

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 September 2021. The figures have not been audited.
(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/09/2021 RM'000	As at 31/12/2020 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,780,400	1,791,969
Right-of-use assets	433,713	440,232
Investment properties	115,763	117,035
Intangible assets	1,370	1,398
Other assets	32,183	24,124
Deferred tax assets	5,449	5,323
Total non-current assets	2,368,878	2,380,081
Current assets		
Inventories	837,816	555,507
Trade and other receivables	627,071	583,344
Other assets	28,573	22,755
Derivative financial assets	3,475	4,183
Current tax assets	3,102	12,669
Cash and cash equivalents	245,047	229,729
Total current assets	1,745,084	1,408,187
Total assets	4,113,962	3,788,268
Equity		
Share capital	197,660	197,660
Reserves	1,705,492	1,582,742
Equity attributable to owners of the Company	1,903,152	1,780,402
Non-controlling interests	143,863	143,614
Total equity	2,047,015	1,924,016
Liabilities		
Loans and borrowings	688,149	710,543
Lease liabilities	3,701	6,599
Retirement benefits obligations	66,048	65,306
Derivative financial liabilities	5,121	6,017
Deferred tax liabilities	102,786	101,220
Total non-current liabilities	865,805	889,685
Loans and borrowings	749,517	579,143
Lease liabilities	4,969	5,974
Retirement benefits obligations	9,252	7,433
Trade and other payables	427,884	369,632
Derivative financial liabilities	1,746	6,077
Current tax payables	7,774	6,308
Total current liabilities	1,201,142	974,567
Total liabilities	2,066,947	1,864,252
Total equity and liabilities	4,113,962	3,788,268
Net assets per share attributable to equity holders of the Company (Sen)	990.44	926.55

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 Third Quarter ended 30 September 2021. The figures have not been audited.

(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current year Third Quarter ended 30/09/2021 RM'000	Preceding year Third Quarter ended 30/09/2020 RM'000	Changes %	Current period-to-date ended 30/09/2021 RM'000	Preceding period-to-date ended 30/09/2020 RM'000	Changes %
Revenue	598,018	654,073	(9)	1,928,923	1,867,543	3
Cost of sales	(501,059)	(592,139)		(1,638,928)	(1,741,746)	
Gross profit	96,959	61,934	57	289,995	125,797	131
Other (expenses)/income	(11,170)	(3,301)		(10,347)	1,274	
Distribution and Admin expenses	(39,512)	(42,257)		(119,277)	(124,167)	
Profit from operations	46,277	16,376	183	160,371	2,904	5,422
Interest income	2,039	1,879		5,982	5,816	
Interest expenses	(12,768)	(12,916)		(34,625)	(42,599)	
Net interest expenses	(10,729)	(11,037)		(28,643)	(36,783)	
Profit/(Loss) before tax	35,548	5,339	566	131,728	(33,879)	489
Tax expenses	(10,065)	(4,901)		(21,429)	(8,083)	
Profit/(Loss) from continuing operations	25,483	438	5,718	110,299	(41,962)	363
Discontinued Operation						
Profit from discontinued operation, net of tax	-	88,000		-	88,000	
Profit for the period	25,483	88,438	(71)	110,299	46,038	140

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

	Individual quarter			Cumulative quarter		
	Current year Third Quarter ended 30/09/2021 RM'000	Preceding year Third Quarter ended 30/09/2020 RM'000	Changes %	Current period-to-date ended 30/09/2021 RM'000	Preceding period-to-date ended 30/09/2020 RM'000	Changes %
Profit for the period	25,483	88,438	(71)	110,299	46,038	140
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences of foreign operations	6,423	(11,853)		17,624	2,406	
Cash flow hedge	4,102	5,840		2,762	(2,605)	
Total comprehensive income for the period attributable to the Owners of the Company	<u>36,008</u>	<u>82,425</u>	(56)	<u>130,685</u>	<u>45,839</u>	185
Profit/(Loss) attributable to :						
Owners of the Company						
- from continuing operations	30,868	(2,175)		114,469	(44,066)	
- from discontinued operation	-	88,000		-	88,000	
	<u>30,868</u>	<u>85,825</u>		<u>114,469</u>	<u>43,934</u>	
Non-controlling interests	(5,385)	2,613		(4,170)	2,104	
	<u>25,483</u>	<u>88,438</u>		<u>110,299</u>	<u>46,038</u>	
Total comprehensive income/ (expense) attributable to :						
Owners of the Company						
- from continuing operations	39,755	(6,007)		130,436	(44,314)	
- from discontinued operation	-	88,000		-	88,000	
	<u>39,755</u>	<u>81,993</u>		<u>130,436</u>	<u>43,686</u>	
Non-controlling interests	(3,747)	432		249	2,153	
	<u>36,008</u>	<u>82,425</u>		<u>130,685</u>	<u>45,839</u>	
Basic earnings per ordinary share (Sen)	<u>16.06</u>	<u>44.66</u>		<u>59.57</u>	<u>22.86</u>	

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	Cash flow hedge reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Current year ended 30 September 2021							
Balance at 1 January 2021	197,660	(442)	3,674	1,579,510	1,780,402	143,614	1,924,016
Profit/(Loss) for the period	-	-	-	114,469	114,469	(4,170)	110,299
Foreign currency translation differences of foreign operations	-	-	13,703	-	13,703	3,921	17,624
Cash flow hedge	-	2,264	-	-	2,264	498	2,762
Total comprehensive income for the period	-	2,264	13,703	114,469	130,436	249	130,685
Dividend paid	-	-	-	(7,686)	(7,686)	-	(7,686)
Balance at 30 September 2021	<u>197,660</u>	<u>1,822</u>	<u>17,377</u>	<u>1,686,293</u>	<u>1,903,152</u>	<u>143,863</u>	<u>2,047,015</u>
Preceding year corresponding year ended 30 September 2020							
Balance at 1 January 2020	197,660	(897)	9,696	1,521,424	1,727,883	140,865	1,868,748
Profit for the period	-	-	-	43,934	43,934	2,104	46,038
Foreign currency translation differences of foreign operations	-	-	1,714	-	1,714	692	2,406
Cash flow hedge	-	(1,962)	-	-	(1,962)	(643)	(2,605)
Total comprehensive (expense)/income for the period	-	(1,962)	1,714	43,934	43,686	2,153	45,839
Dividend paid	-	-	-	(11,529)	(11,529)	-	(11,529)
Balance at 30 September 2020	<u>197,660</u>	<u>(2,859)</u>	<u>11,410</u>	<u>1,553,829</u>	<u>1,760,040</u>	<u>143,018</u>	<u>1,903,058</u>

NOTE :

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(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year 9 months ended 30/09/2021 RM'000	Preceding year 9 months ended 30/09/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax from continued operations	131,728	(33,879)
Profit before tax from discontinued operation	-	88,000
	131,728	54,121
Adjustments :		
Amortisation and depreciation of assets	104,613	101,569
Interest expense	34,625	42,599
Interest income	(5,982)	(5,816)
Income distribution on money market placement with a financial institution	(896)	(1,788)
Property, plant and equipment written off	58	1,764
(Reversal of impairment loss)/Impairment loss on receivables, net	(596)	1,600
Impairment loss on property, plant and equipment	13,418	-
Unrealised (gain)/loss on derivatives financial instruments	(1,892)	326
Gain on disposal of property, plant and equipment	(3,781)	(233)
Gain on disposal of subsidiaries	-	(88,000)
Gain on lease modification	(10)	-
Operating profit before changes in working capital	271,285	106,142
Inventories	(282,310)	63,093
Trade and other receivables	(43,118)	16,499
Trade and other payables	55,065	(57,140)
Others	952	(28,446)
Cash generated from operations	1,874	100,148
Tax paid	(9,146)	(10,768)
Net cash (used in)/generated from operating activities	(7,272)	89,380
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	20,702	641
Acquisition of property, plant and equipment	(94,525)	(109,415)
Acquisition of intangible assets	(1,178)	(54)
Acquisition of right-of-use assets	-	(2,912)
Acquisition of investment properties	-	(5,028)
Interest received	5,982	5,816
Income distribution on money market placement with a financial institution	896	1,788
Net cash used in investing activities	(68,123)	(109,164)

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	Current year 9 months ended 30/09/2021 RM'000	Preceding year 9 months ended 30/09/2020 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(34,625)	(42,599)
Dividend paid	(7,686)	(11,529)
Drawdown of term loans	53,350	74,575
Repayment of term loans	(87,569)	(70,597)
Net movement in other borrowings and lease liabilities	168,190	(103,217)
Net cash flows generated from/(used in) financing activities	91,660	(153,367)
Net increase/(decrease) in cash and cash equivalents	16,265	(173,151)
Effect of exchange differences on cash and cash equivalents	(947)	(5,522)
Cash and cash equivalents brought forward	229,729	350,599
Cash and cash equivalents carried forward	245,047	171,926
Comprises :		
Cash and bank balances	220,266	122,029
Short term deposits with licensed banks	4,311	10,921
Money market placement with financial institution	20,470	38,976
	245,047	171,926

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021

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 2020 ("FY 2020"). 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 FY 2020.

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 2020 except for the following :

The Group adopted (where applicable) the following accounting standards, interpretations or amendments which are applicable to the Group that have been issued by the Malaysian Accounting Standards Board ("MASB") effective 1 January 2021 :

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2*
- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2021

2. Significant Accounting Policies (cont'd)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

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 Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2023 as it is not applicable to the Group.

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2021

3. Auditors' report

The auditors' report dated 15 April 2021 on the financial statements for the financial year ended 31 December 2020 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 and financial period under review.

6. Changes in estimates

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

7. Issuance, cancellations, repurchases and repayments of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter and financial period under review.

8. Dividend paid

A first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2020 were paid on 30 July 2021.

9. Segment information

The Group organised its activities principally into 4 reportable business divisions :

- a) Manufacture of metal and lithographed tin cans, plastic cans, aluminium cans and corrugated fibreboard cartons (collectively, "General Packaging");
- b) Manufacturing, packaging and distribution of carbonated and non-carbonated beverages as well as edible oil products ("Contract Manufacturing");
- c) Trading; and
- d) Property and investment holding.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**

9. Segment information (cont'd)

Segment revenue and results for the financial period ended 30 September 2021 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,502,333	60,880	365,606	104	1,928,923	-	1,928,923
Inter-division revenue	328,566	732	467,968	28,684	825,950	(825,950)	-
	<u>1,830,899</u>	<u>61,612</u>	<u>833,574</u>	<u>28,788</u>	<u>2,754,873</u>	<u>(825,950)</u>	<u>1,928,923</u>
Results							
Segment results	162,266	(16,573)	16,750	23,874	186,317	(25,946)	160,371
Interest income	1,941	6	6,071	7,527	15,545	(9,563)	5,982
Interest expenses	(22,622)	(4,623)	(6,147)	(11,023)	(44,415)	9,790	(34,625)
Profit/(Loss) before tax	<u>141,585</u>	<u>(21,190)</u>	<u>16,674</u>	<u>20,378</u>	<u>157,447</u>	<u>(25,719)</u>	<u>131,728</u>
Assets							
Segment assets	3,742,709	230,961	571,904	307,511	4,853,085	(747,674)	4,105,411
Unallocated assets	-	-	-	-	8,551	-	8,551
Total assets	<u>3,742,709</u>	<u>230,961</u>	<u>571,904</u>	<u>307,511</u>	<u>4,861,636</u>	<u>(747,674)</u>	<u>4,113,962</u>
Liabilities							
Segment liabilities	1,515,541	265,213	493,413	430,194	2,704,361	(747,974)	1,956,387
Unallocated liabilities	-	-	-	-	110,560	-	110,560
Total liabilities	<u>1,515,541</u>	<u>265,213</u>	<u>493,413</u>	<u>430,194</u>	<u>2,814,921</u>	<u>- 747,974</u>	<u>2,066,947</u>

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**

9. Segment information (cont'd)

Segment revenue and results for the preceding year corresponding period ended 30 September 2020 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,499,942	167,446	200,051	104	1,867,543	-	1,867,543
Inter-segment revenue	115,068	100,888	256,042	21,994	493,992	(493,992)	-
	1,615,010	268,334	456,093	22,098	2,361,535	(493,992)	1,867,543
Results							
Segment results	36,985	(28,832)	(968)	15,177	22,362	(19,458)	2,904
Interest income	2,198	50	7,169	9,498	18,915	(13,099)	5,816
Interest expenses	(30,382)	(5,324)	(6,379)	(13,732)	(55,817)	13,218	(42,599)
Profit/(Loss) before tax from continuing operations	8,801	(34,106)	(178)	10,943	(14,540)	(19,339)	(33,879)
Profit from discontinued operation	-	-	-	88,000	88,000	-	88,000
Profit/(Loss) before tax	8,801	(34,106)	(178)	98,943	73,460	(19,339)	54,121
Assets							
Segment assets	3,377,883	206,719	378,640	389,715	4,352,957	(656,865)	3,696,092
Unallocated assets	-	-	-	-	19,916	-	19,916
Total assets	3,377,883	206,719	378,640	389,715	4,372,873	(656,865)	3,716,008
Liabilities							
Segment liabilities	1,320,065	234,203	324,110	487,883	2,366,261	(657,114)	1,709,147
Unallocated liabilities	-	-	-	-	103,803	-	103,803
Total liabilities	1,320,065	234,203	324,110	487,883	2,470,064	(657,114)	1,812,950

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**

10. Valuation of property, plant and equipment

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

11. Material subsequent events

As at 22 November 2021 (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.

12. Changes in the Group composition

There were no changes in the Group composition as at 30 September 2021.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 September 2021.

As at 22 November 2021 (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.

14. Capital commitment

As at 30 September 2021, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>114,352</u>

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**

15. Related party disclosures

The Group has related party relationship with a company in which a Director has substantial financial interests ("related party").

The 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 period-to-date ended 30/09/2021 RM'000
Purchases of goods from a related party	<u><u>1,572</u></u>

16. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") at the Board Meeting held on 25 November 2021.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2021

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

1. Review of performance

(a) Third quarter ended 30 September 2021 ("Q3, 2021") compared with Third quarter ended 30 September 2020 ("Q3, 2020")

The Group's net revenue for Q3, 2021 decreased by RM56.1 million or 9% to RM598.0 million in Q3, 2021. Profit before tax reported by the Group was RM35.5 million in Q3, 2021 mainly due to improved performance in General Packaging division offset against impairment loss on spare parts.

Continuing operations

General Packaging division

General Packaging division generated total revenue of RM571.1 million in Q3, 2021, a decrease of RM12.9 million compared to Q3, 2020, mainly due to revision of selling price in tandem with increase in material prices and changes in sales mix.

The division, however, registered profit before tax of RM38.7 million, an increase of RM18.8 million compared to Q3, 2020. This was mainly due to, amongst others, changes in sales mix and offset by impairment loss on spare parts.

Contract Manufacturing division

Revenue of the Contract Manufacturing division decreased by RM54.5 million to RM20.9 million in Q3, 2021. The division, however, registered a lower loss before tax of RM7.5 million in Q3, 2021 compared to RM11.4 million in Q3, 2020 mainly due to stoppage of edible oil operation in the first quarter ("Q1") of 2021.

Trading division

Trading division registered an increase in revenue of RM140.3 million to RM269.8 million in Q3, 2021 mainly due to changes in sales mix. In tandem with increased sales volume and higher average selling prices, profit before tax of the division increased by RM5.7 million from a breakeven profit before tax in Q3, 2020.

Discontinued operation

Contract Manufacturing division - Dairy segment

The Group had completed the disposal of its equity interests in Dairy segment on 15 October 2019. The Company and the Buyer vide a letter dated 17 August 2020, agreed to the final disposal consideration of RM1,000 million. The gain of RM88 million arising from the difference between the final disposal consideration and the preliminary disposal consideration was accounted for in YTD Q3, 2020.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2021

1. Review of performance (cont'd)

(b) Current year-to-date ended 30 September 2021 ("YTD Q3, 2021") compared with preceding year-to-date ended 30 September 2020 ("YTD Q3, 2020")

The Group recorded an increase in revenue of RM61.4 million to RM1,928.9 million in YTD Q3, 2021 mainly due to increase in revenue recorded by General packaging and Trading divisions offset against decrease in revenue of Contract manufacturing division. The Group recorded profit before tax of RM131.7 million in YTD Q3, 2021 compared to loss before tax of RM33.9 million in YTD Q3, 2020 mainly due to sales growth and improved performance in General packaging division together with reduced loss from Contract manufacturing division as the Group ceased the edible oil operation in Q1 of 2021.

General Packaging division

Revenue of General Packaging division increased by RM215.9 million to RM1,830.9 million in YTD Q3, 2021. All segments shown as improvement in revenue. The division reported an increase in profit before tax by RM132.8 million to RM141.6 million in YTD Q3, 2021. This was mainly due to improved performance attributable to changes in sales mix, increase in sales volume, revision of selling price as a result of rise in raw materials cost and lower interest expenses. The profit before tax, however, was partially reduced by operating loss in Carton boxes segment due to operations running at lower capacity as a result of the Covid-19 pandemic and lockdowns imposed by the local governments in Malaysia and in Vietnam.

Contract Manufacturing division

Revenue of Contract Manufacturing division decreased by RM206.7 million to RM61.6 million in YTD Q3, 2021. Loss before tax of the division, however, was lower by RM12.9 million to RM21.2 million in YTD Q3, 2021. This was mainly attributable to stoppage of edible oil operation in Q1 of 2021.

Trading division

Trading division registered a higher revenue of RM833.6 million in YTD Q3, 2021, a growth of RM377.5 million. Hence, the division registered a profit before tax of RM16.7 million versus a loss before tax of RM0.2 million in YTD Q3, 2020 mainly due to increased sales volume and higher average selling prices.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**2. Variation of results against immediate preceding quarter ended 30 June 2021 ("Q2, 2021")**

	Current year Third Quarter ended 30/09/2021 RM'000	Immediate Preceding Quarter ended 30/06/2021 RM'000	Changes RM'000
Revenue	598,018	678,827	(80,809)
Operating Profit	46,277	65,600	(19,323)
Profit Before Interest and Tax	46,277	56,463	(10,186)
Profit Before Tax	35,548	56,463	(20,915)
Profit After Tax	25,483	48,672	(23,189)
Profit Attributable to Owners of the Company	30,868	48,831	(17,963)

The Group registered decrease of RM80.8 million in revenue and RM20.9 million in profit before tax in Q3, 2021 from the immediate preceding quarter. This was mainly due to a drop in the performance in General Packaging division as explained below. In addition, impairment loss on spare parts, loss in foreign currency exchange as well as lower gain on disposal of plant and machinery also contributed to the decrease in profit before tax.

General Packaging division

The division registered decrease of RM67.8 million in revenue and RM20.7 million in profit before tax in Q3, 2021 from the immediate preceding quarter. This was mainly due to the decrease in sales volume as a result of elevated freight container charges coupled with the Carton boxes segment operations' production which was impacted by lockdown measures in Malaysia and in Vietnam to curb the Covid-19 pandemic. In addition, impairment loss on spare parts, loss in foreign currency exchange as well as lower gain on disposal of plant and machinery also contributed to the decrease in profit before tax.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased marginally by RM0.2 million to RM20.9 million in Q3, 2021. Loss before tax of the division increased by RM1.8 million to RM7.5 million in Q3, 2021. This was mainly attributable to Beverages segment not running at full capacity as a result of continuing border restrictions and Covid-19 lockdown measures that delayed the commissioning of the plant.

Trading division

Revenue of Trading division decreased by RM21.9 million to RM269.8 million in Q3, 2021 mainly due to slow down in export volume as a result of elevated freight container charges. Profit before tax recorded an increase by RM1.2 million in Q3, 2021 mainly due to revision of average selling price of raw materials.

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THIRD QUARTER ENDED 30 SEPTEMBER 2021

3. Prospects

Despite the lifting of operational restrictions due to regulatory compliance of Covid-19 standard operating procedures for manufacturers both in Malaysia as well as overseas operations, the Group's operating environment for the final quarter of the financial year ending 31 December 2021 is expected to remain challenging with :

- i) escalating cost of raw materials;
- ii) elevated freight rates;
- iii) shortages of certain raw materials due to disruption to global supply chain; and
- iv) volatility in foreign currency exchange rates, mainly the United States Dollar.

In order to manage these challenges, the management will continue to review its marketing strategies whilst improving on production efficiencies and in managing its operation costs.

The current political situation in Myanmar that started on 1 February 2021 had resulted in a state of emergency declared in Myanmar. This had raised some cause for concern on the business environment in Myanmar. Nevertheless, the Myanmar plants have been able to continue their operations.

Barring any unforeseen circumstances, the Board anticipates the results of the Group for the financial year ending 31 December 2021 to be challenging.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current Year	Preceding Year		
	Third	Third	Current	Preceding
	Quarter	Quarter	period-to-date	period-to-date
	ended	ended	ended	ended
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Current tax expense	9,412	5,820	19,975	12,222
Deferred tax expense/(credit)	653	(919)	1,454	(4,139)
	<u>10,065</u>	<u>4,901</u>	<u>21,429</u>	<u>8,083</u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS THIRD QUARTER ENDED 30 SEPTEMBER 2021

6. Status of Corporate Proposal

Proposed Kapar Acquisition

Bintang Seribu Sdn. Bhd. ("BSSB"), an indirect wholly-owned subsidiary of Can-One had on 13 July 2020 entered into 2 Sale and Purchase Agreements ("Former SPAs") with Golden Valley Industries Sdn. Bhd. ("GVI")("the Vendor"), a subsidiary of Klanggroup Holdings Sdn. Bhd., to acquire from GVI, vacant freehold lands i.e. Lot 4 (34.947 acres) and Lot 5 (32.975 acres) ("Said Lots") located at Jalan Akrob, Kapar, Klang, Selangor Darul Ehsan, free from encumbrances and with vacant possession and no buildings erected thereon, at a total cash consideration of RM103,554,411.10 ("Proposed Kapar Acquisition").

BSSB and the Vendor had on 29 December 2020 executed the Deed of Revocation and Rescission to revoke and rescind the Former SPAs. On the same day, TOGO Greenland Sdn Bhd (formerly known as TOGO Palm Oils & Fats Sdn Bhd) ("TGSB"), a wholly-owned subsidiary of Can-One, and the Vendor entered into 2 new Sale and Purchase agreements to acquire the Said Lots ("New SPAs") at the same total cash consideration, and upon the same principal terms and conditions as the Former SPAs, save and except for the Compliance Period under the New SPAs which now refers to the period of 7 months commencing from the date of the New SPAs, and Item 4 of the Conditions Precedent wherein TGSB has to now obtain a facility from a financial institution to fund the purchase of the Said Lots within 4 months commencing from the date of the New SPAs.

Pursuant to the Deed of Revocation and Rescission, BSSB and the Vendor further mutually and voluntarily agree and consent that the monies paid to and received by the Vendor pursuant to the Former SPAs (including but not limited to the deposit in the total amount of RM10,355,441.10) shall be transferred and applied as payment deemed made to and received by the Vendor towards the account of the New SPAs. As at 30 September 2021, TGSB had paid 20% deposit to the Vendor.

Except as disclosed above, there were no corporate proposal announced which have not been completed as at 22 November 2021 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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THIRD QUARTER ENDED 30 SEPTEMBER 2021

7. Group borrowings and debts securities

Group borrowings as at 30 September 2021 are as follows :

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
Borrowings denominated in RM		
Current		
Secured		
Hire purchase liabilities	119	128
Term loans	682	1,116
Lease liabilities	4,969	5,974
	<u>5,770</u>	<u>7,218</u>
Unsecured		
Term loans	42,360	40,621
Bankers' acceptances	131,862	104,838
Revolving credits	98,000	73,000
Other trade facilities	-	30
	<u>277,992</u>	<u>225,707</u>
Non-current		
Secured		
Hire purchase liabilities	145	232
Term loans	389,107	389,533
Lease liabilities	3,701	6,599
	<u>392,953</u>	<u>396,364</u>
Unsecured		
Term loans	141,795	157,151
	<u>534,748</u>	<u>553,515</u>
Total borrowings in RM	<u><u>812,740</u></u>	<u><u>779,222</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**7. Group borrowings and debts securities (cont'd)**

	As at 30/09/2021 RM'000	As at 31/12/2020 RM'000
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	2,039	7,712
Foreign currencies trade loans	111,300	99,202
	<u>113,339</u>	<u>106,914</u>
Non-current		
Term loans	12,232	11,567
Total borrowings in VND	<u>125,571</u>	<u>118,481</u>
Borrowings denominated in United State Dollar ("USD")		
Current		
Unsecured		
Foreign currencies trade loans	240,195	144,840
Revolving credits	73,553	60,255
Term loans	49,407	47,401
	<u>363,155</u>	<u>252,496</u>
Non-current		
Unsecured		
Term loans	144,870	152,060
Total borrowings in USD	<u>508,025</u>	<u>404,556</u>
Total Group borrowings	<u>1,446,336</u>	<u>1,302,259</u>

The interest rates for the borrowings are as follows :

	As at 30/09/2021	As at 31/12/2020
Term loans :		
- Floating	1.12% - 4.26%	1.22% - 6.57%
Trade facilities	0.55% - 5.81%	0.62% - 5.57%
Hire purchase liabilities	1.48% - 2.08%	1.48% - 2.08%
Revolving credits	0.94% - 3.78%	2.95% - 3.40%
Lease liabilities	<u>2.65% - 6.70%</u>	<u>2.65% - 6.70%</u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2021**7. Group borrowings and debts securities (cont'd)**

Total loans and borrowings including lease liabilities increased by RM144.1 million to RM1,446.4 million as at 30 September 2021 to finance working capital. During the quarter under review, the Group draw down RM53.3 million of new term loans to part finance the capital expenditures and had also made repayment on term loans amounting to RM87.6 million.

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

8. Derivatives financial instruments

As at 30 September 2021, 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 contracts 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 the profit or loss statement as shown in Note 9.

Details of derivative financial instruments outstanding as at 30 September 2021 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	15,320	3,472	-	-
Interest swap contracts				
- Less than 1 year	49,407	-	1,746	-
- 1 year to 3 years	144,871	-	-	5,121
Non-hedging derivatives :				
Foreign exchange contracts				
- Less than 1 year	1,230	3	-	-
		3,475	1,746	5,121

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 2021

9. Profit/(Loss) for the current quarter and financial year-to-date

Profit/(Loss) for the current quarter and financial year-to-date was stated after charging/(crediting) :

	Current Year	Preceding Year		
	Third	Third	Current	Preceding
	Quarter	Quarter	period-to-date	period-to-date
	ended	ended	ended	ended
	30/09/2021	30/09/2020	30/09/2021	30/09/2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,039)	(1,879)	(5,982)	(5,816)
Interest expense	12,768	12,916	34,625	42,599
Depreciation and amortisation	34,266	32,168	104,613	101,569
Impairment loss of receivables, net	(259)	1,099	(596)	1,600
Impairment loss of property, plant and equipment, net	9,046	-	13,418	-
Property, plant and equipment written off	58	1,345	58	1,764
Gain on disposal of property, plant and equipment	(767)	(11)	(3,781)	(233)
Loss on foreign currency exchange	4,204	5,088	7,384	2,592
Fair value loss/(gain) on non-hedging derivatives financial instruments	104	230	(1,892)	326
Gain on disposal of subsidiaries	-	(88,000)	-	(88,000)

10. Changes in material litigation

There was no material litigation nor pending material litigation against the Group since the end of the previous financial year up to the date of issue of this quarterly report.

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THIRD QUARTER ENDED 30 SEPTEMBER 2021

11. Dividends

No interim dividend has been declared for the current quarter and financial period ended 30 September 2021 (2020 : Nil).

12. Earnings per share

Basic earnings per share were computed as follows :

	Current Year Third Quarter ended 30/09/2021	Preceding Year Third Quarter ended 30/09/2020	Current period-to-date ended 30/09/2021	Preceding period-to-date ended 30/09/2020
From continuing operations (RM'000)	30,868	(2,175)	114,469	(44,066)
From discontinued operation (RM'000)	-	88,000	-	88,000
Profit attributable to Owners of the Company (RM'000)	<u>30,868</u>	<u>85,825</u>	<u>114,469</u>	<u>43,934</u>
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Earnings/(Loss) from continuing operations (Sen)	16.06	(1.13)	59.57	(22.93)
Earnings from discontinued operation (Sen)	-	45.80	-	45.80
Basic earnings per ordinary share (Sen)	<u>16.06</u>	<u>44.66</u>	<u>59.57</u>	<u>22.86</u>

Dated : 25 November 2021
Petaling Jaya,
Selangor Darul Ehsan