

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 September 2019. The figures have not been (Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2019 RM'000	As at 31/12/2018 (Audited) RM'000
Non-current assets		
Property, plant and equipment	2,176,469	451,061
Intangible assets	2,984	1,786
Investment in associate	-	512,671
Land use rights	191,566	-
Investment properties	17,466	-
Other assets	6,091	-
Deferred tax assets	5,379	-
Total non-current assets	2,399,955	965,518
Current assets		
Inventories	599,821	185,496
Trade and other receivables	503,266	334,673
Current tax assets	18,576	3,720
Derivative financial assets	57	54
Cash and cash equivalents	230,357	108,214
Other assets	7,179	-
Assets classified held for sale	524,606	-
Total current assets	1,883,862	632,157
Total assets	4,283,817	1,597,675
Equity		
Share capital	197,660	197,660
Reserves	976,813	633,111
Total equity attributable to owners of the Company	1,174,473	830,771
Non-controlling interest	140,747	-
	1,315,220	830,771
Liabilities		
Retirement benefits obligations	53,286	-
Deferred tax liabilities	104,410	31,384
Loans and borrowings	1,538,399	281,942
Derivative financial liabilities	6,633	-
Total non-current liabilities	1,702,728	313,326
Trade and other payables	359,716	192,480
Retirement benefits obligations	9,337	-
Derivative financial liabilities	4,646	-
Loans and borrowings	609,346	258,179
Current tax payables	3,028	2,919
Liabilities classified held for sale	279,796	-
Total current liabilities	1,265,869	453,578
Total liabilities	2,968,597	766,904
Total equity and liabilities	4,283,817	1,597,675
Net assets per share attributable to equity holders of the Company (Sen)	611.22	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

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Three Quarters ended 30 September 2019. The figures have not been audited.

(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current year Third quarter ended 30/09/2019 RM'000	Preceding year corresponding quarter ended 30/09/2018 RM'000	Changes %	Current year-to-date ended 30/09/2019 RM'000	Preceding year-to-date ended 30/09/2018 RM'000	Changes %
Continuing Operations						
Revenue	769,016	92,792	729	1,576,397	271,390	481
Cost of sales	(719,004)	(81,647)		(1,473,320)	(237,444)	
Gross profit	50,012	11,145	349	103,077	33,946	204
Other income/(expenses)	(1,604)	(816)		394,751	(2,255)	
Sales and distribution expenses	(13,967)	(2,764)		(27,460)	(6,770)	
Administrative expenses	(21,351)	(6,363)		(77,082)	(19,765)	
Profit from operations	13,090	1,202	989	393,286	5,156	7,528
Interest income	469	128		998	347	
Interest expense	(24,622)	(5,145)		(57,870)	(14,029)	
Net finance cost	(24,153)	(5,017)		(56,872)	(13,682)	
Share of profit of equity-accounted investees, net of tax	-	858		(3,402)	5,750	
(Loss)/Profit before tax	(11,063)	(2,957)	274	333,012	(2,776)	(12,096)
Tax expense	(1,894)	180		(4,821)	(2,334)	
(Loss)/Profit from continuing operations	(12,957)	(2,777)		328,191	(5,110)	(6,523)
Discontinued Operation						
Profit from discontinued operation, net of tax	17,216	13,762		52,180	38,732	
Profit for the period	4,259	10,985	(61)	380,371	33,622	1,031

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(Financial year ending 31 December 2019)

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

	Individual quarter			Cumulative quarter		
	Current year Third quarter ended 30/09/2019 RM'000	Preceding year corresponding quarter ended 30/09/2018 RM'000	Changes %	Current year-to-date ended 30/09/2019 RM'000	Preceding year-to-date ended 30/09/2018 RM'000	Changes %
Profit for the period	4,259	10,985	(61)	380,371	33,622	1,031
Other comprehensive income, net of tax						
Foreign currency translation differences for foreign operations	7,574	604		8,351	1,030	
Past service cost on retirement benefits	2,838	-		-	-	
Fair value loss on cash flow hedge	(1,838)	-		(4,303)	-	
Share of other comprehensive income/(loss) of associate	-	1,898		(564)	644	
Total comprehensive income for the period attributable to the Owners of the Company	<u>12,833</u>	<u>13,487</u>	(5)	<u>383,855</u>	<u>35,296</u>	988
Profit attributable to :						
Owners of the Company	2,902	10,985		126,865	33,622	
Non-controlling interest	1,357	-		253,506	-	
	<u>4,259</u>	<u>10,985</u>		<u>380,371</u>	<u>33,622</u>	
Total comprehensive income attributable to :						
Owners of the Company	8,958	13,487		129,188	35,296	
Non-controlling interest	3,875	-		254,667	-	
	<u>12,833</u>	<u>13,487</u>		<u>383,855</u>	<u>35,296</u>	
Earnings per share						
Basic (Sen)	1.51	5.72		66.02	17.50	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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Quarterly report on consolidated results for Three Quarters ended 30 September 2019. The figures have not been audited.
(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<-----Attributable to Owners of the Company----->						
	<-----Non-Distributable----->			Distributable			
	Share capital RM'000	Other reserves RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
Current period ended 30 September 2019							
Balance at 1 January 2019	197,660	-	7,653	625,458	830,771	-	830,771
Profit for the period	-	-	-	126,865	126,865	253,506	380,371
Dividend paid	-	-	-	(7,686)	(7,686)	-	(7,686)
Currency translation differences of foreign operations	-	-	6,617	-	6,617	1,734	8,351
Cash flow hedged	-	(3,730)	-	-	(3,730)	(573)	(4,303)
Share of currency translation differences of associate	-	-	(564)	-	(564)	-	(564)
Total comprehensive income for the period	-	(3,730)	6,053	119,179	121,502	254,667	376,169
Acquisition of a subsidiary	-	-	-	-	-	108,280	108,280
Acquisition of non-controlling interest	-	-	-	222,200	222,200	(222,200)	-
Balance at 30 September 2019	<u>197,660</u>	<u>(3,730)</u>	<u>13,706</u>	<u>966,837</u>	<u>1,174,473</u>	<u>140,747</u>	<u>1,315,220</u>
Preceding year corresponding period ended 30 September 2018							
Balance at 1 January 2018	197,660	-	9,018	586,568	793,246	-	793,246
Profit for the period	-	-	-	33,622	33,622	-	33,622
Dividend paid	-	-	-	(7,686)	(7,686)	-	(7,686)
Currency translation differences of foreign operations	-	-	1,030	-	1,030	-	1,030
Share of currency translation differences of associate	-	-	644	-	644	-	644
Total comprehensive income for the period	-	-	1,674	25,936	27,610	-	27,610
Balance at 30 September 2018	<u>197,660</u>	<u>-</u>	<u>10,692</u>	<u>612,504</u>	<u>820,856</u>	<u>-</u>	<u>820,856</u>

NOTE:

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Quarterly report on consolidated results for Three Quarters ended 30 September 2019. The figures have not been audited.

(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 30/09/2019 RM'000	Preceding year-to-date ended 30/09/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before taxation from continuing operations	333,012	(2,776)
Profit before taxation from discontinued operation	64,190	51,332
	<u>397,202</u>	<u>48,556</u>
Adjustments:		
Interest expense	61,982	18,187
Interest income	(1,274)	(604)
Property, plant and equipment written off	769	140
Impairment loss on goodwill	16	-
Impairment loss on receivables	7,009	1,257
Bad debts written-off	(126)	-
Amortisation of intangible assets	711	122
Depreciation of property, plant and equipment	78,543	17,689
Unrealised (gain)/loss on derivatives	2,890	52
(Gain)/Loss on disposal of property, plant and equipment	220	26
Gain on bargain purchase	(451,564)	-
Share of profit of equity-accounted investee, net of tax	3,402	(5,750)
Operating profit before changes in working capital	<u>99,780</u>	<u>79,675</u>
Inventories	(6,285)	(4,089)
Trade and other receivables	(1,815)	(23,115)
Trade and other payables	(9,238)	10,654
Retirement benefits obligation	290	-
Other assets	(4,209)	-
Cash flow hedged	(6,846)	-
Cash generated from operations	<u>71,677</u>	<u>63,125</u>
Tax paid	(15,857)	(15,716)
Net cash from operating activities	<u>55,820</u>	<u>47,409</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,406	769
Acquisition of subsidiaries, net of cash acquired	(720,821)	(16)
Acquisition of property, plant and equipment	(130,407)	(70,162)
Acquisition of intangible assets	(1,208)	(197)
Acquisition of land use rights	(11,226)	-
Acquisition of investment properties	27,339	-
Dividend received	-	5,845
Interest received, net of interest received from pledged deposit	1,274	604
Net cash used in investing activities	<u>(833,643)</u>	<u>(63,157)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(61,982)	(18,187)
Dividend paid	(7,686)	(7,686)
Net movement in borrowings	987,540	36,640
Withdrawal of deposits for bank borrowings	-	7,540
Net cash flows generated from financing activities	<u>917,872</u>	<u>18,307</u>
Net increase in cash and cash equivalent	<u>140,049</u>	<u>2,559</u>
Effects of changes in foreign currency rates	18,410	900
Cash and cash equivalent brought forward	108,214	88,016
Cash and cash equivalent carried forward	<u>266,673</u>	<u>91,475</u>
Comprises :		
Cash and bank balances	184,896	82,703
Short term deposits with licensed banks	81,777	8,772
	<u>266,673</u>	<u>91,475</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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 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 Can-One Berhad ("Can-One" or "the Company") group of companies ("Can-One Group" or "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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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 in certain subsidiaries. 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 3 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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 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.

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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 on 18 March 2019, the acceptance condition was fulfilled and the offer became unconditional. Accordingly, the associated companies had 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

A first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2018 was paid on 26 July 2019.

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")

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019**

10. Segment information (cont'd)

Segment revenue and results for current year-to-date ended 30 September 2019 are as follows :

	Current year-to-date ended 30/09/2019						
	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	1,371,995	144,892	332,169	41,165	1,890,221	(313,824)	1,576,397
Inter-segment sales	127,199	-	-	29,800	156,999	(156,999)	-
	<u>1,499,194</u>	<u>144,892</u>	<u>332,169</u>	<u>70,965</u>	<u>2,047,220</u>	<u>(470,823)</u>	<u>1,576,397</u>
Results							
Segment results	14,223	(10,315)	3,540	13,323	20,771	(23,353)	(2,582)
Net gain arising from acquisition of KJCF	371,548	1,212	-	9,269	382,029	13,839	395,868
Interest income	2,039	21	4,865	1,216	8,141	(7,143)	998
Financial expenses	(27,110)	(2,501)	(3,866)	(31,542)	(65,019)	7,149	(57,870)
Share of profit after tax of associate	-	-	-	(3,402)	(3,402)	-	(3,402)
Profit/(Loss) before taxation from continuing operations	360,700	(11,583)	4,539	(11,136)	342,520	(9,508)	333,012
Profit before taxation from discontinued operation	-	64,190	-	-	64,190	-	64,190
Profit/(Loss) before taxation	<u>360,700</u>	<u>52,607</u>	<u>4,539</u>	<u>(11,136)</u>	<u>406,710</u>	<u>(9,508)</u>	<u>397,202</u>
Assets							
Segment assets	3,922,152	709,005	422,290	1,461,223	6,514,670	(2,254,808)	4,259,862
Unallocated assets	-	-	-	-	23,955	-	23,955
Total assets	<u>3,922,152</u>	<u>709,005</u>	<u>422,290</u>	<u>1,461,223</u>	<u>6,538,625</u>	<u>(2,254,808)</u>	<u>4,283,817</u>
Liabilities							
Segment liabilities	1,389,100	432,930	276,366	1,215,657	3,314,053	(452,894)	2,861,159
Unallocated liabilities	-	-	-	-	107,438	-	107,438
Total liabilities	<u>1,389,100</u>	<u>432,930</u>	<u>276,366</u>	<u>1,215,657</u>	<u>3,421,491</u>	<u>(452,894)</u>	<u>2,968,597</u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

10. Segment information (cont'd)

Segment revenue and results for preceding year-to-date ended 30 September 2018 are as follows :

	Preceding year-to-date ended 30/09/2018						
	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	356,463	789	98,191	16,744	472,187	(200,797)	271,390
Inter-segment sales	14,612	-	-	12,973	27,585	(27,585)	-
	<u>371,075</u>	<u>789</u>	<u>98,191</u>	<u>29,717</u>	<u>499,772</u>	<u>(228,382)</u>	<u>271,390</u>
Results							
Segment results	7,527	(1,475)	1,686	4,843	12,581	(7,425)	5,156
Interest income	785	26	-	192	1,003	(656)	347
Finance expenses	(4,706)	(249)	-	(9,715)	(14,670)	641	(14,029)
Share of profit after tax of associate	-	-	-	5,750	5,750	-	5,750
Profit/(Loss) before taxation from continuing operations	3,606	(1,698)	1,686	1,070	4,664	(7,440)	(2,776)
Profit before taxation from discontinued operation	-	51,332	-	-	51,332	-	51,332
Profit/(Loss) 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>

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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 25 November 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

There were no changes in the Group composition as at 30 September 2019.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 September 2019.

As at 25 November 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 30 September 2019, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>60,316</u>

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 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 30/09/2019 RM'000
Sales of goods to associated companies	<u><u>2,743</u></u>
Purchases of goods from a related party	955
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 28 November 2019.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2019

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

1. Review of performance

(a) Third quarter ended 30 September 2019 ("Q3, 2019") compared with preceding year Third quarter ended 30 September 2018 ("Q3, 2018")

The Group's revenue increased from RM92.8 million in Q3, 2018 to RM769.0 million in Q3, 2019 arising mainly from the consolidation of KJCF Group's revenue. Loss before taxation from continuing operations and loss after taxation from continuing operations increased from RM3.0 million and RM2.8 million respectively in Q3, 2018 to RM11.1 million and RM13.0 million respectively in Q3, 2019 mainly attributable to higher interest expense which was partly due to interest cost arising from acquisition of remaining shares in KJCF not previously owned.

Continuing operations

General Packaging division

General Packaging division generated total revenue of RM611.7 million in Q3, 2019, an increase of RM489.5 million from RM122.2 million in Q3, 2018. Revenue increased mainly due to enlarge operations arising from consolidation of KJCF Group. A profit before taxation of RM17.8 million was registered compared to profit before taxation of RM0.6 million in Q3, 2018 mainly attributable to contribution from General Cans, Aluminium Cans and Carton Boxes segments.

Contract Manufacturing division

Revenue in Contract Manufacturing division grew by RM62.2 million to RM63.0 million in Q3, 2019 compared to RM0.8 million in Q3, 2018, contributed mainly by Edible Oils and Fats and Beverages segments. However, loss before taxation for Q3, 2018 increased by RM7.5 million to RM8.7 million in Q3, 2019 mainly due to sales mix and higher operating expenses.

Trading division

Revenue of Trading division increased by RM128.3 million to RM152.4 million in Q3, 2019 compared to RM24.1 million in Q3, 2018, mainly due to consolidation of KJCF Group's Trading division. In tandem, profit before taxation of the division grew by RM0.7 million to RM1.2 million in the current quarter under review.

Discontinued operation

Contract Manufacturing division - Dairy segment

As compared to Q3, 2018, the profit after taxation of Dairy segment improved by RM3.5 million to RM17.2 million in Q3, 2019.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2019

1. Review of performance (cont'd.)

(b) Current year-to-date ended 30 September 2019 ("YTD Q3, 2019") compared with preceding year-to-date ended 30 September 2018 ("YTD Q3, 2018")

The Group recorded an increase in revenue by RM1,305.0 million to RM1,576.4 million in YTD Q3, 2019 as compared to YTD Q3, 2018 due to consolidation of KJCF Group's revenue. Profit before taxation from continuing operations and profit after taxation from continuing operations of YTD Q3, 2019 were RM333.0 million and RM328.2 million respectively compared to loss before taxation from continuing operations and loss after taxation from continuing operations of RM2.8 million and RM5.1 million respectively in YTD Q3, 2018. The increase in profit before taxation from continuing operations was mainly due to gain arising from the acquisition of KJCF shares offset against loss on remeasurement of previously equity interest held in KJCF as well as consolidation of KJCF results in current period under review.

Continuing operations

General Packaging division

Revenue of General Cans division increased by RM1,015.5 million to RM1,372.0 million in YTD Q3, 2019 mainly attributable to consolidation of the revenue of KJCF Group. Profit before taxation increased by RM357.1 million to RM360.7 million mainly due to gain arising from the acquisition of KJCF shares contributed from this division offset against increased in operating expenses and financial expenses resulted from the enlarged operations.

Contract Manufacturing division

Contract Manufacturing division registered revenue of RM144.9 million in YTD Q3, 2019, an increase of RM144.1 million compared to YTD Q3, 2018, mainly contributed by Edible Oils and Fats and Beverages segments. Despite the higher turnover, this segment registered a loss before taxation of RM11.6 million in YTD Q3, 2019, mainly due to unabsorbed overhead cost and high distribution expenses.

Trading division

Revenue of Trading division increased by RM234.0 million to RM332.2 million in YTD Q3, 2019 mainly due to consolidation of KJCF's Trading division. Profit before taxation of the division increased in tandem by RM2.9 million to RM4.5 million in YTD Q3, 2019.

Discontinued operation

Contract Manufacturing division - Dairy segment

When compared to YTD Q3, 2018, the profit after taxation of Dairy segment improved by RM13.4 million to RM52.2 million in YTD Q3, 2019.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019**2. Variation of results against immediate preceding quarter ended 30 June 2019 ("Q2, 2019")**

	Current year Third Quarter Ended 30/09/2019 RM'000	Immediate Preceding Quarter Ended 30/06/2019 RM'000	Changes RM'000
Revenue	769,016	620,768	148,248
Operating Profit	13,090	130,074	(116,984)
Profit Before Interest and Taxation	13,090	130,074	(116,984)
(Loss)/Profit Before Taxation From Continuing Operations	(11,063)	103,115	(114,178)
(Loss)/Profit From Continuing Operations	(12,957)	101,215	(114,172)
(Loss)/Profit From Discontinued Operation	17,216	18,612	(1,396)
Profit Attributable to Owners of the Company	2,902	43,439	(40,537)

Revenue increased from RM620.8 million in the immediate preceding quarter to RM769.0 million in the current quarter under review. However, a loss before taxation of RM11.1 million was recorded in the current quarter compared to a profit before taxation of RM103.1 million in Q2, 2019, a decrease by RM114.2 million mainly due to net gain arising from the acquisition of KJCF which was recognised in the immediate preceding quarter.

Continuing operationsGeneral Packaging division

Revenue of General Packaging division increased by RM44.7 million to RM611.7 million in Q3, 2019 mainly due to increase in revenue of General Cans and Carton Boxes segments. The division reported a lower profit before taxation compared to Q2, 2019 mainly due to net gain arising from the acquisition of KJCF which was recognised in Q2, 2019.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM13.1 million to RM63.0 million in current quarter, contributed mainly by increase in revenue of Edible Oils and Fats segment. However, loss before taxation increased by RM5.5 million to RM8.7 million in the current quarter under review mainly due to higher operation expenses.

Trading division

Revenue of Trading division increased by RM22.1 million to RM152.4 million in the current quarter under review. However, profit before taxation decreased by RM0.8 million to RM1.2 million in Q3, 2019 mainly due to sales mix and revision in selling price.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

2. Variation of results against immediate preceding quarter ended 30 June 2019 ("Q2, 2019") (cont'd.)

Discontinued operation

Contract Manufacturing division - Dairy segment

As compared to last quarter, the profit after taxation of Dairy segment were lower by RM1.4 million to RM17.2 million in the current quarter under review.

3. Prospects

The Board of Directors of the Company expects the Group's operating environment to remain challenging due to the global economic condition. The Management will continue to streamline the operations and integration of process flows in the Group to improve operational efficiencies and reduce operating costs.

With the completion of KJCF acquisition and the disposal of the Dairy segment, Can-One Group is now an international player in the General Packaging industry with production facilities in various countries. Other than the increasing raw material and labour costs, the Group will also be subject to global conditions, political climate in the countries that it has operations and volatility in various foreign currencies.

The Management will continue to review its strategies in managing the above uncertainties and barring any unforeseen circumstances, the Directors anticipate the results of the Group for the financial year ending 31 December 2019 to be satisfactory.

4. Profit forecast/profit guarantee

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019**5. Tax expense**

	Current year Third quarter ended 30/09/2019 RM'000	Preceding year Third quarter ended 30/09/2018 RM'000	Current year-to-date ended 30/09/2019 RM'000	Preceding year-to-date ended 30/09/2018 RM'000
Current tax expense				
- Current year	3,678	1,478	7,632	3,837
- Prior year	(264)	(1,233)	(264)	(1,233)
Deferred tax expense				
- Current year	(738)	(425)	(1,765)	(270)
- Prior year	(782)	-	(782)	-
	<u>1,894</u>	<u>(180)</u>	<u>4,821</u>	<u>2,334</u>

The current quarter's effective tax rate is higher than the Malaysian corporate tax rate of 24% mainly due to losses incurred by certain subsidiaries that cannot be utilised and certain expenses which were not tax deductible.

6. Status of Corporate Proposal

- (a) **Disposal by Can-One of the entire issued share capital of F & B Nutrition Sdn Bhd ("FBSB"), through the disposal of Can Ridge Sdn Bhd ("CRSB"), a wholly-owned subsidiary of Can-One, to Wholesome Dairies Pte Ltd ("WDPL") for an aggregate disposal consideration of between RM800.0 million to RM1,000.0 million ("Disposal") pursuant to the Sale and Purchase Agreement dated 14 June 2019 with WDPL ("SPA").**

On 23 September 2019, RHB Investment Bank Berhad ("RHB Investment Bank") announced on behalf of the Board that Can-One has on even date entered into a supplemental agreement to the SPA with WDPL to vary certain terms of the SPA ("Supplemental Agreement") to facilitate the financing agreements for WDPL and completion of the SPA.

On 24 September 2019, RHB Investment Bank announced on behalf of Can-One that the SPA has become unconditional on even date following the fulfilment of all conditions precedent as set out in the SPA.

On 15 October 2019, RHB announced that the Disposal has been completed on even date following the settlement by WDPL of the Tranche 1 Amount in full. Pursuant to the terms of the SPA, the Tranche 2 Amount will be settled by WDPL on or prior to the Tranche 2 Long Stop Payment Date (as defined in the SPA), being a date falling two (2) years from the Completion Date (as defined in the SPA).

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

7. Group borrowings and debts securities

Group borrowings as at 30 September 2019 are as follows :

	As at 30/09/2019 RM'000	As at 31/12/2018 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	126	269
Term loans	20,626	1,726
Bankers' acceptances	-	12,908
	<u>20,752</u>	<u>14,903</u>
Unsecured		
Term loans	46,312	18,970
Bankers' acceptances	264,566	163,483
Revolving credits	75,450	51,000
	<u>407,080</u>	<u>248,356</u>
Non-current		
Secured		
Finance leases	133	765
Term loans	1,122,075	218,268
	<u>1,122,208</u>	<u>219,033</u>
Unsecured		
Term loans	148,732	62,909
	<u>1,270,940</u>	<u>281,942</u>
Total borrowings in RM	<u><u>1,678,020</u></u>	<u><u>530,298</u></u>
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	2,422	-
Foreign currencies trade loans	100,988	-
	<u>103,410</u>	<u>-</u>
Non-current		
Term loans	27,921	-
Total borrowings in VND	<u><u>131,331</u></u>	<u><u>-</u></u>

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

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

	As at 30/09/2019 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	32,062	3,828
Revolving credits	54,443	4,136
Term loans	12,351	-
	<u>98,856</u>	<u>9,823</u>
Non-current		
Unsecured		
Term loans	239,538	-
Total borrowings in USD	<u>338,394</u>	<u>9,823</u>
Total Group borrowings	<u>2,147,745</u>	<u>540,121</u>

The interest rates for the borrowings are as follows :

	As at 30/09/2019	As at 31/12/2018
Term loans:		
- Fixed	3.50%	Nil
- Floating	3.12% - 7.01%	4.61% - 5.61%
Trade facilities	2.51% - 7.06%	2.93% - 4.36%
Finance leases	2.08% - 2.34%	1.88% - 2.65%
Revolving credits	<u>3.79% - 4.99%</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 as well as entered into cross currency swap contract to fix the USD exchange rate for the entire tenure of the particular borrowing.

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

8. Derivatives Financial Instruments

As at 30 September 2019, the Group had entered into :

- (i) forward foreign currency exchange contracts to hedge 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 were determined by using mark-to-market values at the end of the reporting date and changes in the fair value were recognised in profit or loss statement as shown in Note 9.

Details of derivative financial instruments outstanding as at 30 September 2018 are set out below :

Type of derivatives	Notional amount RM'000	Current assets RM'000	Current liabilities RM'000	Non-current liabilities RM'000
Hedging derivatives :				
Commodity contracts				
- Less than 1 year	8,890	-	1,579	-
Interest swap contract				
- Less than 1 year	83,740	-	2,636	-
- 1 year to 3 years	209,350	-	-	6,633
Non-hedging derivatives :				
Cross currency swap contract				
- Less than 1 year	750	45	280	-
Foreign exchange contracts				
- Less than 1 year	47,178	12	151	-
		57	4,646	6,633

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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

9. Profit for the period

Profit for the period was stated after charging/(crediting) :

	Current year	Preceding year		
	Third	Third	Current	Preceding
	quarter	quarter	year-to-date	year-to-date
	ended	ended	ended	ended
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	RM'000	RM'000	RM'000	RM'000
Interest income	(572)	(193)	(1,274)	(604)
Other expenses/(income)	1,719	199	356	763
Interest expense	26,011	6,512	61,982	18,187
Depreciation and amortisation	36,459	6,192	79,254	17,811
Property, plant and equipment written off	11	139	769	140
Bad debts written off	(63)	-	(126)	-
Impairment loss of receivables, net	4,240	763	7,009	1,257
(Gain)/Loss on disposal of property, plant and equipment	127	(23)	220	26
Impairment of goodwill	-	-	16	-
(Gain)/Loss on foreign currency exchange	(72)	58	85	2,323
(Gain)/Loss on derivative financial instruments	(596)	(216)	384	43
Loss on remeasurement of equity accounted KJCF	-	-	55,696	-
Gain arising from the acquisition of KJCF	-	-	(451,564)	-

10. Changes in material litigation

There was no pending material litigation as at 25 November 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 declared for the current period under review.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

12. Discontinued operation

On 9 August 2019, Can-One's shareholders had at the Extraordinary General Meeting ("EGM") approved the proposed disposal by Can-One of the entire issued share capital of F & B Nutrition Sdn Bhd ("FBSB"), through the disposal of Can Ridge Sdn Bhd ("CRSB"), a wholly-owned subsidiary of Can-One. On 24 September 2019, the aforesaid disposal became unconditional and the entire results of the Dairy segment as well as the comparative figures were reclassified as Discontinued Operation in the current quarter under review.

Profit attributable to the discontinued operation was as follows :

Results of discontinued operation

	Current year Third quarter ended 30/09/2019 RM'000	Preceding year Third quarter ended 30/09/2018 RM'000	Current year-to-date ended 30/09/2019 RM'000	Preceding year-to-date ended 30/09/2018 RM'000
Revenue	215,173	204,994	646,010	633,233
Expenses	(194,382)	(186,792)	(581,820)	(581,901)
Profit before taxation	<u>20,791</u>	<u>18,202</u>	<u>64,190</u>	<u>51,332</u>
Tax expense	(3,575)	(4,440)	(12,010)	(12,600)
Profit after taxation	<u><u>17,216</u></u>	<u><u>13,762</u></u>	<u><u>52,180</u></u>	<u><u>38,732</u></u>

Financial position of assets/liabilities classified held for sale

	At 30/09/2019 RM'000
Property, plant and equipment	210,035
Inventories	81,704
Trade and other receivables	196,551
Cash and cash equivalents	36,316
	<u>524,606</u>
Deferred tax liabilities	23,064
Loans and borrowings	168,173
Trade and other payables	88,009
Current tax payables	550
	<u><u>279,796</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2019

13. Earnings per share

Basic earnings per share were computed as follows :

	Current year	Preceding year		
	Third	Third	Current	Preceding
	quarter	quarter	year-to-date	year-to-date
	ended	ended	ended	ended
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
From continuing operations (RM'000)	(14,314)	(2,777)	74,685	(5,110)
From discontinued operation (RM'000)	17,216	13,762	52,180	38,732
Profit attributable to owners of the Company (RM'000)	<u>2,902</u>	<u>10,985</u>	<u>126,865</u>	<u>33,622</u>
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
From continuing operations (Sen)	(7.45)	(1.45)	38.87	(2.66)
From discontinued operation (Sen)	8.96	7.16	27.16	20.16
Basic Earnings per ordinary share (Sen)	<u>1.51</u>	<u>5.72</u>	<u>66.02</u>	<u>17.50</u>

Dated : 28 November 2019
Petaling Jaya,
Selangor Darul Ehsan