CAN-ONE BERHAD
[Registration No. 200401000396 (638899-K)]

2019 annual report

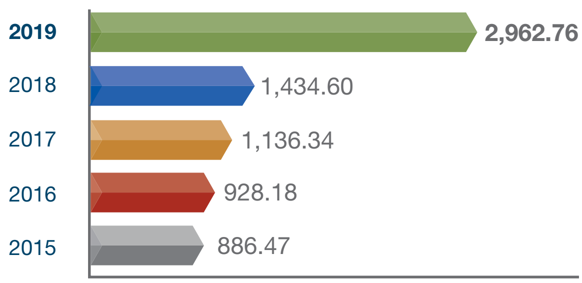
The **CANs** Company

FIVE-YEAR
GROUP FINANCIAL HIGHLIGHTS

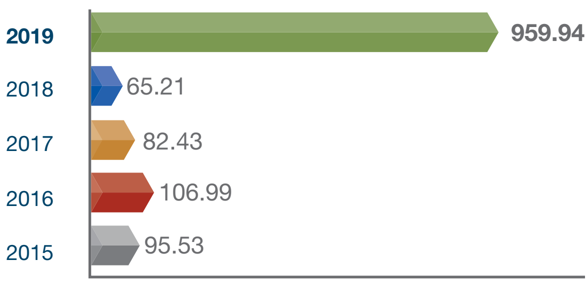
	Financial Year Ended 31 December				
	2015	2016	2017	2018	2019
Revenue (RM'Million)	886.47	928.18	1,136.34	1,434.60*	**2,962.76***
Earnings Before Interest, Taxes, Depreciation and Amortisation (RM'Million)	136.24	149.86	127.22	113.43	**1,155.28**
Profit Before Tax (RM'Million)	95.53	106.99	82.43	65.21	**959.94**
Profit After Tax (RM'Million)	81.03	86.37	63.58	46.58	**939.34**
Net Profit Attributable to Equity Holders (RM'Million)	77.33	86.37	63.58	46.58	**714.66**
Total Assets (RM'Million)	1,336.69	1,388.90	1,502.12	1,597.68	**3,837.18**
Shareholders' Equity (RM'Million)	661.56	748.50	793.25	830.77	**1,727.88**
Return on Equity (%)	11.69	11.54	8.01	5.61	**41.36**
Earnings Per Share (Sen)	44.34	44.95	33.09	24.24	**371.92**
Net Assets Per Share (RM)	3.44	3.90	4.13	4.32	**8.99**

* This amount is total of continuing and discontinued operations.

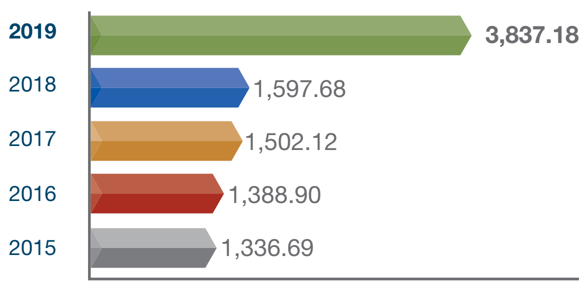
REVENUE
(RM'MILLION)



PROFIT BEFORE TAXATION
(RM'MILLION)



TOTAL ASSETS
(RM'MILLION)



EARNINGS PER SHARE
(SEN)

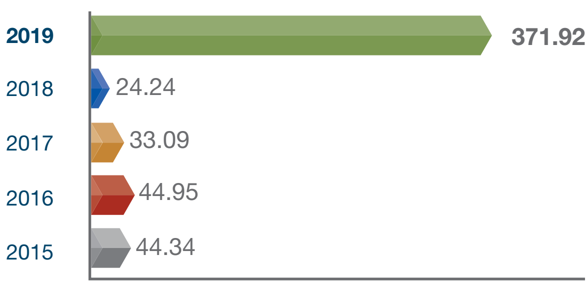


TABLE OF CONTENTS

CORPORATE **STRUCTURE**

AS AT 30 APRIL 2020

CAN-ONE BERHAD*
[Registration No. 200401000396 (638899-K)]

- **100%** Aik Joo Can Factory Sdn. Berhad
- **100%** Canzo Sdn. Bhd.
- **100%** AJCan Sdn. Bhd.
- **100%** Sanjung Nuri Sdn. Bhd.
- **100%** TOGO Palm Oils & Fats Sdn. Bhd.
- **100%** Newmarq Sdn. Bhd.
  - **100%** Grensing Pte. Ltd.
  - **100%** PT. Corum
  - **100%** PT. AJ Candace
- **100%** Amber Alliance Sdn. Bhd.
  - **100%** Hinoki Beverages Sdn. Bhd.
- **100%** Can-One International Sdn. Bhd.
  - **99.93%** **KIAN JOO CAN FACTORY BERHAD**
- **0.07%** **KIAN JOO CAN FACTORY BERHAD**

* *Listed on the Main Market of Bursa Malaysia Securities Berhad*

CORPORATE **STRUCTURE**
AS AT 30 APRIL 2020

- **100%** Kian Joo Packaging Sdn. Bhd.
- **100%** KJM Aluminium Can Sdn. Bhd.
- **100%** Federal Metal Printing Factory, Sdn. Berhad
  - **1%** Bintang Seribu Sdn. Bhd.
- **100%** Metal-Pak (Malaysia) Sdn. Bhd.
  - **99%** Bintang Seribu Sdn. Bhd.
  - **100%** Great Asia Tin Cans Factory Company, Sdn. Berhad
- **100%** KJ Can (Selangor) Sdn. Bhd.
- **100%** KJ Can (Johore) Sdn. Bhd.
- **100%** Kian Joo Canpack Sdn. Bhd.
- **100%** Kian Joo Canpack (Shah Alam) Sdn. Bhd.
- **100%** KJ Can (Singapore) Pte. Ltd.
  - **100%** Kianjoo Can (Myanmar) Company Limited
  - **100%** KJ TOGO Pte. Ltd.
    - **100%** KJ TOGO (Malaysia) Sdn. Bhd.
- **100%** Indastri Kian Joo Sdn. Bhd.
- **100%** Kian Joo Manufacturing Sdn. Bhd.
- **1%** PT. KJ Canco
- **100%** KJO International Sdn. Bhd.
  - **99%** PT. KJ Canco
  - **99%** PT. KJ Canmax
- **1%** PT. KJ Canmax
- **100%** Kian Joo Cans Distribution Sdn. Bhd.
- **100%** Kian Joo Can (Vietnam) Co., Ltd.
- **1%** PT. KJ Box-Pak
- **54.99%** **BOX-PAK (MALAYSIA) BHD.***
  - **99%** PT. KJ Box-Pak
  - **100%** Box-Pak (Johore) Sdn. Bhd.
  - **100%** BP MPak Sdn. Bhd.
  - **100%** BP Pak (Singapore) Pte. Ltd.
    - **100%** Boxpak (Myanmar) Company Limited
  - **100%** Box-Pak (Vietnam) Co., Ltd.
    - **100%** Box-Pak (Hanoi) Co., Ltd.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Subahan Bin Kamal
Chairman/Senior Independent Non-Executive Director

Marc Francis Yeoh Min Chang
Group Managing Director

Chee Khay Leong
Executive Director

Yeoh Jin Hoe
Non-Independent Non-Executive Director

Yeoh Jin Beng
Non-Independent Non-Executive Director

Razmi Bin Alias
Independent Non-Executive Director

Foo Kee Fatt
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Foo Kee Fatt *(Chairman)*
Dato' Seri Subahan Bin Kamal
Razmi Bin Alias

NOMINATING COMMITTEE

Dato' Seri Subahan Bin Kamal *(Chairman)*
Yeoh Jin Beng
Razmi Bin Alias

REMUNERATION COMMITTEE

Yeoh Jin Beng *(Chairman)*
Dato' Seri Subahan Bin Kamal
Razmi Bin Alias

COMPANY SECRETARIES

Tan Bee Keng
SSM PC No. 201908002597
MAICSA 0856474

Kwong Shuk Fong
SSM PC No. 202008002178
MAICSA 7032330

AUDITORS

KPMG PLT
Chartered Accountants
Level 18, Hunza Tower
163E Jalan Kelawei
10250 Penang, Malaysia
T : +604-2382 288
F : +604-2382 222
E : infopg@kpmg.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn. Bhd.
[Registration No. 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia
T : +603-2783 9299
F : +603-2783 9222
E : is.enquiry@my.tricorglobal.com
W : www.tricorglobal.com

Tricor Customer Service Centre
Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

REGISTERED AND CORPORATE OFFICE

2B-4, Level 4
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan, Malaysia
T : +603-7804 8590
F : +603-7880 1605
E : can1@canone.com.my

PRINCIPAL PLACE OF BUSINESS

Lot 2244, Jalan Rajawali
Batu 9, Kampung Kebun Baru
42500 Telok Panglima Garang
Kuala Langat
Selangor Darul Ehsan, Malaysia
T : +603-3122 1988
F : +603-3122 2188
E : ajctpg@aikjoo.com.my

PRINCIPAL BANKERS

AmBank (M) Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad
OCBC Bank (Malaysia) Berhad
Rabobank
RHB Bank Berhad
United Overseas Bank (Malaysia) Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad
Stock Name : CANONE
Stock Code : 5105
Sector : Industrial Products & Services
Sub-sector : Packaging Materials

WEBSITE

www.canone.com.my

PROFILE OF **DIRECTORS**

DATO' SERI SUBAHAN BIN KAMAL
Chairman/
Senior Independent
Non-Executive Director

Malaysian, Male, Aged 54

Dato' Seri Subahan Bin Kamal was appointed to the Board of Directors ("Board") of Can-One Berhad ("Can-One" or "the Company") as Independent Non-Executive Director on 26 May 2014. He was re-designated as Senior Independent Non-Executive Director and Chairman of the Company on 29 November 2017. He is also the Chairman of the Nominating Committee and a member of Audit and Risk Management Committee and Remuneration Committee.

He holds a Bachelor of Science (Hons.) Degree in Finance and Minor in Economics from Southern Illinois University at Carbondale, Illinois, the United States of America ("USA"). He is a member of the Malaysian Insurance Institute.

He started his employment career with Bank Rakyat Corporate Planning Department in 1989 to 1994. He joined the civil service sector in 1994. He served as Private Secretary to the Parliamentary Secretary, Ministry of Finance (1994 to 1995), Senior Private Secretary to the Deputy Minister of Finance (1995 to 1998) and Senior Private Secretary to the Deputy Minister of Human Resource (1999). In 1999, he left the civil sector to start his business in construction. He has several businesses involved in constructions, training and education, property development, project management and logistics.

He is the President of the Malaysian Hockey Confederation; Deputy President of Football Association of Malaysia; a Member of Curriculum Advisory Board, Universiti Teknologi MARA, Malaysia; Chairman of Wawasan Qi Group; and a Member of Advisory Board, Quest International University Perak. He was the President of Football Association of Selangor (2016 to 2018) and the Manager of Malaysian National Football Team (2009 to 2013). Currently, he is the Manager of the Malaysian U23 National Football Team and also the President of Petaling Jaya City Football Club.

He is an Executive Director of Gagasan Nadi Cergas Berhad, which is listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). He is an Independent Non-Executive Chairman of Alcom Group Berhad which is listed on the Main Market of Bursa Securities and an Independent Non-Executive Director of The New Straits Times Press (Malaysia) Berhad, a subsidiary of Media Prima Berhad, which is listed on the Main Market of Bursa Securities.

MARC FRANCIS YEOH MIN CHANG
Group Managing Director

Malaysian, Male, Aged 35

Marc Francis Yeoh Min Chang was appointed to the Board of Can-One as Chief Operating Officer cum Executive Director on 6 July 2012 and assumed the position of Group Managing Director ("MD") on 1 October 2017.

He holds a Bachelor of Science Degree in Electrical and Electronic Engineering (Magna cum Laude) from Marquette University, USA and a Master of Business Administration in Finance from University of Southern Queensland, Australia.

He is currently responsible for implementation of Can-One group of companies' ("Can-One Group" or "the Group") board operational strategies and policies. In addition, he also oversees the day-to-day operations and performance of the Group. His experience covers engineering, business development, management and marketing. He was General Manager of the Engineering and Business Development units of the Group before his appointment to the Board. Prior to this, he was working for Axiata Group Berhad group of companies serving in various senior positions abroad from 2007 to 2010.

He acts as an Alternate Director to Yeoh Jin Hoe in Alcom Group Berhad which is listed on the Main Market of Bursa Securities and also in Aluminium Company of Malaysia Berhad, a wholly-owned subsidiary of Alcom Group Berhad.

He is the son of Yeoh Jin Hoe (a Director and major shareholder of the Company) while Yeoh Jin Beng (a Director of the Company) is his uncle.

PROFILE OF **DIRECTORS**

CHEE KHAY LEONG
Executive Director

Malaysian, Male, Aged 59

Chee Khay Leong was appointed to the Board of the Company as Executive Director on 1 February 2018.

He is the President cum Chief Executive Officer of Kian Joo Can Factory Berhad ("KJCFB"), a wholly-owned subsidiary of Can-One, and Box-Pak (Malaysia) Bhd. ("BPMB"), a subsidiary of KJCFB. BPMB is listed on the Main Market of Bursa Securities. He has extensive experience in the management of manufacturing facilities, marketing and business development. Prior to joining KJCFB, he was the Chief Operating Officer cum Executive Director of Can-One. He was with Can-One Group from 1977 to 2013.

YEOH JIN HOE
Non-Independent
Non-Executive Director

Malaysian, Male, Aged 73

Yeoh Jin Hoe was appointed to the Board of Can-One as Managing Director on 8 April 2005. He relinquished the position on 11 July 2012 when he was appointed Group MD of KJCFB, a wholly-owned subsidiary of Can-One. He however remained on the Board of Can-One as a Non-Independent Non-Executive Director.

He has extensive experience in the manufacturing and trading industries, having been the founder of several companies involved in the manufacturing sector. The Kaiserkorp Sdn. Bhd. group of companies ("Kaiserkorp Group") which manufacture and distribute "KingKoil" and other branded mattresses as well as other sleep related products in Malaysia were started by him in the 1980s. He also founded Agrow Malaysia Sdn. Bhd. group of companies, which distribute sanitary wares, ironmongery and builders' hardware. Thereafter, he went on to establish Ibufood Corporation Sdn. Bhd. group of companies ("Ibufood Group") which manufacture and distribute instant noodles, food seasonings, instant soups and marinades.

Under his leadership and guidance, Can-One Group expanded its core business as a tin can manufacturer to include the manufacture of plastic jerry cans, dairy and non-dairy products. He was instrumental in the acquisition by the Group of its initial 32.9% equity interest in KJCFB.

He is also the Group MD of Box-Pak (Malaysia) Bhd. which is listed on the Main Market of Bursa Securities and a subsidiary company of KJCFB. He is an Executive Director of Alcom Group Berhad ("AGB") which is listed on the Main Market of Bursa Securities as well as Aluminium Company of Malaysia Berhad, a subsidiary of AGB.

He is a major shareholder of Can-One. He is the father of Marc Francis Yeoh Min Chang (the Group MD of the Company) and the brother of Yeoh Jin Beng (a Director of the Company).

YEOH JIN BENG
Non-Independent
Non-Executive Director

Malaysian, Male, Aged 68

Yeoh Jin Beng was appointed as Non-Independent Non-Executive Director on the Board of Can-One on 8 April 2005. He is also the Chairman of the Remuneration Committee and a member of the Nominating Committee.

His expertise is in the manufacture and trading of fast moving consumer goods. He is 1 of the co-founders of Kaiserkorp Group which manufactures and distributes "KingKoil" and other branded mattresses in Malaysia. Prior to that, he was working for an international pharmaceutical company which deals in pharmaceutical and other specialty medical products.

He is the Managing Director of Ibufood Group which is involved in the manufacture and distribution of instant noodles and other consumer food products.

He is the brother of Yeoh Jin Hoe (Director and major shareholder of the Company) and uncle of Marc Francis Yeoh Min Chang (the Group MD of the Company).

PROFILE OF **DIRECTORS**

RAZMI BIN ALIAS
Independent Non-Executive Director

Malaysian, Male, Aged 63

Razmi Bin Alias joined the Board of Can-One as Non-Independent Non-Executive Director on 8 April 2005 and was re-designated as Independent Non-Executive Director on 16 July 2012. He is also a member of the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee.

He holds a Diploma in Business Studies from UiTM, a Degree in Business Administration from Western Michigan University, USA and a Masters in Business Administration (Finance) from Central Michigan University, Michigan, USA.

His experience covers finance and corporate functions, business development and trading. He owns and serves as shareholder and director in several private limited companies which are involved in trading, manufacturing, agro-based products, logistics and investment holding. Prior to that, he was a senior management staff in a local financial institution for 15 years. He was appointed Advisor to Persatuan Pengasih Malaysia in October 2019.

He is an Executive Director of Asdion Berhad which is listed on the ACE Market of Bursa Securities and an Independent Non-Executive Director of CWG Holdings Berhad which is listed on the Main Market of Bursa Securities.

FOO KEE FATT
Independent Non-Executive Director

Malaysian, Male, Aged 54

Foo Kee Fatt was appointed to the Board of Can-One as Independent Non-Executive Director on 29 December 2017. He is also the Chairman of the Audit and Risk Management Committee.

He is a Member of the Malaysian Institute of Certified Public Accountants and Malaysia Institute of Accountants. He is also an associate member of Chartered Tax Institute of Malaysia and an approved company auditor under the Companies Act 2016. He has about 31 years of experience in public accountancy practice.

He began his career in 1987 when he joined and served his articleship with Messrs Kassim Chan & Co. (now known as Messrs Deloitte). In 1993, he joined Messrs Peter Chong & Co., a local accounting firm with international affiliation, as a Senior Associate where he worked his way up to become a Partner at the firm within the span of 13 years. In 2007, he established Messrs KFF, an audit firm, and currently, he is in public practice.

He is an Independent Non-Executive Director of Padini Holdings Berhad and MMS Ventures Berhad which are both listed on the Main Market of Bursa Securities.

Additional information:

1. *None of the Directors has any family relationship with any Director and/or major shareholder of Can-One, except for Marc Francis Yeoh Min Chang, Yeoh Jin Hoe and Yeoh Jin Beng.*
2. *None of the other Directors has any conflict of interest with Can-One.*
3. *Yeoh Jin Beng has no other directorship in public companies and listed issuers.*
4. *None of the Directors has been convicted of any offence within the past 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during the financial year ended 31 December 2019 ("**FYE 2019**").*
5. *Details of the Directors' attendances at Board meetings in FYE 2019 are set out in the Corporate Governance Overview Statement on page 49 of this Annual Report.*

PROFILE OF
KEY SENIOR MANAGEMENT

KHOO KAY LEONG
Group Chief Financial Officer Can-One

Malaysian, Male, Aged 53

Khoo Kay Leong is a member of Malaysian Institute of Accountants ("MIA") and Malaysian Institute of Certified Public Accountants ("MICPA"). He joined Can-One as Group Chief Financial Officer on 1 October 2012 and is responsible for the financial matters of Can-One Group.

He has extensive experience in accounting, financial management and taxation, having worked in the commercial sectors of various industries for the past 30 years. He was with Messrs KPMG from 1986 until 1992 where he then left to join the manufacturing sectors. He served in various senior management capacities in local corporations before he joined Can-One.

CHONG YUE CHIN
General Manager
- Tin Cans and Jerry Cans Segments

Malaysian, Male, Aged 66

Chong Yue Chin holds a diploma in Mechanical Engineering from Federal Institute of Technology. He joined Can-One Group on 15 September 1997 and was appointed General Manager on 1 June 2004 to take charge of the operations in the Tin Cans and Jerry Cans segments of the General Packaging Division.

He has more than 27 years experience in manufacturing of metal and lithographed tin cans and blow moulding.

He was in charge of the Sales and Marketing department and also headed the jerry cans segment before assuming his current position. Prior to joining Can-One Group, he was a Sales Manager of a manufacturing company.

LIM ENG TAK
General Manager
- Rigid Packaging Segment

Malaysian, Male, Aged 52

Lim Eng Tak graduated with a degree in Bachelor of Business from Edith Cowan University, Australia. He joined Can-One Group on 1 August 2013 as General Manager taking charge of the operations in the Rigid Packaging segment of the General Packaging Division.

He has more than 22 years experience in the manufacturing sector. He was the General Manager of a multinational plastic manufacturing company for 11 years before he joined Can-One Group.

TAN BEE KENG
Group Company Secretary

Malaysian, Female
Aged 60

Tan Bee Keng is an associate of The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). She was appointed as Company Secretary on 7 January 2004 to head the Group Secretarial department.

She also acts as Company Secretary for several other public companies listed on the Main Market of Bursa Securities, which are principally involved in the manufacture and distribution of cartons boxes, fast moving consumer goods and aluminium sheets & foil products, property development and construction. She has extensive experience in company secretarial and corporate work. She was previously the Manager-Group Secretarial of a management company serving a group of listed companies.

KWONG SHUK FONG
Joint Company Secretary

Malaysian, Female
Aged 47

Kwong Shuk Fong is an associate of MAICSA. She was appointed Joint Company Secretary on 18 April 2013 and is responsible for the company secretarial matters of Can-One Group. She has extensive experience in receivership, liquidation, corporate recovery and reconstruction and company secretarial work having served in both the secretarial services and commercial sectors. Prior to joining Can-One, she was an Assistant Company Secretary of a public listed company which is involved in oil and gas, renewable energy, industrial trading and services.

PROFILE OF
KEY SENIOR MANAGEMENT

OOI TEIK HUAT
Group Chief
Financial Officer
KJCFB

Malaysian, Male, Aged 50

Ooi Teik Huat is a member of Malaysian Institute of Certified Public Accountant and Malaysian Institute of Accountant ("MIA"). He worked in an international accounting firm for more than 8 years before joining a subsidiary of Can-One Berhad Group as Finance Manager in 1995. He was appointed as Executive Director of Can-One Group in 2005 and left the position to assume the role of Group Chief Financial Officer of KJCFB Group on 31 July 2012.

BERNADETTE
CHIN CHEEN CHOO
Director - Group Executive
Management Office

Malaysian, Female
Aged 54

Bernadette is a qualified accountant and is a Fellow of the Association of Chartered Certified Accountants. She gained her exposure working in international accounting firms for more than 20 years before joining a commercial organisation in 2007. She joined KJCFB Group in 2015 as Head of Internal Audit and was transferred to the Executive Office as Executive Assistant in 2016. She was promoted to her current role on 21 September 2017.

ANG KOK KUN
General Manager
- Tin Cans Segment
Batu Caves

Malaysian, Male, Aged 49

Ang Kok Kun obtained his Degree in Mechanical & Manufacturing from Tunku Abdul Rahman College before he joined the operations team of KJCFB Group in 1995 as an Executive. He was promoted to his current position on 1 January 2017.

LEONG SHEONG LOK
General Manager
- Tin Cans Segment
Shah Alam

Malaysian, Male, Aged 50

Leong Sheong Lok holds a Bachelor Degree in Mechanical Engineering from Universiti Kebangsaan Malaysia. He joined KJCFB Group as plant engineer in 1997 and was promoted to the current position on 1 January 2017.

TAN KIM WENG
General Manager
- Tin Cans Segment
Johor

Malaysian, Male, Aged 44

Tan Kim Weng obtained his Bachelor of Business Administration degree from University of Ottawa, USA. He has more than 11 years of working experience in the tin cans industry. He worked in Japan for 3 years before joining KJCFB Group as Sales Executive in 2007. He was promoted to the position of General Manager on 1 January 2017.

PROFILE OF
KEY SENIOR MANAGEMENT

HOH WEE SANG
General Director
- Tin Cans Segment Vietnam

Malaysian, Male, Aged 53

Hoh Wee Sang holds a Bachelor Degree from Thung Hai University, Taiwan. He joined KJCFB Group in 1995 as industrial engineer and was seconded to KJCFB Group's Vietnam operations in 2002. He was promoted to his current position on 1 January 2016.

FOO MUN CHOONG
General Manager
- Sales, Tin Cans Segment

Malaysian, Male, Aged 48

Foo Mun Choong holds a Master in Business Administration from the University of Wales, Newport and Asia e-University. He joined KJCFB Group since 1993 and served in a few positions in the operations team before he was transferred to the Sales and Marketing department. He was promoted to head the Sales and Marketing Department of KJCFB Group in 2012 and was promoted to his current position on 1 January 2017.

YEW LI LIAN
General Manager
- Sales, Aluminium Cans Segment

Malaysian, Female Aged 55

Yew Li Lian holds a Master of Business Administration from University Royal Melbourne Institute of Technology, Australia. She joined KJCFB Group in 1998 and served in several capacities before she was transferred to the Sales Department. She was promoted to her current position on 1 January 2017.

LIM KIM HONG
General Manager
- Aluminium Cans Segment Myanmar

Malaysian, Male, Aged 59

Lim Kim Hong has more than 37 years of working experience in KJCFB Group having joined KJCFB Group in 1980. He has extensive experience in the operations of aluminium cans factory, having served in various roles within the segment. He was promoted to his current position on 1 January 2017 to set up the aluminium cans facility in Myanmar in 2018.

LE SEE LI
General Manager
- Aluminium Cans Segment Nilai

Malaysian, Male, Aged 56

Le See Li holds a Diploma in Technology in Mechanical and Automative Engineering from Tunku Abdul Rahman College. He was awarded a Master in Business Administration from Southern Cross University, New South Wales, Australia in 2005. He joined KJCFB Group's Tin Cans segment in 1989 and was transferred to the Aluminium Cans segment in 2007. He was promoted to his current position on 1 January 2017.

PROFILE OF
KEY SENIOR MANAGEMENT

CHAN HUAN CHEONG
General Director
- Cartons Segment Vietnam

Malaysian, Male, Aged 78

Chan Huan Cheong graduated from Han Chiang High School and started his career in 1963, when he started to work in corrugated carton industry. He gained his technical knowledge in Japan and Europe through his various engagements with the carton manufacturers. He joined BPMB Group's operations in Vietnam in 2004 and was promoted to his current position on 28 May 2014.

HO YIK KIT
General Manager
- Cartons Segment Batu Caves

Malaysian, Male, Aged 56

Ho Yik Kit holds a Bachelor Degree in Economics (Accounting & Economics) from Monash University, Australia. He is also a member of the MIA. He has more than thirty (30) years of experience serving in various senior management roles in operations, sales and finance units. He joined BPMB Group in 2016 as General Manager, Finance and Operations support before assuming his current role as General Manager on 1 January 2018.

CHONG PHENG SEONG
General Manager
- Cartons Segment Johor

Malaysian, Male, Aged 45

Chong Pheng Seong started his career after leaving high school. He joined the carton industry in 2000 and has experience working in Vietnam for 12 years. He joined BPMB Group on 1 March 2016 in the capacity of General Manager.

ONG KEAN KENG
General Manager
- Contract Manufacturing Division, Nilai

Malaysian, Male, Aged 49

Ong Kean Keng holds Bachelor of Science from University of Malaya and Master of Business Administration from University of South Australia. He has 21 years of working experience in various industries. He joined KJCFB Group in 2011 and was promoted to the current position on 1 January 2017.

QUEK KHEH MENG
General Manager
- Contract Manufacturing Division, Shah Alam

Malaysian, Male, Aged 46

Quek Kheh Meng holds a Bachelor of Business Adminstration (Honours) degree from Coventry University, UK in 1998. He joined KJCFB Group as Sales Executive in the Tin Cans segment after graduation and was transferred to head the Contract Manufacturing Division in 2012. He was promoted to his current position on 1 January 2017.

PROFILE OF
KEY SENIOR MANAGEMENT

CHEW HOCK SAN
General Manager
- Myanmar

Malaysian, Male, Aged 55

Chew Hock San holds a Bachelor of Science with Education (Honours) degree majoring in Chemistry from Universiti Putra Malaysia (formerly known as Universiti Pertanian Malaysia). He worked in various capacities since he joined KJCFB Group as Operations Manager in 2001. He was promoted to his current role on 1 May 2018.

Additional information:

- *None of the Key Senior Management holds directorship in public companies and listed companies.*
- *None of the Key Senior Management has family relationship with any Director and/or major shareholder of the Company.*
- *None of the Key Senior Management has any conflict of interest with the Company.*
- *None of the Key Senior Management has been convicted for offences within the past 5 years or was publicly sanctioned or imposed with penalty by the relevant regulatory bodies during financial year ended 31 December 2019.*

MANAGEMENT DISCUSSION **AND ANALYSIS**

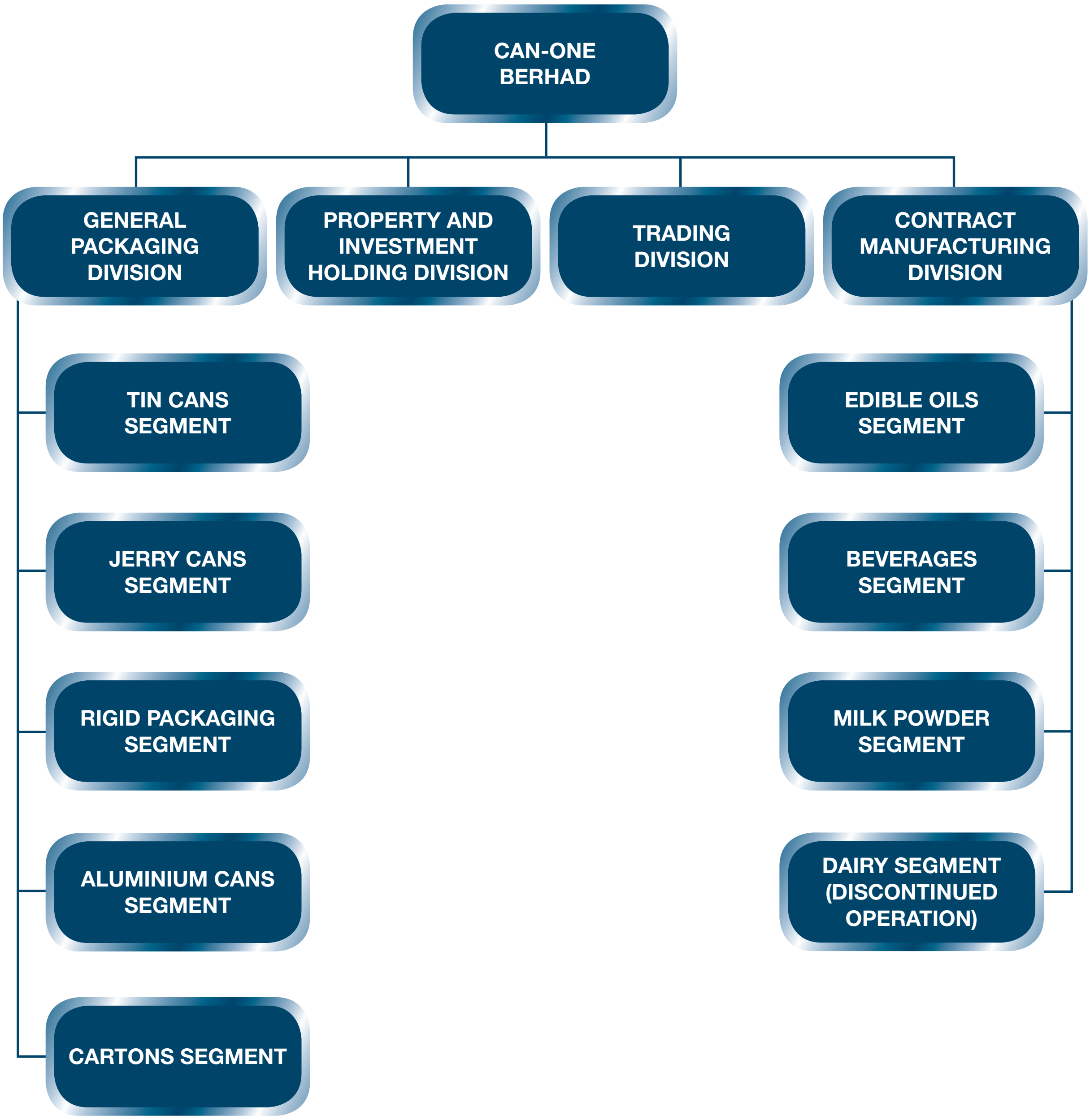
INTRODUCTION

The following Management Discussion and Analysis ("MD&A") provides an analysis of the financial performance and review of the business of Can-One Berhad ("Can-One") and its subsidiaries ("the Group") for the financial year ended 31 December 2019 ("FYE 2019").

The MD&A contains commentary from the Management on the performance of the Group and of the Company, key business strategies, risks and future prospects of the Group.

This MD&A is the responsibility of the Management. The Board of Directors of the Company ("Board") has reviewed and approved this MD&A for inclusion in the Annual Report for FYE 2019.

OVERVIEW OF BUSINESS AND OPERATIONS



MANAGEMENT DISCUSSION **AND ANALYSIS**

OVERVIEW OF BUSINESS AND OPERATIONS *(continued)*

GENERAL PACKAGING DIVISION

Tin cans segment

This segment is principally involved in the manufacture of metal and lithographed tin cans and components in Malaysia and Vietnam. Tin cans manufactured by the Group are supplied to a wide variety of industries including fast moving consumer goods, edible oils packaging, industrial products, battery jackets, aerosol and other products.

Jerry cans and Rigid packaging segments

These segments are principally involved in blow moulding and plastic injections manufacturing in Malaysia and Indonesia. Plastic bottles manufactured by the Group are supplied to customers ranging from enterprises to large domestics and overseas companies involved in the various industries of fast moving consumer goods, edible oils packaging, pharmaceutical products and other products.

Aluminium cans segment

This segment is principally involved in the manufacture of aluminium cans in Malaysia and Myanmar. The main customers of aluminium cans are the beverage industry which include beer, carbonated drink, soft drink and Asian drink products.

Cartons segment

This segment is principally involved in the manufacture of corrugated fibreboard cartons for fast moving consumer goods, electronic and electrical products, footwear, furniture and other products in Malaysia, Vietnam and Myanmar.

CONTRACT MANUFACTURING DIVISION

Edible oils, Beverages and Milk powder segments

These segments are principally involved contract manufacturing, packaging and distribution of dairy, carbonated and non-carbonated beverages, milk powder as well as edible oil products.

TRADING DIVISION

This division undertakes sale and marketing activities for the Group. It also acts as a centralised international procurement centre for main direct material of the Group.

PROPERTY AND INVESTMENT HOLDING DIVISION

All activities not classified above are included in this division. This include investment in certain subsidiaries, investment in properties held for future development, and properties rented to related companies and third parties.

MANAGEMENT DISCUSSION **AND ANALYSIS**

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There were 2 significant events which took place during the financial year ended 31 December 2019 :

(i) Acquisition of 2,166,000 ordinary shares in Kian Joo Can Factory Berhad ("KJCFB") by Can-One International Sdn. Bhd. ("CISB"), a wholly-owned subsidiary of Can-One, from Tan Kim Seng ("Vendor") and the resultant Mandatory General Offer for all the remaining KJCFB ordinary shares ("KJCFB Shares") not already owned by CISB after the said acquisition. Below is the summary of the series of events which took place in the first half of the 2019 :

13 December 2018

CISB entered into a conditional sale and purchase agreement with Vendor to acquire 2,166,000 KJCFB shares, representing 0.49% equity interest in KJCFB at a total consideration of RM6.7 million ("Acquisition").

14 February 2019

The Acquisition was completed. CISB's shareholding in KJCFB increased from 32.90% to 33.39%. CISB served a notice to KJCFB's Board of Directors in respect of the conditional mandatory take-over offer to acquire all the remaining KJCFB Shares not already held by CISB at RM3.10 per share ("MGO").

18 March 2019

The valid acceptances of the MGO when taken together with existing KJCFB Shares of CISB, the Group and Parties Acting in Concert with them, were more than 50% of the total KJCFB Shares. Accordingly, KJCFB became an indirect subsidiary of Can-One.

30 April 2019

Based on the valid acceptances, the Group held 97.48% of the total KJCFB Shares. As CISB had received valid acceptance of not less than nine-tenths in the value of the KJCFB Shares (excluding KJFCB 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 Capital Market and Services Act 2007 to compulsorily acquire any remaining offer shares. ("Compulsory Acquisition")

16 May 2019

KJCFB was removed from the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Paragraph 16.07(a) of the Main Market Listing Requirements of Bursa Securities.

28 June 2019

CISB completed the Compulsory Acquisition, hence KJCFB became an indirect wholly-owned subsidiary of Can-One.

MANAGEMENT DISCUSSION **AND ANALYSIS**

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(continued)*

There were 2 significant events which took place during the financial year ended 31 December 2019 *(continued)* :

(ii) Disposal 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 (minimum) to RM1,000.0 million (maximum) ("Disposal Consideration"). Below is a summary of events pertaining to the said disposal :

14 June 2019

Can-One entered into a sale and purchase agreement ("SPA") with WDPL for the proposed disposal by Can-One of the entire issued share capital of FBSB, through the disposal of the entire issued share capital of CRSB to WDPL, for the Disposal Consideration ("Disposal").

9 August 2019

Shareholders approved the Disposal. The SPA, however, is conditional upon satisfaction of the condition precedents on or before a date falling four (4) months from the date of SPA or such other date as may be agreed in writing between Can-One and WDPL.

23 September 2019

Can-One entered into a supplemental agreement to the SPA with WDPL to vary certain terms of the SPA to facilitate the financing agreements for WDPL and completion of the SPA.

24 September 2019

The SPA became unconditional following the fulfilment of all condition precedents as set out in the SPA. The entire financial position of FBSB and CRSB were classified as assets and liabilities held for sales whilst the current year financial results as well as comparative figures were reclassified as Discontinued Operation.

15 October 2019

The Disposal was completed 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 being a date falling two (2) years from the Completion Date.

26 December 2019

WDPL paid an amount of RM156.0 million comprising a principal amount of RM153.5 million and interest of RM2.5 million which is equivalent to an internal rate of return of 8% per annum calculated from the Completion Date up to and including the relevant settlement date of 31 December 2019, towards part settlement of the Tranche 2 Amount, in accordance with the terms and conditions of the SPA. The remaining balance of the Tranche 2 Amount of RM96.5 million (being the Tranche 2 Amount less the principal amount of RM153.5 million which has been paid) will be settled by WDPL on or prior to the Tranche 2 Long Stop Payment Date, being a date falling two (2) years from the Completion Date.

30 January 2020

WDPL made a further payment of RM8.7 million comprising a principal amount of RM8.5 million and interest of RM0.2 million (calculated from the Completion Date up to and including the settlement date of 31 January 2020), towards part settlement of the Tranche 2 Amount, in accordance with the terms and conditions of the SPA. Can-One acknowledged the said settlement on 31 January 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL PERFORMANCE REVIEW AND FINANCIAL HIGHLIGHTS

	FYE 2019 RM'000	FYE 2018 RM'000	Increase/ (Decrease) RM'000
Continuing operations			
Revenue	**2,284,180**	593,025	1,691,155
Gross profit/(loss)	**153,001**	45,523	107,478
Profit/(Loss) before tax	**221,050**	(3,583)	224,633
Profit/(Loss) after tax	**213,665**	(5,701)	219,366
Discontinued operation			
Profit after tax	**725,671**	52,277	673,394
Net profit attributable to equity holders	**714,663**	46,576	668,087
Earnings before interest, tax, depreciation and amortisation ("EBITDA")	**1,155,275**	113,426	1,041,849
Adjusted earnings before interest, tax, depreciation and amortisation ("Adjusted EBITDA")[(1)]	**179,511**	113,426	66,085
Total assets	**3,837,178**	1,597,675	2,239,503
Shareholders' equity	**1,727,883**	830,771	897,112
Total loans and borrowings and lease liabilities	**1,397,087**	540,121	856,966
Return on equity (%)	**41.4**	5.6	35.8
Net assets per share (sen)	**899.22**	432.35	466.87
Earnings per share (sen)	**371.92**	24.24	347.68

For the FYE 2019, total revenue of the continuing operations of Can-One and its subsidiary companies ("Can-One Group" or "the Group") was RM2,284.2 million, a sharp increase of RM1,691.2 million from RM593.0 million in last financial year ended 31 December 2018 ("FYE 2018"). This was mainly due to consolidation of KJCFB and its subsidiary companies' ("KJCFB Group") revenue. In tandem, gross profit of Can-One Group increased by RM107.5 million from RM45.5 million in FYE 2018 to RM153.0 million in FYE 2019.

Consequent to the abovementioned 2 significant events during the FYE 2019, the Group has recorded profit before tax ("PBT") of RM221.1 million in FYE 2019 from continuing operations, an increase of RM224.6 million compared to loss before tax ("LBT") of RM3.6 million in FYE 2018. This was mainly attributable to gain arising from the acquisition of KJCFB. Profit from discontinued operation, net of tax amounted to RM725.7 million in FYE 2019 compared to RM52.3 million in FYE 2018. The increase was mainly attributable to gain arising from disposal of FBSB through the disposal of CRSB.

The gain arising from the disposal of FBSB through the disposal of CRSB is calculated based on the estimated preliminary disposal consideration amounting to RM912.0 million, being cash proceeds received as at the date of reporting. The final disposal consideration is subject to the calculation of the disposal consideration to be made in accordance with the SPA between the Company and WDPL and has not been finalised at the date of reporting.

The difference between the final disposal consideration and the preliminary disposal consideration will be accounted for in the profit or loss in the financial year ending 31 December 2020.

MANAGEMENT DISCUSSION **AND ANALYSIS**

FINANCIAL PERFORMANCE REVIEW AND FINANCIAL HIGHLIGHTS *(continued)*

DIVISIONAL BUSINESS REVIEW

General packaging division

Revenue of General packaging division increased by RM1,509.2 million to RM2,003.5 million in FYE 2019 mainly attributable to consolidation of the revenue of KJCFB Group. However, a LBT of RM17.2 million was reported for FYE 2019 compared to a PBT of RM8.1 million in FYE 2018 mainly due to loss on operations in Myanmar plants and impairment of certain plants and equipment that are not expected to run at designed capacity in the near future as well as write down of slow moving inventories.

Contract manufacturing division

Continuing operations of Contract manufacturing division registered a revenue of RM223.6 million in FYE 2019, an increase of RM217.0 million compared to FYE 2018, mainly contributed by the Edible Oils and Beverages segments. Despite the higher turnover, this segment registered a LBT of RM27.4 million in FYE 2019 mainly due to high overhead and operating costs as the Edible Oils segment has only been in operation since Quarter 3 of FYE 2018 and the Beverages segment was undergoing expansion in FYE 2019. As such, both the said segments have yet to run at optimal capacity.

From 1 January 2019 up to Completion Date, Dairy segment, being discontinued operation recorded RM725.7 million profit after tax, out of which RM671.8 million arose from gain on disposal of FBSB through the disposal of CRSB.

Trading division

Revenue of Trading division increased by RM335.4 million to RM479.4 million in FYE 2019 when compared to FYE 2018 mainly due to consolidation of KJCFB Group's Trading division. PBT of the division increased in tandem by RM4.1 million to RM6.6 million in FYE 2019.

FINANCIAL POSITION REVIEW

As at 31 December 2019, the Group's total assets stood at RM3,837.2 million, representing a growth of RM2,239.5 million compared to RM1,597.7 million as at 31 December 2018. This was mainly attributable to the enlarged assets base arising from consolidation of KJCFB Group's assets and gain arising from disposal of FBSB through the disposal of CRSB.

The Group invested heavily in capital expenditures amounting to RM205.3 million, out of which RM118.0 million was for General packaging division and RM45.2 million for continuing operations in Contract manufacturing division in order to support long-term business expansion in product diversification and to increase existing production capacity which are expected to generate positive returns for the Group in the immediate and near term. The Group's current assets, which made up 38.2% of the total assets, increased by RM850.8 million to RM1,465.5 million at the close of FYE 2019. This increase was mainly attributable to the increase in inventories, money market placement with a financial institution as well as trade and other receivables.

Total liabilities of the Group stood at RM1,968.4 million as at 31 December 2019, representing an increase of RM1,201.4 million compared to RM767.0 million at 31 December 2018. Contributing to the increase were mainly loans and borrowings, trade and other payables and retirement benefits. The Group's current ratio improved marginally compared to last financial year end and remained healthy at 1.38 times as at 31 December 2019.

The Group's financial position remained strong and net assets per share attributable to equity holders of the Group increased by RM4.67 to RM8.99 as at 31 December 2019 (31 December 2018 : RM4.32).

MANAGEMENT DISCUSSION AND ANALYSIS

CASH FLOWS REVIEW

The cash and cash equivalents of the Group increased by RM242.4 million to RM350.6 million as at 31 December 2019.

The Group generated net cash flows of RM190.7 million from operating activities compared to RM96.3 million in the previous financial year largely due to acquisition of subsidiaries together with effective management of working capital. Net cash used in investing activities was RM91.8 million mainly due to acquisition of KJCFB, non-controlling interests, property, plant and equipment and investment properties offset against proceeds from disposal of FBSB through the disposal of CRSB. Net cash generated from financing activities was RM146.9 million mainly attributable to draw down of term loans and net increase in short-term borrowings offset against repayment of term loans, interests and dividend paid.

CAPITAL STRUCTURE AND CAPITAL RESOURCES

The Group aims to maintain a prudent financial structure to ensure that it continues to have access to adequate capital and financing on favourable terms and safeguard the Group's ability to continue as going concern. The Management monitors and is determined to maintain an optimal debt-to-equity ratio that complies with its debt covenants.

The net gearing ratio as at 31 December 2019 was 0.61 times compared to 0.52 times as at 31 December 2018. The increase in net gearing ratio was mainly attributable to the acquisition of KJCFB as the purchase consideration was satisfied by cash via bank borrowing. Nevertheless, the said acquisition provides an integration of the existing cans manufacturing business of the Group with the core competency and services of KJCFB Group to enable the enlarged Group's operation to offer more comprehensive products and services, such as 2-piece aluminium cans and corrugated cartons packaging to its customers and gain a stronger footing in the packaging manufacturing industry. In addition, the integration has also enabled the Group to have a stronger presence in the Southeast Asia region, i.e. Singapore, Vietnam and Myanmar.

Nonetheless, the Management is continuously monitoring and reviewing the Group's debt portfolio, taking into consideration the net gearing level, while streamlining the operations and integration of process flows in the Group in order to achieve an optimal capital structure.

The Group's total capital commitments as at 31 December 2019 amounted to RM38.7 million.

DIVIDEND

The Company maintains a track record of dividend distribution. After considering the profit performance of the Group and both its long-term and short-term commitments, the Board is recommending a first and final single-tier dividend of 4 sen per share and a special single-tier dividend of 2 sen per share amounting to RM7.7 million and RM3.8 million respectively for the FYE 2019, subject to the approval of the shareholders at the Sixteenth Annual General Meeting of the Company to be held in June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL ACTIVITIES REVIEW

GENERAL PACKING DIVISION

Tin cans, Jerry cans and Rigid packaging segments

Tin cans are used as primary packaging material for a variety of products which include food and beverages, confectionary, lubricant, paint, chemical, battery jacket and other dried and liquid products. The segment produces a wide range of various sizes and shapes of metal and lithographed tin cans.

Tin cans market in Malaysia is a matured industry with more than 50 years of history. The Malaysian Tin Cans Manufacturer Association which is a trade association representing this industry has 20 members.

In Vietnam, there are approximately 15 manufacturers of tin cans. Tin Cans manufactured by our plants are to cater for domestic customers, especially in dairy and aerosol industry.

Plastic packaging is the most common mode of packaging in the world. The commercial success of plastic packaging is due to a combination of flexibility, strength, weight, stability, impermeability and ease of sterilisation. These features make plastics an ideal packaging material for all sorts of commercial and industrial uses.

Jerry cans produced by the Group are used primarily for edible oil packaging while rigid packaging produced by the Group are used as packaging material in food and beverage industry such as cooking oils, oats, flavoured syrup, honey, etc..

At present, majority of the products manufactured by our plants in Malaysia are for domestic customers. Hence, the growth of tin cans, jerry cans and rigid packaging business in Malaysia is dependent on the consumers' demand at the end user market of its customers (both domestic or overseas) and our ability to grow the export business.

Aluminium cans segment

Aluminium cans are used as primary packaging material for single serve, ready-to-drink beverage products. This include carbonated and non-carbonated restorable Asian drink products.

There are only 2 manufacturers for aluminium cans in Malaysia although it is possible for domestic beverages manufacturers to import empty cans from suppliers aboard. A majority of aluminium cans produced by the Group is to cater for domestic beverages manufacturers. Hence, the growth of aluminium cans business is dependent upon the demand at the end-consumer, whether from domestic or overseas markets and our ability to grow in export market.

The Group's entity in Myanmar commenced commercial operation in the First Quarter of FYE 2019. In its maiden year of operations, the Group consolidated Myanmar entity's revenue amounting to RM69.1 million[(2)] and loss before tax of RM10.4 million[(2)]. As a green field project, the Group anticipates the entity to contribute positive results after 4 to 5 years from commencement of operations.

Cartons segment

Corrugated cartons are used in a wide variety of industry worldwide as primary and secondary packaging materials. The market demand for the Group's products is dependent on the economic situation in Malaysia, Vietnam and Myanmar.

The product specifications may differ from country to country, from industry to industry and from customer to customer. The Group's objective is to supply carton boxes which our customers want at the price acceptable to them in order to achieve business growth.

In Malaysia, the corrugated carton industry is a matured industry with a lot of players. The Malaysian Corrugated Carton Manufacturer's Association which is the trade association representing the industry, has more than 50 members and associate members.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONAL ACTIVITIES REVIEW *(continued)*

GENERAL PACKING DIVISION *(continued)*

Cartons segment *(continued)*

Apart from a handful of integrated corrugated carton manufacturers who also manufacture paper rolls, there are also a handful of corrugated carton manufacturers with size and capacity comparable to the Group's operations in Malaysia or Vietnam. There are also downstream players who are pure converters where they source paper boards from corrugators and supply carton boxes to their customers.

In Malaysia, the Group focuses their marketing effort on fast moving consumer goods where high quality carton boxes are in demand. The Group also sells its products to the electrical & electronics ("E&E") industry, paints and other industries.

In Vietnam, the carton box industry is a maturing industry with a high number of players. Apart from manufacturers of similar size, the Group's operations in Vietnam are also competing with large integrated carton box manufacturers as well as smaller converters.

The Group in Vietnam focuses its attention on fast moving consumer goods and footwear where demands are high and the quality requirements are more stringent. The Group also supplies corrugated carton boxes to E&E industry as well as furniture industry.

In Myanmar, there are more than 10 carton box manufacturers. Demand for corrugated cartons is expected to increase when its economy reaps benefits from foreign direct investment into the country. Due to the presence of the high number of manufacturers in Malaysia, Vietnam and Myanmar, competition in these markets is intense and the profit margin is expected to be thin but reasonable.

The Group's entity in Myanmar commenced commercial operation in the First Quarter of FYE 2019. In its maiden year of operations, the Group consolidated Myanmar entity's revenue amounting to RM6.6 million[(2)] and LBT of RM12.4 million[(2)]. As a green field project, the Group anticipates the entity to contribute positive results after 4 to 5 years from commencement of operations. The Group intends to ride on the existing customer base in Malaysia and Vietnam and those of KJCFB to jump start its operations in Myanmar. Demand for carton boxes is anticipated to increase when the growth momentum in Myanmar gathers pace.

CONTRACT MANUFACTURING DIVISION

Edible oils segment

The Group ventured into the edible oils industry in the last financial year. Edible oils are amongst the most extensively used constituent and is thus measured as a vital ingredient in cooking food items. The Group focuses mainly on packing and blending of RBD palm olein. RBD palm olein is refined, bleached and deodorized form of palm oil which is used as edible cooking oil in most of the countries. It also can be used as frying oil in food industries. RBD palm olein is used as a raw material for margarine and shortening and used in soap, candles and oleo chemical industries.

Majority of the edible oils produced by the Group is to cater for overseas market. The performance of the segment was largely affected by challenging worldwide economic condition on the fluctuation in palm oil prices and foreign currency exchange, mainly United States Dollar ("USD") currency and increased import tariff by importer country. Besides, the upward revision of the minimum wage in Malaysia has also put a burden on the performance of the segment. Amidst the uncertainty and challenges in the industry, the Group will continuously review and improve its operational effectiveness and efficiencies.

MANAGEMENT DISCUSSION **AND ANALYSIS**

OPERATIONAL ACTIVITIES REVIEW *(continued)*

CONTRACT MANUFACTURING DIVISION *(continued)*

Beverages and Milk powder segments

The Beverages and Milk powder segments are value-add segments as the Group offers additional services to assist the Group's customers, which are renowned brand owners, to manufacture their beverages products and milk powder packing whilst the brand owners are concentrating their efforts in developing their markets and promote their products to end users. The growth of the segment is very much dependent on the demand of products from the domestic and overseas end users.

Trading division

This division was used primarily to consolidate marketing effort to sell products manufactured by the Group domestically and globally. It is also served as an international procurement centre to consolidate the Group's negotiation power with various suppliers.

It is tasked with the roles of building an international marketing network to promote the Group's products globally.

RISKS ASSUMED IN BUSINESS OPERATIONS

The following are the main financial and non-financial risks that have an impact on the Group's financial management and operations :

A. Availability and price of raw materials

The main raw materials for the Group's manufacturing activities are tin plate for Tin cans segment, resin for Jerry cans and Rigid packaging segments, aluminium coils for Aluminium cans segment and paper rolls for Cartons segment.

There is only a sole supplier of tin plate in Malaysia and Vietnam. However, importation of tin plates in Malaysia and Vietnam is permissible subject to payment of import duty (unless exemption can be obtained from the respective authority) and anti-dumping duty (where applicable). The availability of tin plate is dependent on the availability of the cold-rolled steel plates and the rolling mill's capacity to produce the tin mill black plates which form the core of the tin plate. Demand for other forms of steel products globally may affect the supply of cold-rolled steel plates and its pricing.

Main resins used in the manufacturing of jerry cans and rigid packaging segments are imported from overseas without import duty.

Aluminium coils are fully sourced from overseas as there is no local supply in Malaysia and Myanmar.

In Malaysia, there are only a handful of reliable local paper suppliers from whom the Group purchases its paper rolls. The Group also imports certain types of paper rolls subject to 0% to 10% import duty. Similarly, in Vietnam, the Group works with a handful of reliable local suppliers where the Group sourced for its paper requirements. Some other paper materials can be imported, subject to an import duty of between 0% to 20%. Major suppliers of paper rolls in Malaysia and Vietnam are also producers of corrugated cartons and hence, have a competitive advantage over the Group in the market place. In Myanmar, the Group is currently importing paper rolls to cater for production, free from duty. The Group is continuously assessing the quality standard of local paper mills with a view of localising some of the paper requirements in the future.

RISKS ASSUMED IN BUSINESS OPERATIONS *(continued)*

The following are the main financial and non-financial risks that have an impact on the Group's financial management and operations *(continued)* :

A. Availability and price of raw materials *(continued)*

The Group mitigates these risks by continuously monitoring the availability and prices of raw materials by establishing long-term business relationship with existing suppliers, expanding the pool of suppliers and striving to improve operational efficiency to drive down the cost. As for aluminium coils, the cost is based on the commodity price quoted on London Metal Exchange and aluminium rolling cost. The Group manages the cost pressure partially through hedging mechanism. Furthermore, the Group also maintains sufficient buffer stocks of raw materials to mitigate the effects of volatile price swings and short-term hike in prices. There is no assurance that any of the change to the above factors will not materially affect the performance of the Group as a whole.

B. Political, Economic and Regulatory Considerations

Adverse developments in the political, economic and regulatory conditions locally and overseas could materially and adversely affect the financial prospects of the Group. Political and economic uncertainties include, but are not limited to, risks of war, expropriation, nationalisation, change in political leadership, global economic downturn, unfavourable changes in government policies which include interest rates, method and rate of taxation, currency exchange control or introduction of new regulations, import duties and tariffs and re-negotiations or nullification of existing contracts.

A decline in the general economy or uncertainties in the future prospects would affect consumer spending and the overall demand in the industries and consequently, affect the Group's financial performance.

Any effect, however, is mitigated by the Group's diverse and wide customer base locally and overseas, and the Group will continue to adopt measures such as prudent management, vigilant and effective operating procedures to further mitigate these factors that affect the Group's business.

C. Competition Risk

The Group is one of the major players in tin cans and aluminium cans manufacturing industry for edible oil, sweetened creamer and evaporated creamer and carbonated and non-carbonated beverages in Malaysia. Like other players, we have developed our respective niche market segments and customer base. Whilst no assurance can be given that the Group will be able to maintain its existing market share in the future, the Group is confident that it will be able to withstand any direct competition as the Group has, over the years, established itself in the cans supply chain, enhanced its manufacturing capabilities, innovation and built a diverse portfolio of customers. The entry barriers for new entrants into the same industry of our tin cans and aluminium cans segments are high as the industry requires relatively high capital investment to set up manufacturing facilities, to establish distribution channels, compliance with stringent food and safety standards and establish strong research and development capabilities.

The corrugated carton industry in Malaysia and Vietnam is mature, with a high number of players. In Malaysia, the Group focuses their marketing effort on fast moving consumer goods where high quality carton boxes are in demand. Apart from manufacturers of similar size in Vietnam, the Group's operations are also competing with large integrated carton box manufacturer as well as smaller converters. As for Myanmar, there are more than 10 carton box manufacturers. Demand for corrugated cartons is expected to increase when its economy reaps benefits from foreign direct investment into the country. Due to the presence of the high number of manufacturers in Malaysia, Vietnam and Myanmar, competition in these markets is intense and the profit margin is expected to be thin but reasonable.

MANAGEMENT DISCUSSION **AND ANALYSIS**

RISKS ASSUMED IN BUSINESS OPERATIONS *(continued)*

The following are the main financial and non-financial risks that have an impact on the Group's financial management and operations *(continued)* :

D. Foreign Exchange Risks

The Group operates its business internationally which exposes itself to foreign currency exchange risk , mainly from the fluctuation of USD, in sourcing of raw materials, transacting with customers as well as sourcing of plant and machinery and its spare parts. The Group manages its exposures to the foreign currency risk in the following manner :

(i) Foreign currency sales and purchases in the same currency provide natural hedge against the fluctuations in the foreign currency exchange rates;
(ii) Maintain part of its cash and bank balances in the foreign currency accounts and obtain foreign currency trade facilities to meet its future obligations in foreign currencies;
(iii) Enter into foreign currency forward contracts to hedge against the residual foreign currency exposure.

There is no assurance that significant changes in the exchange rates will not have a material adverse effect on the financial position and performance of the Group.

E. Human Capital

The manufacturing activities of all divisions are considered labour intensive. The Group employed a diversified workforce with various background, knowledge, skills and experience. The Group offered reasonable remuneration package, tasked at attracting talents to join the Group and retaining the existing pool of experienced employees.

In Malaysia, the direct labour cost is affected by the minimum wage fixed by the Malaysian Government. The minimum wage was increased from RM1,000 per month in FYE 2018 to RM1,100 per month in FYE 2019. The minimum wage was further increased to RM1,200 per month for financial year ending 31 December 2020.

The rise in minimum wage rate increased the cost burden of the Malaysian entities. These entities relied on foreign workers from Nepal, Vietnam and Bangladesh to provide the labour required at the manufacturing facilities.

In Vietnam, the Government dictates the minimum wage. In Ho Chi Minh City, the minimum wage was increased from Vietnam Dong ("VND") 3.98 million per month in FYE2018 to VND4.18 million per month in FYE 2019. In the same period, the minimum wage in Hanoi City, Vietnam was increased from VND3.53 million to VND3.71 million per month.

The Vietnam National Wages Council had further raised the minimum wage in Ho Chi Minh City and Hanoi City to VND4.42 million and VND3.92 million respectively per month effective 1 January 2020. This will further add cost burden to the Group's Vietnam operations.

In Myanmar, the minimum wage fixed by the Myanmar Government is Myanmar Kyat 4,800 per day.

Apart from wages, training programs are held from time to time to develop and enhance the workers' skills in all plants. Great emphasis is also placed on our workers' awareness on occupational safety and health matters to promote a healthy and safe workplace.

Risk associated with loss of key personnel are reviewed regularly and succession plans are in place for key roles.

RISKS ASSUMED IN BUSINESS OPERATIONS *(continued)*

The following are the main financial and non-financial risks that have an impact on the Group's financial management and operations *(continued)* :

F. Health and Safety

As a manufacturer for food industry packaging and food products, the Group is fully aware of the importance of health and safety of consumers. Thus, the Group is committed to produce and offer products with high quality assurance for packaging and consumptions, which are key factors directly affecting the end-consumer's satisfaction as well as the Group's business operations.

As such, the Group's commitment to stringent production procedures has led to its recognition under the various quality credentials such as Quality Management ISO 9001:2015, Food Safety Management System 22000, Hazard Analysis and Critical Control Point ("HACCP") and Good Manufacturing Practice ("GMP"). This is to ensure consistency in the quality and safety management of products delivered to end-consumers.

FORWARD-LOOKING STATEMENT

The Management expects the Group's operating environment for the financial year ending 31 December 2020 to be influenced by recent outbreak of the 2019 Novel Coronavirus infection ("COVID-19") which affects the global economy, consumer demand and supply chain disruption, in addition to stiff competition and volatile foreign currency exchange rates. The exchange rate of USD against Ringgit Malaysia which had strengthened over the period may impact the Group's imported raw materials cost. However, the prices of aluminium and paper costs which have been stabilising augur well for the Group's performance especially in the aluminium cans and cartons segments.

The World Health Organisation declared the COVID-19 a pandemic on 11 March 2020. The COVID-19 outbreak has resulted in the occurence of events such as movement restrictions and quarantine measures taken by the Government of Malaysia causing disruption to business and economic activities. The Government of Malaysia imposed Movement Control Order ("MCO") effective 18 March 2020 and this was followed by numerous MCO extensions.

During the MCO, apart from essential services, all Government and private business premises are ordered to be closed. Hence, factory operations are not allowed during this period. However, most of the Group's entities had obtained conditional approval from the Ministry of International Trade and Industry ("MITI") to continue operation albeit at a lower capacity. On 28 April 2020, MITI announced those economic sectors that were allowed to operate during MCO, were allowed to increase workforce capacity and no operation hours restriction with effect from the same date. Since then, the Group's entities have progressively resumed normal production.

The operational and financial impact of the COVID-19 pandemic could be significant to the Group due to:

a. Reduced consumer demand for products of the Group owing to loss of income and/or restrictions on consumers' ability to move freely;

b. Lack of investment in capital improvements, thus reducing demand for products of the Group;

c. Reduction in market prices of financial assets, including debt and equity instruments; and

d. Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the operational and financial impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted. Nonetheless, the Group continues to emphasise on cost and operational efficiency and to be responsive to market changes to deliver sustainable growth and satisfactory results for the Group.

Notes:

[1] *After deducting gain arising from acquisition of KJCFB and gain from disposal of FBSB through the disposal of CRSB as well as adding back their related expenses.*

[2] *Being post-acquisition revenue and LBT consolidated into the Group's results.*

SUSTAINABILITY **REPORT**

ABOUT THIS REPORT

Can-One Berhad ("Can-One" or "the Company") and its subsidiaries ("the Group") presents its Sustainability Report for the financial year ended 31 December 2019 ("FYE 2019") published in compliance with the detailed disclosure requirements of Paragraph 6.2, Practice Note 9 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Sustainability is of utmost importance to the Group. We take into consideration sustainability in the aspect of economic, environmental and social in our formulation of the Group's overall strategy. We are committed to develop and secure a sustainable future while maintaining an equitable balance between the expectations of a wide range of stakeholders while continuing to create value for our shareholders.

The Group's Sustainability Report for FYE 2019 includes scope, approach, governance structure, stakeholders' engagement, identification of key material sustainability matters and the current initiatives and efforts related to these key matters.

SCOPE AND BASIS

Our Sustainability Report was developed based on Bursa Securities' Sustainability Reporting Guide and will be reported annually covering the 12-month period of the fiscal year. The guidelines look beyond financial performance and corporate governance practices, which are already outlined in the published Annual Report, to examine our non-financial performance, especially with regard to our internal and external communities as well as the environment.

This Sustainability Report no longer incorporates sustainability initiatives under our previous key operating division, namely the Food Products division since F&B Nutrition Sdn Bhd was disposed in 2019.

This Sustainability Report covers the Group's significant Malaysian operating segments of our wholly-owned subsidiary, Kian Joo Can Factory Berhad ("KJCFB") which are :

a. Tin cans segment;
b. Aluminium cans segment;
c. Beverages and Milk powder segments (collectively, "Contract Manufacturing segment"); and
d. Cartons segment.

KJCFB's operation in Vietnam and Myanmar were not included for 2019's reporting.

The information and data of the Group are derived from our internal reporting systems and operation records of FYE 2019 and financial year ended 31 December 2018 ("FYE 2018"). Comparatives are made between the 2 years to reflect the level of sustainability efforts.

From 2020 onwards, KJCFB's Vietnam operating units will be included in our sustainability reporting effort. The Vietnam plants form a significant portion of the Group's operations and hence, the inclusion will provide further transparency into the efforts and impact of our operations.

KJCFB's operations in Myanmar is in the initial operational stage and the impact of the Myanmar operations is not significant at this moment.

SUSTAINABILITY APPROACH

The Group endeavours to conduct its business activities in a responsible and ethical manner by embedding sustainability practices in our business activities to ensure the long-term growth and profitability of the Group.

ECONOMIC SUSTAINABILITY	ENVIRONMENTAL SUSTAINABILITY	SOCIAL SUSTAINABILITY
Continuously growing business profitability as a value to our shareholders, creating beneficial value to all stakeholders, furnish customers with high quality products, and develop mutually beneficial business relationship with suppliers.	Reduce our carbon footprint through sustainable water usage, efficient energy usage, minimising greenhouse emission, minimising waste generation and increase recycling practices.	Provide a safe, conducive and facilitative working environment for our people where employees can contribute and grow their career and are treated with respect.

The Group pursues its sustainability approach according to these sustainability principles :

- Embed sustainability practices in every part of the value chain of our business activities.
- Consider all stakeholders' interest during the planning and implementation of sustainability approaches and strategies.
- Periodically review our sustainability approach and practices to ensure the journey aligns with our business objectives.

GOVERNANCE STRUCTURE

We do not have a separate Sustainability Committee at the Board of Directors ("Board") level. The Audit and Risk Management Committee ("ARMC") takes on the additional role and responsibility of a Sustainability Committee. The ARMC oversees the strategies, policies, initiatives, targets and performance of the Group to ensure that the Group's business is conducted in a sustainable manner.

The Group's Sustainability Governance Structure is presented below :

SUSTAINABILITY GOVERNANCE

SUSTAINABILITY **REPORT**

STAKEHOLDERS' ENGAGEMENT

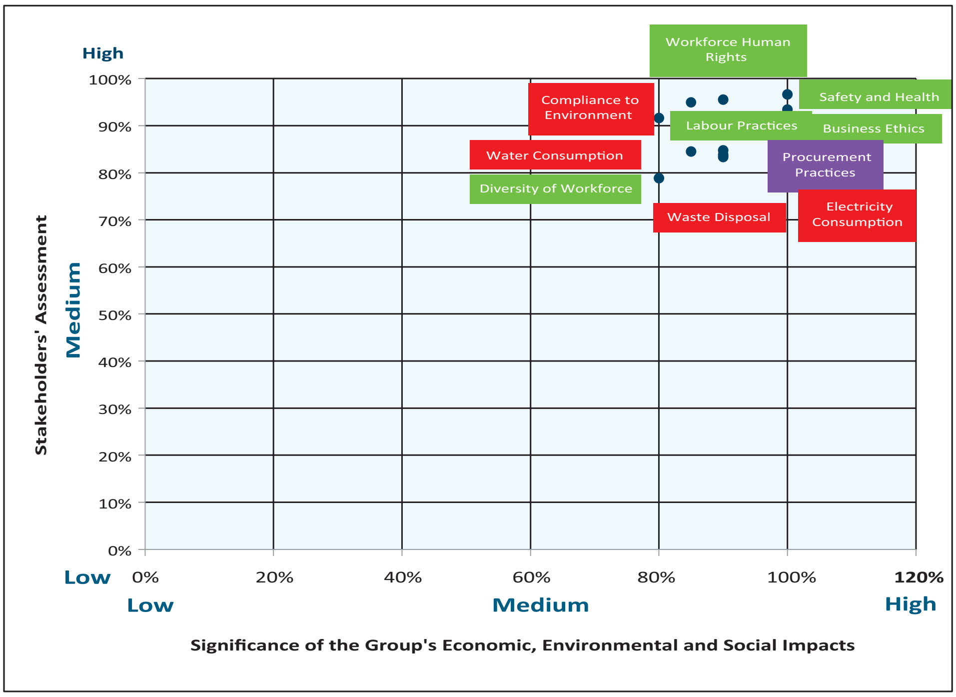
Stakeholders are defined as parties that have a vested interest in the Company and can either affect or be affected by the Group's business activities. We conducted a materiality assessment exercise with our customers and vendors in year 2017. We have regular customers audits and sustainability assessment which informs us of their area of emphasis. We conducted an Employee Survey also in 2017. Engagements with our shareholders and investors happen in our annual general meetings conducted each year. With the various government agencies and authorities, these engagements happen each time the authorities call for a site visit, a face-to-face meeting or when we are invited to stakeholders open dialogues. These are usually planned by the Government agencies and authorities and we participate in these engagements. Our community engagement primarily focuses on job and learning opportunities for young Malaysians. We have begun to reach out to other community groups such as the Global Environment Center in 2019.

The table below summarises the engagement process which the Group has adopted :

STAKEHOLDER	METHOD OF ENGAGEMENT	STAKEHOLDERS' CONCERNS	OUR RESPONSE
Shareholders and Investors	• Annual General Meeting	• Higher financial returns • Value of investment	• Dividends • Company's valuation
Employees	• Employee Survey • Employee Engagement Program • Town Hall Meetings	• Safety at workplace • Career development • Benefits • Equal opportunity	• Career development • Rights and Respect • Safe environment
Customers	• Customer Satisfaction Survey • Customer feedbacks • Face to face meetings	• Pricing • Delivery • Quality • Sustainability	• Reasonable pricing and reliability • Quality and sustainable processes
Suppliers	• Suppliers survey • Supplier meetings • Supplier audits	• Cost efficiencies • Compliance to sustainability matters • Quality product	• Reliability and Quality • Retention • Collaboration opportunities
Government	• Compliance with Government legislative framework	• Regulatory disclosure • Accountability • Access to premise and records	• Certifications • Compliance to regulations • Transparency
Community	• Meeting with local communities	• Provision of jobs and internship to graduates • Local employment • Environmental impacts	• Internship • Job placement • Environmental responsibilities

SUSTAINABILITY **REPORT**

MATERIALITY ASSESSMENT



The Materiality Assessment is a stakeholder engagement exercise designed to gauge the Group's most noteworthy economic, environmental and social impacts that are of importance to its stakeholders. This process helped us identify and prioritise key matters according to its impact on business activities and its importance to our stakeholders' perspectives.

The Group has identified Economic, Environmental and Social ("EES") issues that are material to our business activities. Through the Materiality Assessment process, we can better understand the impact of stakeholders' decisions and influences against the EES. We have conducted the Materiality Assessment with our major stakeholders in 2017. The results have shown that our stakeholders are in agreement with the Group on the importance of the identified key sustainability matters that are reported in detail in this report annually. We expect to conduct a re-assessment exercise in year 2020.

All the 10 sustainability key matters had high impact and importance score of 80% and above. The result of the materiality assessment conducted in 2017 were tabled, discussed and endorsed by the Sustainability Committee as well as the Board.

The Group will endeavour to expand and apply the materiality assessment across our value chain, particularly to our supply chain in stages from 2020 onwards. We recognised that many of our suppliers come from small medium size businesses and may not have the capability to address sustainability issues and conform to international standards quickly.

The Group did not set sustainability targets in the year 2017 to 2019. A set of targets will be tabled to the Sustainability Committee and Board in the year 2020.

In year 2020, the Remuneration Committee will consider linking the remuneration of the Sustainability Committee as well as Top Management to sustainability performance going forward.

SUSTAINABILITY **REPORT**

ECONOMIC SUSTAINABILITY

ANTI-CORRUPTION POLICY ADOPTION

The Group believes that good corporate governance is essential to build a truly sustainable business and are wholly committed to implementing best practices in this area. Over the years, our consistent adherence to ethical business practices have earned the trust of our customers, suppliers, business partners, employees and shareholders.

Reflecting our commitment to uphold integrity in our business conduct, we have introduced an Anti-Corruption Policy and its Standard Operating Procedure ("SOP") which are aligned with the Malaysian Anti-Corruption (Amendment) Act 2018 ("MACCA 2018") in early 2019. We have established a structure, appointed the Group Human Resource Manager to be responsible, introduced a grievance mechanism, communicated the Policy and SOP to all employees, introduced it as part of our new employee induction program. The process of educating the entire existing Malaysian workforce has begun and is still ongoing. Due to the nature of our workforce, a combination of shop floor training and online training are used. The next phase is to conduct a risk assessment as well as educating our vendors and suppliers.

ETHICAL SOURCING

Our customers hold us accountable through their purchasing choices, not only for the quality of our products, but also for ethical and responsible production. As such, responsible sourcing is an integral part of our business. Our Group Procurement Policy and Suppliers' Code of Conduct have always formed the backbone of our efforts. We seek commitment from our vendors to adhere to our Suppliers' Code of Conduct in the areas of human rights, labour practices, social impact and environmental practices.

We have put in place a process to ensure all our suppliers received, read and signed a copy of the Group's Supplier Code of Conduct document that will hold them accountable during the course of doing business with us and meet the compliance requirements that are part of the Supplier Ethical Data Exchange ("SEDEX") process.

We have not reached 100% acceptance rate from all our suppliers and vendors. Efforts are continuing to reach out, create the awareness and to effect compliance. Very recently, we are required to show evidence of educating our suppliers and vendors on ethical business practices. We will embark on this upon completing the Anti-Corruption Policy and SOP training with our workforce.

SMART MANUFACTURING

The Group recognises that Smart Manufacturing or otherwise known as Industry 4.0 is a set of digital technologies that allows the collection and analyzing of data across the manufacturing shop floor which would provide insights that can lead to faster and more accurate decision making. Our Cartons segment in Johor implemented the Radio Frequency Identification ("RFID") technology to improve their warehouse management efficiency. Once the system stabilises, the RFID technology will be introduced to all our carton factories in Malaysia, Vietnam and Myanmar. The Group continues to collaborate with several institutions, Government agencies as well as vendor partners as we seek the most appropriate solutions for our manufacturing facilities. The Group's Smart Manufacturing roadmap will be reviewed from time to time as projects are implemented and results monitored. We believe deploying the necessary Smart Manufacturing technologies will enable the business to be sustainable moving forward.

SUSTAINABILITY **REPORT**

ENVIRONMENTAL SUSTAINABILITY

The Group has an existing Environmental Policy in place and we make the Environmental Policy available to all employees as a guidance to our actions and business practices towards environment as a whole. We adhere strictly to all Government legislations and requirements that are relevant to the environmental impact of our activities and operations.

As we continue to improve our environmental track record, we focus on the following areas:

WATER CONSUMPTION

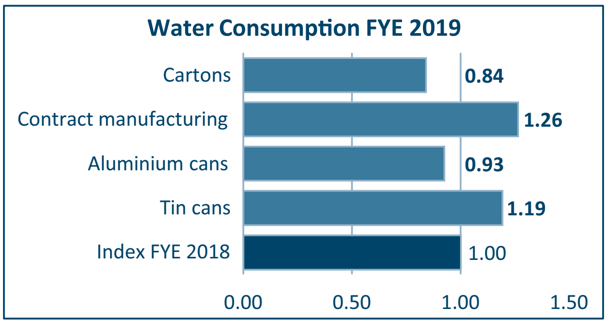
ELECTRICITY CONSUMPTION

ENERGY AND CARBON EMISSION

WASTE MANAGEMENT

WATER CONSUMPTION

Water is a major part of our production processes, so understanding and managing it in a sustainable way is critical to our business. As a manufacturer, the Group relies on and requires large quantities of water to operate. Water is used for the cooling of our machineries in the manufacturing process, for the cleaning of our facilities and equipment and the provision of a sanitised work environment for our employees.



Efficient water management practices are fundamental for business growth, especially in contract manufacturing. Our pasteuriser is also equipped with water recycling system where water will be reused within the system instead of discharging it. These measures will help alleviate the need to consume more and more water as the operations grow.

Our Tin Cans segment showed an increase in water consumption due to increase in water usage for the cooling of our machineries process. While, a new PET Line was added to the Contract Manufacturing segment together with the RO water treatment plant which performed higher than normal flushing. These additional activities caused a higher water consumption in FYE 2019.

WATER MANAGEMENT AWARENESS BRIEFING

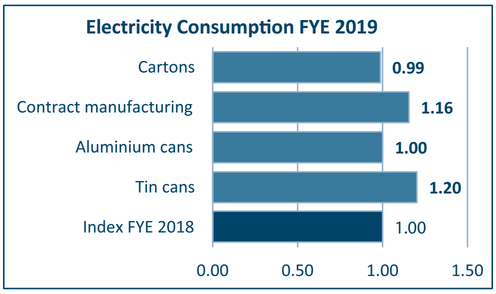
In 2019, the Group in collaboration with the Global Environment Centre, conducted a water management awareness briefing for our key personnel to create awareness and initiate a long-term and sustainable change in water conservation among our people.

SUSTAINABILITY
REPORT

ENVIRONMENTAL SUSTAINABILITY *(continued)*

ELECTRICITY CONSUMPTION

Our Tin Cans factory in Batu Caves is working with Kolej University Tunku Abdul Rahman on an energy efficiency program for our printing plant. This project is in its early phase and therefore, result is not evident yet. In FYE 2019, our Tin Cans and Contract Manufacturing segments showed increased electricity consumption due to the installation of additional compressors.



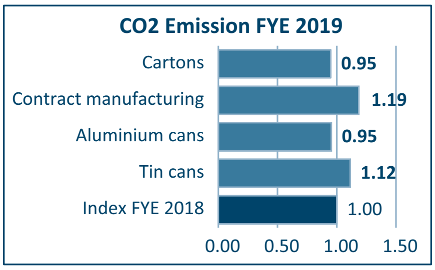
ENERGY SAVING REMINDERS

The Group placed energy saving reminders in many of our workplace areas as a constant reminder to our employees to operate sustainably.

ENERGY AND CARBON EMISSION

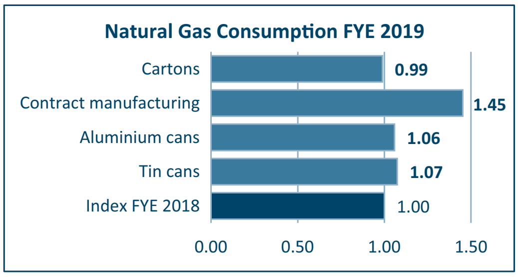
In an era of rising global temperatures caused by the effect in increased carbon emissions, we recognised our duty and responsibility to minimise our carbon footprint across our value chain. From manufacturing to the packaging process, we are constantly finding ways to reduce and optimise our carbon footprint further.

Based on the chart, our Contract Manufacturing segment recorded higher natural gas consumption due to increased activities resulting from the introduction of a PET Line.



Our CO2 emission from the consumption of electricity is derived using the emission factor published by the Malaysian Green Technology Corporation for the Peninsular Grid 2014, while the CO2 emission from the use of natural gas is derived from the emission factor published by the IPCC Guidelines for National Greenhouse Gas Inventories.

Our Contract Manufacturing division and Tin Cans segment recorded higher carbon emissions due to increased activities and installation of additional equipment.



WASTE MANAGEMENT

To grow sustainably, the Group ensures that our products are not only safe but are also friendly to the environment. Our waste prevention extends beyond reducing packaging materials to optimising packaging efficiency, and recovering materials for reuse. We are constantly seeking innovative approaches to manage our waste generation. Reducing waste is one of our top priorities which we strive to reduce, reuse and recycle wherever possible along our value chain.

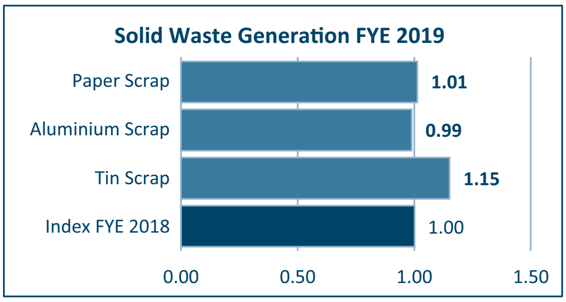
ENVIRONMENTAL SUSTAINABILITY *(continued)*

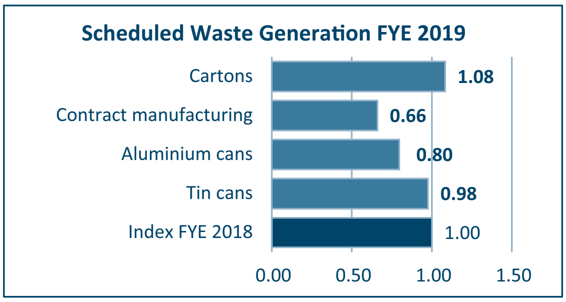
WASTE MANAGEMENT *(continued)*

The Group places emphasis on managing and monitoring manufacturing solid waste generated from our manufacturing operations. We dispose of our solid waste to a Government approved solid waste management company in Malaysia. Currently, paper, tin and aluminium scraps are the key solid wastes generated by the Group.

A total of 22 types of scheduled wastes were produced by the Group in FYE 2019. Our wastes are disposed to licensed collectors to ensure our wastes undergo proper disposal and appropriate recycling processes. As part of our compliance with the Department of Environment ("DOE"), all our disposals of scheduled wastes are recorded and submitted to the DOE through the Electronic Scheduled Waste Information System ("ESWIS").

In FYE 2019, our Cartons segment showed an increase in solid and scheduled waste generation which correlated with the increase in production volume. Our Tin Cans segment showed an increase in solid waste generation due to higher quality issues.





ENVIRONMENTAL RESPONSIBILITY

We understand the importance and needs to protect the environment from activities that leads to environmental degradation. The Group continues taking steps in keeping the environment safe and to become more environmentally aware and responsible.

Earth day 2019 celebration

The Group participated in the Earth Day – Protect Our Species Program organised by DOE Negeri Sembilan. The program was designed to focus on protection and preservation of the environment.

Beach clean up day 2019

The Group organised a Beach Clean Up Day 2019 at Pantai Remis, Kuala Selangor. The program was designed to create awareness and encourage employees to take an active role in the preservation and conservation of our ocean free from plastic and other pollution.

Removing plastic bottle usage

The Group installed water dispensers in conference, meeting and training rooms as an initiative to remove plastic bottle usage. Our canteen also has phased out the sale of drinks in plastic bottles.

SUSTAINABILITY **REPORT**

SOCIAL SUSTAINABILITY

We have learned that our employees' well-being is one of the keys to improving productivity and commitment. We aim to be an employer of choice and to provide all employees with equal opportunity as well as rewarding and satisfying careers, whilst we continue our drive towards healthy growth.

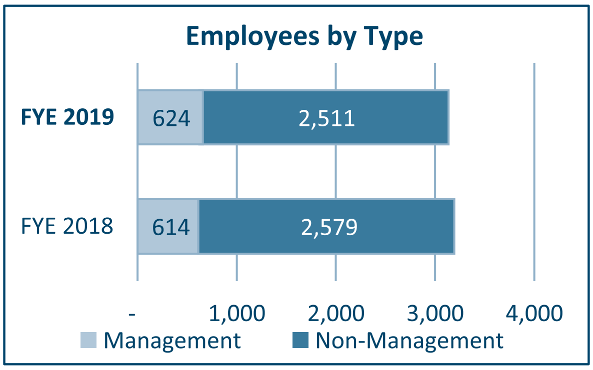
From time to time, we will review our employees' benefits to ensure that appropriate measures are taken to meet their needs. We have, today, provided hostels, in-house clinic, prayer rooms, ATM machines, transportations, workplace canteens, water dispensers, lockers and car parks for our employees in all our manufacturing plants.

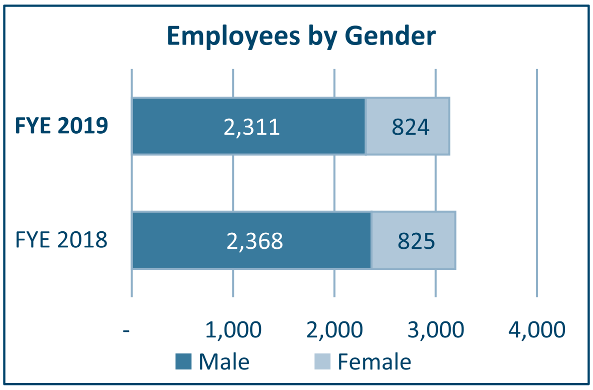
To improve our social wellbeing, we focus on the following areas:

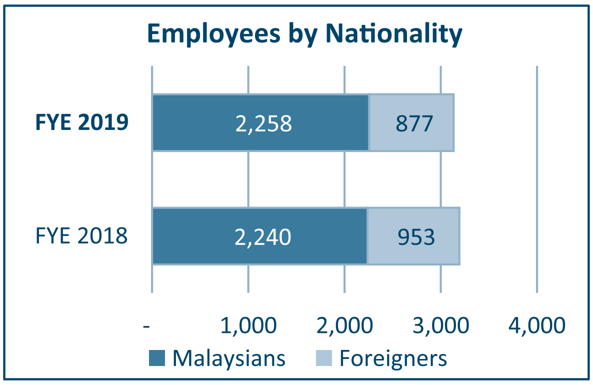
EMPLOYEES' PROFILE

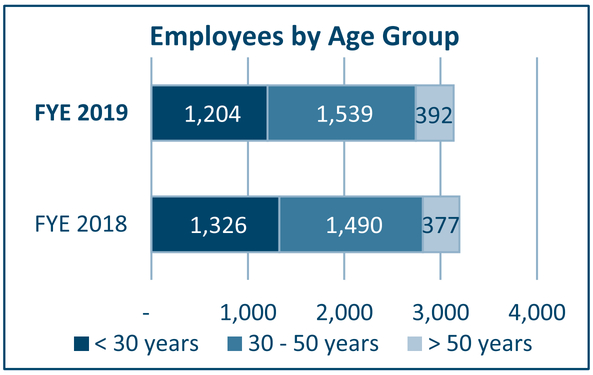
The Group's workforce is diverse in race, ethnicity, gender and age and also encompasses broad varieties of perspectives, background and experience.

We believe in working together through common values and mutual respect between our employees, leading to superior performance and constant innovation.









SUSTAINABILITY **REPORT**

SOCIAL SUSTAINABILITY *(continued)*

DIVERSITY AND FAIR TREATMENT

With 15 operational plants and approximately 3,135 employees in Malaysia, our organisation comprises a diverse ecosystem with employees of varying ethnicity. We recognise the benefits of diversity and welcome its positive impact in our organisations, work culture and business performance. As an equal opportunity employer, the Group seeks to provide equal opportunities to all Malaysians regardless of age, gender, ethnicity, religion, and disability.

3,135 employees employed in Malaysia across diverse operations

60% MILLENIAL EMPLOYEES

72% LOCAL EMPLOYEES

18% LONG SERVING EMPLOYEES

As at FYE 2019, our workforce comprised a healthy mix of young and older generations. In fact, 60% of our employees are Millennials or Generation Y ranging from the age of 23 to 38. This young, technology savvy and socially interactive workforce is driving our ground operations in multiple sectors. Being new to the working environment, this segment of the workforce provides new ideas and perspectives to the Group as an organization. Meanwhile, 40% of our middle-aged and older generation helps us to stay grounded with responsible decision making and strategies.

Undeniably, the challenge in the Group is the retention of the millennial workforce. Townhall meetings are held to understand the needs of this group. The Group is also working to introduce the employee portal so that everything an employee needs can be accessed through a single touchpoint.

At present, a significant majority of our foreign workers originate from Nepal, Myanmar and Bangladesh and we adhere to at least the legal minimum wage to our employees, as defined by local law. The Group also cares for our people and their families through our parental leave program.

FUTURE TALENT APPRENTICESHIP

In line with our goal to building a sustainable talent pool, the Group has undertaken initiatives to offer rich and diverse learning opportunities across different industry sectors to nurture future employees. This year our business units across the Group continued their internship programs to develop talent and potentially build a pipeline of future employees.

In FYE 2019, the Group accepted 112 students from various universities and colleges in Malaysia to undergo their industrial training in our Group. The interns were assigned to various departments based on their field of studies.

We introduced the Management Trainee Program in early 2019. We started with a pool of 10 trainees with the aim to develop manufacturing talent to drive our future success.

The trainees were assigned to different job function every 3 to 6 months which allows them to get first-hand experience and develop their skills and knowledge about products and process in our packaging industry.

SUSTAINABILITY
REPORT

SOCIAL SUSTAINABILITY *(continued)*

EMPLOYEES' ENGAGEMENT

The Group continues to organise various employee events ranging from festival celebrations to recreational activities to foster team work, cohesiveness and engagement within our workforce.

Townhall session with newcomers

Our Batu Caves plant rolled out Townhall Meeting with first-year employees in FYE 2019 which was the most suitable platform that allowed our newcomers to communicate as we strive to bring improvements and changes into the work culture.

Festival celebration

Traditions are important to the Group as we are families in the workplace. We continue to celebrate most of our Malaysian festivals celebration with our people which includes CNY, Seventh Moon Festival, Hari Raya, Deepavali and Christmas. These celebrations were organised in the factories.

Bowling tournament

In FYE 2019, the Sport Club organised a bowling tournament with 69 participants of employees. The main objective of the tournament is to build greater camaraderie among employees.

Chinese New Year ("CNY") appreciation annual dinner

CNY celebration will not be complete without a get-together reunion meal. It is a tradition for the Group to hold a CNY Appreciation Annual dinner for its management staff.

Zumba dance

The Group in collaboration with BookDoc organised a Zumba dance with the objective to promote a healthy workplace.

Year end 2019 exchange gift program

In FYE 2019, the Group organised an event for employees to exchange gift among them. The main objective of the event is to foster closer relationship among our people.

SUSTAINABILITY **REPORT**

SOCIAL SUSTAINABILITY *(continued)*

EMPLOYEES' ENGAGEMENT (continued)

Passport locker room

Our Cartons segment provided a passport locker room with secure facility for our foreign workers to keep their passport safe and secure. Our workers have unhindered access to their passports at any time.

High achievers' recognition

The Group values and recognised employees who would go the extra mile for the company. 30 employees from various departments were recognised as top performers of 2018. The high achievers received their plaques, certificates and a lunch treat. They were given the opportunity to field questions to the Group MD and had the privilege to listen to his wisdom in managing the business.

Fun run 2019

The Group organised a Fun Run 2019 program with 140 participants of employees. The main objective of the program is to build camaraderie and create a healthier workforce.

COMMUNITY ENGAGEMENT

The Group is committed to continuously support the community where needed. We recognise that the relationship and trust built with our community help create a positive image and attract the right talent.

Supporting local communities

A local restaurant located at a nearby village in Pantai Remis, Kuala Selangor served as hosts to our Beach Clean Up 2019 participants. The choice of restaurant was specific and intentional as part of our commitment to support the economy of our local communities.

Old folks home visit

As part of Group CSR Project, our Shah Alam operations team paid a visit to En Yuan Old Folk Home at Petaling Jaya, Selangor. Other than visiting the residents, the teams distributed cartons of milk powder to the old folks' home.

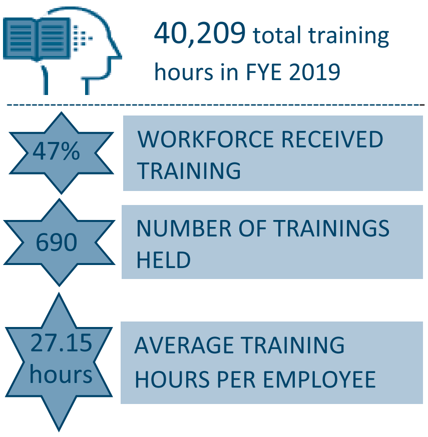
SUSTAINABILITY
REPORT

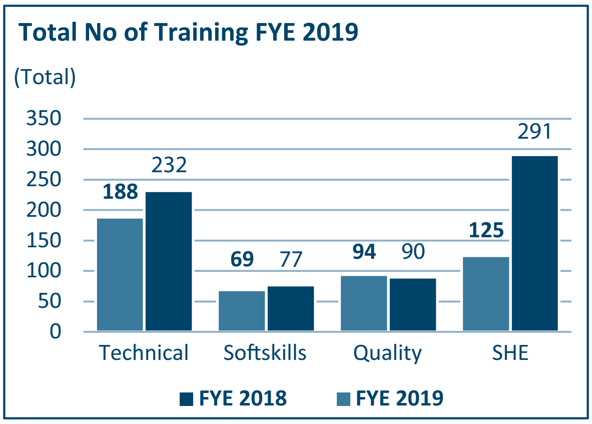
SOCIAL SUSTAINABILITY *(continued)*

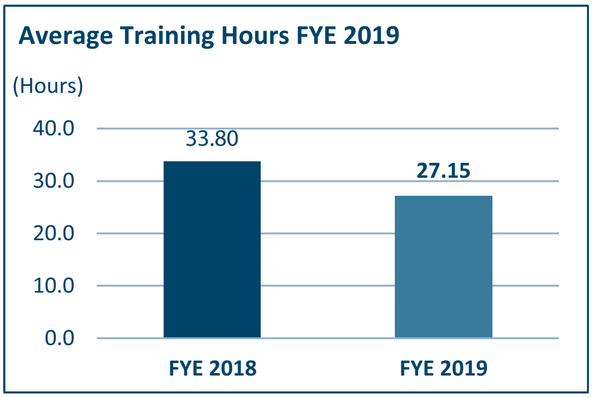
EMPLOYEES' TRAINING AND DEVELOPMENT

Talent development is important to the Group. We support lifelong learning and conduct regular performance review which helps our employees and our businesses to develop consistently and remain fit for future growth. Thus, numerous training and development programs were conducted, which target our operational employees and management teams.

The Group sent our employees to attend numerous workshops and trainings conducted by in-house and external training on technical, soft skills, quality, safety, health and environment to continually stay abreast of new development, improve their knowledge and enhance their skills.







Total Spent on Training and Development	
Total FYE 2018	RM 815,959
Total FYE 2019	**RM 693,054**

Our training programs are constantly revised and improved based on changing business needs of our people. In FYE 2019, the Group spent approximately RM 693,054 in employee training programs.

In FYE 2019, there were more training sessions held with a shorter duration provided to our employees, which resulted in the decrease in the average training hours per employee.

Recognition award

The Group was awarded by the Federation of Malaysia Manufacturer (FMM) as one of the Top 3 manufacturers for employees' Training and Development programs.

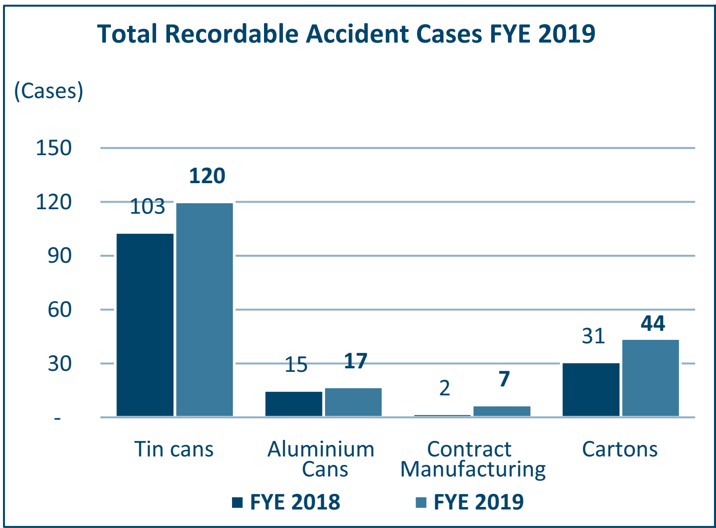
WORKPLACE SAFETY

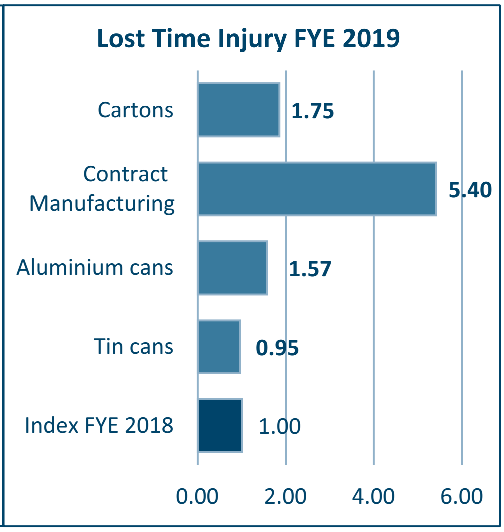
We continue to pursue our commitment in protecting the health, safety and welfare of our people. We strive to provide a safe workplace across our diverse operations.

OCCUPATIONAL HEALTH AND SAFETY

With the aim to minimise workplace accidents in all our business segments, we closely monitor all accidents and near miss incidents for corrective action and improvement. Any report that raises significant concern is subject to additional investigation, and where appropriate the situation is rectified or procedures improved to ensure that the situation does not recur.

In addition, facilities maintenance and audits are also carried out regularly to minimise the occurance of accidents due to the breakdown of machinery or other infrastructure.





Based on the chart above, there was an increase in minor accidents that occurred in our business segments due to negligence of workers in adhering to work safety rules. Lost time injury increased in our Contract Manufacturing segment due to 2 accidents that occurred in FYE 2019 where employees were given additional medical leave for complete recovery. Repeated safety trainings were conducted and additional signages and safety barriers put up as additional precaution in the factories.

WORKPLACE SAFETY PROGRAMS

Kian Joo weight loss challenge

The weight loss challenge organised by our Batu Caves operation, is a 3-month weight management program that encourages our employees to monitor their calories intake, get enough physical exercise and practise a healthy diet. 314 employees from various departments participated in the program.

SUSTAINABILITY
REPORT

WORKPLACE SAFETY *(continued)*

WORKPLACE SAFETY PROGRAMS *(continued)*

Fire safety and fire drill with bomba

Fire Drills were conducted to allow our employees to practice evacuation procedures in a simulated situation to ensure they are fully aware of how to safely exit from the building in the event of a fire. The Group conducts fire drills on a yearly basis to ensure that our people are trained and are knowledgeable in fire prevention matters.

Hearing conservation awareness training & audiometric test session

Our Nilai operations had conducted hearing conservation awareness training to educate employees about their hearing and the need to protect it. The audiometric testing program helps to indicate hearing problems and detect hearing loss at an early stage.

This Report is made in accordance with a resolution of the Board of Directors dated 14 May 2020.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

The Board of Directors of Can-One Berhad ("the Company") ("the Board") is fully committed to the principles and recommendations of the Malaysian Code on Corporate Governance ("MCCG"). This ensures that the best practices of corporate governance including accountability and transparency are adhered to within the Company to achieve long-term financial performance and growth as the Board is mindful of its accountability to the shareholders and various stakeholders of the Company.

The Board is pleased to report to the shareholders, the Company's application of the 3 key principles of the MCCG during the financial year ended 31 December 2019 ("FYE 2019"):

(a) Board leadership and effectiveness;
(b) Effective audit and risk management; and
(c) Integrity in corporate reporting and meaningful relationship with stakeholders.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

Roles and Responsibilities of the Board

The Board's main roles are to create value for shareholders and provide leadership to the Group. It is primarily responsible for the Group's overall strategic plans and directions, overseeing the conduct of the businesses, risk management, succession planning of senior management, implementing investor relations programmes and ensuring the system of internal controls and management information system are adequate and effective.

The Board provides overall strategic guidance, effective oversight on the governance and management of the business affairs of the Group. Responsibilities of the Board include :

(i) Ensuring that the Group's goals are clearly established, the necessary resources are in place for the Group to meet its objectives and that a strategic plan, which promotes long-term value creation and includes strategies on economic, environmental, safety and health, social and governance consideration underpinning sustainability, is in place to achieve them;

(ii) Establishing policies for strengthening the performance of the Group including ensuring that the Management is proactively seeking to build the business through innovation, initiative, technology, new products and the development of its business capital;

(iii) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed. This includes ensuring the solvency of the Group and the ability of the Group to meet its contractual obligations and to safeguard its assets;

(iv) Appointing the Managing Director/Executive Directors, including setting the relevant terms and objectives and where necessary, terminating his employment with the Group;

(v) Ensuring that the Group has appropriate business risk management framework and corporate governance framework, including adequate control environment be it the internal control systems and management information systems, systems for compliance with applicable laws, regulations, rules, directives and guidelines and controls in areas of significant financial and business risks;

(vi) Appointing board committees to address specific issues, considering recommendations of the various board committees and discussing problems and reservations arising from these committees' deliberations and reports;

(vii) Ensuring that the statutory financial statements of the Company and Group are fairly stated and conform with the relevant regulations including acceptable accounting policies that result in balanced and understandable financial statements;

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles and Responsibilities of the Board *(continued)*

(viii) Ensuring that there is in place and appropriate succession plan for members of the Board and Senior Management;

(ix) Ensuring that the Group adheres to high standards of ethics and corporate behaviour in accordance with the Group's Code of Corporate Conduct including transparency in the conduct of business. Directors are required to comply with the Directors' Code of Best Practice;

(x) Reviewing the Board Charter periodically and making it available publicly on the Company's website including the Terms of Reference ("TORs") of the respective Board committee;

(xi) Ensuring that there is in place an appropriate corporate disclosure policy and procedure which leverage on information technology for effective dissemination of information to ensure comprehensive, accurate and timely disclosure; and

(xii) Ensuring that there is in place an appropriate investor relations and communications policy which encourages shareholders' participation at general meetings and promotes effective communication and proactive engagements with shareholders.

In discharging its duties, the Board is assisted by the Board Committees namely, the Audit and Risk Management Committee, Remuneration Committee and Nominating Committee. Each Committee operates within its respective defined TORs which have been approved by the Board. The TORs of the respective Board Committees are periodically reviewed and assessed to ensure that the TORs remain relevant and adequate in governing the functions and responsibilities of the Committee concerned and reflect the latest developments in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the MCCG.

A. Audit and Risk Management Committee ("ARMC")

The Audit Committee which was established on 15 September 2005, was re-designated as the ARMC on 30 August 2017. For details of its composition and activities during the FYE 2019, please refer to the ARMC Report on pages 56 and 57 of this Annual Report.

B. Remuneration Committee ("RC")

The RC was established on 15 September 2005 and it currently comprises the following members, a majority of whom are Non-Executive Directors ("NEDs") :

Yeoh Jin Beng *(Chairman/Non-Independent NED)*
Dato' Seri Subahan Bin Kamal *(Member/Senior Independent NED)*
Razmi Bin Alias *(Member/Independent NED)*

The RC's primary responsibility is to structure and review the remuneration policies for key executives of the Group, with a view to ensure that compensation and other benefits encourage performance that enhances the Group's long-term profitability and value. The remuneration package for Key Senior Management are subject to the approval of the Board, and in the case of Directors' fees and benefits, the approval of the shareholders at the Annual General Meeting ("AGM") of the Company.

The TOR of the RC are available for reference on the Company's website at www.canone.com.my.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles and Responsibilities of the Board *(continued)*

B. Remuneration Committee ("RC") *(continued)*

In carrying out its duties and responsibilities, the RC has full, free and unrestricted access to the Company's records, properties and personnel.

During the FYE 2019, the RC convened 1 meeting and full attendance of the members were recorded at the said meeting.

The Company pays its Directors fees which are approved annually by the shareholders. The Directors are paid meeting allowances for the meetings they attended per day and are also reimbursed reasonable expenses incurred by them in the course of carrying out their duties on behalf of the Company. Where applicable, the Board also takes into consideration any relevant information provided by the independent consultants or from survey data. The Company has in place a Directors' Remuneration Policy which is available for reference at *www.canone.com.my*.

The details of the aggregate remuneration of the Directors of the Company (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2019 are categorised as follows :

	Salaries and Bonuses [1] (RM'000)		Fees (RM'000)		Emoluments [2] (RM'000)		Benefits-in-kind [3] (RM'000)		Total (RM'000)	
Name of Director	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**	**Group**	**Company**
Non-Executive Directors										
Dato' Seri Subahan Bin Kamal	–	–	108	108	10	10	–	–	118	118
Yeoh Jin Hoe	4,634	–	226	60	86	12	21	–	4,967	72
Yeoh Jin Beng	–	–	122	72	12	12	–	–	134	84
Razmi Bin Alias	–	–	96	96	12	12	–	–	108	108
Foo Kee Fatt	–	–	84	84	12	12	–	–	96	96
Executive Directors										
Marc Francis Yeoh Min Chang	1,915	606	110	60	12	12	53	7	2,090	685
Chee Khay Leong	3,699	405	193	60	109	12	26	–	4,027	477
Tan Beng Wah*	584	158	87	47	11	11	11	–	693	216
Total	**10,832**	**1,169**	**1,026**	**587**	**264**	**93**	**111**	**7**	**12,233**	**1,856**

Notes:

1. *Salary and bonus comprised basic salary, bonus, EIS, EPF and SOCSO.*
2. *Emoluments comprised meeting allowance and other allowances.*
3. *Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance and phone bill.*

* *Resigned as Director of the Company and the Group in October 2019.*

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles and Responsibilities of the Board *(continued)*

B. Remuneration Committee ("RC") *(continued)*

The number of Directors whose total remuneration falls within the following bands are follows :

Remuneration Range	Number of Directors
Executive Directors ("EDs")	
Between RM650,001 – RM700,000	1 *
Between RM2,050,001 – RM2,100,000	1
Between RM4,000,001 – RM4,050,000	1
Non-Executive Directors	
Between RM50,001 – RM100,000	1
Between RM100,001 – RM150,000	3
Between RM4,950,001 – RM5,000,000	1

Note:
* *Resigned as Director of the Company and of the Group in October 2019.*

In determining the remuneration packages of the Group's Senior Management personnel, factors that were taken into consideration included their individual responsibilities, skills, expertise and contributions to the Group's performance and whether the remuneration packages are competitive and sufficient to ensure that the Group is able to attract and retain executive talents. On the disclosure of the remuneration of the top 5 Senior Management personnel, the Board was of the view that it would not be in its interest to make such disclosure on a named basis because of the competitive nature of the human resource market and to support the Group's efforts to attract and retain executives.

The details of the aggregate remuneration of the top 5 Senior Management personnel of the Group (comprising remuneration received and/or receivable from the Company and its subsidiaries) during the FYE 2019 are categorised as follows :

Category	Group RM'000	Company RM'000
Salaries and bonuses [1]	3,830	458
Emoluments [2]	84	20
Benefit-in-kind [3]	66	–
Total	**3,980**	**478**

Notes:
1. *Salary and bonus comprised basic salary, bonus, EIS, EPF and SOCSO.*
2. *Emoluments comprised meeting allowance and other allowances.*
3. *Benefits-in-kind comprised provision of company motor vehicle, petrol allowance, insurance and phone bill.*

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles and Responsibilities of the Board *(continued)*

B. Remuneration Committee ("RC") *(continued)*

The number of Senior Management personnel of the Group whose total remuneration falls within the following bands are as follows :

Remuneration Range	Number of Senior Management personnel
Between RM500,001 – RM550,000	1
Between RM700,001 – RM750,000	1
Between RM750,001 – RM800,000	1
Between RM850,001 – RM900,000	1
Between RM1,000,001 – RM1,050,000	1

The TOR of the RC are available for reference at www.canone.com.my.

The Board had chosen to disclose the remuneration of the top 5 senior management personnel in bands rather than in named basis as the Board considered the information of the remuneration of these personnel to be sensitive and proprietary. The transparency and accountability aspects of corporate governance applicable to the remuneration of these personnel are deemed appropriately served by the above disclosure.

C. Nominating Committee ("RC")

The NC was set up on 15 September 2005 to formalise procedures for appointments to the Board and the Board Committees. All decisions on appointments are made by the Board after considering the recommendations of the NC.

The NC currently comprises the following members :

Dato' Seri Subahan Bin Kamal *(Chairman/Independent NED)*
Razmi Bin Alias *(Member/Independent NED)*
Yeoh Jin Beng *(Member/Non-Independent NED)*

The NC's role is primarily to :

- identify, select and recommend to the Board, candidates for directorships of the Company;
- recommend to the Board, Directors to fill the seats on Board Committees;
- evaluate the effectiveness of the Board and the Board Committees (including its size and composition), contributions and performance of each individual Director and the independence of the Independent Directors; and
- ensure an appropriate framework and plan for Board and Management succession for the Group.

During FYE 2019, the NC convened 1 meeting and full attendance of the members were recorded at the said meeting.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles and Responsibilities of the Board *(continued)*

C. Nominating Committee ("RC") *(continued)*

A summary of the key activities undertaken by the NC during FYE 2019 in the discharge of its duties were as follows :

(i) Assessed and reviewed the independence of the Independent Directors and their tenure of service as Independent Directors on the Company;

(ii) Evaluated each Individual Director to assess the Director's calibre and ability to understand the requirements, risk and management of the Group's business; his contribution and performance; his character, integrity and professional conduct in dealing with conflict of interest situations; his ability to critically challenge and ask the right questions; his commitment and due diligence, his confidence to stand up for a point of view; his interaction at meetings and his training records for the current year under review;

(iii) Evaluated the Board and Board Committees to assess their mix, composition, size, roles, responsibilities as well their activities, communications and effectiveness for the current year under review;

(iv) Discussed the gender diversity factor recommended in the MCCG;

(v) Discussed Bursa Securities' letter dated 16 October 2019 in respect of the key observations on Corporate Governance ("CG") Reports and CG Overview Statements of listed issuers;

(vi) Recommended the demerger of the ARMC and establishment of a stand-alone Risk Management Committee distinct from the Audit Committee in line with Step Up Practice 9.3 of the MCCG; and

(vii) Endorsed the re-election of Directors, Yeoh Jin Beng and Foo Kee Fatt who will be up for retirement pursuant to Clause 82 of the Constitution of the Company at the close of the Sixteenth AGM of the Company to be held in June 2020.

The NC, after having conducted the abovementioned evaluation and assessment, concluded that :

(i) all the Independent Directors of the Company continued to demonstrate conduct and behaviour that were essential indicators of their independence, and that each of them continued to fulfill the definition and criteria of independence as set out in the MMLR of Bursa Securities.

(ii) each Director has the requisite competence, calibre to serve on the Board and Board Committee(s) and had demonstrated his commitment to the Group in terms of time, participation and dialogue during the current year under review.

(iii) the Board and Board Committees' composition were adequate in number and there is a right mix of skills and knowledge on the Board as well as the Board Committees. Their respective responsibilities were well defined and set out in the Board Charter. The criteria in the MMLR of Bursa Securities that at least 1 of the members of the ARMC must be a member of the Malaysian Institute of Accountants or a person approved under the MMLR of Bursa Securities is met. The practices set out in the MCCG pertaining to the composition of the ARMC have also been adopted.

The Board members unanimously concurred with the above conclusions of the NC.

The TOR of the NC are available for reference at *www.canone.com.my*.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Roles of the Chairman and the Group MD

The Chairman holds a Non-Executive position and is primarily responsible for matters pertaining to the Board and overall conduct of the Board. The Group MD is responsible for the development of the corporate goals and objectives and the setting of strategies to achieve them.

Role of the Company Secretaries

The Company Secretaries are responsible for ensuring that the Board procedures are followed, that the applicable rules and regulations for the conduct of the affairs of the Board are complied with and for all matters associated with the maintenance of the Board or otherwise required for its efficient operation. The Company Secretaries will also advise the Board on any new statutory requirements, guidelines and listing rulings relating to corporate governance as and when it arises.

All Board members have direct access to the advice and services of the Company Secretaries for the purpose of the Board's affairs and the business.

Access to Information and Advice

Prior to the Board meetings, every Director is given an agenda and a comprehensive set of Board papers consisting of reports on the Group's financial performance, status of major projects, future development, the quarterly or annual financial results, the minutes of preceding meetings of the Board and Board Committees, and relevant proposal papers (if any) to allow them sufficient time to review, consider and deliberate knowledgeably on the matters to be tabled.

Senior Management staff as well as advisers and professionals appointed to act for the Company on corporate proposals to be undertaken by the Company are invited to attend the meetings to furnish the Board with their views and explanations on relevant agenda items tabled to the Board and to provide clarification on issues that may be raised by any Director.

In between Board meetings, approvals on matters requiring the sanction of the Board are sought by way of circular resolutions enclosing all the relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board are tabled for notation at the subsequent Board meeting.

The Board also perused the decisions deliberated by the Board Committees through minutes of these Committees. The Chairman of the Board Committees is responsible for informing the Board at the Directors' meetings of any salient matters noted by the Committees and which may require the Board's direction.

The Board has access to the advice and services of the Company Secretaries and may undertake independent professional advice, where necessary and in appropriate circumstances, in furtherance of its duties.

Board Charter

The Board had in 2013 adopted a Board Charter which clearly sets out the Board's strategic intent and outline the Board's role, powers, duties, and functions as well as a Schedule of Matters Reserved for collective decision of the Board. The Board Charter serves as a source of reference and primary induction literature, providing insight to prospective Board members and the Senior Management.

The Board Charter was reviewed and updated on 29 November 2017 and subsequently, on 23 August 2018 in accordance with the needs of the Group and the new regulations that impacted the discharge of the Board's responsibilities. This is to ensure its relevance for good corporate governance practices within the Group.

The Board Charter is subject to periodic review and updates by the Board whenever deemed necessary.

CORPORATE GOVERNANCE **OVERVIEW STATEMENT**

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Code of Best Practice

The Board continues to adhere to the Code of Best Practice for Directors which sets out the standard of conduct expected of Directors with the aim to cultivate a good ethical conduct that in turn, promotes the values of transparency, integrity, accountability and social responsibility.

Board Composition and Independence

The Board currently has 7 members, comprising 5 Non-Executive Directors, a Group Managing Director and 1 Executive Director. Out of the 7 Directors, 3 of them are Independent Directors which is in compliance with Paragraph 15.02 of the MMLR of Bursa Securities.

The Independent Non-Executive Directors do not participate in the day-to-day management as well as the daily business of the Company. In staying clear of any potential conflict of interest situation, the Independent Directors remain in a position to fulfil their responsibility to provide a check and balance to the Board. They provide independent and objective views, advice and judgment which take into account the interests of the Group as well as shareholders and investors.

Dato' Seri Subahan Bin Kamal, the Chairman of the Board is the Senior Independent Director to whom concerns of shareholders, management, employees, and others may be conveyed. The Independent Directors led by Dato' Seri Subahan Bin Kamal provide a broader view, independent and balanced assessment of proposals from the Senior Management of the Company.

Tenure of Independent Directors

The Company had implemented a cumulative 9-year term limit for Independent Directors. After the 9th year, an Independent Director may continue to serve on the Board subject to his/her re-designation as a Non-Independent Director.

The Company had also adopted Practice 4.2 of the MCCG where shareholders' approval is required to be sought annually in the event the Board desires to retain, as an independent director, a person who has served in that capacity for cumulatively more than 9 years but no more than 12 years.

Appointments and Re-elections to the Board

Candidates for appointment to the Board as Independent Directors are selected after taking into consideration the mix of skills, experience and strength that would be relevant for the effective discharge of the Board's responsibilities. Potential candidates are first evaluated by the NC and if recommended by the NC, subsequently, by the Board based on their respective profiles as well as their character, integrity, professionalism, independence and their ability to commit sufficient time and energy to the Company's matters.

Clause 82 of the Company's Constitution provides that an election of Directors shall take place each year and at the AGM in every subsequent year after the first AGM of the Company, 1/3 of the Directors for the time being shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once in every 3 years.

Clause 86 of the Company's Constitution provides that any Director who is newly appointed, shall hold office only until the next following AGM of the Company and shall be eligible for re-election but shall not be taken into account in determining the retirement of Directors at such meeting.

Directors, Yeoh Jin Beng and Foo Kee Fatt who are due to retire pursuant to Clause 82 of the Company's Constitution, at the conclusion of the forthcoming Sixteenth AGM of the Company have offered themselves for re-election.

The Board, with Yeoh Jin Beng and Foo Kee Fatt abstaining from voting, had endorsed their re-election as Directors at the Sixteenth AGM of the Company to be held in June 2020.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Gender Diversity Policy

The Board members were of the view that the Board comprised a good mix of individuals of different age group and race from diverse industries contributing considerable knowledge, skills and expertise. All the Board Committees were also adequate in terms of number.

In November 2019, the NC agreed to come up with a proposed Board Diversity Policy for the Board's consideration and approval. The Board in February 2020 adopted the proposed Board Diversity Policy. The said Policy stipulates, among other things, that the NC will consider the benefit of all aspects of diversity in order to maintain an appropriate range and balance of skills, experience and background on the Board. In identifying suitable candidates for appointment to the Board, the NC will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.

The Company therefore aims to appoint and/or maintain at least 1 woman participation on the Board and will work towards having appropriate age and ethnic diversity in the Board.

A Policy on the Nomination and Assessments Process of Board members which was proposed by the NC, was approved by the Board for adoption in February 2020.

Annual Assessment

The NC annually reviews the size and composition of the Board and Board Committees in order to ensure the Board has the requisite competencies and capacity to effectively oversee the overall business and carry out its responsibilities. The NC uses the Board and Board Committee Evaluation Form comprising questionnaires for the assessment. The effectiveness of the Board is assessed in the areas of the Board's responsibilities and composition, administration and conduct of meetings, communication and interaction with management and stakeholders and board engagement.

The annual evaluation of the individual Directors/Board Committee members are performed by the NC via the Directors' Evaluation Form comprising questionnaires pertaining to the Director's knowledge and skills, participation, contribution and performance, calibre and personality.

To assess the independence of the Independent Directors, each of the Independent Directors annually provides the NC with their Self-Assessment Independence Checklist.

Meetings and Time Commitment

5 Board meetings were held during the FYE 2019 and full attendance of the Board members were recorded at all the 5 Board meetings.

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company during the FYE 2019. All the Directors do not hold directorships more than that prescribed under the MMLR of Bursa Securities.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS *(continued)*

Meetings and Time Commitment *(continued)*

The Directors also made time to attend appropriate seminars/conference/dialogues to equip themselves further with the knowledge to discharge their duties more effectively and to keep abreast of developments on a continuous basis in compliance with Paragraph 15.08 of the MMLR of Bursa Securities, the details of which are set out below :

Director	Seminars/Conferences/Dialogues	Date
Dato' Seri Subahan Bin Kamal	Directors' Dialogue with Jonathan Labrey on Integrated Reporting	11 September 2019
	Board of Directors' Workshop	26 September 2019
	Introduction to the Malaysian Anti-Corruption Commission (Amendment) Act 2018	24 October 2019
Marc Francis Yeoh Min Chang	Excise Duty on Sugar-Sweetened Beverages	26 July 2019
	Income Tax/PCB and EPF Act 1991, SOCSO Act 1969 & EIS (2018)	10 October 2019 and 11 October 2019
Chee Khay Leong	Excise Duty on Sugar-Sweetened Beverages	26 July 2019
Tan Beng Wah*	Income Tax/PCB and EPF Act 1991, SOCSO Act 1969 & EIS (2018)	10 October 2019 and 11 October 2019
Yeoh Jin Hoe	Excise Duty on Sugar-Sweetened Beverages	26 July 2019
Yeoh Jin Beng	Demystifying the Diversity Conundrum : The Road to Business Excellence	14 August 2019
	Session on Corporate Governance and Anti-Corruption	31 October 2019
Foo Kee Fatt	Industry 4.0	17 May 2019
	MFRS 16 Leases - what it entails and its effect	24 June 2019
	The effect of Digital tax in Malaysia	10 October 2019
	Seminar Percukai Kebangsaan 2019	22 October 2019
	Audit Oversight Board Conversation with Audit Committees	22 November 2019
Razmi Bin Alias	Demystifying the Diversity Conundrum : The Road to Business Excellence	14 August 2019
	The Cooler Earth Sustainability Summit	2 October 2019
	The Securities Commission Malaysia's Audit Oversight Board Conversation with Audit Committees	8 November 2019

Note :
* *Resigned as Director of the Company on 16 October 2019*

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

Suitability and Independence of External Auditors

KPMG PLT, the External Auditors report to the ARMC in respect of their audit on each year's statutory financial statements on matters that require the attention of the ARMC.

At least twice a year, the ARMC will have a separate session with the External Auditors without the presence of the Group MD, EDs and Management.

The External Auditors are required to declare their independence annually to the ARCM as specified by the By-Laws issued by the Malaysian Institute of Accountants. The External Auditors had provided the declaration in their annual audit plan presented to the ARMC of the Company.

Sound Risk Management Framework

The Board recognises the importance of a sound risk management framework and internal control system in order to safeguard the Group's assets and therefore, shareholders' investments in the Group.

The Board affirms its overall responsibility for the Group's system of internal controls. This includes reviewing the adequacy and integrity of financial, operational and compliance controls and risk management procedures within an acceptable risk profile. Since certain risks and threats are externally driven, unforeseen and beyond the Group's control, the system can only provide reasonable assurance against misstatement or loss.

The Board had put in place an ongoing process for identifying, evaluating and managing significant risks faced by the Group.

A Statement on Risk Management and Internal Control which provides an overview of the state of internal controls within the Group is set out in pages 58 to 62 of this Annual Report.

Internal Audit Function

The internal audit function are set out in the ARMC Report on page 57 of this Annual Report.

The key features of the Risk Management Framework are set out in the Directors' Statement on Risk Management and Internal Controls as presented on pages 58 to 62 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Compliance with Applicable Financial Reporting Standards

The Board takes responsibility for presenting a balanced and understandable assessment of the Group's operations and prospects each time it releases its quarterly financial results and annual financial statements to shareholders. The ARMC reviews the information to be disclosed to ensure its accuracy and adequacy.

A statement by Directors of their responsibilities in preparing the financial statements is set out on page 63 of this Annual Report.

CORPORATE GOVERNANCE
OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS *(continued)*

Investors Relations and Shareholders Communication

The Company recognises the importance of effective and timely communication with shareholders and investors to keep them informed of the Group's latest financial performance and material business/corporate matters affecting the Company. Such information is available to shareholders and investors through the Annual Reports, the various disclosures and announcements made to Bursa Securities and the Company's website at *www.canone.com.my*. Notice of the AGM and related papers thereto are sent to the shareholders at least 28 days before the meeting to facilitate easy review by the shareholders. In respect of items on special business, the notice of meeting will be accompanied by a full explanation of the effects of the proposed resolution.

The AGM provides the principal platform for dialogue and interactions with the shareholders. At every meeting, the Chairman sets out the performance of the Group for the financial year then ended. Question and Answer session will then be convened wherein the Directors, Group Chief Financial Officer, Company Secretaries and the External Auditors will be available to answer to the queries raised by the shareholders. The Chairman of the Board will announce before the start of all general meetings, the right of the shareholders to demand a poll in accordance with the Company's Constitution. A full explanation for each resolution proposed at the AGM will usually be provided by the Chairman before the resolution is put to the vote.

Shareholders also have the option to submit to the Company's Share Registrar, Tricor Investor & Issuing House Sevices Sdn Bhd ("TIIH"), their proxy forms either in hard copy or by electronic form via TIIH Online, pursuant to Clause 76 of the Constitution of the Company.

A press briefing, attended by the Key Management, is also held after each AGM.

Shareholders and the public can access information on the Group's background, products and financial performance through the Company's website at *www.canone.com.my*.

Leverage on Information Technology for Effective Dissemination of Information

The Company is committed in providing accurate and complete information on a timely basis. Such information is disseminated through various disclosures and announcements made to Bursa Securities through the quarterly financial results, audited financial statements and Annual Reports.

This Annual Report, Circular to Shareholders, Notice of AGM and other AGM related documents will be made available on the Company's website at *www.canone.com.my* or shareholders may request for the printed copy of the same from the Company's Share Registrar, TIIH. Notifications in respect of the availability of the aforesaid documents will be sent via email to shareholders with email address and via ordinary mail to the other shareholders.

COMPLIANCE WITH THE MCCG

The Board considers that the Company has complied with the provisions and applied the key principles of the MCCG throughout the FYE 2019 except for the below where the explanation for departure is disclosed in the Corporate Governance Report:

Practice 4.1 : At least half of the Board comprises independent directors.

Practice 7.2 : The Board discloses on a named basis the top 5 Senior Management's remuneration component including salary, bonus, benefits-in-kind and other emoluments in bands of RM50,000.

The Board has reviewed and approved this Corporate Governance Overview Statement via a resolution of the Board dated 14 May 2020. The Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the MCCG has been applied and obligations are fulfilled under the MCCG, MMLR of Bursa Securities throughout the FYE 2019, save for the exceptions as disclosed above.

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report, which is made available online at *www.canone.com.my*.

ADDITIONAL COMPLIANCE **INFORMATION**

AUDIT AND NON-AUDIT FEES PAID/PAYABLE

During the FYE 2019, the amount of audit and non-audit fees paid/payable by the Group and the Company to the External Auditors, KPMG PLT and its affiliates for services rendered to the Company and its subsidiaries are as follows :

Type of fees	Group RM	Company RM
Audit fees	172,760	48,000
Non-audit fees	702,900	623,500

MATERIAL CONTRACTS

Saved as disclosed below, there were no material contracts (not being contracts entered into in the ordinary course of business) entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests which subsisted at the end of the FYE 2019 or, if not then subsisting, which were entered into since the end of the previous financial year.

Recurrent Related Party Transactions

At the Fifteenth AGM of the Company held on 27 June 2019, the Company had obtained shareholders' mandate to allow the Company and its subsidiaries to enter into recurrent related party transactions ("RRPTs") of a revenue or trading nature which are necessary for the day-to-day operations of the Group and in the ordinary course of business, with related parties.

The aforesaid mandate will lapse at the conclusion of the forthcoming Sixteenth AGM of the Company.

In accordance with Paragraph 3.1.5 of Practice Note 12 of the MMLR of Bursa Securities, details of the RRPTs conducted during the FYE 2019 pursuant to the aforesaid shareholders' mandate are as follows :

Provider of products/services	Recipient of products/ services	Nature of Transaction	Actual value transacted from 27 June 2019 up to 31 December 2019 (RM'000)	Interested Related Party
Alcom Group Berhad ("AGB") group of companies	Can-One Group	Purchase of aluminium materials	879	Yeoh Jin Hoe (1) (2) Marc Francis Yeoh Min Chang (3)
Box-Pak (Malaysia) Bhd. ("Box-Pak") group of companies	Can-One Group	Purchase of cartons	6,874	Yeoh Jin Hoe (1) (2) Chee Khay Leong (4)
		Total :	**7,753**	

ADDITIONAL COMPLIANCE **INFORMATION**

MATERIAL CONTRACTS *(continued)*

Recurrent Related Party Transactions *(continued)*

Notes:

(1) Yeoh Jin Hoe is a Director and major shareholder of Can-One. He holds 7,505,700 ordinary shares in Can-One ("Can-One Shares") representing 3.91% of the total number of issued Can-One Shares and has an indirect equity interest over 45,592,981 Can-One Shares representing 23.73% of the total number of issued Can-One Shares held by Eller Axis Sdn. Bhd. ("Eller Axis"), a company in which he has more than 20% voting shares. He is also the Group MD and a major shareholder of KJCFB and has an indirect equity interest over 444,167,786 ordinary shares in KJCFB ("KJCFB Shares") representing 100% of the total number of issued KJCFB Shares held by Can-One and wholly-owned subsidiary, Can-One International Sdn. Bhd. ("Can-One International"). He is also the Group MD and a major shareholder of Box-Pak by virtue of his indirect equity interest over 66,016,121 ordinary shares in Box-Pak ("Box- Pak Shares") representing 54.99% of the total number of issued Box-Pak Shares held by KJCFB.

(2) Yeoh Jin Hoe is an Executive Director of AGB and a major shareholder of AGB, having an indirect equity interest over 42,531,698 ordinary shares in AGB ("AGB Shares") representing 31.66% of the total number of issued AGB Shares held by Towerpack Sdn. Bhd. in which he has a controlling interest.

(3) Marc Francis Yeoh Min Chang is the Group MD of Can-One and holds 343,100 Can-One Shares representing 0.18% of the total number of issued Can-One Shares. He is an Alternate Director to Yeoh Jin Hoe (the Executive Director and major shareholder of AGB) in AGB.

(4) Chee Khay Leong is an Executive Director of Can-One and holds 2,054,100 Can-One Shares representing 1.07% of the total issued Can-One Shares. He is also the President cum Chief Executive Officer of KJCFB and Box-Pak. He does not have any interest, direct or indirect, in Box-Pak Shares and KJCFB Shares.

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

COMPOSITION

The Audit and Risk Management Committee ("ARMC" or "the Committee") of Can-One Berhad ("the Company") comprises the following:

Members

Foo Kee Fatt *(Chairman/Independent Non-Executive Director)*
Dato' Seri Subahan Bin Kamal *(Member/Senior Independent Non-Executive Director)*
Razmi Bin Alias *(Member/Independent Non-Executive Director)*

Secretaries

Tan Bee Keng
Kwong Shuk Fong

The details of the terms of reference of the Committee are available at *www.canone.com.my*.

NUMBER OF MEETINGS AND ATTENDANCE

The Committee held 4 meetings during the financial year ended 31 December 2019 ("FYE 2019") and the attendance of the meetings were follows :

Members	Number of meetings attended in FYE 2019	Percentage of Attendance
Foo Kee Fatt	4 out of 4 meetings	100
Dato' Seri Subahan Bin Kamal	4 out of 4 meetings	100
Razmi Bin Alias	4 out of 4 meetings	100

SUMMARY OF ACTIVITIES

The main activities undertaken by the Committee in discharging their responsibility during FYE 2019 were as follows:

(i) Reviewed the announcements on the quarterly unaudited financial results of the Company and its subsidiary companies ("the Group") before recommendation to the Board for its consideration and approval;

(ii) Reviewed the quarterly internal audit reports regarding significant risk areas and internal control matters and discussion on the findings with Senior Management to ensure that appropriate and timely measures have been taken to improve on the internal control system;

(iii) Reviewed the quarterly risk management reports on significant key risks identified, discussion with the Management and action to take to address or mitigate these risks, and also the Sustainability Reports on material sustainability matters;

(iv) Reviewed and approved the External Audit Plan in respect of the financial statements of the Group and of the Company for the FYE 2019 and the scope for the annual audit for the Group presented by the External Auditors;

(v) Reviewed with the External Auditors, the audit report and their findings arising from the final audit of the financial statements of the Group and of the Company for the FYE 2018;

AUDIT AND RISK MANAGEMENT **COMMITTEE REPORT**

SUMMARY OF ACTIVITIES *(continued)*

(vi) Reviewed the annual audited financial statements of the Group and of the Company for the FYE 2018 with the External Auditors prior to submission to the Board for approval;

(vii) Discussed with the Management and the External Auditors on developments in respect of the Malaysian Financial Reporting Standards ("MFRSs") applicable to the financial statements of the Group and of the Company for the FYE 2019 and their judgment of the items that may affect the financial statements;

(viii) Reviewed the assistance given by the Company's employees to the Internal Auditors and External Auditors;

(ix) Reviewed the ARMC Report, Statement on Risk Management and Internal Control and Sustainability Statement for inclusion in the Annual Report 2018;

(x) Evaluated the performance of the External Auditors and made recommendation to the Board for their re-appointment; and

(xi) Reviewed and approved the Internal Audit Plan for the Group for year 2020 presented by the Internal Auditors.

INTERNAL AUDIT FUNCTION

In discharging its function, the Group utilises the in-house Internal Audit Department as well as the services of an external independent consulting firm (collectively, "Internal Auditors") to undertake independent regular and systematic review of the system of internal controls within the Group based on the approved Internal Audit Plan so as to provide reasonable assurance on the adequacy and effectiveness of governance, risk management and the internal control processes. The Internal Auditors provide the Committee with independent and objective reports on the state of internal control of the Group's operations, the extent of the branches' compliance with the Group's policies, procedures and relevant statutory requirements and made recommendations, where necessary. The Committee then deliberates on the internal audit reports to ensure recommendations made are duly acted upon by the Management.

A summary of activities of the internal audit function during FYE 2019 is presented in the Statement on Risk Management and Internal Control. The Group has collectively incurred a total cost of RM934,134 in respect of internal audit for FYE 2019.

This Statement is made in accordance with a resolution of the Board of Directors of the Company dated 14 May 2020.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

This Statement on Risk Management and Internal Control has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and in accordance with the Statement on Risk Management and Internal Control – Guidelines for Directors of Listed Issuers.

BOARD OF DIRECTORS' RESPONSIBILITIES

The Board of Directors of Can-One Berhad ("Can-One" or "the Company") ("Board") recognises the importance of a sound risk management and system of internal control to meet the business objectives of Can-One and its subsidiary companies ("the Group"), safeguard shareholders' interest and the Group's assets. It affirms its overall responsibility for the Group's risk management and system of internal control, which includes the establishment of an appropriate control environment and framework as well as reviewing the adequacy and effectiveness of the systems.

In view of the inherent limitations in any system of internal controls, such a system is designed to identify and manage the Group's risk within the acceptable risk profile, rather than eliminate the risk of failure to achieve business objectives. Thus, the system can only provide reasonable but not absolute assurance against material misstatement, loss or fraud. The key areas covered by the Group's risk management and system of internal controls are financial, organisational, operational, environmental and compliance controls.

The Board has delegated the Audit and Risk Management Committee ("ARMC") to assist the Board in the implementation of the risk management and internal control systems within an established framework throughout the Group.

RISK MANAGEMENT

There is an on-going process for identifying, assessing and responding to risks to achieve the objectives of the Group. The process was in place for the current year under review and up to the date of issuance of the Statement on Risk Management and Internal Control.

The Group has a formalised risk management process in place to identify, evaluate and manage the significant risks faced by the Group in meeting its business objectives. The risk management process is conducted in accordance with the Group's Risk Management Framework which sets out the Risk Management Policy and Risk Management Methodologies.

In accordance with the Group's Risk Management Framework, the Risk Management and Sustainability Executive Committee ("RMSEC") oversees the Group's risk management and sustainability processes. The RMSEC consists of the Group Managing Director ("MD"), the Executive Director ("ED"), the Group Chief Financial Officer ("CFO"), Director-Group Executive Management Office and General Managers of each business unit with the Internal Auditor, Tan Yen Yeow acting as coordinator. The RMSEC is chaired by the Group MD.

Each business unit has its own Risk Management and Sustainability Working Group ("RMSWG") which consists of the Group MD, the ED, the Group CFO, Director-Group Executive Management Office, General Managers, Branch Managers, Departmental Heads and key staffs with the Internal Auditor acting as the coordinator. Each RMSWG is tasked to identify major business and compliance risks concerning their respective business units, oversees and ensures integration of risk management into their business processes to safeguard the interest of the Group covering strategic, operation, reporting and compliance risks.

RISK MANAGEMENT *(continued)*

Risks are identified and assessed by employing the following methodologies :

(A) Identifying risks

Risk is defined as an event which will cause the Group to suffer financial or non-financial losses in the short-term or long-term. From another perspective, a risk may also be in the form of a missed opportunity to earn more profit.

In the risk identification process, all potential events that could adversely impact the achievement of business objectives are identified by the RMSWG.

The risks can typically be categorised into the following Group's objectives:

- Strategic – high level goals, aligned with and supporting the Group's mission
- Operation – effective and efficient use of resources
- Reporting – reliability of financial reporting
- Compliance – compliance with applicable laws and regulations

(B) Quantify risks

The risks which are identified are quantified for their impact on the Group.

The potential impact of a risk event is the combination of the likelihood (probability) which the risk will happen and the impact (gravity) which it will cause if the risk does happen.

A score of (1) to (5) will be assigned for likelihood and impact.

Consequently, a risk event may have a combined score of (1) up to (25) depending on its likelihood and impact scores. A risk with a high rating poses more serious threat to the organization than a low rating risk. The risk will be mapped into the following risk heat-chart:

LIKELIHOOD					
5	M	H	H	H	H
4	M	M	M	H	H
3	L	M	M	M	H
2	L	L	M	M	M
1	L	L	L	M	M
	1	2	3	4	5
			IMPACT		

(C) Responses to risks

For each risk identified, the Management will have 1 or more of the following response options:

- Avoid the risk by not proceeding with an activity which generates the risk.
- Treat the risk by applying controls to minimize the likelihood or impact of the risk.
- Transfer the risk by sharing the impact of the risk with outside parties such as insurance or joint-venture.
- Tolerate the residue (balance) risk if it is within the Group's risk appetite.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

RISK MANAGEMENT *(continued)*

Risks are identified and assessed by employing the following methodologies *(continued)* :

(D) Risk control strategies

For each of the type of risk response chosen, the relevant control strategies are identified.

If an existing control falls short of its effectiveness or if there is no existing control in managing a significant risk, then new control strategies must be developed to manage the risk so that the residue risk is reduced to an acceptable level.

(E) Monitoring of risks and controls

Ongoing risk monitoring is conducted to review the effectiveness of the control strategies in respect of the risks identified and corrective actions are taken, where necessary. In this respect, Key Risk Indicators are set for each risk to help the RMSWG in the risk monitoring process.

(F) Periodic review

Risk profile of the Group changes with the internal and external organizational developments. An event regarded as low risk today may become high risk in the future. Therefore, an effective risk management project is not a one-time exercise but an ongoing process which forms part of the operation of the Group. In this regard, the risk profile and control processes will be continually updated on a regular basis, at least quarterly.

The RMSWG of each business unit reports to the RMSEC and the RMSEC will then meet to discuss and evaluate the RMSWGs' reports for adoption. Thereafter, the RMSEC will report to the ARMC twice a year about key risks and risk management activities carried out during that period.

INTERNAL CONTROL

The Group's internal control mechanism is embedded in the various work processes and procedures at appropriate levels in the Group. The Board maintains an organisational structure with clearly defined levels of responsibility and authority and appropriate reporting procedures which are clearly set out in the Board Charter. The Board meets at least quarterly and has a Schedule of Matters specifically reserved for its collective decision in order that effective control over strategic, management, financial, operational, environmental and compliance issues can be maintained.

The Group MD, the ED and Senior Management team are assigned with the responsibility of managing the Group. Key functions such as finance, tax, treasury, corporate, legal matters and contract awarding are controlled centrally by them. They are also accountable for the conduct and performance of the various business units. The Group MD, the ED and Senior Management team monitor the affairs of the business units through review of performance and operation reports and have monthly management meetings with the Departmental heads of the business units to identify, discuss and resolve business, financial, operational, environmental, compliance and management issues. The meetings also serve as a platform whereby the Group's goals and objectives are communicated.

The key elements of the Group's internal control are as described below :

(a) Delegation of Authority

Delegation of authority including authorisation limits at various level of Management and those requiring the Board's approval are documented and designed to ensure accountability and responsibility.

(b) Business Performance

Actual business performances were discussed periodically between the Group MD, the ED, the CFOs and management team via management reports and management meetings. Group performances were presented to the Board by the Group CFO on a quarterly basis.

INTERNAL CONTROL *(continued)*

The key elements of the Group's internal control are as described below *(continued)* :

(c) Human Capital

There are documented policies and guidelines within the Group covering hire and termination of employees. Roles and responsibilities are clearly defined in the job description for each position. Continuous training and development programmes are provided to enhance employees' competencies and productivity. Employees' performances are assessed via systematic performance appraisal process, which provides rating criteria for each area of assessment.

(d) Insurance

Sufficient insurance coverage and physical safeguards on major assets are in place to ensure the Group's assets are adequately covered against any mishap that could result in material loss. A yearly insurance policy renewal exercise is undertaken by the Management to review the coverage based on the costs in the Fixed Asset Register and its respective replacement values, where applicable.

(e) Policies and Procedures

Policies and procedures are in place, where applicable, and are regularly updated to reflect changing risks or to address operational efficiencies.

(f) Quality Credential Accreditations

Certain subsidiaries have been accredited various certifications such as ISO 9001:2015 and Food Safety System Certification 22000. Documented internal procedures and standard operating procedures ("SOPs") have been put in place since their accreditation. Surveillance audits are conducted by assessors of the credential certification bodies to ensure that the SOPs are implemented.

(g) Information System

The Group operates an information system which enables transactions to be captured, compiled and reported in a timely and accurate manner. The information system provides the Management with dependable data, analysis and other inputs relevant to the Group's business operations. The information system is controlled by user access control for the enforcement of segregation of duties as well as approval limits.

INTERNAL AUDIT

The ARMC is responsible for reviewing and monitoring the adequacy and effectiveness of the Group's system of internal control. The review and monitoring of the adequacy and effectiveness of the system of internal control are carried out through the internal audit function. The Group's internal audit function is performed by an external independent consulting firm, Messrs Tan Yen Yeow & Company as well as an in-house internal audit department (collectively, "Internal Auditors").The internal audit function assists the ARMC in respect of the following:

- Assess the adequacy and effectiveness of the current internal control system and provide recommendations to improve on the existing control environment in relation to key business processes and risk management practices;
- Highlight opportunities to improve efficiency, effectiveness and economic aspects of the Group's operations; and
- Promote a system of internal control that is responsive to the dynamic and ever-changing business environment, cost effective and sustainable.

STATEMENT ON RISK MANAGEMENT **AND INTERNAL CONTROL**

INTERNAL AUDIT *(continued)*

The annual Internal Audit Plan is reviewed and approved by the ARMC prior to each financial year. The Audit Plan is developed based on the risk profile and analysis of the businesses of the Group, as well as past experience. The internal audit will focus its resources on areas of high risks which will be audited more frequently than low risk areas. For purposes of identifying and prioritising risks, the Internal Auditors will first discuss with the RMSEC and the RMSWGs, review management reports and financial statements.

During the financial year under review, the Internal Auditors carried out reviews on the following core areas of the business units to assess the adequacy and effectiveness of the internal control system, compliance with regulations and the Group's policies and procedures by each of the business units :

- Sales cycle management, sales transactions and account receivables
- Purchasing transactions and account payables
- Human resource management and payroll
- Inventory management
- Safety and health
- Reject and waste management
- Business operational review

The findings of their audits were tabled at the ARMC meetings for deliberation and the ARMC's expectations on the corrective measures were communicated to the respective heads of departments and business units.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in *Audit and Assurance Practice Guide ("AAPG", Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Annual Report of the Group for the FYE 2019, and reported to the Board that nothing has come to their attention that causes them to believe that this Statement intended to be included in the Annual Report of the Group, in all material respects :

(a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or

(b) is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board and Management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problem disclosed in the Annual Report will, in fact, remedy the problems.

CONCLUSION

The Board, having received assurance from the Group MD, the ED and the Group CFO, is satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the financial year under review and up to the date of approval of this Statement. There were no material internal control weaknesses which had resulted in material losses, uncertainties or contingencies that would require disclosure in this Annual Report.

This Statement is made in accordance with a resolution of the Board of Directors of the Company dated 14 May 2020.

DIRECTORS' RESPONSIBILITY **STATEMENT**

The Directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows and changes in equity of the Group and of the Company for that financial year.

In preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2019 ("FYE 2019") as set on pages 64 to 176 of this Annual Report, the Directors ensured that the Group has used the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), applied them consistently and made judgments and estimates that are reasonable and prudent. The Directors also ensured that the MFRSs and IFRSs have been followed and that the financial statements have been prepared on going concern basis.

The Directors are responsible for ensuring that the Group and the Company keep accounting records which disclose with reasonable accuracy, at any time, the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the provisions of the Companies Act 2016, disclosure provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, MFRSs and IFRSs.

This Statement is made in accordance with a resolution of the Board of Directors of the Company dated 14 May 2020.

DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities and providing management services. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

SUBSIDIARIES

The details of the subsidiaries are disclosed in Note 7 to the financial statements.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to :		
Owners of the Company	**714,663**	**766,564**
Non-controlling interests	**224,673**	**–**
	939,336	**766,564**

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review.

DIVIDENDS

Since the end of the previous financial year, the Company had recommended a first and final single-tier dividend of 4 sen per share totalling RM7,686,000 for the financial year ended 31 December 2018 on 30 April 2019 which was paid on 26 July 2019.

The Board of Directors has recommended the following dividends for the financial year ended 31 December 2019 :

		RM
i)	First and final single-tier dividend of 4 sen per share; and	**7,686,000**
ii)	Special single-tier dividend of 2 sen per share	**3,843,000**
		11,529,000

These dividends will be recognised in the financial year ending 31 December 2020 upon approval by the shareholders of the Company at the forthcoming Annual General Meeting.

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are :

Dato' Seri Subahan Bin Kamal	
Yeoh Jin Hoe	
Yeoh Jin Beng	
Razmi Bin Alias	
Marc Francis Yeoh Min Chang	
Foo Kee Fatt	
Chee Khay Leong	
Tan Beng Wah	(Resigned on 16.10.2019)

DIRECTORS OF SUBSIDIARIES

Pursuant to Section 253(2) of the Companies Act 2016, the Directors who served in the subsidiaries during the financial year and up to the date of this report are as follows :

Yeoh Jin Hoe	
Yeoh Jin Beng	
Marc Francis Yeoh Min Chang	
Keith Christopher Yeoh Min Kit	
Shaun Patrick Yeoh Min Jin	
Chen Tien Tsai	
Chong Yue Chin	
Ooi Teik Huat	
Chee Khay Leong	
Khoo Kay Leong	
Datuk Dr. Roslan Bin A. Ghaffar	
Tan Kim Seng	
Gong Wooi Teik	
Tee Keng Hoon	
Tuan Ngah @ Syed Ahmad Bin Tuan Baru	
Nur Aisyah Wong @ Wong Wai Yin (Huang Huiyan)	
Chew Hock San	(Appointed on 30.07.2019)
Razmi Bin Alias	(Resigned on 15.10.2019)
Tan Beng Wah	(Resigned on 16.10.2019)
Phua Tong Yeo	(Resigned on 16.10.2019)
Dato' Mah Siew Kwok	(Resigned on 31.12.2019)
Rajaretnam Soloman Daniel	(Resigned on 31.12.2019)
Lee Kean Teong	(Resigned on 31.12.2019)
Kee E-Lene	(Resigned on 31.12.2019)
Y.A.M. Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	(Resigned on 31.12.2019)
Dato' Dr. Syed Hussain Bin Syed Husman, J.P.	(Resigned on 31.12.2019)

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the ordinary shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

	Number of ordinary shares			
The Company	**At 01.01.2019**	**Bought**	**Sold**	**At 31.12.2019**
Direct interest				
Yeoh Jin Hoe	7,505,700	–	–	7,505,700
Yeoh Jin Beng	300,000	–	–	300,000
Marc Francis Yeoh Min Chang	343,100	–	–	343,100
Chee Khay Leong	2,054,100	–	–	2,054,100
Deemed interest				
Yeoh Jin Hoe	45,157,281	–	–	45,157,281
Razmi Bin Alias	911,119	–	–	911,119

By virtue of his interests of more than 20% in the shares of the Company, Mr. Yeoh Jin Hoe is also deemed interested in the shares of the subsidiaries during the financial year to the extent that Can-One Berhad has an interest.

Save as disclosed above, none of the other Directors holding office at 31 December 2019 held any interest in the ordinary shares of the Company or ordinary shares and warrants of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements of the Company or of related companies) by reason of a contract made by the Company or a related company with the Director or with a firm in which the Director is a member, or with a company in which the Director has a substantial financial interest other than a Director who has substantial financial interests in companies which traded with the Group in the ordinary course of business as disclosed in Note 34 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid-up capital of the Company and no debentures were issued during the financial year.

INDEMNITY AND INSURANCE COSTS

During the financial year, the total cost of indemnity given to or insurance effected for Directors and officers of the Group and of the Company was RM60,000 for a total sum insured of RM20,000,000.

There was no indemnity or insurance effected for auditors of the Group and of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

(i) all known bad debts have been written off and adequate provision made for doubtful debts, and

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written-down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances :

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the gains on disposal of certain subsidiaries and acquisition of a subsidiary and impairment loss arising from capital reduction of a subsidiary as disclosed in the financial statements of the Group and the Company, the financial performance of the Group and of the Company for the financial year ended 31 December 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

DIRECTORS' **REPORT**
FOR THE YEAR ENDED 31 DECEMBER 2019

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of such events are disclosed in Note 35 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of such events are disclosed in Note 36 to the financial statements.

AUDITORS

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Marc Francis Yeoh Min Chang
Director

Chee Khay Leong
Director

Kuala Lumpur,

Date : 14 May 2020

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Assets			
Property, plant and equipment	3	**1,791,888**	451,061
Right-of-use assets	4	**449,576**	–
Investment properties	5	**113,702**	–
Intangible assets	6	**2,451**	1,786
Investment in an associate	8	**–**	512,671
Deferred tax assets	9	**5,292**	–
Other assets	10	**8,807**	17,451
Total non-current assets		**2,371,716**	982,969
Inventories	11	**604,721**	185,496
Trade and other receivables	12	**487,881**	300,069
Other assets	10	**7,842**	17,153
Current tax assets		**14,005**	3,720
Derivative financial assets	13	**414**	54
Cash and cash equivalents	14	**350,599**	108,214
Total current assets		**1,465,462**	614,706
Total assets		**3,837,178**	1,597,675
Equity			
Share capital	15	**197,660**	197,660
Reserves	16	**1,530,223**	633,111
Equity attributable to owners of the Company		**1,727,883**	830,771
Non-controlling interests	7	**140,865**	–
Total equity		**1,868,748**	830,771

CONSOLIDATED STATEMENT OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Liabilities			
Loans and borrowings	17	**736,207**	281,942
Lease liabilities		**8,340**	–
Retirement benefit obligations	18	**51,422**	–
Derivative financial liabilities	13	**5,370**	–
Deferred tax liabilities	9	**102,147**	31,384
Total non-current liabilities		**903,486**	313,326
Loans and borrowings	17	**649,331**	258,179
Lease liabilities		**3,209**	–
Retirement benefit obligations	18	**12,332**	–
Provisions	19	**5,005**	–
Trade and other payables	20	**388,744**	192,480
Derivative financial liabilities	13	**2,675**	–
Current tax liabilities		**3,648**	2,919
Total current liabilities		**1,064,944**	453,578
Total liabilities		**1,968,430**	766,904
Total equity and liabilities		**3,837,178**	1,597,675

The notes on pages 84 to 176 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS **AND OTHER COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Continuing operations			
Revenue	21	**2,284,180**	593,025
Cost of sales		**(2,131,179)**	(547,502)
Gross profit		**153,001**	45,523
Selling and distribution expenses		**(30,821)**	(8,157)
Administrative expenses		**(161,414)**	(25,699)
Net gain/(loss) on impairment of financial instruments		**4,538**	(1,379)
Other expenses		**(26,529)**	(2,810)
		(214,226)	(38,045)
Other income		**357,491**	2,981
Results from operating activities		**296,266**	10,459
Interest income		**5,860**	457
Interest expenses	22	**(77,674)**	(19,480)
Net interest expenses		**(71,814)**	(19,023)
Share of (loss)/profit of equity-accounted associate, net of tax		**(3,402)**	4,981
Profit/(loss) before tax		**221,050**	(3,583)
Tax expense	23	**(7,385)**	(2,118)
Profit/(loss) from continuing operations		**213,665**	(5,701)
Discontinued operation			
Profit from discontinued operation, net of tax	24	**725,671**	52,277
Profit for the year	26	**939,336**	46,576

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Other comprehensive income/(expense), net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Cash flow hedge		**(1,407)**	–
Foreign currency translation differences for foreign operations		**1,197**	1,028
Share of other comprehensive expense of equity-accounted associate, net of tax		**(564)**	(2,393)
		(774)	(1,365)
Total comprehensive income for the year		**938,562**	45,211
(Loss)/Profit attributable to :			
Owners of the Company			
- from continuing operations		**(11,008)**	(5,701)
- from discontinued operation		**725,671**	52,277
		714,663	46,576
Non-controlling interests		**224,673**	–
Profit for the year		**939,336**	46,576
Total comprehensive income attributable to :			
Owners of the Company			
- from continuing operations		**(11,713)**	(7,066)
- from discontinued operation		**725,671**	52,277
		713,958	45,211
Non-controlling interests		**224,604**	–
Total comprehensive income for the year		**938,562**	45,211
Basic (loss)/earnings per ordinary share (sen) :			
- from continuing operations	27	**(5.73)**	(2.97)
- from discontinued operation	27	**377.65**	27.21
		371.92	24.24

The notes on pages 84 to 176 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to owners of the Company			
		Non-distributable	Distributable	
	Share capital RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018, *as previously reported*	197,660	9,018	586,568	793,246
Correction of classification	–	1,851	(1,851)	–
At 1 January 2018, *as restated*	197,660	10,869	584,717	793,246
Other comprehensive income/(expense) for the year				
- Foreign currency translation differences for foreign operations	–	1,028	–	1,028
- Share of other comprehensive expense of equity-accounted associate, net of tax	–	(2,393)	–	(2,393)
Total other comprehensive expense for the year	–	(1,365)	–	(1,365)
Profit for the year	–	–	46,576	46,576
Total comprehensive income/(expense) for the year	–	(1,365)	46,576	45,211
Distributions to owners of the Company				
- Dividends (Note 28)	–	–	(7,686)	(7,686)
Total transactions with owners of the Company	–	–	(7,686)	(7,686)
At 31 December 2018, *as restated*	197,660	9,504	623,607	830,771
	Note 15	Note 16.2		

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE YEAR ENDED 31 DECEMBER 2019

		← Attributable to Owners of the Company →						
			Non-distributable		Distributable			
	Note	Share capital RM'000	Cash flow hedge reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019, *as restated*		197,660	–	9,504	623,607	830,771	–	830,771
Other comprehensive income/(expense) for the year								
- Cash flow hedge		–	(897)	–	–	(897)	(510)	(1,407)
- Foreign currency translation differences of foreign operations		–	–	756	–	756	441	1,197
- Share of other comprehensive expense of equity-accounted associate, net of tax		–	–	(564)	–	(564)	–	(564)
Total other comprehensive income/(expense) for the year		–	(897)	192	–	(705)	(69)	(774)
Profit for the year		–	–	–	714,663	714,663	224,673	939,336
Total comprehensive income/(expense) for the year		–	(897)	192	714,663	713,958	224,604	938,562
Distributions to owners of the Company								
- Dividends (Note 28)		–	–	–	(7,686)	(7,686)	–	(7,686)
Acquisition of a subsidiary	35.1	–	–	–	–	–	107,101	107,101
Acquisition of non-controlling interests	35.1	–	–	–	190,840	190,840	(190,840)	–
Total transactions with owners of the Company		–	–	–	183,154	183,154	(83,739)	99,415
At 31 December 2019		197,660	(897)	9,696	1,521,424	1,727,883	140,865	1,868,748
		Note 15	Note 16.1	Note 16.2			Note 7	

The notes on pages 84 to 176 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Cash flows from operating activities			
Profit/(Loss) before tax from :			
- continuing operations		**221,050**	(3,583)
- discontinued operation	24	**738,889**	68,793
		959,939	65,210
Adjustments for :			
Amortisation of intangible assets		**1,200**	180
Depreciation of :			
- property, plant and equipment		**105,838**	23,896
- investment properties		**1,108**	–
- right-of-use assets		**12,520**	–
Bad debts written off		**–**	37
(Gain)/Loss on disposal of :			
- property, plant and equipment		**(411)**	28
- subsidiaries		**(671,763)**	–
Gain arising from acquisition of a subsidiary		**(346,251)**	–
Gain on lease modification		**(44)**	–
Cash flow hedge		**(1,407)**	–
Interest expenses		**82,161**	25,760
Interest income		**(6,118)**	(1,620)
Income distribution on money market placement with a financial institution		**(1,200)**	–
Impairment loss on :			
- property, plant and equipment		**15,438**	888
- receivables, net		**(4,538)**	1,379
Goodwill on consolidation written off		**16**	–
Unrealised (gain)/loss on foreign exchange		**(2,653)**	553
Unrealised gain on forward exchange contracts		**(701)**	(44)
Property, plant and equipment written off		**2,473**	346
Share of loss/(profit) of equity-accounted associate, net of tax		**3,402**	(4,981)
Operating profit before changes in working capital		**149,009**	111,632
Changes in working capital :			
Inventories		**(11,181)**	(14,480)
Trade and other receivables		**(12,175)**	37,832
Trade and other payables		**30,883**	15,226
Retirement benefit obligations and provisions		**6,408**	–
Net usage of spare parts in property, plant and equipment		**16,285**	–
Other assets		**27,018**	(34,604)
Cash generated from operations		**206,247**	115,606
Tax paid		**(15,589)**	(19,311)
Net cash from operating activities		**190,658**	96,295

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000 Restated
Cash flows from investing activities			
Proceeds from disposal of :			
- subsidiaries, net of cash and cash equivalents disposed of	A	**864,849**	–
- property, plant and equipment		**2,283**	799
Acquisition of :			
- intangible assets		**(2,584)**	(307)
- property, plant and equipment	B	**(164,942)**	(98,665)
- investment properties		**(25,910)**	–
- a subsidiary, net of cash and cash equivalents		**(114,498)**	–
- non-controlling interests		**(658,339)**	–
Interest received, net of interest received from pledged short-term deposit		**6,118**	1,613
Income distribution on money market placement with a financial institution		**1,200**	–
Dividend received from equity-accounted associate		**–**	5,845
Net cash used in investing activities		**(91,823)**	(90,715)
Cash flows from financing activities			
Drawdown of term loans		**961,700**	50,543
Repayment of term loans		**(805,509)**	(21,043)
Trade financing, net		**72,405**	(33,050)
Revolving credits, net		**15,722**	45,220
Repayment of hire purchase liabilities		**(656)**	(1,630)
Payment of lease liabilities		**(6,896)**	–
Interest paid		**(82,161)**	(25,760)
Dividends paid to owners of the Company		**(7,686)**	(7,686)
Withdrawal of pledged short-term deposit		**–**	7,547
Net cash from financing activities		**146,919**	14,141
Net increase in cash and cash equivalents		**245,754**	19,721
Cash and cash equivalents at 1 January		**108,214**	88,016
Effect of exchange differences on cash and cash equivalents		**(3,369)**	477
Cash and cash equivalents at 31 December	14	**350,599**	108,214

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to consolidated statement of cash flows

A. Proceeds from disposal of subsidiaries

During the financial year, the Group disposed of certain subsidiaries for a preliminary disposal consideration of RM912,000,000 of which RM903,500,000 was received during the financial year and a sum of RM8,500,000 was received subsequent to financial year end (refer to Note 24).

	Note	2019 RM'000
Preliminary disposal consideration	24	**912,000**
Balance receivable	24	**(8,500)**
Less : Cash and cash equivalents disposed of	24	**(38,651)**
Net cash inflows		**864,849**

B. Acquisition of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of RM164,942,000 (2018 : RM125,253,000) of which RM164,942,000 (2018 : RM98,665,000) was paid in cash. The balance of RM26,588,000 in the last financial year was paid by hire purchase arrangement and by means of debts offsetting against amount owing from a customer amounting to RM300,000 and RM26,288,000 respectively.

C. Cash flows for leases as a lessee

	Note	2019 RM'000
Included in net cash from operating activities :		
Payment relating to :		
- short-term leases	26	**669**
- leases of low-value assets	26	**94**
Included in net cash from financing activities :		
Payment of lease liabilities		**6,896**
Interest paid in relation to lease liabilities	22	**320**
Total cash outflows for leases		**7,979**

CONSOLIDATED STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to consolidated statement of cash flows (continued)

D. Reconciliation of movement of liabilities to cash flows arising from financing activities :

	At 1.1.2018 RM'000	Net changes from financing cash flow RM'000	New lease financing RM'000	Foreign exchange movement RM'000	At 31.12.2018 RM'000	Adjustment on initial application of MFRS 16 RM'000	At 1.1.2019 RM'000
Group							
Term loans	272,373	29,500	–	–	301,873	**–**	**301,873**
Trade financing	215,187	(33,050)	–	(59)	182,078	**–**	**182,078**
Revolving credits	10,048	45,220	–	(132)	55,136	**–**	**55,136**
Hire purchase liabilities	2,044	(1,630)	620	–	1,034	**–**	**1,034**
Lease liabilities	–	–	–	–	–	**9,199**	**9,199**
	499,652	40,040	620	(191)	540,121	**9,199**	**549,320**

	At 1.1.2019 RM'000	Net changes from financing cash flow RM'000	New lease financing RM'000	Changes arising from acquisition of subsidiaries RM'000	Changes arising from disposal of subsidiaries RM'000	Foreign exchange movement RM'000	At 31.12.2019 RM'000
Group							
Term loans	301,873	156,191	–	426,151	(46,835)	1,855	839,235
Trade financing	182,078	72,405	–	255,611	(121,118)	(377)	388,599
Revolving credits	55,136	15,722	–	86,668	–	–	157,526
Hire purchase liabilities	1,034	(656)	–	–	(200)	–	178
Lease liabilities	9,199	(6,896)	11,412	3,349	(5,520)	5	11,549
	549,320	236,766	11,412	771,779	(173,673)	1,483	1,397,087

STATEMENT OF
FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Assets			
Property, plant and equipment	3	**2**	2
Investments in subsidiaries	7	**1,294,948**	486,408
Total non-current assets		**1,294,950**	486,410
Trade and other receivables	12	**67,328**	92,409
Other assets	10	**4**	–
Current tax assets		**83**	149
Cash and cash equivalents	14	**160,486**	1,475
Total current assets		**227,901**	94,033
Total assets		**1,522,851**	580,443
Equity			
Share capital	15	**197,660**	197,660
Reserves	16	**894,869**	135,991
Equity attributable to owners of the Company		**1,092,529**	333,651
Liabilities			
Loans and borrowings	17	**389,107**	215,000
Total non-current liability		**389,107**	215,000
Trade and other payables	20	**41,215**	31,792
Total current liability		**41,215**	31,792
Total liabilities		**430,322**	246,792
Total equity and liabilities		**1,522,851**	580,443

The notes on pages 84 to 176 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Revenue	21	**32,013**	84,528
Administrative expenses		**(50,653)**	(3,223)
Other expense		**(18,352)**	(10,641)
Other income		**805,895**	1
Results from operating activities		**768,903**	70,665
Interest income		**37,228**	1,656
Interest expenses	22	**(37,393)**	(13,049)
Profit before tax		**768,738**	59,272
Tax (expense)/credit	23	**(2,174)**	23
Profit for the year and total comprehensive income for the year	26	**766,564**	59,295

The notes on pages 84 to 176 are an integral part of these financial statements.

STATEMENT OF **CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital RM'000	Distributable Retained earnings RM'000	Total equity RM'000
At 1 January 2018	197,660	84,382	282,042
Profit for the year and total comprehensive income for the year	–	59,295	59,295
Distributions to owners of the Company - Dividends (Note 28)	–	(7,686)	(7,686)
At 31 December 2018/1 January 2019	**197,660**	**135,991**	**333,651**
Profit for the year and total comprehensive income for the year	**–**	**766,564**	**766,564**
Distributions to owners of the Company - Dividends (Note 28)	**–**	**(7,686)**	**(7,686)**
At 31 December 2019	**197,660**	**894,869**	**1,092,529**
	Note 15		

The notes on pages 84 to 176 are an integral part of these financial statements.

STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 RM'000	2018 RM'000
Cash flows from operating activities			
Profit before tax		**768,738**	59,272
Adjustments for :			
Gain on disposal of subsidiaries		**(805,872)**	–
Impairment loss on investments in subsidiaries		**18,302**	10,616
Depreciation of equipment		**–**	1
Dividend income		**(32,013)**	(84,528)
Interest expenses		**37,393**	13,049
Interest income		**(37,228)**	(1,656)
Income distribution on money market placement with a financial institution		**(21)**	–
Operating loss before changes in working capital		**(50,701)**	(3,246)
Changes in working capital :			
Trade and other receivables		**35,236**	(45,214)
Other assets		**(4)**	–
Trade and other payables		**9,423**	22,904
Cash used in operations		**(6,046)**	(25,556)
Tax paid		**(2,108)**	(222)
Dividend received		**32,013**	39,528
Net cash from operating activities		**23,859**	13,750
Cash flows from investing activities			
Proceeds from disposal of investment in subsidiaries	A	**903,500**	–
Increase in investments in subsidiaries	B	**(935,970)**	(3,000)
Capital repayment from a subsidiary		**3,000**	–
Interest received, net of interest received from pledged short-term deposit		**35,573**	1,649
Income distribution on money market placement with a financial institution		**21**	–
Net cash from/(used in) investing activities		**6,124**	(1,351)
Cash flows from financing activities			
Withdrawal of pledged short-term deposit		**–**	7,547
Drawdown of term loan		**924,001**	–
Repayment of term loans		**(749,894)**	–
Dividends paid to owners of the Company		**(7,686)**	(7,686)
Interest paid		**(37,393)**	(13,049)
Net cash from/(used in) financing activities		**129,028**	(13,188)
Net increase/(decrease) in cash and cash equivalents		**159,011**	(789)
Cash and cash equivalents at 1 January		**1,475**	2,264
Cash and cash equivalents at 31 December	14	**160,486**	1,475

STATEMENT OF **CASH FLOWS**
FOR THE YEAR ENDED 31 DECEMBER 2019

Notes to statement of cash flows

A. Proceeds from disposal of subsidiaries

During the financial year, the Company disposed of certain subsidiaries for a premilinary disposal consideration of RM912,000,000 of which RM903,500,000 was received during the financial year and a sum of RM8,500,000 was received subsequent to the financial year end (refer to Note 24).

	Note	2019 RM'000
Preliminary disposal consideration	24	**912,000**
Balance receivable	24	**(8,500)**
Net cash inflows		**903,500**

B. Increase in investments in subsidiaries

During the financial year, the Company increased its investments in certain subsidiaries with an aggregate cost of RM935,970,000 (2018 : RM7,800,000) of which RM934,000,000 (2018 : RM4,800,000) was through capitalisation of amounts due from subsidiaries.

C. Reconciliation of movement of liabilities to cash flows arising from financing activities :

	At 1.1.2018 RM'000	Net changes from cash flow RM'000	At 31.12.2018 RM'000	Net changes from financing cash flow RM'000	At 31.12.2019 RM'000
Term loans	215,000	–	215,000	174,107	**389,107**

NOTES TO THE
FINANCIAL STATEMENTS

Can-One Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the registered office and principal place of business of the Company are as follows :

Registered office

2B-4 Level 4
Jalan SS 6/6
Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan

Principal place of business

Lot 2244, Jalan Rajawali
Batu 9, Kampung Kebun Baru
42500 Telok Panglima Garang
Kuala Langat
Selangor Darul Ehsan

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities") and the Group's interest in associate. The financial statements of the Company as at and for the financial year ended 31 December 2019 do not include other entities.

The Company is principally engaged in investment holding activities and providing management services. The principal activities of its subsidiaries are disclosed in Note 7.

These financial statements were authorised for issue by the Board of Directors on 14 May 2020.

1. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company :

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

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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

- MFRS 17, *Insurance Contracts*

1. BASIS OF PREPARATION *(continued)*

(a) Statement of compliance *(continued)*

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

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 and the Company plan to apply the abovementioned accounting standards, interpretations and amendments :

- from the annual period beginning on 1 January 2020 for those amendments that are effective for annual periods beginning on or after 1 January 2020, except for those marked with "**" which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2022 for the amendment that is effective for annual periods beginning on or after 1 January 2022.

The Group and the Company do not plan for apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group and the Company.

The initial application of the abovementioned accounting standards, interpretations or amendments is not expected to have any material financial impact to the Group and the Company.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 2(i)(i) – Impairment of financial assets and Note 2(r)(iii) - Defined benefit plans.

NOTES TO THE
FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

Arising from the adoption of MFRS 16, *Leases*, there is a change to the accounting policy applied to lease contracts entered into by the Company as compared to those applied in the previous financial statements. The impact arising from the change is disclosed in Note 37.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive.

The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as :

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(iii) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

(v) Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(a) Basis of consolidation *(continued)*

(vi) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and total comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period, except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments where they are measured at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments

(i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(ii) Financial instrument categories and subsequent measurement *(continued)*

Financial assets *(continued)*

(b) Fair value through other comprehensive income

(i) Debt investments

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (see Note 2(i)(i)).

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(ii) Financial instrument categories and subsequent measurement *(continued)*

Financial liabilities

The categories of financial liabilities at initial recognition are as follows :

(a) Fair value through profit or loss

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument), contingent consideration in a business combination and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss :

(a) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;

(b) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or

(c) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of :

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date or settlement date accounting in current year. Trade date accounting refers to :

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Settlement date accounting refers to :

(a) the recognition of an asset on the day it is received by the Company, and

(b) derecognition of an asset and recognition of any gain or loss on disposal on the day that is delivered by the Company.

Any change in the fair value of the asset to be received during the period between the trade date and the settlement date is accounted in the same way as it accounts for the acquired asset.

Generally, the Group and the Company apply settlement date accounting unless otherwise stated for the specific class of asset.

(v) Hedge accounting

At inception of a designated hedging relationship, the Group and the Company document the risk management objective and strategy for undertaking the hedge. The Group and the Company also document the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(v) Hedge accounting *(continued)*

(a) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(vi) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Financial instruments *(continued)*

(vi) Derecognition *(continued)*

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(vii) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group or the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and liability simultaneously.

(e) Intangible assets

(i) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

(ii) Other intangible assets

Other intangible assets, comprise of software costs, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

(iv) Amortisation

Goodwill with indefinite useful lives is not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Other intangible assets are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for software costs are two to three years.

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction (capital expenditure-in-progress) are not depreciated until the assets are ready for their intended use.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Property, plant and equipment *(continued)*

(iii) Depreciation *(continued)*

The estimated useful lives for the current and comparative periods are as follows :

	Years
Buildings	40 - 56
Plant, machinery and equipment	3 - 20
Furniture, fittings and office equipment	2 - 15
Motor vehicles	5 - 10

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(g) Leases

The Group has applied MFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 has not been restated – i.e. it is presented, as previously reported under MFRS 117, *Leases* and related interpretations.

Current financial year

(i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether :

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

NOTES TO THE
FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

Current financial year *(continued)*

(ii) Recognition and initial measurement

(a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using the Group incremental borrowing rate. Generally, the Group use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following :

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

Current financial year *(continued)*

(ii) Recognition and initial measurement *(continued)*

(b) As a lessor *(continued)*

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

(iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other operating income".

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Leases *(continued)*

Previous financial year

As a lessee

(i) Finance lease

Leases in terms of which the Group assumed substantially all the risks and rewards of ownership were classified as finance leases. Upon initial recognition, the leased asset was measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset was accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases were apportioned between the finance expense and the reduction of the outstanding liability. The finance expense was allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments were accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment was confirmed.

Leasehold land which in substance was a finance lease was classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group did not assume substantially all the risks and rewards of ownership were classified as operating leases and, except for property interest held under operating lease, the leased assets were not recognised on the statement of financial position. Property interest held under an operating lease, which was held to earn rental income or for capital appreciation or for both, was classified as investment property and measured using fair value model.

Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals were charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance was an operating lease was classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment properties

(i) Investment property carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are measured initially at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Subsequently, investment properties are measured at fair value with any changes therein recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The fair value of investment properties held by the Group as a right-of-use asset reflects the expected cash flows. Accordingly, where valuation obtained for a property is net of all payments expected to be made, the Group added back any recognised lease liability to arrive at the carrying amount of the investment property using the fair value model.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment

(i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured at twelve-month expected credit loss. Loss allowances for trade receivables, contract assets and lease receivables are always measured at an amount equal to lifetime expected credit loss.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset, while twelve-month expected credit losses are the portion of expected credit losses that result from default events that are possible within the twelve months after the reporting date. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

The Group and the Company estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery of amounts due.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Impairment *(continued)*

(ii) Other assets

The carrying amounts of other assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating unit) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(j) Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is measured based on first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(l) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences : the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against which the unutilised tax incentive can be utilised.

(p) Revenue and other income

(i) Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(p) Revenue and other income *(continued)*

(i) Revenue from contracts with customers *(continued)*

The Group or the Company transfers control of a good or service at a point in time unless one of the following over time criteria is met :

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

(iv) Management fees

Management fees are recognised on an accrual basis.

(v) Rental income

Rental income is recognised in profit or loss on an accrual basis.

(q) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(r) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed once every three years by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Company, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

NOTES TO THE
FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Discontinued operation

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale or distribution, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period.

(t) Earnings per ordinary share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Group Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(v) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows :

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Spare parts RM'000	Capital expenditure-in-progress RM'000	Total RM'000
Cost									
At 1 January 2018	51,124	88,380	15,670	365,918	14,482	12,226	–	8,169	555,969
Additions	38,624	30,467	–	17,635	1,362	678	–	36,487	125,253
Reclassification	–	560	–	10,448	55	–	–	(11,063)	–
Disposals	–	–	–	(2,806)	(9)	(2,516)	–	–	(5,331)
Written off	–	(248)	–	–	(270)	–	–	–	(518)
Foreign exchange difference	–	–	–	184	31	3	–	–	218
At 31 December 2018, *as previously reported*	89,748	119,159	15,670	391,379	15,651	10,391	–	33,593	675,591
Adjustment on initial application of MFRS 16	–	–	(15,670)	–	–	–	–	–	(15,670)
At 1 January 2019, *as restated*	**89,748**	**119,159**	**–**	**391,379**	**15,651**	**10,391**	**–**	**33,593**	**659,921**
Acquisition of subsidiaries	**248,732**	**476,349**	**–**	**1,396,930**	**87,146**	**13,862**	**47,838**	**8,895**	**2,279,752**
Other additions	**69**	**2,698**	**–**	**47,443**	**6,674**	**787**	**19,498**	**87,773**	**164,942**
Reclassification	**–**	**6,999**	**–**	**12,834**	**13**	**1**	**–**	**(19,847)**	**–**
Disposals	**–**	**(184)**	**–**	**(2,726)**	**(16)**	**(983)**	**–**	**–**	**(3,909)**
Disposal of subsidiaries	**(25,678)**	**(34,413)**	**–**	**(159,382)**	**(3,538)**	**(2,767)**	**–**	**(56,940)**	**(282,718)**
Net usage for the year (Note 3.7)	**–**	**–**	**–**	**37**	**–**	**–**	**(16,143)**	**(179)**	**(16,285)**
Written off	**–**	**–**	**–**	**(3,620)**	**(1,237)**	**(14)**	**–**	**(910)**	**(5,781)**
Foreign exchange difference	**–**	**1,446**	**–**	**1,657**	**244**	**5**	**–**	**–**	**3,352**
At 31 December 2019	**312,871**	**572,054**	**–**	**1,684,552**	**104,937**	**21,282**	**51,193**	**52,385**	**2,799,274**

NOTES TO THE **FINANCIAL STATEMENTS**

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Group	Freehold land RM'000	Buildings RM'000	Leasehold land RM'000	Plant, machinery and equipment RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Spare parts RM'000	Capital expenditure-in-progress RM'000	Total RM'000
Accumulated depreciation and accumulated impairment losses									
At 1 January 2018									
Accumulated depreciation	–	10,970	2,601	172,283	9,044	6,873	–	–	201,771
Accumulated impairment losses	–	–	–	2,569	–	–	–	–	2,569
	–	10,970	2,601	174,852	9,044	6,873	–	–	204,340
Charge for the year	–	2,333	270	19,350	1,096	847	–	–	23,896
Disposals	–	–	–	(2,687)	(6)	(1,811)	–	–	(4,504)
Written off	–	(42)	–	–	(130)	–	–	–	(172)
Impairment losses	–	–	–	888	–	–	–	–	888
Foreign exchange difference	–	–	–	70	11	1	–	–	82
At 31 December 2018, *as previously reported*									
Accumulated depreciation	–	13,261	2,871	190,261	10,015	5,910	–	–	222,318
Accumulated impairment losses	–	–	–	2,212	–	–	–	–	2,212
	–	13,261	2,871	192,473	10,015	5,910	–	–	224,530
Adjustment on initial application of MFRS 16	–	–	(2,871)	–	–	–	–	–	(2,871)
At 1 January 2019, *as restated*									
Accumulated depreciation	**–**	**13,261**	**–**	**190,261**	**10,015**	**5,910**	**–**	**–**	**219,447**
Accumulated impairment losses	**–**	**–**	**–**	**2,212**	**–**	**–**	**–**	**–**	**2,212**
	–	**13,261**	**–**	**192,473**	**10,015**	**5,910**	**–**	**–**	**221,659**
Acquisition of subsidiaries	**–**	**1,622**	**–**	**657,337**	**72,285**	**10,598**	**–**	**–**	**741,842**
Charge for the year	**–**	**13,630**	**–**	**84,094**	**6,254**	**1,860**	**–**	**–**	**105,838**
Disposals	**–**	**(57)**	**–**	**(1,398)**	**(13)**	**(569)**	**–**	**–**	**(2,037)**
Written off	**–**	**–**	**–**	**(2,807)**	**(487)**	**(14)**	**–**	**–**	**(3,308)**
Impairment losses	**–**	**–**	**–**	**15,438**	**–**	**–**	**–**	**–**	**15,438**
Disposal of subsidiaries	**–**	**(5,424)**	**–**	**(63,681)**	**(2,245)**	**(1,339)**	**–**	**–**	**(72,689)**
Foreign exchange difference	**–**	**80**	**–**	**344**	**215**	**4**	**–**	**–**	**643**
Accumulated depreciation	**–**	**23,112**	**–**	**866,242**	**86,024**	**16,450**	**–**	**–**	**991,828**
Accumulated impairment losses	**–**	**–**	**–**	**15,558**	**–**	**–**	**–**	**–**	**15,558**
At 31 December 2019	**–**	**23,112**	**–**	**881,800**	**86,024**	**16,450**	**–**	**–**	**1,007,386**
Carrying amounts									
At 1 January 2018	51,124	77,410	13,069	191,066	5,438	5,353	–	8,169	351,629
At 31 December 2018	89,748	105,898	12,799	198,906	5,636	4,481	–	33,593	451,061
At 31 December 2019	**312,871**	**548,942**	**–**	**802,752**	**18,913**	**4,832**	**51,193**	**52,385**	**1,791,888**

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Furniture, fittings and office equipment RM'000
Company	
Cost	
At 1 January 2018/31 December 2018/1 January 2019/31 December 2019	**20**
Accumulated depreciation	
At 1 January 2018	17
Charge for the financial year	1
At 31 December 2018/1 January 2019/31 December 2019	**18**
Carrying amounts	
1 January 2018	3
31 December 2018	2
31 December 2019	**2**

3.1 Assets under hire purchase arrangement

The carrying amounts of property, plant and equipment acquired under hire purchase arrangement are as follows :

	Group	
	2019 RM'000	**2018 RM'000**
Motor vehicles	**319**	1,403

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

3.2 Assets pledged for banking facilities

The carrying amounts of leasehold land, freehold land, buildings, plant and machinery and capital expenditure-in-progress collateralised for banking facilities granted to the Group are as follows :

	Group	
	2019 RM'000	**2018 RM'000**
Freehold land	**4,749**	4,749
Leasehold land	**–**	681
Buildings	**15,988**	16,242
Plant and machinery	**10,577**	2,482
Capital expenditure-in-progress	**3,648**	–
	34,962	24,154

3.3 Buildings subject to operating lease

The Group leases certain buildings to third parties. Each of the leases contains an initial non-cancellable period of two years. Subsequent renewals are negotiated with the lessee.

The Group does not require a financial guarantee on the lease arrangement. However, two months of advanced rental payments were collected from the lessee. These leases do not include residual value guarantees.

The following is recognised in profit or loss :

	2019 RM'000	**2018 RM'000**
Group		
Lease income	**476**	490

The operating lease payments to be received are as follows :

	2019 RM'000	**2018 RM'000**
Group		
Less than one year	**701**	412
One to two years	**701**	412
Two to three years	**701**	103
Three to four years	**583**	–
Total undiscounted lease payment	**2,686**	927

3. PROPERTY, PLANT AND EQUIPMENT *(continued)*

3.4 Impairment of property, plant and equipment

During the financial year, the Group recognised impairment losses of RM15,438,000 (2018 : RM888,000) in respect of certain property, plant and equipment of the Group as these assets were not able to run at designed capacity in the near future. The recoverable amount was based on fair value less costs of disposal estimated using market approach and value in use method. Furthermore, the Group has written off certain assets which had been previously impaired with an aggregate impairment losses of RM1,204,000 and disposed of certain assets through the disposal of subsidiaries, as mentioned in Note 24, which has been previously impaired with an aggregate impairment losses of RM888,000.

In the last financial year, the Group had disposed of certain assets which had been previously impaired with an aggregate impairment losses of RM1,245,000. The reversal of impairment losses of RM1,245,000 has been set off with the carrying amount of disposed assets in arriving at the gain or loss on disposal.

3.5 Included in property, plant and equipment of the Group is a building erected on land belonging to a third party with an aggregate carrying amount of RM1,030,000 (2018 : RM1,618,000).

3.6 Included in property, plant and equipment of the Group are machineries placed in customers' premises with an aggregate carrying amount of RM3,935,000 (2018 : RM5,226,000).

3.7 Spare parts, which are held for use in the production of supply goods are expected to be used over more than one period, and thus are classified as property, plant and equipment. The cost of spare parts utilised are charged out to profit or loss. These are classified as upkeep of machinery under cost of sales in the consolidated statement of profit or loss and other comprehensive income.

3.8 Borrowing costs capatilised

Included in additions to property, plant and equipment of the Group during the financial year is interest capitilised amounting to RM503,000 (2018 : RM Nil).

4. RIGHT-OF-USE ASSETS - GROUP

	Land RM'000	Buildings RM'000	Plant and equipment RM'000	Motor vehicles RM'000	Total RM'000
Balance at 1 January 2019	12,799	3,889	5,412	–	22,100
Acquisition of subsidiaries	428,737	2,614	504	119	431,974
Other additions	–	7,629	3,985	246	11,860
Depreciation	(6,795)	(3,276)	(2,356)	(93)	(12,520)
Foreign exchange difference	1,610	–	–	2	1,612
Disposal of subsidiaries	–	(3,470)	(1,980)	–	(5,450)
Balance at 31 December 2019	436,351	7,386	5,565	274	449,576

The Company leases a number of factory buildings and factory facilities that run between two and four years with an option to renew the lease after the initial period.

NOTES TO THE **FINANCIAL STATEMENTS**

4. RIGHT-OF-USE ASSETS - GROUP *(continued)*

4.1 The carrying amount of a leasehold land collateralised for banking facilities granted to the Group is RM667,000 (1.1.2019 : RM681,000).

4.2 Extension options

Some leases of factory buildings contain extension options exercisable by the Group prior to the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable by the Group and the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

4.3 Significant judgements and assumptions in relation to lease

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including their past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group also applied judgement and assumptions in determining the incremental borrowing rate of the respective leases. The Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

5. INVESTMENT PROPERTIES - GROUP

	2019 RM'000
Cost	
Balance at 1 January	**–**
Acquisition of subsidiaries	**88,900**
Other additions	**25,910**
Balance at 31 December	**114,810**
Accumulated depreciation	
Balance at 1 January	**–**
Charge for the financial year	**1,108**
Balance at 31 December	**1,108**
Carrying amount	**113,702**

5. INVESTMENT PROPERTIES – GROUP *(continued)*

5.1 Investment properties of the Group comprised leasehold and freehold land and buildings.

Certain investment properties of the Group are held under operating lease arrangement with third parties. The following are recognised in profit or loss :

	2019 RM'000
Lease income	**1,071**
Direct operating expenses	
- income generating investment properties	**104**
- non-income generating investment property	**21**

5.2 The operating lease payments to be received are as follows :

	2019 RM'000
Less than one year	**942**
One to two years	**20**
Total undiscounted lease payments	**962**

5.3 Fair value information

The fair values of investment properties of the Group was based on Directors' estimation using the latest available market information and recent experience and knowledge in the location and category of properties being valued. The fair value of the investment properties as at 31 December 2019 is classified as level 3 of fair value hierarchy and determined to be approximately RM114,810,000 (2018 : RM Nil).

NOTES TO THE FINANCIAL STATEMENTS

6. INTANGIBLE ASSETS - GROUP

	Goodwill on consolidation RM'000	Software RM'000	Total RM'000
Cost			
Balance at 1 January 2018	1,408	924	2,332
Additions	16	307	323
Balance at 31 December 2018/1 January 2019	**1,424**	**1,231**	**2,655**
Acquisition of subsidiaries	**–**	**6,391**	**6,391**
Other additions	**–**	**2,584**	**2,584**
Disposal of subsidiaries	**(1,408)**	**(554)**	**(1,962)**
Goodwill written off	**(16)**	**–**	**(16)**
Foreign exchange difference	**–**	**6**	**6**
Balance at 31 December 2019	**–**	**9,658**	**9,658**
Amortisation and impairment loss			
Balance at 1 January 2018	–	689	689
Amortisation for the year	–	180	180
Balance at 31 December 2018/1 January 2019	**–**	**869**	**869**
Acquisition of subsidiaries	**–**	**5,684**	**5,684**
Amortisation for the year	**–**	**1,200**	**1,200**
Disposal of subsidiaries	**–**	**(549)**	**(549)**
Foreign exchange difference	**–**	**3**	**3**
Balance at 31 December 2019	**–**	**7,207**	**7,207**
Carrying amounts			
At 1 January 2018	1,408	235	1,643
At 31 December 2018	1,424	362	1,786
At 31 December 2019	**–**	**2,451**	**2,451**

The above goodwill was in respect of the Group's acquisition of subsidiaries.

7. INVESTMENTS IN SUBSIDIARIES - COMPANY

	2019 RM'000	2018 RM'000
At cost		
Unquoted shares	**1,333,186**	506,344
Less : Impairment loss	**(38,238)**	(19,936)
	1,294,948	486,408

Details of the subsidiaries are as follows :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Aik Joo Can Factory Sdn. Berhad	Malaysia	**100.0**	100.0	Can manufacturer
AJCan Sdn. Bhd. (7)	Malaysia	**100.0**	100.0	Can manufacturer
Canzo Sdn. Bhd.	Malaysia	**100.0**	100.0	Can manufacturer
Amber Alliance Sdn. Bhd.	Malaysia	**100.0**	100.0	Investment holding
Can-One International Sdn. Bhd. (8)	Malaysia	**100.0**	100.0	Investment holding
Newmarq Sdn. Bhd.	Malaysia	**100.0**	100.0	Investment holding
Sanjung Nuri Sdn. Bhd.	Malaysia	**100.0**	100.0	Property investment
Grensing Pte. Ltd. (1)	Singapore	**100.0**	100.0	International trading
PT. Corum (2)	Indonesia	**100.0**	100.0	Can manufacturer
PT. AJ Candace (3)	Indonesia	**100.0**	100.0	Dormant
TOGO Palm Oils & Fats Sdn. Bhd. (4)	Malaysia	**100.0**	100.0	Packing and blending of edible oils and fats
Hinoki Beverages Sdn. Bhd. (6)	Malaysia	**100.0**	100.0	Provision of contract manufacturing

NOTES TO THE **FINANCIAL STATEMENTS**

7. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Details of the subsidiaries are as follows *(continued)* :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Can Ridge Sdn. Bhd. (5)	Malaysia	–	100.0	Dormant
F & B Nutrition Sdn. Bhd. (9)	Malaysia	–	100.0	Dairy and non-dairy products manufacturer
Kian Joo Can Factory Berhad (2)(10)	Malaysia	**100.0**	32.9	Can manufacturer and investment holding
Kian Joo Packaging Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Letting of factory building
KJM Aluminium Can Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	2-piece aluminium retortable can manufacturer
Federal Metal Printing Factory, Sdn. Berhad (2)(11)	Malaysia	**100.0**	32.9	Can manufacturer
Metal-Pak (Malaysia) Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Can manufacturer
KJ Can (Selangor) Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Can manufacturer
KJ Can (Johore) Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Can manufacturer
Kian Joo Canpack Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Provision of contract manufacturing
Kian Joo Canpack (Shah Alam) Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Provision of contract packing services
Kian Joo Cans Distribution Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Dormant
Indastri Kian Joo Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Letting of factory building
Kian Joo Manufacturing Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Dormant
KJ Can (Singapore) Pte. Ltd. (2)(11)	Singapore	**100.0**	32.9	Trading

7. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Details of the subsidiaries are as follows *(continued)* :

Name of subsidiary	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2019 %	2018 %	Principal activities
Kian Joo Can (Vietnam) Co., Ltd. (2)(11)	Vietnam	**100.0**	32.9	Can manufacturer
KJO International Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Investment holding
Bintang Seribu Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Letting of factory building
Great Asia Tin Cans Factory Company, Sdn. Berhad (2)(11)	Malaysia	**100.0**	32.9	Letting of factory building
Kianjoo Can (Myanmar) Company Limited (2)(11)	Myanmar	**100.0**	32.9	Can manufacturer
KJ TOGO Pte. Ltd. (2)(11)	Singapore	**100.0**	32.9	Dormant
KJ TOGO (Malaysia) Sdn. Bhd. (2)(11)	Malaysia	**100.0**	32.9	Dormant
PT. KJ Canmax (2)(11)	Indonesia	**100.0**	32.9	Can manufacturer
PT. KJ Canco (2)(11)	Indonesia	**100.0**	32.9	Dormant
Box-Pak (Malaysia) Bhd. (2)(11)	Malaysia	**55.0**	18.1	Corrugated fibre board carton manufacturer
BP MPak Sdn. Bhd. (2)(11)	Malaysia	**55.0**	18.1	Corrugated fibre board carton manufacturer
Box-Pak (Vietnam) Co., Ltd. (2)(11)	Vietnam	**55.0**	18.1	Corrugated fibre board carton manufacturer
Box-Pak (Hanoi) Co., Ltd. (2)(11)	Vietnam	**55.0**	18.1	Corrugated fibre board carton manufacturer
Box-Pak (Johore) Sdn. Bhd. (2)(11)	Malaysia	**55.0**	18.1	Dormant
Boxpak (Myanmar) Company Limited (2)(11)	Myanmar	**55.0**	18.1	Corrugated fibre board carton manufacturer
BP Pax (Singapore) Pte. Ltd. (2)(11)	Singapore	**55.0**	18.1	Investment holding
PT. KJ Box-Pak (2)(11)	Indonesia	**55.0**	18.1	Dormant

NOTES TO THE FINANCIAL STATEMENTS

7. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

Details of the subsidiaries are as follows *(continued)* :

(1) Audited by other member firms of KPMG International.
(2) Not audited by other member firms of KPMG International.
(3) The unaudited management financial statements were consolidated in the Group's financial statements.
(4) In the last financial year, the Company subscribed for 5,000,000 ordinary shares in TOGO Palm Oils & Fats Sdn. Bhd. at a total subscription price of RM5,000,000.
(5) In the last financial year, the Company acquired the entire interests in Can Ridge Sdn. Bhd. at a total consideration of RM2 from a wholly-owned subsidiary, F & B Nutrition Sdn. Bhd.. During the financial year, the Company subscribed for 1,000,000 ordinary shares in Can Ridge Sdn. Bhd. at a total subscription price of RM1,000,000. In October 2019, the Company completed the disposal of its entire interests in Can Ridge Sdn. Bhd. to a third party.
(6) In the last financial year, a wholly-owned subsidiary, Amber Alliance Sdn. Bhd. acquired 2 ordinary shares at a total consideration of RM2 and subsequently, subscribed for an additional 8,000,000 ordinary shares in Hinoki Beverages Sdn. Bhd. at a total subscription price of RM8,000,000.
(7) In the last financial year, the Company subscribed for 2,800,000 ordinary shares in AJCan Sdn. Bhd. at a total subscription price of RM2,800,000.
(8) During the financial year, the Company subscribed for 934 ordinary shares in Can-One International Sdn. Bhd. at a total subscription price of RM934,000,000.
(9) Pursuant to a group reorganisation during the financial year, the Company and a wholly-owned subsidiary, Amber Alliance Sdn. Bhd., received capital repayments amounting to RM3,000,000 and RM12,000,000 respectively from F & B Nutrition Sdn. Bhd. via a capital reduction. Subsequent to the capital repayments, a wholly-owned subsidiary, Can Ridge Sdn. Bhd. subscribed for 1,000,000 ordinary shares in F & B Nutrition Sdn. Bhd. at a total subscription price of RM1,000,000. On 15 October 2019, the Company completed the disposal of the entire equity interests of F & B Nutrition Sdn. Bhd. to a third party through the disposal of the equity interests in Can Ridge Sdn. Bhd. as mentioned in Note 24.
(10) During the financial year, a wholly-owned subsidiary, Can-One International Sdn. Bhd. and the Company acquired 297,720,000 ordinary shares and 316,200 ordinary shares respectively in Kian Joo Can Factory Berhad at a total consideration of RM924,011,000.
(11) Deemed effective ownership interest and voting interest via a wholly-owned subsidiary, Kian Joo Can Factory Berhad.

7.1 Non-controlling interests in a subsidiary

The Group's subsidiaries that have material non-controlling interests ("NCI") are as follows :

	Box-Pak (Malaysia) Bhd. 2019	**Kian Joo Can Factory Berhad 2019**	**Total 2019**
NCI percentage of ownership interest and voting interest	**45.01%**	**–**	**45.01%**
Carrying amount of NCI (RM'000)	**140,865**	**–**	**140,865**
Profit allocated to NCI (RM'000)	**33,833**	**190,840**	**224,673**

7. INVESTMENTS IN SUBSIDIARIES - COMPANY *(continued)*

7.1 Non-controlling interests in a subsidiary *(continued)*

Summarised financial information before intra-group elimination

	Box-Pak (Malaysia) Bhd. 2019 RM'000
As at 31 December	
Non-current assets	**373,029**
Current assets	**256,879**
Non-current liabilities	**(112,930)**
Current liabilities	**(280,765)**
Net assets	**236,213**
Year ended 31 December	
Results	
Revenue	**647,469**
Loss for the year	**(10,508)**
Total comprehensive expense	**(13,809)**
Cash flows	
Cash flows from/(used in) :	
- operating activities	**56,739**
- investing activities	**(26,041)**
- financing activities	**(54,264)**
Net decrease in cash and cash equivalents	**(23,566)**

7.2 Shares pledged for banking facilities

The entire unquoted shares of Kian Joo Can Factory Berhad are charged to a bank for a term loan facility granted to the Company.

8. INVESTMENT IN AN ASSOCIATE - GROUP

	2018 RM'000
At cost :	
Quoted shares	241,864
Share of post-acquisition reserves	270,807
	512,671
Market value of quoted shares	385,787

8. INVESTMENT IN AN ASSOCIATE - GROUP *(continued)*

Details of the associate are as follows :

Name of entity	Principal place of business/ Country of incorporation	Effective ownership interest and voting interest 2018 %	Principal activities
Kian Joo Can Factory Berhad	Malaysia	32.9	Can manufacturer and investment holding

The associate became a wholly-owned subsidiary during the financial year.

The following table summarises the information of the Group's associate, adjusted for any differences in accounting policies and reconciles the information to the carrying amount of the Group's interest in the associate.

	2018 RM'000
Summarised financial information	
As at 31 December	
Non-current assets	1,778,375
Current assets	1,118,358
Non-current liabilities	(504,140)
Current liabilities	(710,277)
Net assets	1,682,316
Non-controlling interests	(124,043)
Net assets attributable to owners of the associate	1,558,273
Year ended 31 December	
Profit for the year	15,139
Other comprehensive expense	(5,985)
Total comprehensive income	9,154
Included in the total comprehensive income is :	
Revenue	1,826,826
Net assets/carrying amount as at 31 December	
Group's share of net assets/carrying amount in the consolidated statement of financial position	512,671

8. INVESTMENT IN AN ASSOCIATE – GROUP *(continued)*

	2018 RM'000
Summarised financial information *(continued)*	
Group's share of results for the year ended 31 December	
Group's share of profit	4,981
Group's share of other comprehensive expense	(2,393)
Group's share of total comprehensive income	2,588
Other information	
Dividends received	5,845

Significant restrictions

There was no significant restrictions on the ability of the associate to declare cash dividends.

9. DEFERRED TAX (ASSETS)/LIABILITIES - GROUP

Recognised deferred tax (assets)/liabilities

Deferred tax assets and liabilities are attributable to the following :

	Assets		Liabilities	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Capital allowances and depreciation differences	**–**	–	**191,284**	34,180
Unutilised reinvestment allowances	**(60,737)**	–	**–**	–
Tax loss carry-forward	**(3,632)**	–	**–**	–
Unabsorbed capital allowances	**(15,875)**	–	**–**	–
Provisions and others	**(14,185)**	(2,796)	**–**	–
Tax (assets)/liabilities	**(94,429)**	(2,796)	**191,284**	34,180
Set-off of tax	**89,137**	2,796	**(89,137)**	(2,796)
Net deferred tax (assets)/liabilities	**(5,292)**	–	**102,147**	31,384

9. DEFERRED TAX (ASSETS)/LIABILITIES - GROUP *(continued)*

The movements of deferred tax assets and liabilities during the financial year are as follows :

	At 1 January 2018 RM'000	Recognised in profit or loss (Note 23) RM'000	Foreign exchange difference RM'000	At 31 December 2018/ 1 January 2019 RM'000	Recognised in profit or loss (Note 23) RM'000	Foreign exchange difference RM'000	Acquisition of subsidiaries (Note 35.1) RM'000	Disposal of subsidiaries (Note 24) RM'000	At 31 December 2019 RM'000
Capital allowances and depreciation differences	33,462	716	2	34,180	(3,165)	(1)	184,484	(24,214)	191,284
Unutilised reinvestment allowances	–	–	–	–	–	–	(60,737)	–	(60,737)
Tax loss carry-forward	–	–	–	–	4	–	(3,636)	–	(3,632)
Unabsorbed capital allowances	–	–	–	–	95	–	(15,970)	–	(15,875)
Provisions and others	(2,548)	(248)	–	(2,796)	1,034	2	(13,019)	594	(14,185)
	30,914	468	2	31,384	(2,032)	1	91,122	(23,620)	96,855

	2019 RM'000	2018 RM'000 Restated
Unrecognised deferred tax assets		
Unutilised reinvestment allowances	**253,587**	42,155
Tax loss carry-forward	**44,694**	19,286
Unabsorbed capital allowances	**112,724**	6,653
Other temporary differences	**(67,678)**	18
	343,327	68,112

Deferred tax assets have not been recognised in respect of the above items because it is not probable that future taxable profits will be available against which the subsidiaries can utilise the benefits therefrom.

For the Malaysian entities, the unutilised reinvestment allowances and tax loss carry-forward for the year of assessment 2018 amounting to RM233,605,000 will expire in the year of assessment 2025 while the unutilised reinvestment allowances and tax loss carry-forward for the year of assessment 2019 amounting to RM64,676,000 will expire in the year of assessment 2026. The use of tax losses of subsidiaries in other countries is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiaries operate.

The comparative figures have been restated to reflect the revised unutilised reinvestment allowances, unabsorbed capital allowances and tax loss carry-forwards available to the Group.

10. OTHER ASSETS

	Note	Group		Company	
		2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current					
Prepayments	10.1	**8,807**	17,451	**–**	–
Current					
Prepayments	10.2	**7,842**	17,153	**4**	–

10.1 These are prepayments for acquisition of land and building, plant and machinery.

10.2 These prepayments include advance payments to suppliers for purchase of raw materials.

11. INVENTORIES - GROUP

	2019 RM'000	**2018 RM'000**
Raw materials	**374,815**	110,459
Work-in-progress	**127,283**	38,436
Finished goods	**102,623**	36,601
	604,721	185,496
Recognised in profit or loss :		
Written down/(Reversal of written down) of inventories	**18,609**	(21)
Inventories recognised as cost of sales		
- continuing operations	**1,742,268**	219,754
- discontinued operation	**506,163**	673,963

The written down and reversal of written down of inventories to net realisable value are included in cost of sales.

12. TRADE AND OTHER RECEIVABLES

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Trade					
Trade receivables		**445,082**	295,326	**–**	–
Amount due from associated companies	12.1	**–**	703	**–**	–
Less : Loss allowance		**(5,653)**	(3,930)	**–**	–
		439,429	292,099	**–**	–
Non-trade					
Amount due from subsidiaries	12.2	**–**	–	**58,131**	48,334
Less : Loss allowance		**–**	–	**(927)**	(927)
		–	–	**57,204**	47,407
Other receivables	12.3	**40,076**	4,554	**10,123**	1
Dividend receivables		**–**	–	**–**	45,000
Deposits		**8,376**	3,416	**1**	1
		48,452	7,970	**10,124**	45,002
		48,452	7,970	**67,328**	92,409
		487,881	300,069	**67,328**	92,409

12.1 Amount due from associated companies

The trade amount due from associated companies was subject to normal trade terms.

12.2 Amount due from subsidiaries

Included in the amount due from subsidiaries is RM58,131,000 (2018 : RM48,312,000) which is unsecured and earns interest at 4.64% (2018 : 5.37%) per annum. Other than as disclosed, the amounts due from subsidiaries are unsecured, interest free and repayable on demand.

12. TRADE AND OTHER RECEIVABLES *(continued)*

12.3 Other receivables

Included in other receivables are the following :

i) a sum of RM16,862,000 (2018 : RM2,280,000) of the Group is in relation to goods and services tax and value added tax to be recovered from the relevant authorities, and

ii) a sum of RM10,080,000 (2018 : RM Nil) of the Group and of the Company is to be received from a third party pursuant to the disposal of certain subsidiaries during the financial year (Note 24), of which RM8,500,000 relates to the preliminary disposal consideration and interest of RM1,580,000 which is equivalent to an internal rate of return of 8% per annum as prescribed in the sales and purchase agreement from date of disposal up to the end of reporting period.

12.4 The Group has entered into a non-recourse receivables financing agreements with certain financial institutions where the rights for collection and significantly all the risks and rewards over the receivables under the financing agreements have been transferred to the financial institutions. At the end of financial year, a total of RM81,119,000 (2018 : RM Nil) of the Group has been derecognised from the trade receivables balances.

13. DERIVATIVES FINANCIAL (ASSETS)/LIABILITIES – GROUP

		2019		
	Note	Nominal amount RM'000	Assets RM'000	Liabilities RM'000
Derivatives at fair value through profit or loss				
- Forward exchange contracts	13.1	**30,879**	**(414)**	**10**
Derivatives at fair value through other comprehensive income				
- Commodity contracts	13.2	**2,764**	**–**	**279**
- Interest rate swap contracts	13.3	**274,871**	**–**	**7,756**
			(414)	**8,045**
Current (assets)/liabilities			**(414)**	**2,675**
Non-current liabilities			**–**	**5,370**
			(414)	**8,045**

NOTES TO THE FINANCIAL STATEMENTS

13. DERIVATIVES FINANCIAL (ASSETS)/LIABILITIES – GROUP *(continued)*

		2018	
	Note	Nominal amount RM'000	Assets RM'000
Current			
Derivatives at fair value through profit or loss, net - Forward exchange contracts	13.1	8,557	(54)

13.1 Forward exchange contracts are used to manage the foreign currency exposure arising from the Group's receivables and payables denominated in currencies other than the functional currency of the Group. The forward exchange contracts have maturities of less than one year after the end of the reporting period. When necessary, the forward exchange contracts are rolled over at maturity.

13.2 This represents arrangements entered into with banks to hedge pricing risk of aluminium.

13.3 Interest rate swap contracts have been entered into with a financial institution in order to operationally hedge monthly interest payments on borrowings that would mature in March 2023. The fair value of interest rate swap contracts is based on bankers' quotes.

14. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	**124,035**	89,808	**4,452**	1,475
Short-term deposits placed with licensed banks	**19,627**	18,406	**–**	–
Money market placement with financial institution	**206,937**	–	**156,034**	–
	350,599	108,214	**160,486**	1,475

15. SHARE CAPITAL - GROUP/COMPANY

	2019		2018	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid ordinary shares	**197,660**	**192,153**	197,660	192,153

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at general meetings of the Company.

16. RESERVES

16.1 Cash flow hedge reserve 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.

16.2 Foreign currency translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the presentation currency of the Group.

17. LOANS AND BORROWINGS

		Group		Company	
	Note	**2019 RM'000**	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Non-current					
Term loans		**736,140**	281,177	**389,107**	215,000
Hire purchase liabilities	17.1	**67**	765	**–**	–
		736,207	281,942	**389,107**	215,000
Current					
Term loans		**103,095**	20,696	**–**	–
Trade financing		**388,599**	182,078	**–**	–
Revolving credits		**157,526**	55,136	**–**	–
Hire purchase liabilities	17.1	**111**	269	**–**	–
		649,331	258,179	**–**	–
		1,385,538	540,121	**389,107**	215,000

NOTES TO THE
FINANCIAL STATEMENTS

17. LOANS AND BORROWINGS *(continued)*

17.1 Hire purchase liabilities

Hire purchase liabilities were payable as follows :

	2018		
	Future minimum lease payments RM'000	**Interest RM'000**	**Present value of minimum lease payments RM'000**
Group			
Less than 1 year	307	38	269
Between 1 and 5 years	815	50	765
	1,122	88	1,034

17.2 Security

Certain loans and borrowings are secured against legal charges over certain land and buildings, plant and machinery and capital expenditure-in-progress of certain subsidiaries (see Note 3.2 and Note 4.1), investment in a subsidiary (see Note 7.2) and corporate guarantee from the Company (see Note 30.4).

17.3 Covenants required by certain banks

The covenants of banking facilities taken by certain subsidiaries of the Group restrict the ability of those subsidiaries to declare dividends to its shareholders :

i. from exceeding certain amount of the net profit after tax for the financial year of the subsidiaries;

ii. from exceeding 70% of profit before tax for the financial year of the subsidiaries.

In the last financial year, a subsidiary had declared dividends in aggregate which exceeded the net profit after tax for the financial year. The relevant banks had subsequently waived the said covenants.

18. RETIREMENT BENEFIT OBLIGATIONS - GROUP

Certain entities in the Group operate 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.

The amounts recognised in the consolidated statement of financial position are determined as follows :

	2019 RM’000
Analysed as :	
Current liabilities	**12,332**
Non-current liabilities	**51,422**
Retirement benefit obligations representing net liability	**63,754**

	2019 RM’000
Analysed as :	
Not later than one year	**12,332**
Later than one year but not later than two years	**2,409**
Later than two years but not later than five years	**9,493**
Later than five years	**39,520**
	63,754

The movements during the financial year in the amounts recognised in the consolidated statement of financial position in respect of the retirement benefit obligations are as follows :

	2019 RM’000
At 1 January	**–**
Assumed in acquisition of subsidiaries	**62,334**
Current service cost	**2,115**
Interest cost	**1,661**
Benefits paid by the Scheme	**(2,356)**
At 31 December	**63,754**

Certain assumptions are used in the actuarial valuation and due to the long term nature of this Scheme, such estimates are subject to uncertainty.

18. RETIREMENT BENEFIT OBLIGATIONS - GROUP *(continued)*

The principal actuarial assumptions used are as follows :

	2019 %
Discount rate	5.4
Price inflation	3.5
Expected rate of salary increases	6.0

The discount rate is determined based on the values of AA rated corporate bond yields with 10 to 15 years of maturity.

Significant actuarial assumption for determination of the retirement benefit obligations is the discount rate. The sensitivity analysis below has been determined based on changes to significant assumption, with all other assumptions held constant.

	2019 RM'000
A 1% increase/decrease in discount rate will decrease/increase the retirement benefit obligations by	5,148

The sensitivity analysis presented above may not be representative of the actual change in retirement benefit obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some assumptions may be correlated.

19. PROVISIONS – GROUP

Included in provisions is a sum of RM5,000,000 (2018 : RM Nil) in relation to internal reorganisation costs planned for the Group.

20. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables		**193,945**	107,057	**–**	–
Amount due to associated companies	20.1	**–**	15,942	**–**	–
Amount due to a related party	20.1	**145**	43	**–**	–
		194,090	123,042	**–**	–
Non-trade					
Amount due to a subsidiary	20.2	**–**	–	**25,203**	29,844
Other payables	20.3	**80,528**	34,557	**8,141**	2
Accrued expenses	20.4	**112,187**	31,792	**7,871**	1,946
Deposits received		**1,939**	3,089	**–**	–
		194,654	69,438	**41,215**	31,792
		388,744	192,480	**41,215**	31,792

20.1 Amounts due to associated companies and a related party

The amounts due to associated companies and a related party are subject to normal trade terms.

20.2 Amount due to a subsidiary

The amount due to a subsidiary is unsecured, subject to interest at 4.42% (2018 : 5.37%) per annum and repayable on demand.

20. TRADE AND OTHER PAYABLES *(continued)*

20.3 Other payables

Included in other payables are the following :

i) a sum of RM3,806,000 (2018 : RM Nil) in relation to value added tax to be paid to the relevant authorities; and
ii) a sum of RM5,199,000 (2018 : RM Nil) relates to amounts owing to suppliers for the construction expenses of factory and deposit from Southern Agricultural Bags Joint Stock Company to transfer of land use rights and factory at My Phuoc Industry.

20.4 Accrued expense

Included in accrued expenses are the following :

i) Retention sums of RM14,983,000 (2018 : RM Nil) of the Group relate to amounts owing to suppliers for the construction of factories; and
ii) a sum of RM27,433,000 (2018 : RM Nil) of the Group relate to amounts to be paid to third party suppliers for the construction of factories.

21. REVENUE

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019* RM'000	2018 RM'000	2019 RM'000	2018# RM'000
Group						
Revenue from contracts with customers						
- Sale of goods	**2,284,071**	593,025	**678,577**	841,574	**2,962,648**	1,434,599
Other revenue						
- Rental income	**109**	–	**–**	–	**109**	–
	2,284,180	593,025	**678,577**	841,574	**2,962,757**	1,434,599
Company						
Dividend income	**32,013**	84,528	**–**	–	**32,013**	84,528

* From 1 January 2019 to 14 October 2019 (2018 : Full financial year ended 31 December 2018).
# This amount is before elimination of intragroup transaction in 2018.

21. REVENUE *(continued)*

21.1 Nature of goods and timing of recognition

Revenue from the sale of the products of general packaging and contract manufacturing as well as trading of goods in the course of ordinary activities is typically recognised at the point in time when the Group transfers the control of the goods to the customers. Revenue is measured as the amount of consideration to which the Group is expected to be entitled, net of discounts and rebates.

The general credit terms granted to customers range from cash on delivery to 120 days (2018 : cash on delivery to 120 days) and there is no warranty attached to the goods sold by the Group. The Group generally allows return of goods for exchange with new goods.

21.2 Transaction price allocated to the remaining performance obligations

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and did not disclose the transaction price allocated to unsatisfied (or partially satisfied) performance obligations where the contract has an original expected duration of one year or less.

21.3 Disaggregation of revenue based on the geographical location and revenue from major product lines has been presented in the operating segments, Note 29 to the financial statements.

22. INTEREST EXPENSES

	Continuing operations		Discontinued operation		Total	
	2019 RM'000	2018 RM'000	2019* RM'000	2018 RM'000	2019 RM'000	2018# RM'000
Group						
Interest expenses	**77,354**	19,480	**4,313**	6,280	**81,667**	25,760
Interest expense on lease liabilities	**320**	–	**174**	–	**494**	–
	77,674	19,480	**4,487**	6,280	**82,161**	25,760

	2019 RM'000	2018 RM'000
Company		
Interest expenses	**37,393**	13,049

* From 1 January 2019 to 14 October 2019 (2018 : Full financial year ended 31 December 2018).
# This amount is before elimination of intragroup transaction in 2018.

23. TAX EXPENSE/(CREDIT)

23.1 Recognised in profit or loss

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Income tax expense/ (credit) on				
- continuing operations	**7,385**	2,118	**2,174**	(23)
- discontinued operation	**13,218**	16,516	**–**	–
Share of tax of equity-accounted associate*	**633**	4,513	**–**	–
Total tax expense/(credit)	**21,236**	23,147	**2,174**	(23)
Current tax expense/(credit)				
- Current year	**23,652**	19,236	**2,158**	55
- Prior years	**(1,017)**	(1,070)	**16**	(78)
	22,635	18,166	**2,174**	(23)
Deferred tax (credit)/expense				
- Current year	**(1,260)**	486	**–**	–
- Prior years	**(772)**	(18)	**–**	–
	(2,032)	468	**–**	–
Share of tax of equity-accounted associate*	**633**	4,513	**–**	–
Total tax expense/ (credit) recognised in profit or loss	**21,236**	23,147	**2,174**	(23)

23. TAX EXPENSE/(CREDIT) *(continued)*

23.2 Reconciliation of tax expense/(credit)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit for the year	**939,336**	46,576	**766,564**	59,295
Total tax expense/(credit)	**21,236**	23,147	**2,174**	(23)
Profit excluding tax	**960,572**	69,723	**768,738**	59,272
Income tax calculated using Malaysian tax rate of 24%	**230,537**	16,734	**184,497**	14,225
Non-deductible expenses	**91,769**	4,541	**18,753**	6,117
Tax exempt income	**(305,062)**	(127)	**(201,092)**	(20,287)
Tax incentives	**(10)**	(1,960)	**–**	–
Effect of :				
- different tax rates in foreign jurisdictions	**(10,723)**	(166)	**–**	–
- current year unrecognised deferred tax assets	**20,022**	3,022	**–**	–
Recognition of previously unrecognised deferred tax assets	**(3,704)**	–	**–**	–
Reversal of deferred tax on revaluation of property	**(284)**	(43)	**–**	–
Difference in effective tax rate of equity-accounted associate*	**480**	2,234	**–**	–
	23,025	24,235	**2,158**	55
(Over)/Under provision in prior years	**(1,789)**	(1,088)	**16**	(78)
Total tax expense/(credit)	**21,236**	23,147	**2,174**	(23)

* It represents share of tax of equity-accounted associate which has been included in the share of results of equity-accounted associate as presented in the consolidated statement of profit or loss and other comprehensive income.

24. DISPOSAL OF SUBSIDIARIES

On 15 October 2019, the Company completed the disposal of its entire equity interests of F & B Nutrition Sdn. Bhd. ("F&B") through the disposal of Can Ridge Sdn. Bhd. ("Can Ridge") for an aggregate disposal consideration of between RM800 million (minimum) to RM1,000 million (maximum). Following the disposal, F&B and Can Ridge ceased to be subsidiaries of the Group. The entire results of F&B and Can Ridge during the financial year and the comparative consolidated statement of profit or loss and other comprehensive income has been re-presented to show discontinued operation separately from continuing operations.

Profit attributable to the discontinued operation was as follows :

	Group	
	2019 RM'000	**2018 RM'000**
Results of discontinued operation		
Revenue	**678,577**	841,574
Expenses	**(611,451)**	(772,781)
Gain on disposal of discontinued operation	**671,763**	–
Profit before tax	**738,889**	68,793
Tax expense	**(13,218)**	(16,516)
Profit for the year attributable to the owners of the Company	**725,671**	52,277
Net cash flows from/(used in) discontinued operation		
- operating activities	**50,322**	116,381
- investing activities	**(43,893)**	(15,218)
- financing activities	**(27,712)**	(87,399)
Effect on cash flows	**(21,283)**	13,764

24. DISPOSAL OF SUBSIDIARIES *(continued)*

The effects of disposal are as follows :

	Note	2019 RM'000
Property, plant and equipment		**210,029**
Right-of-use assets		**5,450**
Intangible assets		**1,413**
Inventories		**81,704**
Trade and other receivables		**210,890**
Cash and cash equivalents		**38,651**
Derivative liabilities		**(9)**
Deferred tax liabilities	9	**(23,620)**
Loans and borrowings		**(168,153)**
Lease liabilities		**(5,520)**
Trade and other payables		**(110,048)**
Current tax payables		**(550)**
Gain on disposal of subsidiaries recognised in profit or loss		**671,763**
Net assets and liabilities/Preliminary disposal consideration		**912,000**
Balance receivable (Note 12.3)		**(8,500)**
Less : Cash and cash equivalents disposed of		**(38,651)**
Net cash inflows		**864,849**

The Company estimated the preliminary disposal consideration to be RM912 million based on cash proceeds received as at the date of this report. The final disposal consideration is subject to the calculation of the disposal consideration to be made in accordance with the sale and purchase agreement between the Company and the third party and has not been finalised at the date of this report.

The difference between the final disposal consideration and the preliminary disposal consideration will be accounted for in the profit or loss in the financial year ending 31 December 2020.

25. EMPLOYEE INFORMATION (INCLUDING KEY MANAGEMENT PERSONNEL COMPENSATIONS)

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Staff costs	**298,210**	104,248	**7,764**	2,790

Staff costs of the Group and of the Company include contributions to the Employees' Provident Fund of RM19,184,000 (2018 : RM6,168,000) and RM224,000 (2018 : RM208,000) respectively.

NOTES TO THE
FINANCIAL STATEMENTS

26. PROFIT FOR THE YEAR

Profit for the year is arrived at after charging/(crediting) :

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remuneration				
Audit fees				
- KPMG in Malaysia	**138**	167	**48**	40
- Affiliates of KPMG in overseas	**35**	34	**–**	–
- Other auditors	**646**	–	**–**	–
Other services				
- KPMG in Malaysia	**405**	5	**365**	5
- Affiliates of KPMG in Malaysia	**298**	36	**259**	4
- Other auditors	**23**	–	**–**	–
- Affiliates of other auditors	**248**	–	**–**	–
Material expenses/(income)				
Bad debts written off	**–**	37	**–**	–
Net foreign exchange (gain)/loss	**(1,792)**	2,659	**–**	–
Impairment loss/(Reversal of impairment loss) on :				
- property, plant and equipment	**15,438**	888	**–**	–
- investment in subsidiaries	**–**	–	**18,302**	10,616
- receivables, net	**(4,538)**	1,379	**–**	–
Goodwill on consolidation written off	**16**	–	**–**	–
Income distribution on money market placement with a financial institution	**(1,200)**	–	**(21)**	–
(Gain)/Loss on :				
- disposal of property, plant and equipment	**(411)**	28	**–**	–
- disposal of subsidiaries	**(671,763)**	–	**(805,872)**	–
- arising from acquisition of a subsidiary	**(346,251)**	–	**–**	–
Pre-operating expenses	**–**	416	**–**	–
Expenses/(income) arising from leases				
Expenses relating to :				
- short-term leases	**669**	–	**–**	–
- leases of low-value assets	**94**	–	**–**	–
Rental expenses	**–**	2,693	**–**	–
Gain on leases modification	**(44)**	–	**–**	–
Lease income from properties	**(1,686)**	(490)	**–**	–

27. EARNINGS/(LOSS) PER ORDINARY SHARE

The calculation of basic earnings/(loss) per ordinary share was based on the Group's profit attributable to the owners of the Company and a weighted average number of ordinary shares outstanding, calculated as follows :

	2019 RM'000	2018 RM'000
(Loss)/Profit for the year attributable to owners of the Company from :		
- continuing operations	**(11,008)**	(5,701)
- discontinued operation	**725,671**	52,277
	714,663	46,576
Weighted average number of ordinary shares ('000)	**192,153**	192,153

	2019 Sen	2018 Sen
From continuing operations	**(5.73)**	(2.97)
From discontinued operation	**377.65**	27.21
Basic earnings per ordinary share	**371.92**	24.24

No diluted earnings per share was presented as there was no dilutive potential ordinary shares for the financial year ended 31 December 2019 and 31 December 2018.

28. DIVIDENDS

Dividends recognised by the Company :

	Sen per share	Total amount RM'000	Date of payment
2019			
First and final 2018 single-tier dividend	**4**	**7,686**	**26 July 2019**
2018			
First and final 2017 single-tier dividend	4	7,686	20 July 2018

The Directors recommended a first and final single-tier dividend of 4 sen per share and a special single-tier dividend of 2 sen per share, totalling RM7,686,000 and RM3,843,000 for the financial year ended 31 December 2019. These financial statements do not reflect the said dividends which will be accounted for as an appropriation of retained earnings in the financial year ending 31 December 2020 when approved by the shareholders at the forthcoming Annual General Meeting.

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS - GROUP

The Group has four reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group Managing Director (the chief operating decision maker) reviews internal management reports at least on a quarterly basis.

The following summary describes the operations in each of the Group's reportable segments :

- Division 1 - General packaging - manufacture of metal and lithographed tin cans, plastic jerry cans, rigid packaging, aluminium cans and corrugated fibreboard cartons
- Division 2 - Contract manufacturing - manufacturing, packaging and distribution of dairy, carbonated and non-carbonated beverages, milk powder as well as edible oils products
- Division 3 - Trading
- Division 4 - Property and investment holding

Performance is measured based on segment profit before tax and interest as included in the internal management reports that are reviewed by the Group Managing Director. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Management monitors the operating results of its business units separately for the purpose of making decision about resource allocation and performance assessment.

Segment assets

The total of segment assets is measured based on all assets of a segment (excluding current and deferred tax assets), as included in the internal management reports that are reviewed by the Group Managing Director. Segment total asset is used to measure the return of assets of each segment.

Segment capital expenditure

Segment capital expenditure is the total cost incurred during the financial year to acquire property, plant and equipment, investment properties, right-of-use assets and intangible assets.

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS - GROUP *(continued)*

	General packaging RM'000	Contract manufacturing RM'000	Contract manufacturing (discontinued operation) RM'000	Trading RM'000	Property and investment holding RM'000	Total RM'000	Reconciliations/ Eliminations RM'000	Note	Consolidated Financial Statements RM'000
31 December 2019									
Segment profit/(loss)	21,271	(23,980)	71,182	5,530	764,389	838,392	197,417	29.1.1	1,035,809
Included in the measure of segment profit/(loss) are :									
Revenue from external customers	2,003,543	223,614	678,577	479,396	42,538	3,427,668	(464,911)		2,962,757
Inter-segments sales	163,212	-	-	-	29,800	193,012	(193,012)		-
Inventories written down, net	(18,592)	(17)	-	-	-	(18,609)	-		(18,609)
Inventories written off	(3,662)	(148)	-	-	-	(3,810)	-		(3,810)
Property, plant and equipment written off	(2,392)	-	-	-	-	(2,392)	(81)		(2,473)
Goodwill on consolidation written off	-	-	-	-	-	-	(16)		(16)
Impairment loss on :									
- investment in subsidiaries	-	-	-	-	(26,769)	(26,769)	26,769		-
- property, plant and equipment	(8,587)	(6,851)	-	-	-	(15,438)	-		(15,438)
- receivables, net	4,101	39	447	(49)	-	4,538	-		4,538
Gain on disposal of subsidiaries	-	-	-	-	805,872	805,872	(134,109)		671,763
Gain arising from acquisition of a subsidiary	-	-	-	-	-	-	346,251		346,251
Share of loss of equity-accounted associate, net of tax	-	-	-	-	(3,402)	(3,402)	-		(3,402)
Depreciation and amortisation	(116,205)	(4,827)	(9,251)	(155)	(1,187)	(131,625)	10,959		(120,666)
Not included in the measure of segment profit/(loss) but provided to Group Managing Director :									
Interest income	3,193	29	258	7,741	6,078	17,299	(11,181)		6,118
Interest expenses	(41,670)	(3,423)	(4,487)	(6,720)	(38,188)	(94,488)	12,327		(82,161)
Income tax expense	(3,853)	89	(13,218)	(1,240)	(2,381)	(20,603)	-		(20,603)
Segment assets	3,501,344	182,048	-	329,227	323,674	4,336,293	(518,412)	29.1.2	3,817,881
Included in the measure of segment assets are :									
Segment capital expenditure	118,013	45,192	46,743	396	163	210,507	(5,211)		205,296

NOTES TO THE FINANCIAL STATEMENTS

29. OPERATING SEGMENTS - GROUP *(continued)*

	General packaging RM'000	Contract manufacturing RM'000	Contract manufacturing (discontinued operation) RM'000	Trading RM'000	Property and investment holding RM'000	Total RM'000	Reconciliations/ Eliminations RM'000	Note	Consolidated Financial Statements RM'000
31 December 2018									
Segment profit/(loss)	13,714	(2,838)	73,910	2,437	78,471	165,694	(76,344)	29.1.1	89,350
Included in the measure of segment profit/(loss) are :									
Revenue from external customers	494,336	6,663	841,574	144,006	88,245	1,574,824	(140,225)		1,434,599
Inter-segments sales	20,603	–	–	–	63,373	83,976	(83,976)		–
Reversal of inventories written down	21	–	–	–	–	21	–		21
Property, plant and equipment written off	(346)	–	–	–	–	(346)	–		(346)
Impairment loss on :									
- investment in a subsidiary	–	–	–	–	(10,616)	(10,616)	10,616		–
- property, plant and equipment	–	–	(888)	–	–	(888)	–		(888)
- receivables, net	(1,285)	–	(94)	–	–	(1,379)	–		(1,379)
Bad debts written off	(18)	–	–	(19)	–	(37)	–		(37)
Share of profit of equity-accounted associate, net of tax	–	–	–	–	4,981	4,981	–		4,981
Depreciation and amortisation	(14,079)	(300)	(9,433)	(2)	(258)	(24,072)	(4)		(24,076)
Not included in the measure of segment profit/(loss) but provided to Group Managing Director :									
Interest income	1,277	39	1,163	–	372	2,851	(1,231)		1,620
Interest expenses	(6,897)	(603)	(6,280)	–	(13,196)	(26,976)	1,216		(25,760)
Income tax expense	(1,753)	–	(16,516)	(344)	(21)	(18,634)	–		(18,634)
Segment assets	538,372	44,223	510,731	36,596	643,544	1,773,466	(179,511)	29.1.1	1,593,955
Included in the measure of segment assets are :									
Segment capital expenditure	47,539	31,418	17,235	3	29,883	126,078	(518)		125,560

29. OPERATING SEGMENTS - GROUP *(continued)*

29.1 Reconciliations of reportable segment revenue, profits or loss and assets

29.1.1 The following items are added to/(deducted from) continuing operations' segment profit/(loss) to arrive at "Profit/(Loss) before tax" presented in the consolidated statement of profit or loss and other comprehensive income :

	2019 RM'000	2018 RM'000
Segment profit	**1,035,809**	89,350
Interest income from continuing operations	**5,860**	457
Interest expenses from continuing operations	**(77,674)**	(19,480)
Segment profit from discontinued operation	**(71,182)**	(73,910)
Gain on disposal of subsidiaries	**(671,763)**	–
Consolidated profit/(loss) before tax	**221,050**	(3,583)

29.1.2 The following items are added to segment assets to arrive at total assets reported in the consolidated statement of financial position :

	2019 RM'000	2018 RM'000
Segment assets	**3,817,881**	1,593,955
Deferred tax assets	**5,292**	–
Current tax assets	**14,005**	3,720
Consolidated total assets	**3,837,178**	1,597,675

29.2 Geographical information

The Group's geographical information is based on the location of the Group's assets. In presenting on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated. The amounts of non-current assets do not include financial instruments and investment in an associate.

	Revenue		Non-current assets	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Malaysia	**1,477,366**	466,536	**1,619,246**	276,928
Vietnam	**491,848**	–	**275,499**	–
Singapore	**230,123**	92,101	**11,232**	3
Myanmar	**65,994**	–	**415,639**	–
Others	**18,849**	34,388	**50,100**	6,853
	2,284,180	593,025	**2,371,716**	283,784
Malaysia (discontinued operation)	**678,577**	841,574	**–**	186,514
	2,962,757	1,434,599	**2,371,716**	470,298

29. OPERATING SEGMENTS - GROUP *(continued)*

29.3 Major customers

During the financial year, the Group did not have significant revenue on a single major customer or a group of common control companies of which the total revenue equal or more than 10% of the Group's total revenue.

In the last financial year, the following represent sales to a group of common control companies of which the total revenue equal or more than 10% of the Group's total revenue.

	General packaging RM'000	Contract manufacturing RM'000	Total RM'000
2018			
All common control companies of :			
Customer A	45,473	120,090	165,563
Customer B	31,898	104,682	136,580

30. FINANCIAL INSTRUMENTS

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows :

(a) Fair value through profit or loss ("FVTPL") - Mandatorily required by MFRS 9
(b) Financial assets and financial liabilities measured at amortised cost ("AC")
(c) Fair value through other comprehensive income ("FVOCI")

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000
Group				
31 December 2019				
Financial assets				
Trade and other receivables (exclude deposits)	**479,505**	**479,505**	**–**	**–**
Cash and cash equivalents	**350,599**	**350,599**	**–**	**–**
Derivatives financial assets	**414**	**–**	**414**	**–**
	830,518	**830,104**	**414**	**–**

30. FINANCIAL INSTRUMENTS *(continued)*

30.1 Categories of financial instruments *(continued)*

	Carrying amount RM'000	AC RM'000	FVTPL RM'000	FVOCI RM'000
Group				
31 December 2019				
Financial liabilities				
Loans and borrowings	**(1,385,538)**	**(1,385,538)**	**–**	**–**
Trade and other payables (exclude deposits received)	**(386,805)**	**(386,805)**	**–**	**–**
Provisions	**(5,005)**	**(5,005)**	**–**	**–**
Derivatives financial liabilities	**(8,045)**	**–**	**(10)**	**(8,035)**
	(1,785,393)	**(1,777,348)**	**(10)**	**(8,035)**

	Carrying amount RM'000	AC RM'000	FVTPL RM'000
Group			
31 December 2018			
Financial assets			
Trade and other receivables (exclude deposits)	296,653	296,653	–
Cash and cash equivalents	108,214	108,214	–
Derivatives financial assets	54	–	54
	404,921	404,867	54
Financial liabilities			
Loans and borrowings	(540,121)	(540,121)	–
Trade and other payables (exclude deposits received)	(189,391)	(189,391)	–
	(729,512)	(729,512)	–

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.1 Categories of financial instruments *(continued)*

	AC	
	2019 RM'000	**2018 RM'000**
Company		
Financial assets		
Trade and other receivables (exclude deposits)	**67,327**	92,408
Cash and cash equivalents	**160,486**	1,475
	227,813	93,883
Financial liabilities		
Loans and borrowings	**(389,107)**	(215,000)
Trade and other payables (exclude deposits received)	**(41,215)**	(31,792)
	(430,322)	(246,792)

30.2 Net gains and losses arising from financial instruments

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Net gains/(losses) on :				
Fair value through :				
- profit or loss	**404**	54	**–**	–
- other comprehensive expense	**(8,035)**	–	**–**	–
Financial assets at amortised cost	**13,375**	(3,529)	**37,228**	1,656
Financial liabilities at amortised cost	**(77,663)**	(24,596)	**(37,393)**	(13,049)
	(71,919)	(28,071)	**(165)**	(11,393)

30.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments :

- Credit risk
- Liquidity risk
- Market risk

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk

Credit risk is the risk of a financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and cash and cash equivalents. The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, cash and cash equivalents and financial guarantees given to banks for banking facilities granted to subsidiaries. There are no significant changes as compared to prior periods.

Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Normally financial guarantees given by banks, shareholders or directors of customers are obtained, and credit evaluations are performed on customers requiring credit over a certain amount.

At each reporting date, the Group or the Company assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired trade receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. Nevertheless, trade receivables that are written off could still be subject to recovery activities.

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables of the Group are summarised in the table below :

	2019 RM'000	**2018 RM'000**
Maximum exposure	**439,429**	292,099
Collateral obtained	**(68,630)**	–
	370,799	292,099

The above collateral were credit insurance obtained by the Group.

The Group receives financial guarantees given by banks, shareholders or directors of customers in managing exposure to credit risks.

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk *(continued)*

Trade receivables *(continued)*

Concentration of credit risk

The exposure of credit risk for trade receivables as at the end of the reporting period by geographic location from which the trade receivables originated was :

	2019 RM'000	2018 RM'000
Group		
Malaysia	**256,379**	284,900
Myanmar	**15,060**	–
Vietnam	**139,850**	–
Singapore	**26,553**	2,833
Others	**1,587**	4,366
	439,429	292,099

Recognition and measurement of impairment losses

In managing credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within past due 120 days.

The Group considers credit loss experience and observable data such as current changes and future forecasts in economic conditions by market segment of the Group to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

During this process, the probability of non-payment by the trade receivable is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables which are presented on a net basis, such impairments are recorded in a separate impairment account with the loss being recognised in profit or loss.

It requires management to exercise significant judgement on determining the probability of default by trade receivables and appropriate forward looking information.

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk *(continued)*

Trade receivables *(continued)*

Recognition and measurement of impairment losses (continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables which are grouped together as they are expected to have similar risk nature.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
Group			
2019			
Not past due	**300,555**	**–**	**300,555**
Past due 1-30 days	**91,080**	**–**	**91,080**
Past due 31-120 days	**39,676**	**–**	**39,676**
	431,311	**–**	**431,311**
Credit impaired			
More than 120 days past due	**13,771**	**(5,653)**	**8,118**
	445,082	**(5,653)**	**439,429**
2018			
Not past due	162,361	–	162,361
Past due 1-30 days	44,042	–	44,042
Past due 31-120 days	41,804	–	41,804
	248,207	–	248,207
Credit impaired			
More than 120 days past due	47,822	(3,930)	43,892
	296,029	(3,930)	292,099

There are trade receivables where the Group has not recognised any loss allowance as the trade receivables are supported by subsequent collection after the reporting period and historical collection trend from these customers.

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk *(continued)*

Trade receivables *(continued)*

Recognition and measurement of impairment losses (continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below :

	Lifetime ECL/ Credit impaired RM'000
Group	
Balance at 1 January 2018	2,819
Amounts written off	(270)
Net remeasurement of loss allowance	1,379
Foreign exchange difference	2
Balance at 31 December 2018/1 January 2019	**3,930**
Amounts written off	**(212)**
Net remeasurement of loss allowance	**(4,538)**
Foreign exchange difference	**1**
Assumed in acquisition of subsidiaries	**6,472**
Balance at 31 December 2019	**5,653**

Financial guarantees

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to certain subsidiaries. The Company monitors the ability of the subsidiaries to service their loans on an individual basis.

Exposure to credit risk, credit quality and collateral

The maximum exposure to credit risk amounts to RM266 million (2018 : RM324 million) representing the outstanding banking facilities of the subsidiaries as at the end of the reporting period.

The financial guarantees are provided as credit enhancements for the subsidiaries' to secure loans.

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk *(continued)*

Financial guarantees *(continued)*

Recognition and measurement of impairment loss

The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. The Company considers a financial guarantee to be credit impaired when :

- The subsidiary is unlikely to repay its credit obligation to the bank in full; or
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default of the guaranteed loans individually using internal information available.

Inter-company loans and advances

Risk management objectives, policies and processes for managing the risk

The Company provides unsecured loans and advances to subsidiaries. The Company monitors the ability of the subsidiaries to repay the loans and advances on an individual basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

Loans and advances provided are not secured by any collateral or supported by any other credit enhancements.

Recognition and measurement of impairment loss

Generally, the Company considers loans and advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' loans and advances when they are payable, the Company considers the loans and advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's loan or advance to be credit impaired when :

- The subsidiary is unlikely to repay its loan or advance to the Company in full;
- The subsidiary is continuously loss making and is having a deficit shareholders' fund.

The Company determines the probability of default for these loans and advances individually using internal information available.

30. FINANCIAL INSTRUMENTS *(continued)*

30.4 Credit risk *(continued)*

Inter-company loans and advances *(continued)*

The following table provides information about the exposure to credit risk and ECLs for subsidiaries' loans and advances.

	Gross carrying amount RM'000	Loss allowances RM'000	Net balance RM'000
Company			
2019			
Low credit risk	**58,131**	**(927)**	**57,204**
2018			
Low credit risk	48,334	(927)	47,407

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

These banks and financial institutions have low credit risks. The Group and the Company are of the view that no loss allowance is necessary.

Other receivables

Credit risks on other receivables are mainly arising from amounts due from authorities for goods and services tax and value added tax claimable and receivables balances from the preliminary disposal consideration from disposal of certain subsidiaries.

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statements of financial position.

The goods and services tax and value added tax claimable are receivable from authorities of which the Group is of the view that no loss allowance is necessary.

30. FINANCIAL INSTRUMENTS *(continued)*

30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings.

The Group maintains a level of cash and cash equivalents and bank facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Maturity analysis

The table below summarises the maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments :

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31 December 2019							
Non-derivative financial liabilities							
Term loans	839,235	2.90 - 7.20	964,933	137,483	141,827	501,283	184,340
Trade financing	388,599	2.33 - 7.64	388,599	388,599	-	-	-
Revolving credits	157,526	3.48 - 4.80	157,526	157,526	-	-	-
Hire purchase liabilities	178	2.08	188	73	73	42	-
Lease liabilities	11,549	2.65 - 6.70	14,764	6,071	4,634	3,946	113
Trade and other payables (exclude deposits received)	386,805	-	386,805	386,805	-	-	-
Provisions	5,005	-	5,005	5,005	-	-	-
	1,788,897		1,917,820	1,081,562	146,534	505,271	184,453
Derivative financial liabilities							
Forward exchange contracts (gross settled) :							
- Outflow	-	-	30,465	30,465	-	-	-
- Inflow	(404)	-	(30,869)	(30,869)	-	-	-
	1,788,493		1,917,416	1,081,158	146,534	505,271	184,453

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.5 Liquidity risk *(continued)*

Maturity analysis (continued)

Group	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31 December 2018							
Non-derivative financial liabilities							
Term loans	301,873	4.61 - 5.61	372,134	35,662	58,861	139,161	138,450
Trade financing	182,078	2.93 - 4.36	182,078	182,078	–	–	–
Revolving credits	55,136	4.18 - 4.90	55,136	55,136	–	–	–
Hire purchase liabilities	1,034	1.88 - 2.65	1,122	307	297	518	–
Trade and other payables (exclude deposits received)	189,391	–	189,391	189,391	–	–	–
	729,512		799,861	462,574	59,158	139,679	138,450
Derivative financial liabilities							
Forward exchange contracts (gross settled) :							
- Outflow	–	–	(8,492)	(8,492)	–	–	–
- Inflow	(54)	–	8,546	8,546	–	–	–
	729,458		799,915	462,628	59,158	139,679	138,450

30. FINANCIAL INSTRUMENTS *(continued)*

30.5 Liquidity risk *(continued)*

Maturity analysis (continued)

Company	Carrying amount RM'000	Contractual interest rate %	Contractual cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	More than 5 years RM'000
31 December 2019							
Non-derivative financial liabilities							
Term loan	**389,107**	**4.93**	**474,428**	**19,236**	**33,873**	**258,163**	**163,156**
Trade and other payables							
- interest bearing	**25,203**	**4.42**	**25,203**	**25,203**	**–**	**–**	**–**
- non-interest bearing	**16,012**	**–**	**16,012**	**16,012**	**–**	**–**	**–**
Financial guarantees	**–**	**–**	**266,118**	**266,118**	**–**	**–**	**–**
	430,322		**781,761**	**326,569**	**33,873**	**258,163**	**163,156**
31 December 2018							
Non-derivative financial liabilities							
Term loan	215,000	5.14	273,952	11,159	35,759	99,430	127,604
Trade and other payables							
- interest bearing	29,844	5.37	29,844	29,844	–	–	–
- non-interest bearing	1,948	–	1,948	1,948	–	–	–
Financial guarantees	–	–	324,087	324,087	–	–	–
	246,792		629,831	367,038	35,759	99,430	127,604

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.6 Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates and interest rates that will affect the Group's financial position or cash flows.

30.6.1 Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities, primarily Ringgit Malaysia ("RM"). The currencies giving rise to this risk are primarily United States Dollar ("USD") and Singapore Dollar ("SGD").

Risk management objectives, policies and processes for managing the risk

The Group's uses forward exchange contracts to hedge its foreign currency risk. The forward exchange contracts have maturities of less than one year after the end of the reporting period. Where necessary, the forward exchange contracts are rolled over at maturity.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currencies of the Group entities) risk, based on carrying amounts as at the end of the reporting period was :

	Denominated in	
	SGD RM'000	USD RM'000
Group		
31 December 2019		
Trade and other receivables	**5,498**	**123,569**
Cash and cash equivalents	**5,285**	**21,665**
Trade and other payables	**(1,111)**	**(50,616)**
Loans and borrowings	**–**	**(23,526)**
Net exposure	**9,672**	**71,092**
31 December 2018		
Trade and other receivables	2,940	49,006
Cash and cash equivalents	1,363	18,595
Trade and other payables	(20)	(34,384)
Loans and borrowings	–	(9,823)
Net exposure	4,283	23,394

30. FINANCIAL INSTRUMENTS *(continued)*

30.6 Market risk *(continued)*

30.6.1 Currency risk *(continued)*

Currency risk sensitivity analysis

A 10% strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted sales and purchases.

	Profit or loss	
	2019	**2018**
	RM'000	**RM'000**
Group		
SGD	**(735)**	(326)
USD	**(5,403)**	(1,778)

A 10% weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

30.6.2 Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term receivables and payables are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group is exposed to interest rate risk through the impact of rate changes on interest bearing loans and borrowings and interest earning deposits. The Group's policy is to borrow principally on the floating basis but to retain a portion of fixed rate debt. The objectives for the mix between fixed and floating rate loans and borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

30. FINANCIAL INSTRUMENTS *(continued)*

30.6 Market risk *(continued)*

30.6.2 Interest rate risk *(continued)*

Exposure to interest rate risk

The interest rate profile of the Group's and the Company's significant interest earning and interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was :

	2019 RM'000	2018 RM'000
Group		
Fixed rate instruments		
Financial assets	**226,564**	18,406
Financial liabilities	**(546,303)**	(238,248)
	(319,739)	(219,842)
Floating rate instruments		
Financial liabilities	**(839,235)**	(301,873)
Company		
Fixed rate instruments		
Financial assets	**213,238**	47,385
Financial liabilities	**(25,203)**	(29,844)
	188,035	17,541
Floating rate instruments		
Financial liabilities	**(389,107)**	(215,000)

30. FINANCIAL INSTRUMENTS *(continued)*

30.6 Market risk *(continued)*

30.6.2 Interest rate risk *(continued)*

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis for fixed rate instruments

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group and the Company do not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remained constant.

	Group Profit or loss		**Company Profit or loss**	
	100 bp Increase RM'000	**100 bp Decrease RM'000**	**100 bp Increase RM'000**	**100 bp Decrease RM'000**
31 December 2019				
Floating rate instruments	**(6,378)**	**6,378**	**(2,957)**	**2,957**
31 December 2018				
Floating rate instruments	(2,294)	2,294	(1,634)	1,634

NOTES TO THE FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.7 Hedging activities

Cash flow hedge

The Group held the following instruments to hedge exposures to change in interest rates of certain bank loans and aluminium price.

	Maturity			
	Under 1 year RM'000	1-2 years RM'000	2-5 years RM'000	More than 5 years RM'000
Group				
2019				
Commodity risk				
Commodity contracts	279	–	–	–
Interest rate risk				
Interest rate swap contracts				
Net exposure	1,906	1,449	1,262	–
Fixed interest rates	2.76% - 2.86%	2.76% - 2.86%	2.76% - 2.86%	2.76% - 2.86%

The Group entered into arrangement with financial institutions in order to operationally hedge the pricing risk of aluminium.

The Group entered into interest rate swap contracts with a financial institution in order to operationally hedge the cash flow risk in relation to the floating monthly interest rates of bank loans of RM234,532,000 (2018 : RM Nil). The interest rate swap contracts have nominal value of RM274,871,000 (2018 : RM Nil) and are settled every three months, consistent with the interest repayment schedule of the bank loans.

The amounts relating to items designated as hedged items as at reporting date are as follows :

	Change in value used for calculation of hedge ineffectiveness RM'000	Cash flow hedge reserve RM'000	Nominal amount RM'000	Liabilities RM'000	Line item in the consolidated financial position where the hedging instrument is included
Group					
2019					
Commodity risk					
Commodity contracts	–	1,575	2,764	279	*Derivative financial liabilities*
Interest rate risk					
Interest rate swap contracts	–	(2,472)	274,871	7,756	*Derivative financial liabilities*

30. FINANCIAL INSTRUMENTS *(continued)*

30.7 Hedging activities *(continued)*

Cash flow hedge *(continued)*

	Changes in the value of hedging instrument recognised RM'000	Hedge ineffectiveness recognised in other comprehensive income RM'000	Line item in other comprehensive income that includes hedge ineffectiveness
Group			
2019			
Commodity risk			
Commodity contracts	**1,575**	–	*Cash flow hedge*
Interest rate risk			
Interest rate swap contracts	**(2,472)**	–	*Cash flow hedge*

The following table provides reconciliation by risk category of components of equity and analysis of other comprehensive income items, net of tax, resulting from cash flow hedge accounting :

	2019 Hedging reserve RM'000
Group	
Balance at 1 January	**–**
Changes in fair value	
Commodity contracts	**1,575**
Interest rate swap contracts	**(2,472)**
Balance at 31 December	**(897)**

30. FINANCIAL INSTRUMENTS *(continued)*

30.8 Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings approximate their fair values due to the relatively short term nature of these financial instruments.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
31 December 2019										
Group										
Financial assets										
Forward exchange contracts	–	414	–	414	–	–	–	–	414	414
Financial liabilities										
Term loans	–	–	–	–	–	–	(859,285)	(859,285)	(859,285)	(839,235)
Hire purchase liabilities	–	–	–	–	–	–	(185)	(185)	(185)	(178)
Commodity contracts	–	(279)	–	(279)	–	–	–	–	(279)	(279)
Interest rate swap contracts	–	(7,756)	–	(7,756)	–	–	–	–	(7,756)	(7,756)
Forward exchange contracts	–	(10)	–	(10)	–	–	–	–	(10)	(10)
	–	(8,045)	–	(8,045)	–	–	(859,470)	(859,470)	(867,515)	(847,458)
Company										
Financial liabilities										
Term loan	–	–	–	–	–	–	(400,243)	(400,243)	(400,243)	(389,107)

30. FINANCIAL INSTRUMENTS *(continued)*

30.8 Fair value of financial instruments *(continued)*

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total	Carrying
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	fair value	amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2018										
Group										
Financial assets										
Forward exchange contracts, net	–	54	–	54	–	–	–	–	54	54
Financial liabilities										
Term loans	–	–	–	–	–	–	(311,941)	(311,941)	(311,941)	(301,873)
Hire purchase liabilities	–	–	–	–	–	–	(1,081)	(1,081)	(1,081)	(1,034)
	–	–	–	–	–	–	(313,022)	(313,022)	(313,022)	(302,907)
Company										
Financial liabilities										
Term loan	–	–	–	–	–	–	(222,696)	(222,696)	(222,696)	(215,000)

The Company provides financial guarantees to banks for credit facilities granted to certain subsidiaries.

The fair value of such guarantees is negligible as the probability of the subsidiaries defaulting on the credit lines is remote.

Level 2 fair value

Derivatives

The fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of commodity contracts and interest rate swap contracts are determined by using mark-to-market values at the end of the reporting date.

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and 2 fair values during the financial year (2018 : no transfer in either directions).

NOTES TO THE
FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS *(continued)*

30.8 Fair value of financial instruments *(continued)*

Level 3 fair value

Non-derivative financial liabilities

Fair value which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. The market rate of interest is determined by reference to similar borrowing arrangements.

The fair value of term loans and hire purchase liabilities are calculated using discounted cash flows.

31. CAPITAL MANAGEMENT - GROUP

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements.

During 2019, the Group's strategy which was unchanged from 2018, was to maintain the net debt-to-equity ratio at below 1.5 : 1. The net debt-to-equity ratios at 31 December 2019 and 31 December 2018 were as follows :

	2019 RM'000	2018 RM'000
Loans and borrowings (Note 17)	**1,385,538**	540,121
Lease liabilities	**11,549**	–
Less : Cash and cash equivalents (Note 14)	**(350,599)**	(108,214)
Net debt	**1,046,488**	431,907
Total equity	**1,727,883**	830,771
Net debt-to-equity ratio	**0.61**	0.52

There were no changes in the Group's approach to capital management during the financial year.

32. CAPITAL AND OTHER COMMITMENTS - GROUP

	Note	2019 RM'000	2018 RM'000
Investment in an associate			
- Conditional commitment	32.1	–	6,715
Property, plant and equipment			
- Contracted but not provided for		**38,706**	59,082

32.1 The commitment made relating to additional interests to be acquired in an associate became unconditional on 14 February 2019 (Note 35.1).

33. CONTINGENT LIABILITIES - COMPANY

Corporate guarantees

The Company has provided corporate guarantees amounting to RM660 million (2018 : RM991 million) to secure banking facilities granted to certain subsidiaries. As at 31 December 2019, the amount of facilities utilised amounted to RM266 million (2018 : RM324 million).

34. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel are Directors of the Group.

The Group has related party relationship with the following :

(i) subsidiaries of the Company as disclosed in Note 7 to the financial statements;

(ii) associate and its subsidiaries ("associated companies")*; and

(iii) a company in which a Director has substantial financial interests - Alcom Group Berhad ("related party").

* On 18 March 2019, the Group had acquired more than 50% of the equity interests of the associate. Accordingly, the associate and its subsidiaries became subsidiaries of the Company.

NOTES TO THE FINANCIAL STATEMENTS

34. RELATED PARTIES *(continued)*

34.1 Significant related party transactions

Related party transactions have been entered into the normal course of business under normal trade terms. The significant related party transactions of the Group and of the Company, other than key management personnel compensations as disclosed in Note 34.2 to the financial statements, are as follows :

	2019 RM'000	2018 RM'000
Group		
Purchases from a related party	**2,154**	806
Purchases from associated companies	**9,716**	53,577
Dividend income from an associate	**–**	(5,845)
Sales to associated companies	**(2,743)**	(2,738)
Company		
Interest paid to subsidiaries	**716**	1,549
Interest income from subsidiaries	**(32,684)**	(1,611)
Dividend income from subsidiaries	**(32,013)**	(84,528)

Trade and non-trade balances with subsidiaries, associated companies and a related party are disclosed in Notes 12 and 20 to the financial statements. All outstanding balances are to be settled in cash.

34.2 Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Directors of the Company				
- Fees	**939**	825	**540**	600
- Remuneration	**10,501**	4,774	**1,093**	1,115
- Benefits-in-kind	**100**	51	**7**	7
	11,540	5,650	**1,640**	1,722
Other directors in the Group entities				
- Fees	**483**	72	**–**	–
- Remuneration	**547**	1,160	**–**	–
- Benefits-in-kind	**–**	9	**–**	–
	1,030	1,241	**–**	–

34. RELATED PARTIES *(continued)*

34.2 Key management personnel compensations *(continued)*

The key management personnel compensations are as follows *(continued)* :

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Past directors				
- Fees	**563**	–	**47**	–
- Remuneration	**1,216**	–	**169**	–
- Benefits-in-kind	**17**	–	**–**	–
	1,796	–	**216**	–
	14,366	6,891	**1,856**	1,722

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

35.1 Acquisition of subsidiary

On 14 February 2019, the Company had via an Extraordinary General Meeting approved the proposed acquisition of 2,166,000 ordinary shares in Kian Joo Can Factory Berhad ("KJCFB"), representing 0.49% equity interest in KJCFB from Mr. Tan Kim Seng, at a total cash consideration of RM6,714,600. As a result of this acquisition, the shareholding of a wholly-owned subsidiary, Can-One International Sdn. Bhd. ("CISB") in its associate, KJCFB had increased from 32.90% to 33.39%.

In accordance with Section 218(2) of the Capital Markets and Services Act, 2007 ("CMSA") and paragraph 4.01(a) of the Rules on Take-overs, Mergers and Compulsory Acquisitions, CISB extended a conditional mandatory general offer ("MGO") to acquire all the remaining ordinary shares in KJCFB ("KJCFB Shares") not already owned by CISB ("Offer Shares") at a cash consideration of RM3.10 per Offer Share ("Offer").

On 18 March 2019, the valid acceptances of the Offer when aggregated with the KJCFB Shares of CISB, the Group and Parties Acting in Concert with them, were 231,832,276 KJCFB Shares, representing more than 50% of the total KJCFB Shares. Hence, KJCFB became a subsidiary of the Group.

On 30 April 2019, i.e. the closing date of the Offer, based on the valid acceptances, CISB and the Company collectively held 97.48% of the total KJCFB Shares. In addition, as CISB had received valid acceptances of not less than nine-tenths (9/10) in the value of the KJCFB Shares (excluding KJCFB Shares already held by CISB, the Company and Parties Acting in Concert as at the Posting Date), CISB and the Company invoked the provisions of Section 222(1) of the CMSA to compulsorily acquire any remaining Offer Shares ("Compulsorily Acquisitions").

On 28 June 2019, CISB completed the Compulsory Acquisition and KJCFB became a wholly-owned subsidiary of the Group.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(continued)*

35.1 Acquisition of subsidiary *(continued)*

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition :

(a) Fair value consideration

	2019 RM'000
Fair value of previously held equity interests in KJCFB	**453,008**
Fair value of consideration transferred	**265,672**
Fair value of non-controlling interests in KJCFB	**658,240**
	1,376,920

The fair value of RM3.10 per KJCFB Share offered to acquire KJCFB was arrived at on a willing buyer-willing seller basis after taking into consideration the following :

(i) Historical and prevailing market prices of KJCFB Shares;
(ii) Audited net assets of KJCFB Group as at 31 December 2017 of approximately RM1,465,846,000, representing net assets per KJCFB Share of approximately RM3.30; and
(iii) Audited consolidated profit after tax attributable to the owners of KJCFB for the financial year ended 31 December 2017 of approximately RM89,958,000, representing earnings per share of approximately 20.25 sen.

(b) Identifiable assets acquired and liabilities assumed

	Note	18.3.2019 RM'000
Property, plant & equipment	3	**1,537,910**
Intangible assets	6	**707**
Right-of-use assets	4	**431,974**
Investment properties	5	**88,900**
Other assets		**9,063**
Inventories		**489,749**
Trade and other receivables		**369,467**
Derivative financial instruments		**(8,395)**
Tax refundable		**15,911**
Cash and cash equivalents		**151,174**
Loans and borrowings		**(768,430)**
Lease liabilities		**(3,349)**
Deferred tax liabilities	9	**(91,122)**
Trade and other payables		**(275,140)**
Provisions		**(17)**
Retirement benefits obligations	18	**(62,334)**
Non-controlling interests		**(107,101)**
Net identifiable assets acquired		**1,778,967**

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(continued)*

35.1 Acquisition of subsidiary *(continued)*

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition *(continued)* :

(c) Net cash outflow arising from acquisition

	18.3.2019 RM'000
Purchase consideration settled in cash and cash equivalents	(265,672)
Cash and cash equivalents acquired	151,174
	(114,498)

(d) Gain arising from acquisition of a subsidiary

	18.3.2019 RM'000
Fair value of consideration transferred	265,672
Carrying amount of investment in an associate as at 17 March 2019	508,705
Non-controlling interests, based on the fair value of non-controlling interests in KJCFB	658,339
Fair value of net identifiable assets acquired	(1,778,967)
	(346,251)

The gain arising from the acquisition of the subsidiary of RM346,251,000 attibutable to the owners of the Company and the non-controlling interests of the Company amounted to RM155,411,000 and RM190,840,000 respectively.

(e) Acquisition-related costs

The Group incurred acquisition-related costs of approximately RM10,834,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in administrative expenses in the Group's consolidated statement of profit or loss and other comprehensive income.

35. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR *(continued)*

35.1 Acquisition of subsidiary *(continued)*

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition *(continued)* :

(f) Acquisition of non-controlling interests

On 28 June 2019, CISB had completed the acquisition of the remaining 47.8% equity interests in KJCFB from non-controlling interests for approximately RM658,339,000. Hence, KJCFB became a wholly-owned subsidiary of the Group.

The following summarises the effect of changes in the equity interests in KJCFB Group that is attributable to owners of the Group :

	2019 RM'000
Equity interests at 1 January	–
Non-controlling interests share of gain arising from acquisition of KJCFB Group	**190,840**
Effect of increase in ownership interest by the Group	**(190,840)**
Equity interests at 31 December	–

35.2 Disposal of subsidiaries

On 15 October 2019, the Company completed the disposal of its entire equity interests of F & B Nutrition Sdn. Bhd. ("F&B") through the disposal of Can Ridge Sdn. Bhd. ("Can Ridge"), a wholly-owned subsidiary of the Company, to Wholesome Dairies Pte. Ltd. for an aggregate disposal consideration of between RM800 million (minimum) to RM1,000 million (maximum).

As mentioned in Note 24, the Company estimated the preliminary disposal consideration to be RM912 million based on cash proceeds received as at the date of this report. The final disposal consideration is subject to the calculation of the disposal consideration to be made in accordance with the sale and purchase agreement between the Company and the third party and has not been finalised at the date of this report.

The difference between the final disposal consideration and the preliminary disposal consideration will be accounted for in the profit or loss in the financial year ending 31 December 2020.

36. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. The COVID-19 outbreak has resulted in the occurrence of events such as movement restrictions and quarantine measures taken by the Government of Malaysia, causing disruption to businesses and economic activities. The Government of Malaysia imposed movement control order ("MCO") effective 18 March 2020 and this was followed by numerous MCO extensions.

The Group considers the COVID-19 outbreak and the related impacts as non-adjusting event in accordance with MFRS 110 *Events after the Reporting Period*. Consequently, there is no impact on the recognition and measurement of the assets and liabilities at the financial year end.

The effects of COVID-19 would potentially impact the judgements and assumptions used in the preparation of the financial statements for the financial year ending 31 December 2020, such as expected credit losses of financial assets and impairment assessments of assets.

As the COVID-19 outbreak is evolving, the Group is unable to estimate the economic and business impact to the Group as of the date of this report. The Group is monitoring and managing the operations to minimise any unfavourable impact.

37. SIGNIFICANT CHANGE IN ACCOUNTING POLICY

37.1 Definition of a lease

On transition to MFRS 16 *Leases*, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied MFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under MFRS 117 and IC Interpretation 4, *Determining whether an Arrangement contains a Lease* were not reassessed. Therefore, the definition of a lease under MFRS 16 has been applied only to contracts entered into or changed on or after 1 January 2019.

37.2 As a lessee

Where the Group as a lessee, the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings at 1 January 2019.

At 1 January 2019, for leases that were classified as operating leases under MFRS 117, lease liabilities were measured at present value of the remaining lease payments, discounted at the Group entities' incremental borrowing rate as at 1 January 2019. The weighted-average rate applied are 2.65%-6.70%. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

37. SIGNIFICANT CHANGE IN ACCOUNTING POLICY *(continued)*

37.2 As a lessee *(continued)*

The Group used the following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117 :

- applied a single discount rate to a portfolio of leases with similar characteristics;
- applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term as at 1 January 2019;
- excluded initial direct costs from measuring the right-of-use as set at the date of initial application; and
- used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance lease under MFRS 117, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the leased asset and lease liability under MFRS 117 immediately before that date.

37.3 Impacts on financial statements

Since the Group applied the requirements of MFRS 16 retrospectively with the cumulative effect of initial application at 1 January 2019, there are no adjustments made to the prior period comparatives.

The following table explains the difference between operating lease commitments applying MFRS 117 at 31 December 2018, and lease liabilities recognised in the consolidated statement of financial position at 1 January 2019.

	RM'000
Operating lease commitments at 31 December 2018	6,321
Discounted using the incremental borrowing rate at 1 January 2019	**9,997**
Recognition exemption for short-term leases	**(787)**
Recognition exemption for leases of low-value assets	**(11)**
Lease liabilities recognised at 1 January 2019	**9,199**

38. MATERIAL LITIGATION - GROUP

Claim by a former Director, See Teow Koon ("STK") for reinstatement as Executive Director

Kian Joo Can Factory Berhad ("KJCFB"), a wholly-owned subsidiary, had on 14 August 2014, received a sealed Writ of Summons and Statement of Claim ("STK Claim") from the solicitors acting for STK, a former Director.

STK Claim include, among others, the following :

(i) Further or alternatively, KJCFB be ordered to pay to STK all salaries, perks and benefits including retirement benefits under the Kian Joo Group of Companies Terms and Conditions of Employment for Executive Director, that is due to STK upon STK attaining 70 years of age on 14 June 2019 in the sum of approximately RM12,601,000 as particularised in paragraphs 42(i) to (v) of the Statement of Claim;

(ii) Interest thereon at the rate of 8% per annum on all the judgment sums awarded by the Kuala Lumpur High Court ("High Court") from 16 April 2014 and/or from the date of filing this action in Court until the date of full and final settlement;

(iii) An order that the costs of this action on a full indemnity basis be paid by KJCFB to STK; and

(iv) Such further or any other reliefs as the High Court shall deem fit and proper to grant.

On 31 October 2014, the High Court allowed STK to amend his Writ of Summons and Statement of Claim to add two wholly-owned subsidiaries, Kian Joo Packaging Sdn. Bhd. ("KJP") and KJ Can (Selangor) Sdn. Bhd. ("KJCS") with costs in the cause.

On 4 November 2015, the High Court ruled in favour of STK. At the hearing on quantum of payments on 21 January 2016, the High Court granted the following relief to STK :

(i) A total sum of approximately RM8,823,000 being the retirement gratuity, contractual bonus and arrears of salary as claimed by STK until the age of 70 years old;

(ii) Interest at 5% per annum on item (i) above from 21 January 2016 until full payment; and

(iii) Cost of approximately RM519,000 with interest at 5% per annum from 21 January 2016 until full payment.

All the other claims by STK were disallowed.

Two appeals to the Court of Appeal were filed on 1 December 2015 and 2 February 2016 by KJCFB, KJP and KJCS (collectively, "KJCFB and two others") against the decision of the High Court. Both appeals were consolidated and heard together by the Court of Appeal on 29 September 2016.

On 14 February 2017, the Court of Appeal set aside the Order of the High Court entered on 4 November 2015. The Court of Appeal set aside the judgment of approximately RM8,823,000 and substituted a judgment in the sum of approximately RM2,529,000 in favour of STK as gratuity payment with interest at the rate of 5% per annum from the date of filing of the Writ of Summons. The Court of Appeal further awarded Court of Appeal costs to KJCFB and two others of RM20,000, and the High Court costs to STK of RM20,000.

38. MATERIAL LITIGATION - GROUP *(continued)*

Claim by a former Director, See Teow Koon ("STK") for reinstatement as Executive Director *(continued)*

On 13 March 2017, KJCFB received an unsealed Notice of Motion ("Leave Application") of the same date together with STK's Affidavit for the following Orders:

(i) That pursuant to Section 96 of the Courts of Judicature Act 1964, STK be granted leave to appeal to the Federal Court of Malaysia ("Federal Court") against the whole of the decision of the Court of Appeal given on 14 February 2017;

(ii) In the event that STK is granted leave to appeal to the Federal Court under the above paragraph, further orders be granted that STK be given two weeks from the date of the Order to file and serve the Notice of Appeal to the Federal Court;

(iii) That the costs of the Application be costs in the cause; and

(iv) Such further or any other reliefs be granted as the Federal Court shall deem fit and proper.

The Federal Court, on 3 May 2018, granted STK leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 February 2017.

The Federal Court, on 12 March 2019, allowed the application of KJCFB and two others by way of Notice of Motion to strike out the following :

(i) The leave granted by the Federal Court on 3 May 2018 to STK to appeal against the whole of the decision of the Court of Appeal dated 14 February 2017 in setting aside the High Court award of damages of approximately RM8,823,000 and costs of approximately RM519,000 to STK and substituting instead an award of approximately RM2,529,000 together with interest;

(ii) The Notice of Appeal dated 16 May 2018 filed by STK, pursuant to the said leave granted by the Federal Court to appeal against the whole of the decision of the Court of Appeal dated 14 February 2017; and

(iii) The issue or question in respect of the said leave granted by the Federal Court to STK to appeal against the whole of the decision of the Court of Appeal dated 14 February 2017.

The Federal Court had ordered costs of RM25,000 to be paid by STK in respect of the said Notice of Motion by the KJCFB and two others being allowed and the Appeal proper being struck out.

STK had on 13 September 2019 filed an application by way of a Notice of Motion for review to reinstate his Appeal, and for his appeal to be fixed for hearing. The Directors, based on legal advice, is of the view that the Appeal made by the claimant is without merit.

STATEMENT BY **DIRECTORS**

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 69 to 176 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors :

Marc Francis Yeoh Min Chang
Director

Chee Khay Leong
Director

Kuala Lumpur,

Date : 14 May 2020

STATUTORY **DECLARATION**

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, **Khoo Kay Leong**, the officer primarily responsible for the financial management of Can-One Berhad, do solemnly and sincerely declare that the financial statements set out on pages 69 to 176 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed **Khoo Kay Leong**, MIA CA8743, at George Town in the State of Penang on 14 May 2020.

Khoo Kay Leong

Before me :

Goh Suan Bee
(No. P125)
Commissioner for Oaths
Penang

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF CAN-ONE BERHAD

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Can-One Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 69 to 176.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws *(on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters of the Group

1. Impairment of property, plant and equipment

Refer to Note 3 – Property, plant and equipment

Certain subsidiaries in the Group made losses during the current financial year ended 31 December 2019 or had a history of continuous losses. The property, plant and equipment belonging to these subsidiaries are subject to impairment testing under MFRS 136 given the impairment indicators present.

We identified valuation of property, plant and equipment as one of the key audit matters as it requires the management to exercise judgements and estimates about the future results and key assumptions applied to cash flow projections of the cash generating units ("CGUs") in determining their recoverable amounts.

Key Audit Matters *(continued)*

Key audit matters of the Group *(continued)*

1. Impairment of property, plant and equipment *(continued)*

How the matter was addressed in our audit

Our audit procedures included amongst others :

- Discussed the impairment model based on discounted future cash flows with management and compared the appropriateness of the key assumptions and estimates used, in particular, those relating to sales growth, gross profit margin, discount rate and terminal value with reference to internally derived sources as well as external benchmarks;
- Performed a range of sensitivities across the different elements in the impairment model to identify which assumptions are key and were most sensitive in management's assessment;
- Considered the Group's forecasting process and evaluate the accuracy of the historical forecast by comparing prior period financial budget against actual results; and
- Considered the sensitivity analysis performed by the Group and assessed whether the related disclosure on the sensitivity of the outcome (of the impairment assessment) to changes in key assumptions has been adequately and properly made to reflect the risks inherent in the valuation of CGUs.

2. Recoverability of trade receivables

Refer to Note 12 - Trade and other receivables and Note 30.4 - Financial instruments : Credit risk - Trade receivables

The trade receivables balance represented 30% (2018 : 48%) of the Group's current assets as at 31 December 2019 and credit risk of customers remains a concern due to the current soft economic climate in Malaysia. The Directors applied assumptions in assessing the level of allowance for expected credit losses required to make a provision or to write-down the value of trade receivables and because of the significant amount involved and judgement exercised together with the inherent uncertainty in the assumptions applied by the Directors to determine the level of allowance, this matter has been identified as a key audit matter.

How the matter was addressed in our audit

Our audit procedures included amongst others :

- Assessed the adequacy of the Group's allowance for expected credit losses made against doubtful trade receivables by challenging the Directors' assumptions, taking into account our own expectations based on the Group's previous experience of customers' historical and post year end payment trends;
- Assessed the completeness and accuracy of the trade receivable ageing report used by Directors in assessing and monitoring the debtors' profile; and
- Inspected post year end cash receipt relating to collection of past due debts.

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF CAN-ONE BERHAD

Key Audit Matters *(continued)*

Key audit matter of the Company

Impairment of investment in subsidiaries and amounts due from subsidiaries

Refer to Note 7 - Investment in subsidiaries and Note 12 - Amount due from subsidiaries

Impairment of investment in subsidiaries and amounts due from subsidiaries is an area based on estimates and which significant judgement is required. The degree of estimation uncertainty gives rise to risk of misstatement.

We identified impairment on cost of investment and amounts due from subsidiaries as one of the key audit matters due to the significant and complex judgements required over the ability of the subsidiaries in particular loss making entities in paying the amounts due to holding company, and the return of investments in subsidiaries.

How the matter was addressed in our audit

Our audit procedures included amongst others :

- Challenged management assessment on cost of investment and amounts due from subsidiaries in accordance with MFRS 136, *Impairment of Assets* and MFRS 9, *Financial Instruments: Recognition and Measurement* respectively, by evaluating the management's computation of recoverable value and the assumptions applied in arriving at the recoverable value; and
- In respect of subsidiaries with indication of impairment, challenged management's cash flow projections and evaluated the adequacy of management's provision for impairment on amounts due from subsidiaries.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT **AUDITORS' REPORT**
TO THE MEMBERS OF CAN-ONE BERHAD

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also :

i) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

iii) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

v) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

vi) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF CAN-ONE BERHAD

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors are disclosed in Note 7 to the financial statements.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Chan Kam Chiew
Approval Number : 02055/06/2020 J
Chartered Accountant

Penang

Date : 14 May 2020

LIST OF MATERIAL PROPERTIES
AS AT 31 DECEMBER 2019

Location	Description and Existing Use	Year of Last Revaluation/ Acquisition	Area (Square metres)	Tenure	Expiry Date of Lease	2019 Age of Buildings (Years)	2019 Net Book Value (RM'000)
Lot No. C1 Thilawa Special Economic Zone Zone A Yangon Region The Republic of the Union of Myanmar	Land & Office and Factory Building/ Industrial	2016	99,567	Leasehold	4.6.2064	1	182,380
Lot No. C2 Thilawa Special Economic Zone Zone A Yangon Region The Republic of the Union of Myanmar	Land & Office and Industrial Building/ Industrial	2016	74,830	Leasehold	4.6.2064	1	95,733
PT 15637 (Lot C) Taman Perindustrian Puchong Section 3, Puchong, Selangor Malaysia	Land & Building/ Vacant	2019	40,468	Leasehold	2.9.2090	18	85,997
Lot PT31619 Arab-Malaysian Industrial Park Nilai, Negeri Sembilan Malaysia	Land & Office and Factory Building/ Industrial	2019	52,586	Freehold	–	22	85,312
Lot No. 28829 to 28832 Batu Caves, Selangor Malaysia	Land & Office and Factory Building/ Industrial	2019	16,923	Freehold	–	24	59,865
Lot 125, Dai Lo Huu Nghi Vietnam Singapore Industrial Park Thuan An District Binh Duong Province Vietnam	Land & Office and Factory Building/ Industrial	2019	15,000	Leasehold	12.7.2048	4	56,747
HS (D) 80122 PT No. 5141 Mukim Damansara Petaling, Selangor Malaysia	Land & Office and Factory Building/ Industrial	2019	31,142	Freehold	–	27	54,828
Lot 4, Jalan Perusahaan 2 Batu Caves, Selangor Malaysia	Land & Office and Factory Building/ Industrial	2019	18,848	Leasehold	5.9.2074	27	53,251

LIST OF MATERIAL PROPERTIES
AS AT 31 DECEMBER 2019

Location	Description and Existing Use	Year of Last Revaluation/ Acquisition	Area (Square metres)	Tenure	Expiry Date of Lease	2019 Age of Buildings (Years)	2019 Net Book Value (RM'000)
Lot 19, Jalan SU 4 Section 22 Shah Alam, Selangor Malaysia	Land & Office and Factory Building/ Industrial	2019	19,776	Freehold	–	21	46,835
Lot I-65B2B Suryacipta City of Industry Karawang, West Java Indonesia	Land for Development	2014	80,124	Leasehold	30.1.2044	–	44,751

The rest of this page is intentionally left blank

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

Total number of issued shares : 192,153,000
Class of shares : Ordinary shares
Voting rights : 1 vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares held	%
Less than 100 shares	22	0.83	251	#
100 to 1,000 shares	535	20.23	408,419	0.21
1,001 to 10,000 shares	1,330	50.28	6,343,230	3.30
10,001 to 100,000 shares	633	23.93	19,854,400	10.33
100,001 to 9,607,649 shares*	123	4.65	80,894,419	42.10
9,607,650 shares and above**	2	0.08	84,652,281	44.06
Total	**2,645**	**100.00**	**192,153,000**	**100.00**

Notes:
\# *Negligible.*
* *Less than 5% of issued shares*
** *5% and above of issued shares*

SUBSTANTIAL SHAREHOLDERS
(According to the Register of Substantial Shareholders)

Name	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %	Total No. of shares held	Total %
Eller Axis Sdn. Bhd. ("EASB")	45,592,981	23.73	–	–	45,592,981	23.73
Yeoh Jin Hoe	7,505,700	3.91	45,592,981 [a]	23.73 [a]	53,098,681	27.64
Genkho Candoz Sdn. Bhd. ("GCSB")	39,059,300	20.33	–	–	39,059,300	20.33
Teh Khoy Gen	–	–	39,059,300 [b]	20.33 [b]	39,059,300	20.33

Notes:
(a) *Deemed interest by virtue that he has more than 20% voting shares in EASB.*
(b) *Deemed interest by virtue that he has more than 20% voting shares in GCSB.*

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

DIRECTORS' SHAREHOLDINGS
(According to the Register of Directors' Shareholdings)

Name	Direct No. of shares held	Direct %	Indirect No. of shares held	Indirect %	Total No. of shares held	Total %
Dato' Seri Subahan Bin Kamal	–	–	–	–	–	–
Marc Francis Yeoh Min Chang	343,100	0.18	–	–	343,100	0.18
Chee Khay Leong	2,054,100	1.07	–	–	2,054,100	1.07
Yeoh Jin Hoe	7,505,700	3.91	45,592,981 [(a)]	23.73 [(a)]	53,098,681	27.64
Razmi Bin Alias	–	–	911,119 [(b)]	0.47 [(b)]	911,119	0.47
Yeoh Jin Beng	300,000	0.16	–	–	300,000	0.16
Foo Kee Fatt	–	–	–	–	–	–

Notes:

(a) *Deemed interest by virtue that he has more than 20% voting shares in EASB.*

(b) *Deemed interest by virtue that he has more than 20% voting shares in Iska Tenaga Sdn Bhd.*

The rest of this page is intentionally left blank

ANALYSIS OF **SHAREHOLDINGS**
AS AT 30 APRIL 2020

LIST OF 30 LARGEST SHAREHOLDERS
(According to the Record of Depositors)

No.	Name	No. of shares held	%
1.	Eller Axis Sdn. Bhd.	45,592,981	23.73
2.	Genkho Candoz Sdn. Bhd.	39,059,300	20.33
3.	Sanwoi (Malaysia) Sdn. Bhd.	7,876,000	4.10
4.	Agnes Goh Cheng Suan	5,000,000	2.60
5.	Scott Sebastian Yeoh Min Hsing	4,500,000	2.34
6.	Amsec Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account - AmBank (M) Berhad for Yeoh Jin Hoe (SMART)*	4,390,000	2.28
7.	Winchem (Malaysia) Sdn. Bhd.	4,294,500	2.23
8.	Yeoh Jin Hoe	2,815,700	1.47
9.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Taipanmatics Sdn. Bhd. (MG0170-199)*	2,759,300	1.44
10.	Tan Kim Seng	2,700,000	1.41
11.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for TXM Services Sdn. Bhd.*	2,337,300	1.22
12.	See Seok Yong	2,200,000	1.14
13.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Patricia Woon Lai Ching @ Lee Yah Seng (7000096)*	2,042,000	1.06
14	Yeoh Jin Aik	2,000,000	1.04
15.	Low Kam Fatt	1,720,000	0.90
16.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Cheong Pooi Leong (MG0127-199)*	1,458,700	0.76
17.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Teh Win Kee (8016787)*	1,417,300	0.74
18.	See Teow Guan	1,407,100	0.73
19.	Chee Khay Leong	1,404,000	0.73
20.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Exosoft Sdn. Bhd. (MG0171-199)*	1,077,200	0.56
21.	Khoo Loon See	1,026,600	0.53
22.	HLIB Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Khor Boon Hong*	978,500	0.51
23.	Iska Tenaga Sdn. Bhd.	911,119	0.47
24.	Choy Cheng Choong	817,300	0.43
25.	Goh Swee Yong	816,200	0.42
26.	Goh Thong Beng	770,000	0.40
27.	Affin Hwang Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Tan Teng Khuan*	759,500	0.40
28.	*Zainuddin Bin Din*	750,000	0.39
29.	Alliancegroup Nominees (Tempatan) Sdn. Bhd. *- Pledged Securities Account for Teh Win Kee (8106483)*	675,700	0.35
30.	Chee Khay Leong	650,000	0.34
	Total	**144,206,300**	**75.05**

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting ("AGM") of Can-One Berhad ("Can-One" or "the Company") will be conducted fully virtual and live-streamed from the broadcast venue at the Conference Room, Lot 4, Jalan Perusahaan Dua, 68100 Batu Caves, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Monday, 29 June 2020 at 10.00 a.m. for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2019 and the Reports of the Directors and Auditors thereon. ***(Please refer to Note C of this Agenda)***

2. To declare a first and final single-tier dividend of 4 sen per share in respect of the financial year ended 31 December 2019. ***Resolution 1***

3. To declare a special single-tier dividend of 2 sen per share in respect of the financial year ended 31 December 2019. ***Resolution 2***

4. To re-elect the following Directors of the Company who retire pursuant to Clause 82 of the Company's Constitution:

   (i) Yeoh Jin Beng ***Resolution 3***
   (ii) Foo Kee Fatt ***Resolution 4***

5. To approve the payment of Directors' Fees amounting to RM1,719,000 to Directors of the Company and its subsidiaries for the financial year ended 31 December 2019. ***Resolution 5***

6. To approve the payment of benefits of up to RM200,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2020. ***Resolution 6***

7. To re-appoint KPMG PLT, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix the remuneration of the Auditors. ***Resolution 7***

AS SPECIAL BUSINESS

8. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

   Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 ***Resolution 8***

   "THAT subject to the Companies Act 2016, the Constitution of the Company and the approvals of the relevant governmental and/or regulatory authorities, if applicable, the Board of Directors of the Company ("Board") be and is hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016, to allot and issue shares in the Company at any time at such issue price which is at a not more than a ten per centum (10%) discount to the 5-day volume weighted average market price of the shares of the Company immediately before the relevant price fixing date to such Qualified Placee(s) as the Board may in its absolute discretion deem fit or appropriate, provided that the aggregate number of shares issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares in the Company for the time being (excluding treasury shares), and upon such other additional terms and conditions (if any) to be determined by the Board. For the purposes of this resolution, "Qualified Placee(s)" shall refer to persons who are not (in accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) (a) a director, major shareholder or chief executive of the Company or a holding company of the Company (if applicable), or person(s) connected with such director, major shareholder or chief executive; or (b) nominee corporations, unless the names of the ultimate beneficiaries are disclosed. Qualified Placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007;

THAT such authority if/when passed shall constitute an authority for the issue of shares with prior shareholders' approval in a general meeting of the precise terms and conditions of the issue;

THAT such authority shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by ordinary resolution passed at that Meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first;

AND THAT the Board be and is empowered to apply for and obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad."

9. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

Proposed renewal of authority for the Company to purchase its own shares ***Resolution 9***

"THAT subject to compliance with the Companies Act, 2016, the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company's Constitution and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised to purchase such number of ordinary shares in the Company as may be determined by the Board of Directors of the Company ("Board") from time to time through Bursa Securities upon such terms and conditions as the Board may deem fit and expedient in the interest of the Company, provided that:

(i) the aggregate number of shares to be purchased pursuant to this resolution shall not exceed ten per centum (10%) of the total number of issued shares in the Company as at the date of the share buy-back;

(ii) an aggregate amount of the funds not exceeding the retained profits of the Company as at the date of the share buy-back, be utilised by the Company for the purchase of its own shares; and

(iii) the shares of the Company to be purchased may be cancelled, retained as treasury shares, distributed as dividends or resold on Bursa Securities, or a combination of any of the above, at the absolute discretion of the Board;

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

AND THAT the authority conferred by this resolution will commence immediately upon the passing of this resolution and will continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it shall lapse, unless by ordinary resolution passed at that Meeting, the authority is renewed, either unconditionally or subject to conditions; or

(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the MMLR of Bursa Securities or any other relevant authorities;

AND FURTHER THAT the Board be and is hereby authorised to do all such acts and things and to take all such steps as it deems fit, necessary, expedient and/or appropriate in order to complete and give full effect to the purchase by the Company of its own shares with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities."

10. To consider and, if thought fit, to pass the following resolution as an Ordinary Resolution:

Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ***Resolution 10***

"THAT, subject always to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given for the Company and its subsidiaries to enter into the recurrent related party transactions of a revenue or trading nature as set out in Section 2.4 of Part B of the Company's Circular to Shareholders dated 29 May 2020 provided that:

(i) such transactions are necessary for the day-to-day operations of the Company and/or its subsidiaries and are carried out in the ordinary course of business on normal commercial terms and on terms not more favourable to the parties with which such recurrent transactions are to be entered into than those generally available to the public and are not to the detriment of the minority shareholders of the Company; and

(ii) the mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the mandate during the financial year;

AND THAT the mandate conferred by this resolution shall continue to be in force until:

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at that Meeting, the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting;

whichever is earlier;

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

AND FURTHER THAT the Board of Directors of the Company be and is hereby authorised to complete and to do all such acts and things (including executing all such documents as may be required) as it may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this resolution."

11. To transact any other business of which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act 2016.

NOTICE OF DIVIDENDS PAYMENT AND DIVIDENDS ENTITLEMENT DATE

NOTICE IS HEREBY GIVEN THAT a first and final single-tier dividend of 4 sen per share and a special single-tier dividend of 2 sen per share in respect of the financial year ended 31 December 2019 ("Dividends"), if approved by shareholders at the Sixteenth Annual General Meeting of the Company, will be paid to shareholders on 30 July 2020. The entitlement date for the Dividends shall be 20 July 2020.

Shareholders will be entitled to the Dividends only in respect of:

(a) shares transferred into their Securities Account before 4.30 p.m. on 20 July 2020, for transfers; and

(b) shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board of Directors

TAN BEE KENG
SSM PC No. 201908002597
MAICSA 0856474

KWONG SHUK FONG
SSM PC No. 202008002178
MAICSA 7032330
Company Secretaries

Petaling Jaya
Selangor Darul Ehsan
Malaysia
29 May 2020

Notes :

(A) GENERAL MEETING RECORD OF DEPOSITORS

Only a depositor whose name appears on the General Meeting Record of Depositors as at 22 June 2020 shall be entitled to participate at the Sixteenth AGM of the Company or appoint proxy(ies) to participate and vote in his/her stead.

(B) MODE OF MEETING AND PROXY

(i) The venue of the Sixteenth AGM of the Company is strictly a Broadcast Venue as the conduct of the Sixteenth AGM of the Company will be fully virtual and live-streamed. The Broadcast Venue is also for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.

Members will not be allowed to attend the Sixteenth AGM of the Company in person at the Broadcast Venue on the day of the Meeting.

Members are to attend, speak (including posing questions to the Board of Directors ("Board") via real time submission of typed texts) and vote (collectively,"participate") remotely at the Sixteenth AGM of the Company via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor" or "TIIH") through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Sixteenth AGM.

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

***(B) MODE OF MEETING AND PROXY** (continued)*

(ii) A member of the Company entitled to participate at the Sixteenth AGM of the Company is entitled to appoint not more than 2 proxies of his/her own choice to participate in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which, the appointment shall be invalid.

(iii) Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than 2 proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to participate at the Sixteenth AGM of the Company. Where a member of the Company is an Exempt Authorised Nominee ("EAN") which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("Omnibus Account"), such EAN may appoint multiple proxies in respect of each Omnibus Account it holds. In both cases, such appointment shall be invalid unless the Authorised Nominee or EAN specifies the proportion of its shareholdings to be represented by each proxy it has appointed.

(iv) The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney duly authorised in writing or by 2 officers, 1 of whom shall be a director, on behalf of the corporation. Any alteration to the instrument appointing a proxy must be initialled.

(v) A member who has appointed a proxy or attorney or authorised representative to attend, speak and vote at this Sixteenth AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Sixteenth AGM.

(vi) The appointment of a proxy may be made in hard copy form or by electronic form and must be deposited with/received by the Company's Share Registrar, Tricor, not less than 48 hours before the time appointed for holding the Sixteenth AGM of the Company or any adjournment thereof, and in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, otherwise the person so named shall not be entitled to vote in respect thereof.

(vii) In the case of an appointment made in hard copy form, the Proxy Form, together with the power of attorney (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.

(viii) In the case of appointment by electronic form, the Proxy Form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at https://tiih.online (applicable to individual members only). Please refer to the Administrative Details for the Sixteenth AGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.

(C) AUDITED FINANCIAL STATEMENTS

This agenda item is meant for discussion only as under the provision of Section 340(1) of the Companies Act, 2016, the audited financial statements do not require a formal approval of the members. Hence, this item will not be put forward for voting.

(D) POLL VOTING

Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), all the resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

(E) PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Sixteenth AGM of the Company and/or any adjournment thereof, a member of the Company:

(i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Sixteenth AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Sixteenth AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes");

(ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and

(iii) agrees that the member will indemnify the Company in respect of any penalty, claim, demand, loss and damage as a result of the member's breach of warranty.

(F) EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 8 – Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016

As part of the initiatives by Bursa Securities to aid and facilitate listed issuers in sustaining their business or easing their compliance with Bursa Securities' rules, amid the unprecedented uncertainty surrounding the recovery of the COVID-19 outbreak and Movement Control Order imposed by the Government, Bursa Securities had vide its letter dated 16 April 2020 allowed, as an interim measure, a listed issuer to seek a higher general mandate under Paragraph 6.03 of the Main Market Listing Requirements of Bursa Securities of not more than 20% of the total number of issued shares (excluding treasury shares) for issue of new securities.

Ordinary Resolution 8 proposed, if passed, will give a mandate to the Board, from the date of the forthcoming Sixteenth AGM of the Company, to allot and issue ordinary shares of the Company at any time at such issue price which is at a not more than a 10% discount to the 5-day volume weighted average market price of the shares of the Company immediately before the relevant price fixing date, to such Qualified Placee(s) as the Board may in its absolute discretion, consider to be in the interest of the Company and upon such other additional terms and conditions (if any) to be determined by the Board, without having to convene a general meeting provided that the aggregate number of shares issued pursuant to this resolution does not exceed 20% of the total number of issued shares in the Company for the time being ("Mandate"). The Mandate from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company; or
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

The Mandate will provide flexibility to the Company to raise more capital expeditiously and efficiently during this challenging time, to meet its funding requirements including but not limited to working capital, operational expenditures, future investment(s), and/or acquisition(s).

The Board, having considered the current and prospective financial position, needs and capacity of the Group, is of the opinion that the Mandate is in the best interests of the Company and its shareholders.

As at the date of this notice, no new ordinary shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM of the Company held on 27 June 2019. Hence, no proceeds were raised.

NOTICE OF SIXTEENTH
ANNUAL GENERAL MEETING

(F) EXPLANATORY NOTES ON SPECIAL BUSINESS *(continued)*

Ordinary Resolution 9 - Proposed renewal of authority for the Company to purchase its own shares

Ordinary Resolution 9 proposed, if passed, will renew the authority for the Company to purchase through Bursa Securities such number of ordinary shares in the Company up to an aggregate amount not exceeding 10% of the total number of issued shares in the Company. The renewed authority from the shareholders will be effective immediately upon passing of the Ordinary Resolution and shall continue to be in force until:

(i) the conclusion of the next AGM of the Company; or
(ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
(iii) revoked or varied by ordinary resolution passed by the shareholders of the Company in a general meeting,

whichever occurs first.

For further information, please refer to the Share Buy-Back Statement dated 29 May 2020 which is made available together with the Company's Annual Report 2019 at http://www.canone.com.my/agm2020.

Ordinary Resolution 10 - Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature ("RRPTs")

Ordinary Resolution 10 proposed, if passed, will renew the mandate for the Company and its subsidiary companies to enter into the RRPTs with Box-Pak (Malaysia) Bhd. and/or its subsidiary companies as well as Alcom Group Berhad and/or its subsidiary companies, as set out in Section 2.4 of Part B of the Circular to Shareholders dated 29 May 2020.

The aforesaid mandate from shareholders is on an annual basis and subject to renewal at the next AGM of the Company.

For further information, please refer to the Circular to Shareholders dated 29 May 2020 which is made available together with the Company's Annual Report 2019 at http://www.canone.com.my/agm2020.

The rest of this page is intentionally left blank

ADMINISTRATIVE **DETAILS**
FOR THE SIXTEENTH ANNUAL GENERAL MEETING

Date of AGM	**:**	**Monday, 29 June 2020**
Time of AGM	**:**	**10.00 a.m.**
Broadcast Venue	**:**	**Conference Room Lot 4, Jalan Perusahaan Dua 68100 Batu Caves Selangor Darul Ehsan Malaysia**

MODE OF MEETING

In view of the COVID-19 outbreak and having regard for the well-being and safety of our shareholders, the Sixteenth AGM of the Company will be conducted entirely through live streaming from the Broadcast Venue. This is in line with the Guidance Notes on the Conduct of General Meetings for Listed Issuers issued by the Securities Commission Malaysia on 18 April 2020.

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting. Shareholders **WILL NOT BE ALLOWED** to attend the Sixteenth AGM in person at the Broadcast Venue on the day of the meeting.

REMOTE PARTICIPATION AND VOTING FACILITIES (“RPV”)

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the Sixteenth AGM using RPV provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor” or “TIIH”) via its TIIH Online website at https://tiih.online.

Shareholders who appoint proxies to participate via RPV in the Sixteenth AGM must ensure that the duly executed Proxy Forms are deposited in a hard copy form or by electronic means to Tricor not later than **Saturday, 27 June 2020 at 10.00 a.m.**

Corporate representatives of corporate shareholders must deposit their original certificate of appointment of corporate representative to Tricor not later than **Saturday, 27 June 2020 at 10.00 a.m.** to participate via RPV in the Sixteenth AGM.

Attorneys appointed by power of attorney are to deposit their power of attorney with Tricor not later than **Saturday, 27 June 2020 at 10.00 a.m.** to participate via RPV in the Sixteenth AGM.

A shareholder who has appointed a proxy or attorney or authorised representative to attend, speak and vote at the Sixteenth AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online.

As the Sixteenth AGM is a fully virtual AGM, shareholders who are unable to participate in the AGM may appoint the Chairman of the meeting as their proxy and indicate the voting instructions in the Proxy Form.

ADMINISTRATIVE **DETAILS**

FOR THE SIXTEENTH ANNUAL GENERAL MEETING

PROCEDURES FOR RPV

Shareholders/proxies/corporate representatives/attorneys who wish to participate in the Sixteenth AGM remotely using the RPV are to follow the requirements and procedures as summarised below:

	Procedure	Action
BEFORE THE AGM DAY		
(a)	Register as a user with TIIH Online	• Using your computer, access the website at https://tiih.online. Register as a user under the "e-Services". Refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again. You will receive an e-mail to notify you that the remote participation is available for registration at TIIH Online.
(b)	Submit your request	• **Registration is open from 10.00 a.m. Friday, 29 May 2020 up to 10.00 a.m. Saturday, 27 June 2020.** • Login with your user ID and password and select the corporate event: "**(REGISTRATION) CANONE 16TH AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select "Register for Remote Participation and Voting". • Review your registration and proceed to register. • System will send an e-mail to notify that your registration for remote participation is received and will be verified. • After verification of your registration against the General Meeting Record of Depositors as at 22 June 2020, the system will send you an e-mail to approve or reject your registration for remote participation.
ON THE DAY OF THE AGM		
(c)	Login to TIIH Online	• Login with your user ID and password for remote participation at the Sixteenth AGM at any time from **9.40 a.m.** i.e. 20 minutes before the commencement of the AGM on **Monday, 29 June 2020 at 10.00 a.m.**
(d)	Participate through Live Streaming	• Select the corporate event: "**(LIVE STREAM MEETING) CANONE 16TH AGM**" to engage in the proceedings of the Sixteenth AGM remotely. • If you have any question for the Chairman/ Board, you may use the query box to transmit your question. The Chairman/ Board will endeavor to respond to questions submitted by remote participants during the Sixteenth AGM. If there is time constraint, the responses will be e-mailed to you at the earliest possible, after the meeting.
(e)	Online Remote Voting	• Voting session commences **from 10.00 a.m. on Monday, 29 June 2020** until a time when the Chairman announces the completion of the voting session of the Sixteenth AGM. • Select the corporate event: "**(REMOTE VOTING) CANONE 16TH AGM**". • Read and agree to the Terms & Conditions and confirm the Declaration. • Select the CDS account that represents your shareholdings. • Indicate your votes for the resolutions that are tabled for voting. • Confirm and submit your votes.
(f)	End of remote participation	• Upon the announcement by the Chairman on the closure of the Sixteenth AGM, the live streaming will end.

ADMINISTRATIVE **DETAILS**

FOR THE SIXTEENTH ANNUAL GENERAL MEETING

Note to users of the RPV facilities:

1. Should your application to join the meeting be approved, we will make available to you the rights to join the live streamed meeting and to vote remotely. Your login to TIIH Online on the day of meeting will indicate your presence at the virtual meeting.
2. The quality of your connection to the live broadcast is dependent on the bandwidth and stability of the internet at your location and the device you use.
3. In the event you encounter any issues with logging-in, connection to the live streamed meeting or online voting, kindly call Tricor Help Line at 011-40805616 / 011-40803168 / 011-40803169 / 011-40803170 for assistance or e-mail to tiih.online@my.tricorglobal.com for assistance.

ELECTRONIC LODGEMENT OF PROXY FORM

The procedures to lodge your Proxy Form electronically via Tricor's **TIIH Online** website are summarised below:

	Procedure	Action
a	Register as a User with TIIH Online	• Using your computer, please access the website at https://tiih.online. Register as a user under the "e-Services". Please do refer to the tutorial guide posted on the homepage for assistance. • If you are already a user with TIIH Online, you are not required to register again.
b	Proceed with submission of Proxy Form	• After the release of the Notice of the Sixteenth AGM by the Company, login with your user name (i.e. email address) and password. • Select the corporate event: "Submission of Proxy Form". • Read and agree to the Terms & Conditions and confirm the Declaration. • Insert your CDS account number and indicate the number of shares for your proxy(s) to vote on your behalf. • Appoint your proxy(s) and insert the required details of your proxy(s) or appoint Chairman as your proxy. • Indicate your voting instructions – FOR or AGAINST, otherwise your proxy will decide your vote. • Review and confirm your proxy(s) appointment. • Print proxy form for your record.

PRE-MEETING SUBMISSION OF QUESTION TO THE BOARD OF DIRECTORS

Shareholders may submit questions for the Board in advance of the Sixteenth AGM via Tricor's TIIH Online website at https://tiih.online by selecting "e-Services" to login, pose questions and submit electronically no later than **Saturday, 27 June 2020 at 10.00 a.m.**. The Board will endeavor to answer the questions received at the AGM.

NO DOOR GIFT/FOOD VOUCHER

There will be no distribution of door gifts or food vouchers for the Sixteenth AGM since the meeting is being conducted on a fully virtual basis.

Can-One Berhad would like to thank all its shareholders for their kind co-operation and understanding in these challenging times.

ADMINISTRATIVE **DETAILS**
FOR THE SIXTEENTH ANNUAL GENERAL MEETING

ENQUIRY

If you have any enquiry on the above, please contact the following persons during office hours on Mondays to Fridays from 8.30 a.m. to 5.30 p.m. (except on public holidays):

Tricor Investor & Issuing House Services Sdn Bhd

General Line	:	+603-2783 9299
Fax Number	:	+603-2783 9222
Email	:	is.enquiry@my.tricorglobal.com

Contact persons

Mr. Cheng Kang Shaun	:	+603-2783 9241 (Kang.Shaun.Cheng@my.tricorglobal.com)
Mr. Eric Low	:	+603-2783 9267 (Eric.Low@my.tricorglobal.com)
Mr. Sazali Bin Husin	:	+603-2783 9280 (Sazali@my.tricorglobal.com)

CAN-ONE BERHAD
[Registration No. 200401000396 (638899-K)]
(Incorporated in Malaysia)

PROXY **FORM**

*I/We .... (NRIC/Company No. ....)
(Full Name in Block Letters)

of ....
(Address)

and telephone no./email address .... being a member/members of Can-One Berhad (the "Company"), hereby appoint:

Full Name (in block letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings

and

Full Name (in block letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings

or failing him/her, THE CHAIRMAN OF THE MEETING as *my/our proxy to vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting ("AGM") of the Company to be conducted fully virtual and live-streamed from the broadcast venue at the Conference Room, Lot 4, Jalan Perusahaan Dua, 68100 Batu Caves, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Monday, 29 June 2020 at 10.00 a.m. or at any adjournment thereof. *I/We indicate with an "X" in the spaces below how *I/we wish *my/our vote to be cast.

Resolution	Ordinary Business	For	Against
1	To declare a first and final single-tier dividend of 4 sen per share in respect of the financial year ended 31 December 2019.		
2	To declare a special single-tier dividend of 2 sen per share in respect of the financial year ended 31 December 2019.		
3	To re-elect as Director, Yeoh Jin Beng who retires pursuant to Clause 82 of the Company's Constitution.		
4	To re-elect as Director, Foo Kee Fatt who retires pursuant to Clause 82 of the Company's Constitution.		
5	To approve the payment of Directors' fees amounting to RM1,719,000 to Directors of the Company and its subsidiaries for the financial year ended 31 December 2019.		
6	To approve the payment of benefits of up to RM200,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2020.		
7	To re-appoint KPMG PLT, Chartered Accountants, as Auditors of the Company to hold office until the conclusion of the next AGM of the Company and to authorise the Directors to fix the remuneration of the Auditors.		
	Special Business		
8	Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
9	Proposed renewal of authority for the Company to purchase its own shares.		
10	Proposed renewal of mandate for the Company and its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature.		

Subject to the abovestated voting instructions, *my/our proxy may vote or abstain from voting on the resolutions as *he/she/they may think fit.

If appointment of proxy is under hand : ______________________ Signed by *individual member/officer or attorney of member/authorised nominee of ________________________________ (beneficial owner)	No. of shares held: ______________________ Securities Account No. : ______________________ *(CDS Account No.) (Compulsory)* Date: ______________
If appointment of proxy is under seal : The Common Seal of ______________________ was hereto affixed in accordance with its Constitution in the presence of: ______________ ______________ Director Director/Secretary In its capacity as *member/attorney of member/authorised nominee of ________________________________ (beneficial owner)	No. of shares held: ______________________ Securities Account No. : ______________________ *(CDS Account No.) (Compulsory)* Date: ______________

Signed this ______________ day of ______________ , 2020.

**Strike out whichever is not desired.*
[Unless otherwise instructed, the proxy may vote as he/she thinks fit.]

Notes :

(i) Only a depositor whose name appears on the General Meeting Record of Depositors as at 22 June 2020 shall be entitled to participate at the Sixteenth AGM of the Company or appoint proxy(ies) to participate and vote in his/her stead.

(ii) The venue of the Sixteenth AGM of the Company is strictly a Broadcast Venue as the conduct of the Sixteenth AGM of the Company will be fully virtual and live-streamed. The Broadcast Venue is also for the purpose of complying with Section 327(2) of the Companies Act, 2016 which requires the Chairman of the meeting to be present at the main venue of the meeting.

(iii) Members will not be allowed to attend the Sixteenth AGM of the Company in person at the Broadcast Venue on the day of the Meeting.

(iv) Members are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the Sixteenth AGM of the Company via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn Bhd ("Tricor" or "TIIH") through its TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Sixteenth AGM.

(v) A member of the Company entitled to participate at the Sixteenth AGM of the Company is entitled to appoint not more than 2 proxies of his/her own choice to participate in his/her stead. A proxy may but need not be a member of the Company. Where a member appoints more than 1 proxy, the member shall specify the proportion of his/her shareholding to be represented by each proxy, failing which, the appointment shall be invalid.

Notes** (continued) **:

(vi) *Where a member of the Company is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint not more than 2 proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account to participate at the Sixteenth AGM of the Company. Where a member of the Company is an Exempt Authorised Nominee ("EAN") which holds ordinary shares in the Company for multiple beneficial owners in 1 securities account ("Omnibus Account"), such EAN may appoint multiple proxies in respect of each Omnibus Account it holds. In both cases, such appointment shall be invalid unless the Authorised Nominee or EAN specifies the proportion of its shareholdings to be represented by each proxy it has appointed.*

(vii) *The instrument appointing a proxy shall be in writing under the hand of the appointor or his/her attorney duly authorised in writing or if the appointor is a corporation, under its common seal or signed by its attorney duly authorised in writing or by 2 officers, 1 of whom shall be a director, on behalf of the corporation. Any alteration to the instrument appointing a proxy must be initialled.*

(viii) *A member who has appointed a proxy or attorney or authorised representative to attend, speak and vote at this AGM via RPV must request his/her proxy to register himself/herself for RPV at TIIH Online website at https://tiih.online. Please follow the Procedures for RPV in the Administrative Details for the Sixteenth AGM.*

(ix) *The appointment of a proxy may be made in hard copy form or by electronic form and must be deposited with/received by the Company's Share Registrar, Tricor, not less than 48 hours before the time appointed for holding the Sixteenth AGM of the Company or any adjournment thereof, and in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, otherwise the person so named shall not be entitled to vote in respect thereof.*

(x) *In the case of an appointment made in hard copy form, the Proxy Form, together with the power of attorney (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited with Tricor at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Wilayah Persekutuan, Malaysia.*

(xi) *In the case of appointment by electronic form, the Proxy Form must be electronically lodged with the Company's Share Registrar, Tricor via TIIH Online at https://tiih.online (applicable to individual members only). Please refer to the Administrative Details for the Sixteenth AGM on the procedures for electronic lodgement of Proxy Form via TIIH Online.*

(xii) *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in this Notice will be put to the vote by way of poll. Independent Scrutineers will be appointed to verify the results of the poll.*

(xiii) *By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the forthcoming Sixteenth AGM of the Company and/or any adjournment thereof, the member of the Company accepts and agrees to the Personal Data Privacy terms as set out in the Notice of Sixteenth AGM of the Company dated 29 May 2020.*

1st Fold Here

AFFIX
STAMP

THE SHARE REGISTRAR
TRICOR INVESTOR & ISSUING HOUSE SERVICES SDN. BHD.
[Registration No. 197101000970 (11324-H)]
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Wilayah Persekutuan, Malaysia

2nd Fold Here

Fold This Flap For Sealing

CAN-ONE BERHAD
[Registration No. 200401000396 (638899-K)]

2B-4, Level 4
Jalan SS 6/6, Kelana Jaya
47301 Petaling Jaya
Selangor Darul Ehsan
Malaysia

Tel : +603-7804 8590
Fax : +603-7880 1605

www.canone.com.my