

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the Second Quarter ended 30 June 2015. The figures have not been audited.

(Financial year ending 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2015 RM'000	As at 31/12/2014 (Audited) RM'000
Assets		
Property, plant and equipment	340,361	301,459
Investment in associates	434,097	411,164
Goodwill on consolidation	1,408	1,408
Total non-current assets	775,866	714,031
Current assets		
Inventories	105,171	125,334
Trade and other receivables	267,975	286,741
Current tax assets	4,046	1,035
Derivative financial assets	90	-
Cash and cash equivalents	78,229	106,153
Total current assets	455,511	519,263
Total assets	1,231,377	1,233,294
Equity		
Share capital	96,077	76,200
Reserves	490,762	444,606
Total equity attributable to owners of the Company	586,839	520,806
Non-controlling interest	-	29,133
Total equity	586,839	549,939
Liabilities		
Loans and borrowings	262,467	270,196
Deferred tax liabilities	29,044	29,738
Total non-current liabilities	291,511	299,934
Loans and borrowings	244,111	256,242
Trade and other payables	108,916	126,188
Current tax payables	-	976
Derivative financial liabilities	-	15
Total current liabilities	353,027	383,421
Total liabilities	644,538	683,355
Total equity and liabilities	1,231,377	1,233,294
Net assets per share attributable to equity holders of the Company (Sen)	305.40	341.74

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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(Financial year ending 31 December 2015)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Current quarter ended 30/06/2015 RM'000	Preceding year corresponding quarter ended 30/06/2014 RM'000	Current year to date ended 30/06/2015 RM'000	Preceding year to date ended 30/06/2014 RM'000
<i>Continuing Operations</i>				
Revenue	216,568	232,737	407,860	425,110
Cost of sales	(185,557)	(207,464)	(353,808)	(379,423)
Gross profit	31,011	25,273	54,052	45,687
Other income/(expenses)	1,270	(699)	1,451	519
Sales and distribution expenses	(1,786)	(2,794)	(4,094)	(6,034)
Administrative expenses	(6,508)	(5,244)	(12,609)	(10,826)
Profit from operations	23,987	16,536	38,800	29,346
Interest income	216	73	388	351
Finance costs	(5,903)	(4,713)	(10,984)	(8,943)
Net finance cost	(5,687)	(4,640)	(10,596)	(8,592)
Share of profit of equity-accounted investees, net of tax	11,433	8,890	20,367	15,331
Profit before tax	29,733	20,786	48,571	36,085
Tax expense	(4,179)	(6,025)	(6,144)	(9,531)
Profit for the period	25,554	14,761	42,427	26,554
Other comprehensive income				
- Foreign currency translation reserve	297	(162)	1,527	11
- Share of other comprehensive income/(loss) of associates	(477)	(1,430)	2,566	(1,790)
Total comprehensive income for the period	25,374	13,169	46,520	24,775
Profit attributable to :				
Equity holders of the Company	23,670	13,462	38,723	23,844
Non-controlling interest	1,884	1,299	3,704	2,710
	25,554	14,761	42,427	26,554
Total comprehensive income attributable to :				
Equity holders of the Company	23,490	11,870	42,816	22,065
Non-controlling interest	1,884	1,299	3,704	2,710
	25,374	13,169	46,520	24,775
Earnings per share				
Basic (Sen)	14.77	8.83	24.77	15.65
Diluted (Sen)	NA	NA	NA	NA

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Owners of the Company ----->							
	←----- Non-Distributable ----->		-----> Distributable					
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
Current period ended 30 June 2015								
Balance at 1 January 2015	76,200	8,560	-	6,278	429,768	520,806	29,133	549,939
Comprehensive income for the period								
Profit for the period	-	-	-	-	38,723	38,723	3,704	42,427
Dividend paid					(7,620)	(7,620)	-	(7,620)
Dividend paid to minority shareholder			-	-	-	-	(2,000)	(2,000)
Issue of ordinary shares	19,877	93,022	-	-	-	112,899	-	112,899
Acquisition of remaining shares in existing subsidiary from minority shareholders	-	-	(77,292)	-	(4,770)	(82,062)	(30,837)	(112,899)
Currency translation differences	-	-	-	1,527	-	1,527	-	1,527
Share of currency translation differences of associates	-	-	-	2,566	-	2,566	-	2,566
Total comprehensive income for the period	19,877	93,022	(77,292)	4,093	26,333	66,033	(29,133)	36,900
Balance at 30 June 2015	96,077	101,582	(77,292)	10,371	456,101	586,839	-	586,839
Preceding year corresponding 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	76,200	8,560	-	463	389,836	475,059	24,620	499,679

NOTE:

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year to date ended 30/06/2015 RM'000	Preceding year to date ended 30/06/2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	48,571	36,085
Adjustments:		
Interest expense	10,205	8,297
Interest income	(388)	(351)
Property, plant and equipment written off	-	163
Depreciation of property, plant and equipment	9,207	8,628
Unrealised (gain)/loss on forward exchange contracts	(106)	(13)
(Gain)/Loss on disposal of property, plant and equipment	(25)	(1,278)
Share of profit of equity-accounted investee, net of tax	(20,367)	(15,331)
Operating profit before changes in working capital	<u>47,097</u>	<u>36,200</u>
Inventories	20,468	19,398
Trade and other receivables	21,289	(15,964)
Trade and other payables	(19,222)	(8,489)
Cash generated from operations	<u>69,632</u>	<u>31,145</u>
Tax paid	(10,382)	(7,091)
Net cash from operating activities	<u>59,250</u>	<u>24,054</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	97	5,222
Acquisition of property, plant and equipment	(47,635)	(13,255)
Dividend received	-	9,133
Interest received	388	351
Net cash used in investing activities	<u>(47,150)</u>	<u>1,451</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,205)	(8,297)
Dividend paid	(7,620)	(7,620)
Dividend paid to minority shareholder	(2,000)	-
Drawdown of term loan	10,685	3,444
Repayment of term loans	(10,726)	(11,354)
Pledged deposits for bank borrowings	(110)	-
Revolving credits, net	2,000	-
Trade facilities, net	(21,455)	11,102
Repayment of finance lease liabilities	(365)	(623)
Net cash flows generated from financing activities	<u>(39,796)</u>	<u>(13,348)</u>
Net increase in cash and cash equivalent	<u>(27,696)</u>	<u>12,157</u>
Effects of changes in foreign currency rates	(339)	462
Cash and cash equivalent brought forward	99,326	31,621
Cash and cash equivalent carried forward	<u>71,291</u>	<u>44,240</u>
Comprises :		
Cash and bank balances	66,791	40,530
Short term deposits with licensed banks (excluding deposits pledged)	4,500	3,710
	<u>71,291</u>	<u>44,240</u>

The above exclude short term deposits placed with a licensed bank of RM6,938,000 (2014 : RM6,400,000) pledged for bank borrowings.

NOTE:

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2015

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 2014. 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 2014.

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 2014.

The Group also adopted the following accounting standards, amendments and interpretations which are applicable to the Group that have been issued by the Malaysian Accounting Standards Board ("MASB") effective from 1 July 2014.

Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011 - 2013 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)

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2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012 - 2014 Cycle)
Amendments to MFRS 7	Financial Instruments : Disclosures (Annual Improvements 2012 - 2014 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Venture - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to MFRS 10	Consolidated Financial Statements, MFRS 12, Disclosure of Interests in Other Entities and MFRS 128, Investments in Associates and Joint Ventures - Investment Entities : Applying the Consolidation Exception
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations (Currently not applicable to the Group)
MFRS 14	Regulatory Deferral Accounts (Currently not applicable to the Group)
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 138, Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to MFRS 116	Property, Plant and Equipment and MFRS 141, Agriculture : Bearer Plants
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012 - 2014 Cycle)
Amendments to MFRS 127	Separate Financial Statements - Equity Method in Separate Financial Statements
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012 - 2014 Cycle)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

MFRS 15	Revenue from Contracts with Customers
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7. Changes in Estimates

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

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

On 12 June 2015, the Company issued 39,753,000 new ordinary shares of RM0.50 each ("Share") to Genkho Candoz Sdn Bhd, a nominee of Teh Khoy Gen, at an issue price of RM2.84 per Share as consideration to acquire from Teh Khoy Gen, the remaining 20% of the issued and paid-up share capital of F & B Nutrition Sdn Bhd not already owned by the Company.

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

9. Dividends paid

A first and final single-tier dividend of 10% (or 5 sen per share) for the financial year ended 31 December 2014 was paid on 29 May 2015.

10. Segment information

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

- a) Manufacture of tin cans, plastic jerry cans, flexi packaging and rigid packaging (General Cans);
- b) Manufacture of food products (Food Products); and
- c) International Trading.

Segment revenue and results for the financial period ended 30 June 2015 are as follows :

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10. Segment information (cont'd)

	Year-to-date ended 30/06/2015						
	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	144,516	246,374	16,970	-	407,860	-	407,860
Inter-segment	35,528	16,332	38,271	-	90,131	(90,131)	-
	<u>180,044</u>	<u>262,706</u>	<u>55,241</u>	<u>-</u>	<u>497,991</u>	<u>(90,131)</u>	<u>407,860</u>
Results							
Segment results	9,032	29,622	1,395	(1,249)	38,800	-	38,800
Interest income	152	126	-	110	388	-	388
Financial expenses	(2,519)	(1,414)	(52)	(6,999)	(10,984)	-	(10,984)
Share of profit after tax of associates	-	-	-	20,367	20,367	-	20,367
Profit/(Loss) before taxation	<u>6,665</u>	<u>28,334</u>	<u>1,343</u>	<u>12,229</u>	<u>48,571</u>	<u>-</u>	<u>48,571</u>
Assets							
Segment assets	371,788	389,573	23,677	442,293	1,227,331	-	1,227,331
Unallocated assets	-	-	-	-	4,046	-	4,046
Total assets	<u>371,788</u>	<u>389,573</u>	<u>23,677</u>	<u>442,293</u>	<u>1,231,377</u>	<u>-</u>	<u>1,231,377</u>
	Preceding Year-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
Finance 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>

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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

As at 21 August 2015 (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 13 July 2015, the Company announced the striking-off on 11 July 2015 of Lumiera Corporation (Labuan) Pte Ltd ("Lumiera"), a company incorporated in the Federal Territory of Labuan, Malaysia from the Register of Companies of the Labuan Financial Services Authority pursuant to Section 151 of the Labuan Companies Act, 1990. Lumiera is a dormant company held via Can-One Berhad's wholly-owned subsidiary, Newmarq Sdn Bhd.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2015.

As at 21 August 2015 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), no material contingent liabilities or contingent assets have arisen since the end of the financial period.

15. Capital commitment

As at 30 June 2015, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>7,925</u></u>

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16. Related party disclosures

	Current Year-to-date 30/06/2015 RM'000
Sales to associated companies	<u>752</u>
Purchases from associated companies	<u>8,800</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 26 August 2015.

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

1. Review of performance

(a) Current quarter ("Q2, 2015") compared with previous corresponding quarter ("Q2, 2014")

The Group's revenue decreased from RM232.7 million in Q2, 2014 to RM216.6 million in Q2, 2015. The profit before taxation and profit after taxation increased from RM20.8 million and RM14.8 million in Q2, 2014 to RM29.7 million and RM25.6 million respectively in Q2, 2015.

General Cans division

Revenue from General Cans division for Q2, 2015 decreased by 2.5% to RM95.5 million from RM97.9 million in Q2, 2014 mainly due to lower demand for tin cans. Profit before taxation for Q2, 2015 decreased to RM4.5 million, from RM5.9 million mainly due to lower revenue and higher raw material cost due to stronger USD currency.

Food Products division

Revenue from Food Products division decreased from RM160.3 million in Q2, 2014 to RM138.8 million in Q2, 2015 mainly due to weaker demand for sweetened creamer. Even though there was a drop in revenue, profit before taxation for Q2, 2015 increased to RM17.7 million, from RM9.3 million mainly due to stronger USD currency and better operating efficiency.

International Trading division

Revenue from International Trading division increased from RM24.4 million in Q2, 2014 to RM31.0 million in Q2, 2015.

Investment in associate

Associated company, Kian Joo Can Factory Berhad ("KJCF") contributed RM11.4 million net profit to the Group for Q2, 2015, an increase of RM2.5 million compared with Q2, 2014.

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1. Review of performance (cont'd.)

(b) Current year-to-date ("YTD Q2, 2015") compared with previous YTD Q2, 2014

The Group's revenue decreased from RM425.1 million in YTD Q2, 2014 to RM407.9 million in YTD Q2, 2015. However, the profit before taxation and profit after taxation increased from RM36.1 million and RM26.6 million in YTD Q2, 2014 to RM48.6 million and RM42.4 million respectively in YTD Q2, 2015.

General Cans division

Revenue from General Cans division for YTD Q2, 2015 decreased by 4.8% to RM180.0 million from RM189.2 million in YTD Q2, 2014 mainly due to lower jerry can sales. Profit before taxation fell from RM8.3 million for YTD Q2, 2014 to RM6.7 million for YTD Q2, 2015 due to lower revenue and higher raw material cost due to stronger USD currency.

Food Products division

Revenue from Food Products division decreased from RM277.1 million in YTD Q2, 2014 to RM262.7 million in YTD Q2, 2015 due to lower demand for sweetened creamer. However, profit before taxation increased by RM9.5 million to RM28.3 million in YTD Q2, 2015 mainly due to stronger USD currency and better operating efficiency.

International Trading division

Revenue from International Trading division increased from RM50.1 million in YTD Q2, 2014 to RM55.2 million in YTD Q2, 2015.

Investment in associate

Associated company, KJCF contributed RM20.4 million net profit to the Group for YTD Q2, 2015 compared to RM15.3 million in YTD Q2, 2014.

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2. Variation of results against immediate preceding quarter ("Q1, 2015")

The Group's net revenue increased from RM191.3 million in Q1, 2015 to RM216.6 million in Q2, 2015. Profit before taxation and profit after taxation increased from RM18.8 million and RM16.9 million in Q1, 2015 to RM29.7 million and RM25.6 million respectively in Q2, 2015.

General Cans division

Revenue from General Cans division increased from RM84.6 million in Q1, 2015 to RM95.4 million in Q2, 2015 mainly due to higher demand for jerry cans. Profit before taxation for Q2, 2015 increased by RM2.4 million to RM4.5 million due to higher revenue.

Food Products division

Revenue from Food Products division increased from RM123.9 million in Q1, 2015 to RM138.8 million in Q2, 2015 mainly due to higher demand for sweetened creamer and evaporated creamer. Profit before taxation for Q2, 2015 increased by RM7.1 million to RM17.7 million due to higher revenue and better operating efficiency.

International Trading division

International Trading division revenue increased by RM6.8 million to RM31.0 million for Q2, 2015.

Investment in associate

Associated company, Kian Joo Can Factory Berhad ("KJCF") contributed RM11.4 million net profit to the Group for Q2, 2015, an increase of RM2.5 million compared with Q1, 2015.

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3. Prospects

The weakening of the Ringgit Malaysia against other currencies/USD and the intense competition in the general cans and food products industries pose a challenge to the Group. Nevertheless, the Group expects the second half of 2015 to be satisfactory by continuing to enhance operational efficiency and cost management.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current Quarter ended 30/06/2015 RM'000	Preceding year corresponding quarter ended 30/06/2014 RM'000	Current year-to-date ended 30/06/2015 RM'000	Preceding year-to-date ended 30/06/2014 RM'000
Current tax expense	4,716	4,894	6,841	8,271
Deferred tax expense	(537)	1,131	(697)	1,260
	<u>4,179</u>	<u>6,025</u>	<u>6,144</u>	<u>9,531</u>

The effective tax rate of the Group is lower than the enacted statutory tax rate due to share of results from associate which has been accounted net of tax and availability of reinvestment allowances.

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6. Status of Corporate Proposals

- 1) On 26 November 2013, associated company, KJCF 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 KJCF ("Offer") for a cash consideration of approximately RM1.466 billion. On 10 January 2014, the Board of Directors of KJCF, via its Advisor, MIDF Amanah Investment Bank Berhad ("Advisor") announced that it has deliberated and agreed to accept Aspire's Offer.

On 24 March 2014, KJCF announced that it has entered into a Business Sale Agreement ("BSA"), Properties Sale Agreements and Assets Sale Agreement with Aspire in relation to the proposed disposal of the entire business and undertaking of KJCF to Aspire for a total consideration of RM1,466 billion which translates to approximately RM3.30 per ordinary share of RM0.25 each in KJCF ("Proposed Disposal").

Upon completion of the Proposed Disposal, KJCF 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 KJCF in cash at not less than RM3.30 per ordinary share of RM0.25 each in KJCF via a 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 KJCF 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 KJCF, 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) herein below.

Bursa Securities had vide its letter dated 27 May 2014 (which was received on 29 May 2014) granted KJCF an extension of time until 23 August 2014 to submit the draft Circular to shareholders in relation to the above proposals for Bursa Securities' approval. On 22 August 2014, Bursa Securities granted KJCF a further extension until 23 November 2014.

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6. Status of Corporate Proposals (cont'd)

Pursuant to a letter dated 28 August 2014, KJCF and Aspire agreed to extend the date on which all conditions precedent to the BSA should be fulfilled from 23 September 2014 to 23 March 2015. Subsequently on 18 March 2015, KJCF and Aspire agreed to further extend the deadline from 23 March 2015 to 23 September 2015.

Bursa Securities vide its letter dated 26 November 2014 approved a further extension of time for KJCF to submit the draft Circular to shareholders from 24 November 2014 to 31 March 2015. Subsequently, Bursa Securities vide its letter dated 6 April 2015 approved a further extension till 30 September 2015.

- 2) On 13 June 2014, the Company entered into a conditional share sale agreement ("SSA") with Teh Khoy Gen ("the Vendor") 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 the Company 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 the Company ("Share(s)") at an issue price of RM2.84 per Share which represents a premium of approximately 10% over the 5-day volume weighted average market price of the Share up to and including 12 June 2014 ("Proposed Acquisition").

At the Extraordinary General Meeting of the Company held on 28 May 2015, the ordinary resolution to approve the Proposed Acquisition was duly passed by the shareholders of the Company present and voting by poll.

The Acquisition was completed on 12 June 2015, following the issuance and allotment of 39,750,000 of the Shares to the Vendor's nominee. The shares issued were listed and quoted on the Main Market of Bursa Securities on 16 June 2015.

Other than the above, there were no other corporate proposals announced by the Company which have not been completed as at the date of issue of this quarterly report.

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7. Group borrowings and debts securities

Group borrowings as at 30 June 2015 are as follow :

	As at 30/06/2015 RM'000	As at 31/12/2014 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	424	614
Term loans	34,978	28,293
	35,402	28,907
Unsecured		
Bill receivables	9,874	5,538
Term loans	16,864	16,035
Bankers acceptances	18,438	4,791
Revolving credits	11,000	9,000
	91,578	64,271
Non-current		
Secured		
Finance leases	588	762
Term loans	230,612	240,496
	231,200	241,258
Unsecured		
Term loans	31,267	28,938
	262,467	270,196
Total borrowings in RM	354,045	334,467
Borrowings denominated in USD		
Current		
Secured		
Bill receivables	-	40,052
Foreign currencies trade loans	18,492	2,908
Unsecured		
Bill receivables	19,781	10,626
Foreign currencies trade loans	114,260	138,385
Total borrowings in USD	152,533	191,971
Total Group borrowings	506,578	526,438

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8. Retained Earnings

	As at 30/06/2015 RM'000	As at 31/12/2014 RM'000
Total retained earnings of Company		
- Realised	375,712	361,368
- Unrealised	(21,733)	(17,789)
	<u>353,979</u>	<u>343,579</u>
Total share of retained earnings in associates		
- Realised	74,574	83,459
- Unrealised	155,682	126,430
	<u>(128,134)</u>	<u>(123,700)</u>
Add: Consolidated adjustments	(128,134)	(123,700)
Total Group retained earnings as per Consolidated Accounts	<u><u>456,101</u></u>	<u><u>429,768</u></u>

9. Profit before taxation

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

	Current Quarter ended 30/06/2015 RM'000	Preceding year corresponding quarter ended 30/06/2014 RM'000	Current year-to-date ended 30/06/2015 RM'000	Preceding year-to-date ended 30/06/2014 RM'000
Interest income	(216)	(73)	(388)	(351)
Other income including investment income	(438)	(108)	(947)	(320)
Interest expense	5,515	4,375	10,205	8,297
Depreciation and amortisation	4,667	4,505	9,207	8,628
Property, plant and equipment written off	-	45	-	163
(Gain)/Loss on disposal of plant and equipment	(38)	(6)	(25)	(1,278)
(Gain)/Loss on foreign exchange	(943)	763	(389)	911
(Gain)/Loss on derivative financial instruments	148	6	(90)	4

CAN-ONE BERHAD
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SECOND QUARTER ENDED 30 JUNE 2015

10. Changes in material litigations

Save as disclosed below, the Group was not involved in any material litigation as at the date of issue of this quarterly report :

1) The Kuala Lumpur High Court ("KLHC") 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 KLHC 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")

- 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;

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10. Changes in material litigations (cont'd)

- 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 KLHC; and
- v) that the costs of the proceedings herein shall be costs in the cause of the Application for Judicial Review.

The KLHC 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 KLHC's decision. The Appellants' appeal against the decision of the KLHC given on 29 October 2013 was fixed for hearing on 27 August 2015 after a few adjourments.

- 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 Defendants") were served with a Writ of Summons and Statement of Claim by KJCF'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, KJCF) ("Plaintiff").

The Plaintiff is claiming :

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

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

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10. Changes in material litigations (cont'd)

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 KJCF 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 KJCF 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 KJCF;
- vii) General and exemplary damages to be assessed by the KLHC and to be paid to KJCF;
- viii) Interest on any such sum assessed and awarded by the KLHC to KJCF 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 KJCF :

- ix) An order that KJCF, 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 KJCF 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 KJCF to determine the Aspire Bid;

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2015

10. Changes in material litigations (cont'd)

- xi) Alternatively, a declaration that any resolution(s) passed by the shareholders of KJCF in any shareholders meeting and/or general meeting convened by KJCF 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.

At the case management on 20 May 2014, COB and COI informed the KLHC that they intend to file their respective striking out application.

On 17 June 2014, the Plaintiff's solicitors served KJCF'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 KJCF 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 KJCF ("the Aspire Bid");

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SECOND QUARTER ENDED 30 JUNE 2015

10. Changes in material litigations (cont'd)

2. that KJCF 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 KJCF 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 KJCF 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 KLHC on 14 November 2014, allowed COB's and COI's striking out applications with costs of RM30,000. As a result, the Plaintiff's amended Writ of Summons and amended Statement of Claim were struck out.

At the case management on 27 November 2014, the Plaintiff's counsel applied to withdraw the Plaintiff's Injunction Application with liberty to file afresh depending on the outcome of the intended appeal against the decision of the KLHC made on 14 November 2014 in striking out the action, with costs. KLHC allowed the said withdrawal and accordingly, struck out the Injunction Application with costs of RM5,000.

On 1 December 2014, COB and COI were served with a Notice of Appeal ("Appeal") made by the Plaintiff's solicitors to the Court of Appeal. The Notice of Appeal pertains to the decision of the KLHC delivered on 14 November 2014 which allowed the applications by both COB and COI to strike out the Plaintiff's amended Writ of Summons and amended Statement of Claim ("Appeal").

At the hearing of the Appeal on 29 May 2015, the Court of Appeal fixed the matter for decision on 1 June 2015.

On 1 June 2015, the Court of Appeal dismissed the Appeal and awarded costs of RM20,000 to the Company.

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SECOND QUARTER ENDED 30 JUNE 2015

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 30/06/2015	Preceding year corresponding quarter ended 30/06/2014	Current year-to-date ended 30/06/2015	Preceding year-to-date ended 30/06/2014
Net profit attributable to shareholders of the company (RM'000)	23,670	13,462	38,723	23,844
Weighted average number of ordinary shares in issue ('000)				
Issued ordinary shares at 1 January	152,400	152,400	152,400	152,400
Effect of ordinary shares issued	7,863	-	3,953	-
Weighted average number of ordinary shares at 30 June	<u>160,263</u>	<u>152,400</u>	<u>156,353</u>	<u>152,400</u>
Basic Earnings per ordinary share (Sen)	<u>14.77</u>	<u>8.83</u>	<u>24.77</u>	<u>15.65</u>

Dated : 26 August 2015
Petaling Jaya