

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the Second Quarter ended 30 June 2017. The figures have not been audited.

(Financial year ending 31 December 2017)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2017 RM'000	As at 31/12/2016 (Audited) RM'000
Non-current assets		
Property, plant and equipment	372,721	367,042
Intangible assets	391	543
Investment in associate	502,775	502,345
Goodwill on consolidation	1,408	1,408
Total non-current assets	877,295	871,338
Current assets		
Inventories	127,979	152,789
Trade and other receivables	333,020	276,729
Current tax assets	2,566	2,973
Cash and cash equivalents	77,233	82,706
Assets classified as held for sale	-	2,357
Total current assets	540,798	517,554
Total assets	1,418,093	1,388,892
Equity		
Share capital	197,660	96,077
Reserves	575,696	652,419
	773,356	748,496
Liabilities		
Loans and borrowings	189,273	218,214
Deferred tax liabilities	31,322	32,093
Total non-current liabilities	220,595	250,307
Loans and borrowings	277,008	257,272
Trade and other payables	144,388	130,252
Current tax payables	2,746	2,565
Total current liabilities	424,142	390,089
Total liabilities	644,737	640,396
Total equity and liabilities	1,418,093	1,388,892
	-	-
Net assets per share attributable to equity holders of the Company (Sen)	402.47	389.53

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

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(Company No. 638899-K)

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current quarter ended 30/06/2017 RM'000	Preceding year corresponding quarter ended 30/06/2016 RM'000	Changes %	Current year-to-date ended 30/06/2017 RM'000	Preceding year-to-date ended 30/06/2016 RM'000	Changes %
Continuing Operations						
Revenue	276,350	242,045	14%	537,313	446,936	20%
Cost of sales	(247,958)	(209,426)		(477,250)	(386,494)	
Gross profit	28,392	32,619	(13%)	60,063	60,442	(1%)
Other income/(expenses)	868	1,991		(173)	184	
Sales and distribution expenses	(2,677)	(3,006)		(6,740)	(5,090)	
Administrative expenses	(7,122)	(6,744)		(14,583)	(13,178)	
Profit from operations	19,461	24,860	(22%)	38,567	42,358	(9%)
Interest income	202	159		439	328	
Finance costs	(5,322)	(5,187)		(10,770)	(10,709)	
Net finance cost	(5,120)	(5,028)		(10,331)	(10,381)	
Share of profit of equity-accounted investees, net of tax	4,799	12,770		10,692	16,501	
Profit before tax	19,140	32,602	(41%)	38,928	48,478	(20%)
Tax expense	(4,142)	(5,607)		(8,852)	(10,530)	
Profit for the period	14,998	26,995	(44%)	30,076	37,948	(21%)

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

	Current quarter ended 30/06/2017 RM'000	Preceding year corresponding quarter ended 30/06/2016 RM'000	Changes %	Current year-to-date ended 30/06/2017 RM'000	Preceding year-to-date ended 30/06/2016 RM'000	Changes %
Profit for the period	14,998	26,995	(44%)	30,076	37,948	(21%)
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	(542)	732		(799)	(1,214)	
- A subsidiary with functional currency other than Ringgit Malaysia	-	7,426		-	(10,926)	
- Share of other income/(loss) of associate	(3,093)	(586)		(4,417)	(4,891)	
Total comprehensive income for the period attributable to the Owners of the Company	11,363	34,567	(67%)	24,860	20,917	19%
Earnings per share						
Basic (Sen)	7.81	14.05		15.65	19.75	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←----- Attributable to Owners of the Company ----->				Distributable	Total equity RM'000
	←----- Non-Distributable ----->			Foreign currency translation reserve RM'000		
	Share capital RM'000	Share premium RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total equity RM'000
Current period ended 30 June 2017						
Balance at 1 January 2017	96,077	101,583	(75,441)	52,886	573,391	748,496
Comprehensive income for the period						
Profit for the period	-	-	-	-	30,076	30,076
Currency translation differences of foreign operations	-	-	-	(799)	-	(799)
Effect of change in functional currency of a subsidiary	-	-	-	(32,729)	32,729	-
Share of currency translation differences of associate	-	-	-	(4,417)	-	(4,417)
Transfer in accordance with Section 618(2) of the Companies Act, 2016 (Note ¹)	101,583	(101,583)	-	-	-	-
Total comprehensive income for the period	101,583	(101,583)	-	(37,945)	62,805	24,860
Balance at 30 June 2017	197,660	-	(75,441)	14,941	636,196	773,356
Preceding year corresponding period ended 30 June 2016						
Balance at 1 January 2016	96,077	101,583	(75,441)	44,635	494,704	661,558
Comprehensive income for the period						
Profit for the period	-	-	-	-	37,948	37,948
Currency translation differences of foreign operations	-	-	-	(1,214)	-	(1,214)
Foreign currency translation differences for a subsidiary with functional currency other than Ringgit Malaysia	-	-	-	(10,926)	-	(10,926)
Share of currency translation differences of associate	-	-	-	(4,891)	-	(4,891)
Total comprehensive income for the period	-	-	-	(17,031)	37,948	20,917
Balance at 30 June 2016	96,077	101,583	(75,441)	27,604	532,652	682,475

Note ¹

In accordance with Section 618 of Companies Act, 2016, any amount standing to the credit of the share premium account has become part of the Company's share capital. The Company has twenty-four months upon the commencement of Companies Act, 2016 on 31 January 2017 to utilise the credit.

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(Financial year ending 31 December 2017)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 30/06/2017 RM'000	Preceding year-to-date ended 30/06/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	38,928	48,478
Adjustments:		
Interest expense	10,770	10,709
Interest income	(439)	(328)
Property, plant and equipment written off	-	26
Impairment loss on receivables	283	596
Amortisation of intangible assets	152	85
Depreciation of property, plant and equipment	11,316	10,973
Unrealised (gain)/loss on forward exchange contracts	(103)	(128)
(Gain)/Loss on disposal of property, plant and equipment	(2,415)	(4)
Share of profit of equity-accounted investee, net of tax	(10,692)	(16,501)
Operating profit before changes in working capital	<u>47,800</u>	<u>53,906</u>
Inventories	24,683	43,602
Trade and other receivables	(57,447)	22,086
Trade and other payables	15,052	6,211
Cash generated from operations	<u>30,088</u>	<u>125,805</u>
Tax paid	(9,104)	(8,726)
Net cash from operating activities	<u>20,984</u>	<u>117,079</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	6,529	6
Acquisition of property, plant and equipment	(19,109)	(11,440)
Dividend received	5,845	2,923
Interest received	439	328
Net cash used in investing activities	<u>(6,296)</u>	<u>(8,183)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(10,770)	(10,709)
Net movement in borrowings	(9,203)	(80,226)
Pledged deposits for bank borrowings	(131)	(119)
Net cash flows generated from financing activities	<u>(20,104)</u>	<u>(91,054)</u>
Net increase in cash and cash equivalent	<u>(5,416)</u>	<u>17,842</u>
Effects of changes in foreign currency rates	(187)	1,328
Cash and cash equivalent brought forward	75,421	52,122
Cash and cash equivalent carried forward	<u>69,818</u>	<u>71,292</u>
Comprises :		
Cash and bank balances	55,018	57,111
Short term deposits with licensed banks (excluding deposits pledged)	14,800	14,181
	<u>69,818</u>	<u>71,292</u>

The above excluded short term deposits placed with a licensed bank of RM7,415,000 (2016 : RM7,168,000) pledged for bank borrowings.

NOTE:

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

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 2016. 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 2016.

Change in functional currency

The functional currency of a subsidiary has been changed from United States Dollar ("USD") to Ringgit Malaysia ("RM") since 1 January 2017 to reflect the current and prospective economic substance of the underlying transactions and circumstances of the subsidiary as the subsidiary's sale and purchase transactions as well as its settlement of debts to suppliers and/or by customers are mainly denominated in RM.

Following the assessment, the effect of the change in functional currency to RM was applied prospectively in the subsidiary's financial statements. The subsidiary translated all opening balances into the RM functional currency using the exchange rate at the beginning of the year.

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 2016.

The Group adopted (where applicable) the following accounting standards, amendments and interpretations which are applicable to the Group that have been issued by the Malaysian Accounting Standards Board ("MASB") effective from 1 January 2017.

Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>
Amendments to MFRS 107	<i>Statement of Cash Flows - Disclosure Initiative</i>
Amendments to MFRS 112	<i>Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses</i>

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2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9	<i>Financial Instruments (2014)</i>
MFRS 15	<i>Revenue from Contracts with Customers</i>
Clarifications to MFRS 15	<i>Revenue from Contracts with Customers</i>
IC Interpretation 22	<i>Foreign Currency Transactions and Advance Consideration</i>
Amendments to MFRS 1	<i>First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)**</i>
Amendments to MFRS 2	<i>Share-based Payment - Classification and Measurement of Share-based Payment Transactions**</i>
Amendments to MFRS 4	<i>Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts**</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 - 2016 Cycle)</i>
Amendments to MFRS 140	<i>Investment Property - Transfers of Investment Property**</i>

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

Amendments to MFRS 16 *Leases*

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*

**** - Not applicable to the Group.**

The Group plan to apply the abovementioned accounting standards, amendments and interpretations in the respective years when they become effective.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the Group other than MFRS 15, *Revenue from Contracts with Customers*, MFRS 9, *Financial Instruments* and MFRS 16, *Leases*, which the Group are currently assessing the financial impact that may arise from the adoption.

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3. Auditors' report

The auditors' report dated 17 March 2017 on the financial statements for the financial year ended 31 December 2016 was not subject to any audit qualification.

4. Seasonal or Cyclical Factors

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

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

There were no items affecting assets, liabilities, equity, net income, or cash flows that were unusual because of their nature, size or incidence during the current quarter under review.

6. Investment in associate

	At 30/06/2017 RM'000	At 31/12/2016 RM'000
Share of net assets in associate	<u>502,775</u>	<u>502,345</u>
Market value	<u>429,627</u>	<u>428,165</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.

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.

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9. Dividend paid

A first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2016 was paid on 21 July 2017.

10. Segment information

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

- a) Manufacture of metal and lithographed tin cans, plastic jerry cans, flexible packaging and rigid packaging (collectively, "General Cans");
- b) Manufacturing, packaging and distribution of dairy and non-dairy products ("Food Products");
- c) International Trading; and
- d) Property and investment holding ("Others")

Segment revenue and results for the financial period ended 30 June 2017 are as follows :

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SECOND QUARTER ENDED 30 JUNE 2017

10. Segment information (cont'd)

	Year-to-date ended 30/06/2017						
	General Cans	Food Products	International Trading	Others	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	234,833	343,989	52,122	10,419	641,363	(104,050)	537,313
Inter-segment sales	7,594	-	-	5,845	13,439	(13,439)	-
	<u>242,427</u>	<u>343,989</u>	<u>52,122</u>	<u>16,264</u>	<u>654,802</u>	<u>(117,489)</u>	<u>537,313</u>
Results							
Segment results	14,864	24,909	969	8,588	49,330	(10,763)	38,567
Interest income	889	261	-	289	1,439	(1,000)	439
Financial expenses	(2,902)	(2,511)	-	(6,357)	(11,770)	1,000	(10,770)
Share of profit after tax of associate	-	-	-	10,692	10,692	-	10,692
Profit before taxation	<u>12,851</u>	<u>22,659</u>	<u>969</u>	<u>13,212</u>	<u>49,691</u>	<u>(117,489)</u>	<u>38,928</u>
Assets							
Segment assets	468,541	479,636	23,827	535,239	1,507,243	(91,716)	1,415,527
Unallocated assets	-	-	-	-	2,566	-	2,566
Total assets	<u>468,541</u>	<u>479,636</u>	<u>23,827</u>	<u>535,239</u>	<u>1,509,809</u>	<u>(91,716)</u>	<u>1,418,093</u>
Liabilities							
Segment liabilities	228,439	225,937	16,427	233,774	704,577	(93,908)	610,669
Unallocated liabilities	-	-	-	-	33,954	114	34,068
Total liabilities	<u>228,439</u>	<u>225,937</u>	<u>16,427</u>	<u>233,774</u>	<u>738,531</u>	<u>(93,794)</u>	<u>644,737</u>
Preceding Year-to-date ended 30/06/2016							
	General Cans	Food Products	International Trading	Others	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	178,790	303,451	30,071	452	512,764	(65,828)	446,936
Inter-segment sales	5,732	-	-	2,923	8,655	(8,655)	-
	<u>184,522</u>	<u>303,451</u>	<u>30,071</u>	<u>3,375</u>	<u>521,419</u>	<u>(74,483)</u>	<u>446,936</u>
Results							
Segment results	6,646	36,892	184	(3,075)	40,647	1,711	42,358
Interest income	635	173	-	280	1,088	(760)	328
Finance expenses	(2,800)	(1,553)	-	(7,116)	(11,469)	760	(10,709)
Share of profit after tax of associate	-	-	-	16,501	16,501	-	16,501
Profit before taxation	<u>4,481</u>	<u>35,512</u>	<u>184</u>	<u>6,590</u>	<u>46,767</u>	<u>1,711</u>	<u>48,478</u>
Assets							
Segment assets	410,366	440,758	18,215	498,542	1,367,881	(83,949)	1,283,932
Unallocated assets	-	-	-	-	1,041	-	1,041
Total assets	<u>410,366</u>	<u>440,758</u>	<u>18,215</u>	<u>498,542</u>	<u>1,368,922</u>	<u>-</u>	<u>1,284,973</u>
Liabilities							
Segment liabilities	184,091	207,631	4,316	264,275	660,313	(86,576)	573,737
Unallocated liabilities	-	-	-	-	28,647	114	28,761
Total liabilities	<u>184,091</u>	<u>207,631</u>	<u>4,316</u>	<u>264,275</u>	<u>688,960</u>	<u>(86,462)</u>	<u>602,498</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 28 August 2017 (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

There were no changes in the Group composition during the quarter under review.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2017.

As at 28 August 2017 (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 2017, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>8,623</u></u>

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16. Related party disclosures

The Group has related party relationship with the following:

- i) associate company and its subsidiaries ("associated company")
- ii) a company in which a Director has substantial financial interests ("related party")

Related party transactions have been entered into the normal course of business under trade terms. The significant related party transactions of the Group are as follows:

	Current Year-to-date 30/06/2017 RM'000
Sales of goods to associated companies	641
Sales of machinery and moulds to associated companies	<u>1,203</u>
Purchases of goods from a related party	389
Purchases of goods from associated companies	<u>17,916</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 30 August 2017.

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

1. Review of performance

(a) Current quarter ended 30 June 2017 ("Q2, 2017") compared with previous corresponding quarter ended 30 June 2016 ("Q2, 2016")

The Group's revenue increased from RM242.0 million in Q2, 2016 to RM276.3 million in Q2, 2017. Profit before taxation and profit after taxation decreased from RM32.6 million and RM27.0 million in Q2, 2016 to RM19.1 million and RM15.0 million respectively in Q2, 2017.

General Cans division

The General Cans division generated total operating revenue of RM130.7 million in Q2, 2017, an increase of 35.0% from RM96.8 million in Q2, 2016 mainly due to active customers engagement activities for Tin Cans segment and Jerry Cans segment. In tandem with the increase in revenue, profit before taxation of the division for Q2, 2017 improved due to higher sales and better production efficiency.

Food Products division

Revenue of Food Products division increased by 2.9% from RM170.2 million in Q2, 2016 to RM175.2 million in Q2, 2017 attributable to effective execution of sales plan. Profit before taxation for Q2, 2017, however, dropped to RM10.4 million mainly due to higher raw material cost.

International Trading division

Revenue of International Trading division increased by RM12.2 million to RM27.5 million in Q2, 2017 due to increase in sales implementation of customers engagement activities for both milk products and resin. In tandem with the increased revenue, profit before taxation of this division increased by RM0.3 million compared to Q2, 2016.

Investment in associate

Associated company, Kian Joo Can Factory Berhad ("KJCF") contributed RM4.8 million net profit to the Group in Q2, 2017, a decrease of RM8.0 million compared with Q2, 2016 mainly due to higher material and production cost.

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1. Review of performance (cont'd.)

(b) *Current year-to-date ended 30 June 2017 ("YTD Q2, 2017") compared with previous year-to-date ended 30 June 2016 ("YTD Q2, 2016")*

The Group's revenue increased from RM446.9 million in YTD Q2, 2016 to RM537.3 million in YTD Q2, 2017. Profit before taxation and profit after taxation decreased from RM48.5 million and RM37.9 million in YTD Q2, 2016 to RM38.9 million and RM30.1 million respectively in YTD Q2, 2017.

General Cans division

The Revenue of General Cans division for YTD Q2, 2017 was RM242.4 million, an increase of RM57.9 million compared to YTD Q2 2016, mainly due to active customers engagement activities for Tin Cans segment and Jerry Cans segment. Profit before taxation for YTD Q2, 2017 of RM12.9 million was higher than YTD Q2, 2016 by RM8.4 million mainly due to higher sales.

Food Products division

Revenue of Food Products division increased by 13.4% to RM344.0 million for YTD Q2, 2017 compared to YTD Q2, 2016 mainly due to effective execution of sales plan. Profit before taxation declined by RM12.9 million to RM22.7 million compared to YTD Q2, 2016 mainly due to higher raw material cost as well as higher distribution expenses, financial expenses and unfavourable foreign exchange.

International Trading division

Revenue of International Trading division increased by RM22.1 million to RM52.1 million in YTD Q2, 2017 due to increase in sales for both milk products and resin. In tandem, profit before taxation of this division increased by RM0.8 million compared to YTD Q2, 2016.

Investment in associate

The share of equity results of the associate, KJCF, decreased by RM5.8 million to RM10.7 million compared to YTD Q2, 2016 mainly due to higher direct materials and production cost as well as lower gain on derivative financial instruments.

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2. Variation of results against immediate preceding quarter ended 31 March 2017 ("Q1, 2017")

	Current Quarter 30/06/2017 RM'000	Immediate Preceding Quarter 31/03/2017 RM'000	Changes RM'000
Revenue	276,350	260,963	15,387
Operating Profit	19,461	19,106	355
Profit Before Interest and Taxation	24,260	24,999	(739)
Profit Before Taxation	19,140	19,788	(648)
Profit After Taxation / Profit Attributable to Owners of the Company	<u>14,998</u>	<u>15,078</u>	<u>(80)</u>

Revenue in current quarter under review increased by RM15.4 million from RM261.0 million in Q1, 2017 to RM276.3 million in Q2, 2017 due to growth in sales demand by all divisions.

Profit before taxation decreased by RM0.6 million compared to Q1, 2017 mainly due to sales mix and higher material cost offset by lower sales and distribution expenses.

General Cans division

Revenue of General Cans division increased from RM111.7 million in Q1, 2017 to RM130.7 million in Q2, 2017 mainly due to active customers engagement activities in Tin Cans segment and Jerry Cans segment. Profit before taxation increased by RM3.2 million compared to the last quarter attributable mainly to higher sales and better production efficiency.

Food Products division

Revenue from Food Products division increased from RM168.8 million in Q1, 2017 to RM175.2 million in Q2, 2017 due to sales growth in all dairy products. Profit before taxation was lowered by RM1.9 million compared to Q1, 2017 mainly due to product mix and higher raw material cost offset against lower sales and distribution expenses.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

2. Variation of results against immediate preceding quarter ended 31 March 2017 ("Q1, 2017") (cont'd)

International Trading division

International Trading division recorded an increase in turnover of RM2.9 million from RM24.6 million in Q1, 2017 to RM27.5 million in Q2, 2017. Profit before taxation decreased marginally from RM0.6 million to RM0.4 million in Q2, 2017.

Investment in associate

Investment in associate, KJCF, contributed a profit (net of tax) of RM4.8 million in Q2, 2017 compared to RM5.9 million in Q1, 2017 mainly due to higher material, operating and finance costs.

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3. Prospects

The Management expects the Group's operating environment to remain challenging and competitive due to high direct material and production costs. Nevertheless the Management is optimistic in managing the challenges and continue to strive to improve productivity and operational efficiency and to negotiate with its customers to absorb part of the cost increase.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current Quarter ended 30/06/2017 RM'000	Preceding year corresponding quarter ended 30/06/2016 RM'000	Current year-to-date ended 30/06/2017 RM'000	Preceding year-to-date ended 30/06/2016 RM'000
Current tax expense				
- Current year	5,814	6,801	9,628	11,299
- Prior year	(8)	(113)	(8)	(177)
Deferred tax expense	(1,664)	(1,081)	(768)	(592)
	<u>4,142</u>	<u>5,607</u>	<u>8,852</u>	<u>10,530</u>

The effective tax rate of the Group was lower than the statutory tax rate due to share of results from associate what has been accounted net of tax.

6. Status of Corporate Proposals

There were no corporate proposals announced which have not been completed as at 28 August 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

7. Group borrowings and debts securities

Group borrowings as at 30 June 2017 are as follows :

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	682	713
Term loans	47,140	41,227
Bankers acceptances	21,169	10,360
	<u>68,991</u>	<u>52,300</u>
Unsecured		
Bills receivable financing	5,654	5,329
Term loans	10,951	12,927
Bankers acceptances	141,327	70,879
Revolving credits	33,000	15,000
	<u>259,923</u>	<u>156,435</u>
Non-current		
Secured		
Finance leases	1,259	1,580
Term loans	154,589	178,159
	<u>155,848</u>	<u>179,739</u>
Unsecured		
Term loans	33,425	38,475
	<u>189,273</u>	<u>218,214</u>
Total borrowings in RM	<u>449,196</u>	<u>374,649</u>
Borrowings denominated in USD		
Current		
Secured		
Bills receivable financing	-	639
Foreign currencies trade loans	-	17,185
Unsecured		
Foreign currencies trade loans	14,938	80,097
Revolving credits	2,147	2,916
Total borrowings in USD	<u>17,085</u>	<u>100,837</u>
Total Group borrowings	<u>466,281</u>	<u>475,486</u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

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

The interest rates for the borrowings are as follows:

	As at 30/06/2017 %	As at 30/06/2016 %
Term loans:		
- Fixed	3.05 - 4.77	3.05 - 4.77
- Floating	4.11 - 5.71	4.71 - 5.71
Trade facilities	1.82 - 4.23	2.34 - 4.03
Finance leases	2.34 - 3.25	2.34 - 3.25
Bills receivable financing	-	1.68 - 1.71
Revolving credits	3.32 - 4.45	2.83 - 4.41

There are no major changes in the Group total borrowings and certain amount of the Group borrowings denominated in USD were hedged.

8. Retained Earnings

	As at 30/06/2017 RM'000	As at 31/12/2016 RM'000
Total retained earnings of Company		
- Realised	445,172	419,671
- Unrealised	15,875	(17,742)
	<u>461,047</u>	<u>401,929</u>
Total share of retained earnings in associate		
- Realised	229,233	226,436
- Unrealised	74,758	66,863
Add: Consolidated adjustments	(128,842)	(121,837)
Total Group retained earnings as per Consolidated Accounts	<u>636,196</u>	<u>573,391</u>

CAN-ONE BERHAD
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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

9. Profit before taxation

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

	Current Quarter ended 30/06/2017 RM'000	Preceding year corresponding quarter ended 30/06/2016 RM'000	Current year-to-date ended 30/06/2017 RM'000	Preceding year-to-date ended 30/06/2016 RM'000
Interest income	(202)	(159)	(439)	(328)
Other expenses/(income)	(2,402)	(689)	(2,383)	(1,548)
Interest expense	5,322	5,187	10,770	10,709
Depreciation and amortisation	5,965	5,544	11,468	11,058
Property, plant and equipment written off	-	26	-	26
(Gain)/Loss on disposal of plant and equipment	(2,316)	-	(2,415)	(4)
(Gain)/Loss on foreign exchange	3,948	(2,219)	4,977	1,962
(Gain)/Loss on derivative financial instruments	(98)	891	(6)	(620)

10. Changes in material litigation

There was no pending material litigation as at 28 August 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. Dividend

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2017

12. Earnings per share

The basic earnings per share are computed as follows :

	Current Quarter ended 30/06/2017	Preceding year corresponding quarter ended 30/06/2016	Current year-to-date ended 30/06/2017	Preceding year-to-date ended 30/06/2016
Net profit attributable to shareholders of the company (RM'000)	14,998	26,995	30,076	37,948
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>7.81</u>	<u>14.05</u>	<u>15.65</u>	<u>19.75</u>

Dated : 30 August 2017
Petaling Jaya,
Selangor Darul Ehsan