

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

Quarterly report on consolidated results for the Second Quarter ended 30 June 2014. The figures have not been audited.

(Financial year ending 31 December 2014)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2014 RM'000	As at 31/12/2013 (Audited) RM'000
Assets		
Property, plant & equipment	291,165	287,148
Investment in associates	385,877	381,470
Goodwill on consolidation	1,408	1,408
Total non-current assets	678,450	670,026
Current assets		
Inventories	104,436	123,899
Trade and other receivables	230,859	215,220
Current tax assets	1,402	1,405
Cash & cash equivalents	50,640	38,021
Assets classified as held for sale	-	3,644
Total current assets	387,337	382,189
Total assets	1,065,787	1,052,215
Equity		
Share capital	76,200	76,200
Reserves	398,859	384,414
Total equity attributable to owners of the Company	475,059	460,614
Non-controlling interest	24,620	21,910
Total equity	499,679	482,524
Liabilities		
Loans and borrowings	276,740	299,692
Deferred tax liabilities	30,541	29,282
Total non-current liabilities	307,281	328,974
Loans and borrowings	156,011	130,491
Trade and other payables	98,300	106,919
Current tax payables	4,512	3,291
Derivative financial liabilities	4	16
Total current liabilities	258,827	240,717
Total liabilities	566,108	569,691
Total equity and liabilities	1,065,787	1,052,215
Net assets per share attributable to equity holder of the Company (Sen)	311.72	302.24

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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(Company No. 638899-K)

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(Financial year ending 31 December 2014)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Current quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year to date ended 30/06/2014 RM'000	Preceding year to date ended 30/06/2013 RM'000
Continuing Operations				
Revenue	232,737	221,168	425,110	415,642
Cost of sales	(207,464)	(192,980)	(379,423)	(361,696)
Gross profit	25,273	28,188	45,687	53,946
Other income/(expenses)	(699)	284	519	582
Sales & distribution expenses	(2,794)	(4,121)	(6,034)	(7,261)
Administrative expenses	(5,244)	(4,394)	(10,826)	(9,330)
Profit from operations	16,536	19,957	29,346	37,937
Interest income	73	57	351	114
Finance costs	(4,713)	(4,948)	(8,943)	(9,564)
Net finance cost	(4,640)	(4,891)	(8,592)	(9,450)
Share of profit of equity-accounted investees, net of tax	8,890	8,096	15,331	18,667
Profit before tax	20,786	23,162	36,085	47,154
Tax expense	(6,025)	(4,086)	(9,531)	(8,407)
Profit for the period	14,761	19,076	26,554	38,747
Other comprehensive income				
- Foreign currency translation reserve	(162)	(176)	11	(180)
- Share of other comprehensive income/(loss) of associates	(1,430)	884	(1,790)	990
Total comprehensive income for the period	13,169	19,784	24,775	39,557
Profit attributable to:				
Equity holder of the Company	13,462	17,361	23,844	35,219
Non-controlling interest	1,299	1,715	2,710	3,528
	14,761	19,076	26,554	38,747
Total comprehensive income attributable to:				
Equity holder of the Company	11,870	18,069	22,065	36,029
Non-controlling interest	1,299	1,715	2,710	3,528
	13,169	19,784	24,775	39,557
Earnings per share				
Basic (Sen)	8.83	11.39	15.65	23.11
Diluted (Sen)	NA	NA	NA	NA

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to Owners of the Company ----->						Total equity RM'000
	<----- Non-Distributable ----->			Distributable		Non- controlling interest RM'000	
	Share capital RM'000	Share premium RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000		
Current period ended 30 June 2014							
Balance at 1 January 2014	76,200	8,560	2,242	373,612	460,614	21,910	482,524
Comprehensive income for the period							
Profit for the period	-	-	-	23,844	23,844	2,710	26,554
Dividend Paid	-	-	-	(7,620)	(7,620)	-	(7,620)
Currency translation differences	-	-	11	-	11	-	11
Share of currency translation differences of associates	-	-	(1,790)	-	(1,790)	-	(1,790)
Total comprehensive income for the period	-	-	(1,779)	16,224	14,445	2,710	17,155
Balance at 30 June 2014	<u>76,200</u>	<u>8,560</u>	<u>463</u>	<u>389,836</u>	<u>475,059</u>	<u>24,620</u>	<u>499,679</u>
Preceding year corresponding period ended 30 June 2013							
Balance at 1 January 2013	76,200	8,560	2,179	310,039	396,978	14,309	411,287
Comprehensive income for the period							
Profit for the period	-	-	-	35,219	35,219	3,528	38,747
Currency translation differences	-	-	(180)	-	(180)	-	(180)
Share of currency translation differences of associates	-	-	990	-	990	-	990
Total comprehensive income for the period	-	-	810	35,219	36,029	3,528	39,557
Balance at 30 June 2013	<u>76,200</u>	<u>8,560</u>	<u>2,989</u>	<u>345,258</u>	<u>433,007</u>	<u>17,837</u>	<u>450,844</u>

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year to date ended 30/06/2014 RM'000	Preceding year to date ended 30/06/2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	36,085	47,154
Adjustments:		
Interest expense	8,297	8,949
Interest income	(351)	(114)
Property, plant and equipment written off	163	-
Impairment loss on intangible assets	-	305
Depreciation of property, plant and equipment	8,628	8,383
Unrealised (gain)/loss on forward exchange contracts	(13)	173
Loss on disposal of property, plant & equipment	(1,278)	(57)
Share of profit of equity-accounted investee, net of tax	(15,331)	(18,667)
Operating profit before changes in working capital	<u>36,200</u>	<u>46,126</u>
Inventories	19,398	(11,452)
Trade and other receivables	(15,964)	(22,297)
Trade and other payables	(8,489)	(7,093)
Cash generated from operations	<u>31,145</u>	<u>5,284</u>
Tax paid	(7,091)	(3,154)
Net cash from operating activities	<u>24,054</u>	<u>2,130</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant & equipment	5,222	262
Acquisition of property, plant & equipment	(13,255)	(8,721)
Dividend received	9,133	-
Interest received	351	114
Net cash used in investing activities	<u>1,451</u>	<u>(8,345)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(8,297)	(8,949)
Drawdown of term loan	3,444	6,348
Repayment of term loans	(11,354)	(10,696)
Revolving credits, net	-	5,000
Trade facilities, net	11,102	42,326
Repayment of finance lease liabilities	(623)	(1,467)
Net cash flows generated from financing activities	<u>(13,348)</u>	<u>32,562</u>
Net increase in cash & cash equivalent	<u>12,157</u>	<u>26,347</u>
Effects of changes in foreign currency rates	462	(277)
Cash & cash equivalent brought forward	31,621	45,954
Cash & cash equivalent carried forward	<u>44,240</u>	<u>72,024</u>
Comprises :		
Cash and bank balances	40,530	72,024
Short term deposits with licensed banks (excluding deposits pledged)	3,710	-
	<u>44,240</u>	<u>72,024</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2014

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. Basis of Preparations

The Interim Financial Statements are unaudited and have been prepared in compliance with the requirements of MFRS 134 - Interim Financial Reporting and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

These interim financial statements include only condensed financial statements and should be read in conjunction with the annual financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the financial position and performance of the Group since the financial year ended 31 December 2013.

2. Significant Accounting Policies

The accounting policies adopted for this interim report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013.

The Group also adopted the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") effective from 1 January 2014, except for MFRS 12 which is not applicable to the FGroup and the Company.

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities : Investments Entities
Amendments to MFRS 127	Separate Financial Statements (2012) : Investments Entities
Amendments to MFRS 132	Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretations 21	Levies

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2 Significant accounting policies – Cont'd

The initial applications of the standards, amendments and interpretations did not have any material financial impact on financial statements of the Group for the current and prior periods.

Amendments effective for annual periods beginning 1 July 2014

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011 – 2013 Cycle)
Amendments to MFRS 2	Share-based Payment (Annual Improvements 2010 – 2012 Cycle)
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010 – 2012 Cycle)
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010 – 2012 Cycle and 2011 – 2013 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010 – 2012 Cycle)
Amendments to MFRS 119	Employee Benefits – Defined Benefit Plans: Employee Contributions
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010 – 2012 Cycle)
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010 – 2012 Cycle)
Amendments to MFRS 140	Investment Property (Annual Improvements 2011 – 2013 Cycle)

MFRSs, Interpretations and Amendments effective for a date yet to be confirmed

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
MFRS 9	Financial Instruments – Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for MFRS 140 which is not applicable to the Group and the Company.

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2. Significant accounting policies – Cont'd

The initial application of the abovementioned standards, amendments and interpretations are not expected to have any material impacts to the financial statements of the Group and the Company other than MFRS 9, which the Group is currently assessing the financial impact.

3. Auditors' report

The auditors' report dated 7 March 2014 on the financial statements for the financial year ended 31 December 2013 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

The operations of the Group are not subject to seasonal or cyclical fluctuations except that certain products are subject to seasonal demand where higher sales will be recorded a few months before major festive seasons such as Ramadan and Chinese New Year but lower in the first quarter of every financial year.

5. Unusual Items due to their nature, size or incidence

There were no items affecting assets, liabilities, equity, net income, or cashflows that were unusual because of their nature, size or incidence.

6. Investment in associates

	At 30/06/2014	At 31/12/2013
	RM'000	RM'000
Share of net assets in associates	<u>385,877</u>	<u>381,470</u>
Market value	<u>466,159</u>	<u>455,930</u>

7. Changes in Estimates

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

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8. Issues, repurchases and repayments of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, share held as treasury shares and resale of treasury shares during the current quarter under review.

9. Dividends paid

A first and final tax exempt dividend of 10% (or 5 sen per share) for the financial year ended 31 December 2013 was paid on 28 May 2014.

10. Segment information

The Group organised its activities principally into 3 reportable business segments :

- a) Manufacture of tin cans and plastic jerry cans (General Cans)
- b) Manufacture of food products (Food Products)
- c) International trading

Segment revenue and results for the financial period ended 30 June 2014 are as follows :

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10. Segment information (cont'd)

	Period-to-date ended 30/06/2014						
	General cans RM'000	Food products RM'000	International trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External customers	147,833	267,579	9,698	-	425,110	-	425,110
Inter segment	41,377	9,502	40,445	-	91,324	(91,324)	-
	<u>189,210</u>	<u>277,081</u>	<u>50,143</u>	<u>-</u>	<u>516,434</u>	<u>(91,324)</u>	<u>425,110</u>
Results							
Segment results	10,340	19,777	745	(1,516)	29,346	-	29,346
Interest income	130	11	-	210	351	-	351
Financial expenses	(2,179)	(958)	(68)	(5,738)	(8,943)	-	(8,943)
Share of profit after tax of associates	-	-	-	15,331	15,331	-	15,331
Profit/(Loss) before taxation	<u>8,291</u>	<u>18,830</u>	<u>677</u>	<u>8,287</u>	<u>36,085</u>	<u>-</u>	<u>36,085</u>
Assets							
Segment assets	354,209	295,559	20,718	393,899	1,064,385	-	1,064,385
Unallocated assets	-	-	-	-	1,402	-	1,402
Total assets	<u>354,209</u>	<u>295,559</u>	<u>20,718</u>	<u>393,899</u>	<u>1,065,787</u>	<u>-</u>	<u>1,065,787</u>

	Preceding period-to-date ended 30/06/2013						
	General cans RM'000	Food products RM'000	International trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External customers	153,592	249,657	12,393	-	415,642	-	415,642
Inter segment	39,380	7,756	34,262	-	81,398	(81,398)	-
	<u>192,972</u>	<u>257,413</u>	<u>46,655</u>	<u>-</u>	<u>497,040</u>	<u>(81,398)</u>	<u>415,642</u>
Results							
Segment results	13,851	24,756	744	(1,414)	37,937	-	37,937
Interest income	111	3	-	-	114	-	114
Finance expenses	(2,545)	(1,365)	(107)	(5,547)	(9,564)	-	(9,564)
Share of profit after tax of associates	-	-	-	18,667	18,667	-	18,667
Profit/(Loss) before taxation	<u>11,418</u>	<u>23,394</u>	<u>637</u>	<u>11,706</u>	<u>47,154</u>	<u>-</u>	<u>47,154</u>
Assets							
Segment assets	364,197	302,853	17,663	380,397	1,065,110	-	1,065,110
Unallocated assets	-	-	-	-	6,828	-	6,828
Total assets	<u>364,197</u>	<u>302,853</u>	<u>17,663</u>	<u>380,397</u>	<u>1,071,938</u>	<u>-</u>	<u>1,071,938</u>

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11. Valuation of property, plant and equipment

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

12. Material subsequent events

Except as stated in Note 13, as at 25 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there were no material events subsequent to the end of the balance sheet date which may have an impact on the consolidated financial statements of the Group.

13. Changes in the Group composition

On 7 July 2014, the Company announced the incorporation of a new indirect wholly-owned subsidiary in the Republic of Indonesia, known as PT. AJ Candace ("Candace"). Candace, a wholly-owned subsidiary of Newmarq Sdn. Bhd., has an authorised share capital of USD1,200,000 comprising 1,200,000 ordinary shares of USD1.00 each. Its issued and paid-up share capital shall be USD1,200,000.

Its intended principal activity is the manufacture and trading of tin cans, aluminium cans, plastic containers and related products. It has yet to commence operations.

The aforesaid incorporation is not expected to have any material effect on the financial results and financial position of the Group for the financial year ending 31 December 2014.

Other than the above, there were no other changes in the Group composition during the quarter ended 30 June 2014.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2014.

As at 25 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), no material contingent assets or liabilities have arisen since the end of the financial period.

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15. Capital commitment

As at 30 June 2014, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>12,653</u>

16. Related party disclosures

	Financial Period-to-date 30/06/2014 RM'000
Sales to associated companies	<u>105</u>
Purchases from associated companies	<u>6,179</u>

17. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") in accordance with a resolution of Directors passed at the Board Meeting held on 28 August 2014.

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

1. *Review of performance*

(a) *Current quarter compared with previous corresponding quarter*

The Group's revenue increased from RM221.2 million in the previous year corresponding quarter to RM232.7 million in the quarter under review. The pre-tax and post-tax profit dropped from RM23.2 million and RM19.1 million in the previous year corresponding quarter to RM20.8 million and RM14.8 million respectively in the current quarter.

General cans division

Revenue from General cans division for the quarter under review decreased by 4.5% to RM97.9 million from RM102.5 million in the preceding year corresponding quarter mainly due to lower demand of jerry cans.

Gross profit margin for General cans division decreased from 12.3% to 12.1% mainly due to increase in raw material cost of resins.

Food products division

Revenue from Food products division increased from RM137.8 million in the preceding year corresponding quarter to RM160.3 million in the current quarter mainly due to higher demand of products.

Gross profit margin dropped compared to the previous quarter mainly due to higher operating cost and raw material costs especially skim milk powder.

International trading division

Revenue from International trading division decreased from RM26.4 million in the preceding year corresponding quarter to RM24.4 million in the current quarter.

Investment in associate

Associated company, Kian Joo Can Factory Berhad ("KJCFB") contributed RM8.9 million net profit to the Group for the quarter under review, an increase of RM0.8 million compared with the corresponding quarter.

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1. Review of performance (cont'd.)

(b) Current year to date compared with previous year to date

The Group's revenue increased from RM415.6 million in the previous year to RM425.1 million in the current year under review. The pre-tax and post-tax profit dropped from RM47.2 million and RM38.7 million in the previous year to RM36.1 million and RM26.6 million respectively in the current year.

General Cans division

Revenue from General Cans division for the year under review decreased by 1.9% to RM189.2 million from RM193.0 million in the preceding year mainly due to decrease in jerry can sales.

Gross profit margin reduced by 2.0% to 10.1% from the corresponding period last year mainly due to high raw material cost of resins.

Food Products division

Revenue from Food Products division increased from RM257.4 million in the preceding year to RM277.1 million in the current year due to higher demand of products.

Gross profit margin decreased compared against the previous year due to higher operating cost and raw materials costs.

International Trading division

Revenue from International Trading division increased from RM46.7 million in the preceding year to RM50.1 million in the current year.

Investment in associate

Associated company, KJCFB contributed RM15.3 million net profit to the Group for the year under review compared to RM18.7 million in the previous year.

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2. Variation of results against immediate preceding quarter

The Group's net revenue increased from RM192.4 million in the immediate preceding quarter to RM232.7 million in the quarter under review. Pre-tax and post-tax profit increased in tandem from RM15.3 million and RM11.8 million in the immediate preceding quarter to RM20.8 million and RM14.8 million in the quarter under review respectively.

The performances of the other segments are as follows :

General cans division

Revenue from General cans division increased from RM91.3 million in the immediate preceding quarter to RM97.9 million in the current quarter attributable mainly to increased in demand of tin cans.

Gross profit margin for General cans division increased from 8.0% to 12.1% mainly due to better performance in the tin can divisions.

Food products division

Revenue from Food products division increased from RM116.8 million in the immediate preceding quarter to RM160.3 million in the current quarter. However gross profit margin for the quarter under review decreased from 10.9% to 8.1% due to lower average selling price.

International trading division

International trading division contributed revenue of RM24.4 million for the current quarter.

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3. Prospects

For remaining quarters of 2014, the Group expects its operating division to continue to contribute positively to its results although rising raw material cost, electricity cost and other operating cost will affect the profit margin of the Group.

Barring any unfavourable movements in foreign currency exchange rates, interest rates and cost of key raw materials, the Directors anticipate the results of the Group for the financial year ending 31 December 2014 to be satisfactory.

4. Profit forecast / profit guarantee

The Group did not publish any profit forecast or provide any profit guarantee.

5. Tax expense

	Current Quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year-to-date ended 30/06/2014 RM'000	Preceding year-to-date ended 30/06/2013 RM'000
Current tax expense	4,894	4,002	8,271	6,105
Deferred tax expense	1,131	84	1,260	2,302
	<u>6,025</u>	<u>4,086</u>	<u>9,531</u>	<u>8,407</u>

The effective tax rate of the Group is higher than the enacted statutory tax rate due to adjustment of reinvestment allowance available to a certain subsidiary.

6. Status of Corporate Proposals

- 1) On 26 November 2013, associated company, KJCFB received a letter of offer from Aspire Insight Sdn Bhd ("Aspire") to acquire the entire business and undertaking including all of the assets and liabilities of KJCFB ("Offer") for a cash consideration of approximately RM1.466 billion. On 10 December 2013, KJCFB, via its advisor, MIDF Amanah Investment Bank Berhad ("Advisor") announced that Aspire agreed to KJCFB's request for an extension of time until 20 January 2014 to consider the Offer. On 10 January 2014, the Board of Directors of KJCFB, via its Advisor announced that it has deliberated and agreed to accept Aspire's Offer.

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6. Status of Corporate Proposals (cont'd)

On 29 January 2014, KJCFB received a letter of request for an extension of time from Aspire for the completion of the ongoing due diligence exercise and the signing of the definitive agreement in relation to the Offer. In response, KJCFB agreed on the extension of time from 31 January 2014 to 14 March 2014.

On 24 March 2014, KJCFB announced that it has entered into a Business Sale Agreement ("BSA"), Properties Sale Agreements and Assets Sale Agreement with Aspire Insight Sdn Bhd ("Aspire") in relation to the proposed disposal of the entire business and undertaking of KJCFB to Aspire for a total consideration of RM1,465,753,693 which translates to approximately RM3.30 per ordinary share of RM0.25 each in KJCFB ("Proposed Disposal").

Upon completion of the Proposed Disposal, KJCFB will undertake a capital repayment exercise to return the cash proceeds arising from the Proposed Disposal to the shareholders via the proposed distribution of the proceeds arising from the Proposed Disposal to all entitled shareholders of KJCFB in cash at not less than RM3.30 per ordinary share of RM0.25 each in KJCFB via proposed capital reduction and repayment exercise in accordance with Section 64 of the Companies Act, 1965 ("Proposed Proceeds Distribution").

The above proposals are subject to approval by relevant authorities and shareholders' of KJCFB and written confirmation from Aspire on whether the due diligence is satisfactory.

On 7 May 2014, the Company and its wholly-owned subsidiary, Can-One International Sdn Bhd were served with a Writ of Summons and Statement of Claim dated 6 May 2014 by an Executive Director of KJCFB, Dato' See Teow Guan in relation to the Proposed Disposal, Details of the Writ of Summons and Statement of Claim are set out in Note 10 (Changes in material litigations) below.

Bursa Securities had vide its letter dated 27 May 2014 (which was received on 29 May 2014) approved the extension of time to submit the draft circular to shareholders in relation to the above proposals, until 23 August 2014. On 22 August 2014, Bursa Securities further extended the deadline to 23 November 2014.

Pursuant to a letter dated 28 August 2014, KJCFB and Aspire have agreed to extend the date on which all conditions precedent to the BSA should be fulfilled from 23 September 2014 to 23 March 2015.

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6. Status of Corporate Proposals (cont'd)

- 2) On 13 June 2014, the Company entered into a conditional share sale agreement with Teh Khoy Gen to acquire 3,000,000 ordinary shares of RM1.00 each in F & B Nutrition Sdn Bhd ("F&B") representing the remaining 20% of the issued and paid-up share capital of F&B not already owned by Can-One for a purchase consideration of RM112,900,000 to be satisfied entirely via the issuance of 39,753,000 new ordinary shares of RM0.50 each in Can-One ("Can-One Share(s)") at an issue price of RM2.84 per Can-One Share which represents a premium of approximately 10% over the 5-day volume weighted average market price of Can-One Share up to and including 12 June 2014 ("Proposed Acquisition"). The listing application and draft circular in relation to the Proposed Acquisition had been submitted to Bursa Securities on 11 July 2014, for approval.

Other than the above, there were no other corporate proposals announced by the Company, which have not been completed as at 25 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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7. Group borrowings and debts securities

Group borrowings as at 30 June 2014 are as follow :

	As at 30/06/2014 RM'000	As at 31/12/2013 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	828	1,083
Term loans	20,902	5,880
Bankers acceptances	-	-
	21,730	6,963
Unsecured		
Term loans	15,718	16,067
Bankers acceptances	5,909	2,762
Revolving credits	6,000	6,000
	49,357	31,792
Non-current		
Secured		
Finance leases	1,012	1,380
Term loans	250,767	266,111
	251,779	267,491
Unsecured		
Term loans	24,961	32,201
	276,740	299,692
Total borrowings in RM	326,097	331,484
Borrowings denominated in USD		
Current		
Secured		
Bill receivables	9,014	-
Foreign currencies trade loans	5,299	18,865
Unsecured		
Bill receivables	22,430	25,180
Foreign currencies trade loans	69,911	54,654
Total borrowings in USD	106,654	98,699
Total Group borrowings	432,751	430,183

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8. Retained Earnings

	As at 30.06.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of Company		
- Realised	340,218	327,528
- Unrealised	(16,511)	(16,285)
	<u>323,707</u>	<u>311,243</u>
Total share of retained earnings in associates		
- Realised	62,576	53,155
- Unrealised	126,750	120,841
	<u>(123,197)</u>	<u>(111,627)</u>
Add: Consolidated adjustments	(123,197)	(111,627)
Total Group retained earnings as per Consolidated Accounts	<u><u>389,836</u></u>	<u><u>373,612</u></u>

9. Profit before taxation

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

	Current Quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year-to-date ended 30/06/2014 RM'000	Preceding year-to-date ended 30/06/2013 RM'000
Interest income	(73)	(57)	(351)	(114)
Other income including investment income	(108)	(460)	(320)	(734)
Interest expense	4,375	4,658	8,297	8,949
Depreciation and amortisation	4,425	4,313	8,548	8,383
Property, plant and equipment written off	45	-	163	-
(Gain)/Loss on disposal of plant & equipment	(6)	(46)	(1,278)	(57)
Impairment of goodwill	-	-	-	305
(Gain)/Loss on foreign exchange	763	61	911	(269)
(Gain)/Loss on derivative financial instruments	6	161	4	173

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
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10. Changes in material litigations

Save as disclosed below, the Group was not involved in any material litigation as at 25 August 2014 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

1) The Kuala Lumpur High Court had on 10 April 2013 allowed the Company's and seven (7) Others' (collectively, "the Applicants") Notice of Application For Leave To Apply For Judicial Review against Bursa Securities ("the Respondent") in the following terms :

- i) that leave be granted to the Applicants to make an Application for Judicial Review pursuant to Order 53 Rule 3 of the Rules of Court, 2012 read with Section 25(2) of the Courts of Judicature Act, 1964;
- ii) that leave be granted to the Applicants to make an Application for Judicial Review by way of an Order of certiorari to remove into the High Court for the purpose of quashing the following decisions of the Listing Committee of the Respondent made on 6 November 2012 and as affirmed by the Appeals Committee of the Respondent on 22 February 2013, namely :
 - a) that the Company had breached paragraph 9.16(1)(a) of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") in respect of the Company's announcement dated 5 January 2012 in response to the unusual market activity query from Bursa Securities ("UMA Query");
 - b) that the Directors of the Company had breached paragraph 16.13(b) of the Listing Requirements for permitting, knowingly or where they had reasonable means of obtaining such knowledge, the Company to breach paragraph 9.16(1)(a) of the Listing Requirements in respect of the Company's announcement dated 5 January 2012 in response to the UMA Query; and
 - c) that there be imposed a public reprimand on the Company, and a public reprimand and fine of RM50,000/- on each of the Directors of the Company in respect of the aforesaid breach on the part of the Company and breach on the part of the Directors of the Company;

(hereinafter referred to collectively as "the whole of the said decisions of the Respondent")

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10. Changes in material litigations (cont'd)

- iii) that the leave granted to the Applicants to make an Application for Judicial Review shall operate as a stay of any proceedings before the Respondent in consequence of the said decisions of the Respondent or otherwise;
- iv) that there shall be such further and/or other reliefs, including an order of injunction or damages, and/or directions as may be deemed just and proper by the High Court; and
- v) that the costs of the proceedings herein shall be costs in the cause of the Application for Judicial Review.

The High Court on 29 October 2013 dismissed the Applicants' Application For Judicial Review. On 21 November 2013, the Applicants filed a Notice of Appeal to the Court of Appeal against the High Court decision. The Appellants' appeal against the decision of the High Court given on 29 October 2013 has been fixed for hearing on 3 November 2014 before the Court of Appeal.

- 2) On 7 May 2014, Can-One Berhad ("COB") announced that COB and six (6) Others including COB's wholly-owned subsidiary, Can-One International Sdn Bhd ("COI") (collectively referred as "the Defendant") were served with a Writ of Summons and Statement of Claim by KJCFB's Executive Director, Dato' See Teow Guan (Suing in a personal capacity and in a representative capacity on behalf and for the benefit of the 6th Defendant, KJCFB) ("Plaintiff").

The Plaintiff is claiming :

Against KJCFB, COI, Yeoh Jin Hoe ("YJH") and Aspire :

- i) A declaration that the letter of offer dated 26 November 2013 from Aspire to KJCFB to acquire the entire business and undertaking including all of the assets and liabilities of KJCFB ("Aspire Bid") is deemed a related party transaction by virtue of the interest in the proposed disposal of the entire assets and liabilities of KJCFB to Aspire ("Proposed Disposal") of the following :-
 - a) COI, as a major shareholder of KJCFB with an interest, direct or indirect, in Aspire;
 - b) YJH as a director of KJCFB with an interest, direct or indirect, in Aspire;

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10. Changes in material litigations (cont'd)

- c) Aspire, as a person connected to COB and/or COI within the meaning under the Main Market Listing Requirements (“Listing Requirements”);
- d) Aspire, as a person connected with YJH within the meaning under the Listing Requirements.

Against YJH :

- ii) A declaration that YJH is a person connected to Chee Khay Leong (“CKL”) in relation to the Aspire Bid;
- iii) A consequential order that YJH shall issue a written declaration to the board of directors and shareholders of KJCFB before the general meeting convened for the Proposed Disposal (“EGM”) that he is a person connected to CKL;

Against CKL :

- iv) A declaration that CKL is a person connected to YJH and COB in relation to the Aspire Bid;
- v) A consequential order that CKL shall issue a written declaration to the board of directors and shareholders of KJCFB before the EGM that he is a person connected to YJH and COB;

Against YJH and CKL :

- vi) A declaration that YJH and CKL are in breach of their fiduciary duties as directors of KJCFB;
- vii) General and exemplary damages to be assessed by the Kuala Lumpur High Court (“KLHC”) and to be paid to KJCFB;
- viii) Interest on any such sum assessed and awarded by the KLHC to KJCFB at the rate of 5% per annum from the date of filing of this Court action until the date of full and final settlement;

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10. Changes in material litigations (cont'd)

Against KJCFB :

- ix) An order that KJCFB, by its directors, officers, servants, agents or employees or any of them or otherwise howsoever, be restrained from allowing COI from voting at any shareholders meeting and/or general meeting convened by KJCFB to determine the Aspire Bid;

Against Aspire, COB and COI :

- x) A declaration that COI shall abstain from participating and/or deliberating and/or voting at any shareholders meeting and/or general meeting convened by KJCFB to determine the Aspire Bid;
- xi) Alternatively, a declaration that any resolution(s) passed by the shareholders of KJCFB in any shareholders meeting and/or general meeting convened by KJCFB in relation to the Aspire Bid and in which COI has participate and/or deliberated and/or voted, is null and void;

Against Box-Pak (Malaysia) Bhd ("Box-Pak") :

- xii) A declaration that the voting on Resolution 7 at the Annual General Meeting of Box-Pak on 15 April 2014 is null and void;
- xiii) An order that the Plaintiff be reinstated as a Director and/or Managing Director of Box-Pak with immediate effect;
- xiv) Alternatively, damages to be assessed by the KLHC and to be paid to the Plaintiff;
- xv) Interest on any such sum assessed and awarded by the KLHC to the Plaintiff at the rate of 5% per annum from the date of filing of this Court action until the date of full and final settlement;

Against YJH, CKL, Aspire, COI and Box-Pak :

- xvi) Costs; and
- xvii) Such further and other relief(s) as the KLHC deems fit and just.

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10. Changes in material litigations (cont'd)

At the case management on 20 May 2014, COB and COI informed the KLHC that they intend to file their respective striking out application. The KLHC fixed the legal suit for further case management on 24 July 2014 and the hearing of the striking out applications on 31 July 2014. The filing of the Defence is to be deferred and kept in abeyance pending disposal of their striking out applications.

On 17 June 2014, the Plaintiff's solicitors served KJCFB's solicitors with an unsealed Notice of Application ("the Injunction Application") together with a copy of the Plaintiff's Affidavit in Support dated 16 June 2014. Similar Notice of Applications were also addressed to the solicitors of YJH, CKL, Aspire, COB and COI.

Pursuant to the Injunction Application, the Plaintiff seeks the following orders :

1. that KJCFB be restrained until the trial of this action from calling any shareholders meeting in respect of the offer made by Aspire to purchase inter-alia all the assets and liabilities of KJCFB ("the Aspire Bid");
2. that KJCFB be restrained until the trial of this action from taking further steps to finalise or complete the circular to the shareholders in relation to the Aspire Bid;
3. that KJCFB inform Bursa Securities of the Order made by the KLHC herein;
4. alternatively, that COI be restrained until the trial of this action from participating and voting at any shareholders meeting to be held by KJCFB in respect of the Aspire Bid;
5. that the costs of this application be provided for; and
6. such other orders and reliefs as the KLHC deems fit and just.

The case management for the Injunction Application was fixed on 31 July 2014, and the hearing on 19 August 2014 subject to any changes and further directions by the learned Judge on 31 July 2014.

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10. Changes in material litigations (cont'd)

On 31 July 2014, the KLHC heard COB's submission and all the other Defendants' submission in respect of their respective striking out applications, and adjourned the hearing to 19 August 2014 for the Plaintiff's submission and reply by all the Defendants. The Injunction Application was not brought up for case management.

The KLHC, after hearing the submission made on 19 August 2014 by the Plaintiff's solicitors in reply to the submission by COB and COI (as well as the other Defendants for their respective striking out applications), adjourned the hearing to 29 August 2014 for the Defendants' reply.

The Plaintiff's Injunction Application was not brought up for case management on 19 August 2014 and will be addressed on 29 August 2014.

11. Dividend

No interim dividend has been proposed for the quarter under review.

12. Earnings per share

The basic earnings per share are computed as follows :

	Current Quarter ended 30/06/2014 RM'000	Preceding year corresponding quarter ended 30/06/2013 RM'000	Current year-to-date ended 30/06/2014 RM'000	Preceding year-to-date ended 30/06/2013 RM'000
Net profit attributable to shareholders of the company (RM '000)	13,462	17,361	23,844	35,219
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	<u>8.83</u>	<u>11.39</u>	<u>15.65</u>	<u>23.11</u>

Dated : 28 August 2014
Petaling Jaya