.5 million in Q1, 2018 to RM406.2 million in Q1, 2019. Profit before taxation and profit after taxation increased from RM15.9 million and RM11.4 million in Q1, 2018 to RM261.3 million and RM256.3 million respectively in Q1, 2019. Increase in profit before taxation was mainly due to bargain purchase arising from the acquisition of KJCF shares offset against loss on remeasurement of previously equity interest held in KJCF. The bargain purchase gain recorded in Q1, 2019 was subject to revision upon the completion of the valuation process.

General Packaging division

General Packaging division generated total revenue of RM200.2 million in Q1, 2019, an increase of RM76.6 million from RM123.6 million in Q1, 2018. Revenue increased mainly due to first time consolidation of the revenue of KJCF Group's General Packaging division as well as increase in sales of existing Tin Cans segment. Profit before taxation decreased by RM0.9 million to RM1.9 million in Q1, 2019 mainly attributable to higher admin expenses and financial expenses.

Contract Manufacturing division

Revenue in Contract Manufacturing division grew by RM31.3 million to RM251.6 million in Q1, 2019 compared to RM220.3 million in Q1, 2018 contributed mainly by contract packing for edible oils. Compared to Q1, 2018, profit before taxation of Q1, 2019 increased by RM5.2 million to RM18.5 million mainly due to sales growth as well as sales mix and favourable foreign currency exchange offset against increased operating expenses.

Trading division

Revenue of Trading division increased by RM13.5 million to RM49.5 million in Q1, 2019 compared to RM36.0 million in Q1, 2018, mainly due to increased trading activity and first time consolidation of KJCF Trading division. In tandem with the said increase, profit before taxation in the current quarter under review grew by RM0.7 million to RM1.3 million.

Investment in associate

The Group equity accounted the results of KJCF at 32.9% equity interest, amounting to loss (net of tax) of RM3.4 million in the current quarter compared to profit (net of tax) of RM3.5 million in Q1, 2018. This was mainly impacted by initial operating loss in Myanmar amounting to RM13.0 million in current quarter as compared to Q1, 2018.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

2. Variation of results against immediate preceding quarter ended 31 December 2018 ("Q4, 2018")

	Current Quarter Ended 31/03/2019 RM'000	Immediate Preceding Quarter Ended 31/12/2018 RM'000	Changes RM'000
Revenue	406,217	322,596	83,621
Operating Profit	271,958	23,979	247,979
Profit Before Interest and Taxation	268,556	23,210	245,346
Profit Before Taxation	261,274	16,653	244,621
Profit After Taxation	256,285	12,953	243,332
Profit Attributable to Owners of the Company	96,878	12,953	83,925

Revenue increased from RM322.6 million in the immediate preceding quarter to RM406.2 million in the current quarter under review. Profit before taxation increased by RM244.6 million to RM261.3 million in the current quarter under review. The increase in profit before taxation was mainly due to bargain purchase gain arising from the acquisition of KJCF shares offset against loss on remeasurement of previously equity interest held in KJCF.

General Packaging division

Revenue of General Packaging division increased by RM56.3 million from RM143.9 million in Q4, 2018 to RM200.2 million in Q1, 2019 mainly due to first time consolidation of the revenue of KJCF's General Packaging division. Profit before taxation decreased by RM2.6 million to RM1.9 million in the current quarter under review mainly due to higher admin and financial expenses.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM37.4 million to RM251.6 million in Q1, 2019. In tandem with sales growth and sales mix, profit before taxation increased by RM2.7 million from RM15.8 million in Q4, 2018 to RM18.5 million in Q1, 2019.

Trading division

Trading division recorded an increase in turnover of RM3.7 million from RM45.8 million in Q4, 2018 to RM49.5 million in Q1, 2019 mainly due to trading in sugar and first time consolidation of the revenue of KJCF's Trading division offset against decrease in trading of resin. Profit before taxation increased in tandem by RM0.5 million to RM1.3 million in Q1, 2019.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

2. Variation of results against immediate preceding quarter ended 31 December 2018 ("Q4, 2018") (cont'd)

Investment in associate

The Group equity accounted the results of KJCF at 32.9% equity interest, amounting to loss (net of tax) of RM3.4 million in the current quarter compared to loss (net of tax) of RM0.8 million in last quarter. This was mainly due to lower revenue as well as initial operating loss in Myanmar amounting to RM13.0 million in current quarter as compared to RM8.4 million in last quarter.

3. Prospects

The World Bank is maintaining its forecast for Malaysia's 2019 gross domestic product growth at 4.7%, with private consumption continuing to be the main driver of growth, albeit expanding at a more measured pace. On the other hand, global conditions remain challenging in 2019. Global growth is projected to slow to 2.7% in 2019, reflecting decelerating activity in advanced economies and in many large emerging market and developing economies.

The key challenges faced by the Group included :

- (i) Weak sentiment in consumer market in Malaysia which had a knock-on effect on the Group's operations;
- (ii) Volatility in foreign currency exchange rates, mainly United States Dollar ("USD");
- (iii) Escalating costs of direct materials such as tin plate, aluminium and paper rolls; and
- (iv) Increase in production costs including labour costs.

The Malaysian Government had increased the minimum wage by 10% from RM1,000 to RM1,100 per month with effect from 1 January 2019. The Vietnam's National Wage Council simultaneously increased the minimum wage by 5.03%. These would add additional cost to the Group.

The 2 new plants in Myanmar commenced operations in the first quarter of 2019. Since this is a greenfield project, the Group can only anticipate positive contribution from these 2 plants in 4 to 5 years from their commencement of operation.

Looking ahead, the Management is cautiously optimistic that the results would improve in 2019.

4. Profit forecast/profit guarantee

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

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

5. Tax expense

	Current quarter ended 31/03/2019 RM'000	Preceding year corresponding quarter ended 31/03/2018 RM'000	Current year-to-date ended 31/03/2019 RM'000	Preceding year-to-date ended 31/03/2018 RM'000
Current tax expense				
- Current year	3,334	3,910	3,334	3,910
- Prior year	-	(23)	-	(23)
Deferred tax expense	1,655	635	1,655	635
	4,989	4,522	4,989	4,522

The current quarter's effective tax rate is lower than the Malaysian corporate tax rate of 24% mainly due to non-taxable income arising from gain on bargain purchase recognised during the current quarter under review.

6. Status of Corporate Proposals

Proposed Acquisition of 2,166,000 ordinary shares in KJCF ("KJCF Shares"), representing approximately 0.49% equity interest in KJCF by Can-One International Sdn Bhd ("CISB" or "Offeror"), a wholly-owned subsidiary of Can-One Berhad ("Can-One"), from Tan Kim Seng ("Vendor") at a total cash consideration of RM6,714,600 or RM3.10 per KJCF Share ("Acquisition") and the resultant Mandatory General Offer for all the remaining KJCF Shares not already owned by CISB after the Acquisition at a cash consideration of RM3.10 per KJCF Share ("Offer Price") ("MGO")

(The Acquisition and MGO are collectively referred to as the "Proposals")

On 13 December 2018, AmInvestment Bank Berhad ("AmInvestment Bank") had, on behalf of the Board, announced that CISB had entered into a conditional sale and purchase agreement ("SSA") with the Vendor.

At the Extraordinary General Meeting ("EGM") of Can-One on 14 February 2019, shareholders approved the Proposals. Consequently, the SSA became unconditional and the Acquisition was completed on 14 February 2019. As a result of the Acquisition, CISB's shareholding in KJCF increased from 32.90% to 33.39%.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

6. Status of Corporate Proposals (cont'd)

Pursuant to Section 218(2) of the Capital Markets and Services Act 2007 ("CMSA") and Paragraph 4.01(a) of the Rules and Take-overs, Mergers and Compulsory Acquisitions ("Rules"), as the shareholding of CISB in KJCF had exceeded 33.00% of the total voting shares in KJCF. On 14 February 2019, AmlInvestment Bank on behalf of CISB, served a Notice to KJCF's Board of Directors in respect of the MGO in accordance with Paragraph 9.10(1) of the Rules ("Offer").

On 1 March 2019, AmlInvestment Bank, on behalf of CISB, extended the Offer to the shareholders of KJCF whose names appeared in the Record of Depositors of KJCF as at 26 February 2019 and have a registered Malaysian address maintained with Bursa Malaysia Depository Sdn. Bhd.. The closing date for the acceptance of the Offer was 22 March 2019 or such later date as CISB may decide and announce at least 2 days before the closing date.

On 18 March 2019, the valid acceptances of the Offer when taken together with the KJCF Shares of CISB, Can-One and Parties Acting in Concert with them, were more than 50% of the total KJCF Shares. Accordingly, the acceptance condition was fulfilled and the Offer became unconditional. As at 31 March 2019, CISB and Can-One's equity interest in KJCF aggregated 82.78%. The closing date of the Offer was extended to 8 April 2019 and subsequently, extended to 30 April 2019 ("Final Closing Date").

On 30 April 2019, AmlInvestment Bank announced that the Offer had closed at 30 April 2019, 5.00 p.m. (Malaysia Time). Based on the valid acceptances, CISB and Can-One's collectively held 97.48% of the total KJCF Shares.

As CISB and Can-One did not intend to maintain the listing status of KJCF, Bursa Malaysia Securities Berhad ("Bursa Securities") suspended the trading of the securities of KJCF commencing 9 May 2019, being the expiry of 5 Market Days from the Final Closing Date of 30 April 2019 in accordance with Paragraph 16.02(3) of the Main Market Listing Requirements of Bursa Securities. Accordingly, CISB procured KJCF to make an application to Bursa Securities for the withdrawal of its listing status from the Official List of Bursa Securities, in accordance with Paragraph 16.07 of the Listing Requirements.

In addition, as CISB had received valid acceptance of not less than nine-tenths (9/10) in the value of the KJCF Shares (excluding KJCF Shares already held by the CISB, Can-One and Parties Acting in Concert as at the Posting Date), CISB and Can-One invoked the provisions of Section 222(1) of the CMSA to compulsorily acquire any remaining offer shares.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

6. Status of Corporate Proposals (cont'd)

On 7 May 2019, KJCF submitted an application to Bursa Securities for the withdrawal of its listing status from the Official List of Bursa Securities in accordance with Paragraph 16.07 of the Listing Requirements.

On 10 May 2019, AmInvestment Bank announced that CISB had posted the Compulsory Acquisition Notice to the Dissenting Shareholders (whose names appear in the Record of Depositors of KJCF as at 5.00 p.m. (Malaysian time) on 7 May 2019) in accordance with Section 222(1) of the CMSA, notifying them of CISB's intention to compulsorily acquire the Remaining Offer Shares held by the Dissenting Shareholders.

Subject to the provisions of the CMSA, CISB shall be registered as the holder of the Remaining Offer Shares not already owned by the CISB:-

- (i) after the expiration of 1 month from the date of the Compulsory Acquisition Notice; or
- (ii) if applicable, after 14 days from the date of posting of the names and addresses of all other dissenting shareholders, as shown in the Register of Members and/or Record of Depositors, to the Dissenting Shareholders, upon his/her request,

whichever is later.

Bursa Securities advised vide its letter dated 13 May 2019, that pursuant to Paragraph 16.07(a) of the Listing Requirements, the entire issued share capital of KJCF will be removed from the Official List of Bursa Securities with effect from 9.00 a.m., Thursday, 16 May 2019.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

7. Group borrowings and debts securities

Group borrowings as at 31 March 2019 are as follows :

	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	246	269
Term loans	8,026	1,726
Bankers' acceptances	-	12,908
	<u>8,272</u>	<u>14,903</u>
Unsecured		
Bills receivable financing	4,876	-
Term loans	59,311	18,970
Bankers' acceptances	357,694	163,483
Revolving credits	117,275	51,000
	<u>547,428</u>	<u>248,356</u>
Non-current		
Secured		
Finance leases	721	765
Term loans	873,686	218,268
	<u>874,407</u>	<u>219,033</u>
Unsecured		
Term loans	187,553	62,909
	<u>1,061,960</u>	<u>281,942</u>
Total borrowings in RM	<u><u>1,609,388</u></u>	<u><u>530,298</u></u>
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	6,686	-
Foreign currencies trade loans	103,949	-
	<u>110,635</u>	<u>-</u>
Non-current		
Term loans	27,301	-
Total borrowings in VND	<u><u>137,936</u></u>	<u><u>-</u></u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

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

	As at 31/03/2019 RM'000	As at 31/12/2018 RM'000
Borrowings denominated in United States Dollar ("USD")		
Current		
Secured		
Foreign currencies trade loans	-	1,859
Unsecured		
Foreign currencies trade loans	15,736	3,828
Revolving credits	24,478	4,136
Term loans	12,032	-
	<u>52,246</u>	<u>9,823</u>
Non-current		
Unsecured		
Term loans	220,851	-
Total borrowings in USD	<u>273,097</u>	<u>9,823</u>
Total Group borrowings	<u>2,020,421</u>	<u>540,121</u>

The interest rates for the borrowings are as follows :

	As at 31/03/2019	As at 31/12/2018
Term loans:		
- Fixed	3.50%	Nil
- Floating	3.68% - 7.80%	4.61% - 5.61%
Trade facilities	2.95% - 6.24%	2.93% - 4.36%
Finance leases	1.88% - 2.65%	1.88% - 2.65%
Revolving credits	<u>4.23% - 5.00%</u>	<u>4.18% - 4.90%</u>

There were no major changes in the Group's total borrowings except for the consolidation of KJCF's borrowings, new term loans drawn down to finance the acquisition of KJCF shares and capital expenditures of the Group.

Certain amounts of the Group's borrowings denominated in USD were hedged.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

8. Derivatives Financial Instruments

As at 31 March 2019, the Group had entered into :

- (i) forward foreign currency exchange contracts to hedge majority against USD/RM exchange rate fluctuations;
- (ii) commodity contracts to hedge pricing risk of aluminium; and
- (iii) interest rate swap contract with a financial institution to hedge the interest rate exposure in respect of a long term loan denominated in USD.

The fair value of the derivatives are determined by using mark-to-market values at the end of the reporting date and changes in the fair value are recognised in profit or loss statement as shown in Note 9.

Details of derivative financial instruments outstanding as at 31 March 2019 are set out below :

Type of derivative	Notional amount RM'000	Current assets RM'000	Current liabilities RM'000	Non-current liabilities RM'000
Hedging derivatives :				
Commodity contracts				
- Less than one (1) year	54,003	-	1,854	-
Interest swap contract				
- Less than one (1) year	71,374	-	1,190	-
- One (1) year to three (3) years	214,121	-	-	3,567
Non-hedging derivatives :				
Cross currency swap contract				
- Less than one (1) year	5,247	-	1,784	-
Foreign exchange contracts				
- Less than one (1) year	33,133	2	13	-
		<u>2</u>	<u>4,841</u>	<u>3,567</u>

Other than the above derivatives which were measured at fair value, the Group did not remeasure other financial assets and financial liabilities after initial recognition.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

9. Profit before taxation

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

	Current quarter ended 31/03/2019 RM'000	Preceding year corresponding quarter ended 31/03/2018 RM'000	Current year-to-date ended 31/03/2019 RM'000	Preceding year-to-date ended 31/03/2018 RM'000
Interest income	(171)	(181)	(171)	(181)
Other expenses/(income)	(41)	46	(41)	46
Interest expense	7,453	5,705	7,453	5,705
Depreciation and amortisation	6,219	5,701	6,219	5,701
Bad debts written off	3	-	3	-
Impairment loss of receivables, net	81	(15)	81	(15)
(Gain)/Loss on disposal of property, plant and equipment	(33)	(66)	(33)	(66)
Impairment of goodwill	16	-	16	-
(Gain)/Loss on foreign currency exchange	303	2,902	303	2,902
(Gain)/Loss on derivative financial instruments	10	(145)	10	(145)
Loss on remeasurement of equity accounted KJCF	55,696	-	55,696	-
Gain on bargain purchase	(308,284)	-	(308,284)	-

10. Changes in material litigation

There was no pending material litigation as at 27 May 2019 (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.

The Directors had on 28 February 2019 recommended a first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2018, subject to the approval by shareholders at the forthcoming Annual General Meeting of the Company.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2019

12. Earnings per share

The basic earnings per share are computed as follows :

	Current quarter ended 31/03/2019	Preceding year corresponding quarter ended 31/03/2018	Current year-to-date ended 31/03/2019	Preceding year-to-date ended 31/03/2018
Profit attributable to owners of the Company (RM'000)	96,878	11,425	96,878	11,425
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>50.42</u>	<u>5.95</u>	<u>50.42</u>	<u>5.95</u>

Dated : 30 May 2019
Petaling Jaya,
Selangor Darul Ehsan