

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results as at 31 December 2017. The figures have not been audited.
(Financial year ended 31 December 2017)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/12/2017 RM'000	As at 31/12/2016 (Audited) RM'000
Non-current assets		
Property, plant and equipment	351,629	367,042
Intangible assets	235	543
Investment in associate	515,928	502,345
Goodwill on consolidation	1,408	1,408
Total non-current assets	869,200	871,338
Current assets		
Inventories	170,955	152,789
Trade and other receivables	365,620	276,729
Current tax assets	782	2,973
Derivative financial assets	10	-
Cash and cash equivalents	95,556	82,706
Assets classified as held for sale	-	2,357
Total current assets	632,923	517,554
Total assets	1,502,123	1,388,892
Equity		
Share capital	197,660	96,077
Reserves	595,586	652,419
	793,246	748,496
Liabilities		
Loans and borrowings	258,687	218,214
Deferred tax liabilities	30,914	32,093
Total non-current liabilities	289,601	250,307
Loans and borrowings	240,965	257,272
Trade and other payables	177,211	130,155
Current tax payables	1,100	2,565
Derivative financial liabilities	-	97
Total current liabilities	419,276	390,089
Total liabilities	708,877	640,396
Total equity and liabilities	1,502,123	1,388,892
Net assets per share attributable to equity holders of the Company (Sen)	412.82	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.

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the Financial Year ended 31 December 2017. The figures have not been audited.

(Financial year ended 31 December 2017)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Changes %	Current year ended 31/12/2017 RM'000	Preceding year ended 31/12/2016 RM'000	Changes %
Continuing Operations						
Revenue	300,815	267,644	12%	1,136,336	928,178	22%
Cost of sales	(271,121)	(227,326)		(1,015,389)	(802,767)	
Gross profit	29,694	40,318	(26%)	120,947	125,411	(4%)
Other income/(expenses)	(4,882)	(2,840)		(2,908)	(996)	
Sales and distribution expenses	(4,207)	(2,803)		(14,142)	(10,954)	
Administrative expenses	(7,706)	(7,422)		(29,122)	(28,005)	
Profit from operations	12,899	27,253	(53%)	74,775	85,456	(12%)
Interest income	523	161		1,157	668	
Finance costs	(6,154)	(4,870)		(22,404)	(20,754)	
Net finance cost	(5,631)	(4,709)		(21,247)	(20,086)	
Share of profit of equity-accounted investees, net of tax	15,254	8,514		28,899	41,616	
Profit before tax	22,522	31,058	(27%)	82,427	106,986	(23%)
Tax expense	(4,948)	(6,274)		(18,852)	(20,613)	
Profit for the period	17,574	24,784	(29%)	63,575	86,373	(26%)

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(Financial year ended 31 December 2017)

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

	Current quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Changes %	Current year ended 31/12/2017 RM'000	Preceding year ended 31/12/2016 RM'000	Changes %
Profit for the period	17,574	24,784	(29%)	63,575	86,373	(26%)
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	(623)	1,802		(1,668)	1,123	
- A subsidiary with functional currency other than Ringgit Malaysia	-	9,341		-	4,613	
- Share of other income/(loss) of associate	(3,890)	3,812		(9,471)	2,515	
Total comprehensive income for the period attributable to the Owners of the Company	13,061	39,739	(67%)	52,436	94,624	(45%)
Earnings per share						
Basic (Sen)	9.15	12.90		33.09	44.95	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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(Financial year ended 31 December 2017)

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 translatio n reserve RM'000	Retained profits RM'000	Total equity RM'000
Current year ended 31 December 2017						
Balance at 1 January 2017	96,077	101,583	(75,441)	52,886	573,391	748,496
Comprehensive income for the year						
Profit for the year	-	-	-	-	63,575	63,575
Dividend paid	-	-	-	-	(7,686)	(7,686)
Currency translation differences of foreign operations	-	-	-	(1,668)	-	(1,668)
Effect of change in functional currency of a subsidiary	-	-	-	(32,729)	32,729	-
Share of currency translation differences of associate	-	-	-	(9,471)	-	(9,471)
Transfer in accordance with Section 618(2) of the Companies Act, 2016 (Note ¹)	101,583	(101,583)	-	-	-	-
Total comprehensive income for the year	<u>101,583</u>	<u>(101,583)</u>	<u>-</u>	<u>(43,868)</u>	<u>88,618</u>	<u>44,750</u>
Balance at 31 December 2017	<u>197,660</u>	<u>-</u>	<u>(75,441)</u>	<u>9,018</u>	<u>662,009</u>	<u>793,246</u>
Preceding year corresponding year ended 31 December 2016						
Balance at 1 January 2016	96,077	101,583	(75,441)	44,635	494,704	661,558
Comprehensive income for the year						
Profit for the year	-	-	-	-	86,373	86,373
Dividend Paid	-	-	-	-	(7,686)	(7,686)
Currency translation differences of foreign operations	-	-	-	1,123	-	1,123
Foreign currency translation differences for a subsidiary with functional currency other than Ringgit Malaysia	-	-	-	4,613	-	4,613
Share of currency translation differences of associate	-	-	-	2,515	-	2,515
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,251</u>	<u>78,687</u>	<u>86,938</u>
Balance at 31 December 2016	<u>96,077</u>	<u>101,583</u>	<u>(75,441)</u>	<u>52,886</u>	<u>573,391</u>	<u>748,496</u>

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.

NOTE:

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(Financial year ended 31 December 2017)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year ended 31/12/2017 RM'000	Preceding year ended 31/12/2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	82,427	106,986
Adjustments:		
Interest expense	22,404	20,754
Interest income	(1,157)	(668)
Property, plant and equipment written off	539	17
Impairment loss on property, plant and equipment	-	779
Impairment loss on receivables, net	613	1,203
Bad debts written-off	12	-
Amortisation of intangible assets	308	193
Depreciation of property, plant and equipment	23,241	22,597
Unrealised (gain)/loss on forward exchange contracts	(107)	98
(Gain)/Loss on disposal of property, plant and equipment	(5,724)	310
Share of profit of equity-accounted investee, net of tax	(28,899)	(41,616)
Operating profit before changes in working capital	<u>93,657</u>	<u>110,653</u>
Inventories	(18,456)	(11,486)
Trade and other receivables	(75,454)	32,057
Trade and other payables	48,609	23,745
Cash generated from operations	<u>48,356</u>	<u>154,969</u>
Tax paid	(19,437)	(21,905)
Net cash from operating activities	<u>28,919</u>	<u>133,064</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	9,713	93
Acquisition of intangible assets	-	(367)
Acquisition of property, plant and equipment	(25,783)	(18,985)
Dividend received	5,845	2,923
Interest received	1,157	668
Net cash used in investing activities	<u>(9,068)</u>	<u>(15,668)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(22,404)	(20,754)
Dividend paid	(7,686)	(7,686)
Net movement in borrowings	23,677	(67,700)
Pledged deposits for bank borrowings	(524)	(235)
Net cash flows generated from financing activities	<u>(6,937)</u>	<u>(96,375)</u>
Net increase in cash and cash equivalent	<u>12,914</u>	<u>21,021</u>
Effects of changes in foreign currency rates	(319)	2,278
Cash and cash equivalent brought forward	75,421	52,122
Cash and cash equivalent carried forward	<u>88,016</u>	<u>75,421</u>
Comprises :		
Cash and bank balances	82,003	67,839
Short term deposits with licensed banks (excluding deposits pledged)	6,013	7,582
	<u>88,016</u>	<u>75,421</u>

The above excluded short term deposits placed with a licensed bank of RM7,540,000 (2016 : RM7,285,000) pledged for bank borrowings.

NOTE:

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOURTH QUARTER ENDED 31 DECEMBER 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 except for the adoption of the following which are applicable to the financial statements.

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 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

MFRS 16	<i>Leases</i>
IC Interpretation 23	<i>Uncertainty over Income Tax Treatments</i>
Amendments to MFRS 3	<i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 9	<i>Financial Instruments – Prepayment Features with Negative Compensation**</i>
Amendments to MFRS 11	<i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)**</i>
Amendments to MFRS 12	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 123	<i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 128	<i>Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures</i>

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

MFRS 17	<i>Insurance Contracts**</i>
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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
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2. Significant Accounting Policies (cont'd)

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

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group except as mentioned below:

(i) MFRS 15, Revenue from Contracts with Customers

The Group has assessed the estimated impact that the initial application of MFRS 15 will have on its consolidated financial statements as at 1 January 2018. The estimated impact is based on assessment undertaken to date and has no material financial impact in the consolidated financial statements.

(ii) MFRS 9, Financial Instruments

The Group has assessed the estimated impact that the initial application of MFRS 9 will have on its consolidated financial statements as at 1 January 2018. The initial application of the accounting standard, amendment and interpretation are not expected to have any material financial impacts to the current period and prior period financial statements of the Group.

(iii) MFRS 16, Leases

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 16.

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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 31/12/2017	At 31/12/2016
	RM'000	RM'000
Share of net assets in associate	<u>515,928</u>	<u>502,345</u>
Market value	<u>438,395</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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FOURTH QUARTER ENDED 31 DECEMBER 2017

9. Dividend paid

There was no dividend paid during the quarter under review.

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 31 December 2017 are as follows :

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOURTH QUARTER ENDED 31 DECEMBER 2017

10. Segment information (cont'd)

	Year ended 31/12/2017						
	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	476,685	754,216	110,176	35,066	1,376,143	(239,807)	1,136,336
Inter-segment sales	15,815	-	-	20,145	35,960	(35,960)	-
	<u>492,500</u>	<u>754,216</u>	<u>110,176</u>	<u>55,211</u>	<u>1,412,103</u>	<u>(275,767)</u>	<u>1,136,336</u>
Results							
Segment results	28,217	50,393	2,186	28,266	109,062	(34,287)	74,775
Interest income	1,926	477	-	835	3,238	(2,081)	1,157
Financial expenses	(6,156)	(5,606)	-	(12,723)	(24,485)	2,081	(22,404)
Share of profit after tax of associate	-	-	-	28,899	28,899	-	28,899
Profit before taxation	<u>23,987</u>	<u>45,264</u>	<u>2,186</u>	<u>45,277</u>	<u>116,714</u>	<u>(34,287)</u>	<u>82,427</u>
Assets							
Segment assets	438,064	544,451	29,562	544,525	1,556,602	(55,261)	1,501,341
Unallocated assets	-	-	-	-	782	-	782
Total assets	<u>438,064</u>	<u>544,451</u>	<u>29,562</u>	<u>544,525</u>	<u>1,557,384</u>	<u>(55,261)</u>	<u>1,502,123</u>
Liabilities							
Segment liabilities	198,284	291,165	21,405	223,882	734,736	(57,873)	676,863
Unallocated liabilities	-	-	-	-	32,014	-	32,014
Total liabilities	<u>198,284</u>	<u>291,165</u>	<u>21,405</u>	<u>223,882</u>	<u>766,750</u>	<u>(57,873)</u>	<u>708,877</u>
Preceding Year ended 31/12/2016							
	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	390,509	617,497	72,389	51,670	1,132,065	(203,887)	928,178
Inter-segment sales	10,356	-	-	39,123	49,479	(49,479)	-
	<u>400,865</u>	<u>617,497</u>	<u>72,389</u>	<u>90,793</u>	<u>1,181,544</u>	<u>(151,657)</u>	<u>928,178</u>
Results							
Segment results	19,545	66,618	657	39,793	126,613	(41,157)	85,456
Interest income	1,206	784	-	577	2,567	(1,899)	668
Finance expenses	(5,228)	(3,630)	(4)	(13,791)	(22,653)	1,899	(20,754)
Share of profit after tax of associate	-	-	-	41,616	41,616	-	41,616
Profit before taxation	<u>15,523</u>	<u>63,772</u>	<u>653</u>	<u>68,195</u>	<u>148,143</u>	<u>(41,157)</u>	<u>106,986</u>
Assets							
Segment assets	415,036	463,103	24,858	511,089	1,414,086	(28,167)	1,385,919
Unallocated assets	-	-	-	-	2,973	-	2,973
Total assets	<u>415,036</u>	<u>463,103</u>	<u>24,858</u>	<u>511,089</u>	<u>1,417,059</u>	<u>(28,167)</u>	<u>1,388,892</u>
Liabilities							
Segment liabilities	184,846	231,030	13,890	206,759	636,525	(30,787)	605,738
Unallocated liabilities	-	-	-	-	34,658	-	34,658
Total liabilities	<u>184,846</u>	<u>231,030</u>	<u>13,890</u>	<u>206,759</u>	<u>671,183</u>	<u>(30,787)</u>	<u>640,396</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

Acquisition of 100% equity stake in Hinoki Beverages Sdn. Bhd. (formerly known as Hinoki Plas Sdn. Bhd.) ("HBSB") by wholly-owned subsidiary, Amber Alliance Sdn. Bhd. ("AASB")

AASB, a wholly-owned subsidiary of COB had on 17 January 2018 acquired 2 ordinary shares representing the entire issued and paid-up capital of HBSB at a total cash consideration of RM2.00. The share transfer instruments were successfully effected on 17 January 2018. The intended business activity of HBSB will be the provision of contract packaging services.

Save for the above, as at 26 February 2018 (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 as at 31 December 2017.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 31 December 2017.

As at 26 February 2018 (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.

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FOURTH QUARTER ENDED 31 DECEMBER 2017

15. Capital commitment

As at 31 December 2017, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>35,837</u></u>

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 ended 31/12/2017 RM'000
Sales of goods to associated companies	767
Sales of machinery and moulds to associated companies	<u><u>1,203</u></u>
Purchases of goods from a related party	852
Purchases of goods from associated companies	<u><u>37,298</u></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 February 2018.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOURTH QUARTER ENDED 31 DECEMBER 2017

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

1. Review of performance

(a) Current quarter ended 31 December 2017 ("Q4, 2017") compared with previous corresponding quarter ended 31 December 2016 ("Q4, 2016")

The Group's revenue increased from RM267.6 million in Q4, 2016 to RM300.8 million in Q4, 2017. Profit before taxation and profit after taxation decreased from RM31.1 million and RM24.8 million in Q4, 2016 to RM22.5 million and RM17.6 million respectively in Q4, 2017.

General Cans division

The General Cans division generated total revenue of RM124.8 million in Q4, 2017, a net increase of RM2.7 million from RM122.1 million in Q4, 2016. Profit before taxation however decreased by RM7.1 million to RM1.8 million in Q4, 2017 attributable to higher raw material cost and lower jerry can sales.

Food Products division

Revenue in Food Products division grew by RM36.2 million compared to RM171.0 million in Q4, 2016 mainly due to effective execution of sales plan. Profit before taxation for Q4, 2017 however contracted by RM4.9 million compared to Q4, 2016 mainly due to sales mix, higher raw material cost and foreign exchange loss.

International Trading division

Revenue of International Trading division increased by RM2.8 million compared to RM29.2 million in Q4, 2016 due to improved trading activities in milk products. In tandem with the increased revenue, profit before taxation rose by RM0.2 million to RM0.6 million in Q4, 2017.

Investment in associate

The Group has equity accounted the results of associated company, Kian Joo Can Factory Berhad ("KJCF") amounting to RM15.3 million (net of tax) in Q4, 2017, an increase of RM6.7 million compared with Q4, 2016. Overall KJCF reported a lower profit before taxation due to higher material cost, write off of aging inventories and write down of slow moving inventories. However, profit after taxation improved due to lower tax expenses as a result of adjustment in deferred taxation.

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FOURTH QUARTER ENDED 31 DECEMBER 2017

1. Review of performance (cont'd.)

(b) *Current financial year ended 31 December 2017 ("FYE 2017") compared with previous financial year ended 31 December 2016 ("FYE 2016")*

The Group recorded an increase in net revenue by 22.4% or RM208.2 million to RM1,136.3 million in FYE 2017 as compared to FYE 2016. Profit before taxation and profit after taxation decreased from RM107.0 million and RM86.4 million in FYE 2016 to RM82.4 million and RM63.6 million respectively in FYE 2017.

General Cans division

The Revenue of General Cans division for FYE 2017 was RM492.5 million, an substantial growth of RM91.6 million compared to FYE 2016, mainly due to active sales engagement activities with customers. Profit before taxation improved by RM9.2 million to RM24.5 million in FYE 2017 mainly attributable to revenue growth, sales mix, reduced losses in Flexi Pack segment as well as gain on disposal of property, plant and equipment.

Food Products division

Food Products division generated revenue of RM754.2 million in FYE 2017, an increase of RM136.7 million compared to FYE 2016, mainly due to effective execution of sales plan. However, profit before taxation contracted by RM18.5 million to RM45.3 million compared to FYE 2016. Overall profit was compressed mainly due to sales mix, higher raw material cost, higher distribution expenses, foreign exchange loss and higher financial expenses.

International Trading division

Revenue of International Trading division increased by RM37.8 million to RM110.2 million in FYE 2017 due to increase in trading activities. In tandem with the increase in revenue, profit before taxation increased by RM1.5 million to RM2.2 million in FYE 2017.

Investment in associate

The share of equity results of the associate, KJCF, decreased by RM12.7 million to RM28.9 million compared to FYE 2016 mainly due to higher raw material cost of tin plates, aluminium and paper rolls, lower unrealised gain on hedging instrument and increased in financial cost and preoperating expenses in Myanmar.

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2. Variation of results against immediate preceding quarter ended 30 September 2017 ("Q3, 2017")

	Current Quarter 31/12/2017 RM'000	Immediate Preceding Quarter 30/09/2017 RM'000	Changes RM'000
Revenue	300,815	298,208	2,607
Operating Profit	12,899	23,309	(10,410)
Profit Before Interest and Taxation	28,153	26,262	1,891
Profit Before Taxation	22,522	20,977	1,545
Profit After Taxation / Profit Attributable to Owners of the Company	<u>17,574</u>	<u>15,925</u>	<u>1,649</u>

Revenue in current quarter under review increased from RM298.2 million in Q3, 2017 to RM300.8 million in Q4, 2017. Profit before taxation increased by RM1.5 million compared to Q3, 2017.

General Cans division

Revenue of General Cans division decreased marginally by 0.4% from RM125.3 million in Q3, 2017 to RM124.8 million in Q4, 2017 mainly due to decline in sales demand of Jerry Cans segment offset against higher sales in Tin Cans segment. Profit before taxation decreased by RM7.8 million compared to the last quarter mainly due to lower sales, higher raw material cost and gain on disposal of property, plant and equipment recorded in last quarter.

Food Products division

Revenue from Food Products division increased by 2.1% to RM207.2 million in Q4, 2017. Profit before taxation however decreased marginally by RM0.3 million to RM11.1 million in Q4, 2017 mainly due to foreign exchange loss and higher distribution expenses.

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2. Variation of results against immediate preceding quarter ended 30 September 2017 ("Q3, 2017") (cont'd)

International Trading division

International Trading division recorded an increase in turnover of RM5.9 million from RM26.1 million in Q3, 2017 to RM32.0 million in Q4, 2017. Profit before taxation increased slightly from RM0.6 million to RM0.7 million in Q4, 2017.

Investment in associate

Investment in associate, KJCF, contributed a profit (net of tax) of RM15.3 million in current quarter, an increase of RM12.3 million from last quarter. This was attributable to higher sales, selling price adjustment, better cost management, increased in production efficiency and lower tax expenses.

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3. Prospects

The Management expects the Group's operating environment for the financial year ending 2018 to remain challenging and competitive due to the higher raw material and production costs together with intense price pressure from competitors. Nevertheless, the Management expects the market to remain resilient with revenue growth for the Group products. The Management will strive to continue to improve productivity and enhance its operational efficiency to deliver sustainable growth and satisfactory results for the Group.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Current year ended 31/12/2017 RM'000	Preceding year ended 31/12/2016 RM'000
Current tax expense				
- Current year	5,228	6,663	20,023	23,127
- Prior year	(3)	(12)	(2)	(1,908)
Deferred tax expense	(277)	(377)	(1,169)	(606)
	<u>4,948</u>	<u>6,274</u>	<u>18,852</u>	<u>20,613</u>

Effective tax rate of the Group was lower than the statutory income tax rate due to share of results from associate which has been accounted net of tax.

6. Status of Corporate Proposals

There were no corporate proposals announced which have not been completed as at 26 February 2018 (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 31 December 2017 are as follows :

	As at 31/12/2017 RM'000	As at 31/12/2016 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	656	713
Term loans	2,726	41,227
Bankers acceptances	29,774	10,360
	<u>33,156</u>	<u>52,300</u>
Unsecured		
Bills receivable financing	5,482	5,329
Term loans	12,348	12,927
Bankers acceptances	143,691	70,879
Revolving credits	6,000	15,000
	<u>200,677</u>	<u>156,435</u>
Non-current		
Secured		
Finance leases	1,388	1,580
Term loans	222,827	178,159
	<u>224,215</u>	<u>179,739</u>
Unsecured		
Term loans	34,472	38,475
	<u>258,687</u>	<u>218,214</u>
Total borrowings in RM	<u><u>459,364</u></u>	<u><u>374,649</u></u>
Borrowings denominated in USD		
Current		
Secured		
Bills receivable financing	-	639
Foreign currencies trade loans	7,417	17,185
Unsecured		
Foreign currencies trade loans	28,823	80,097
Revolving credits	4,048	2,916
Total borrowings in USD	<u>40,288</u>	<u>100,837</u>
Total Group borrowings	<u><u>499,652</u></u>	<u><u>475,486</u></u>

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

The interest rates for the borrowings are as follows :

	As at 31/12/2017 %	As at 31/12/2016 %
Term loans:		
- Fixed	3.05	3.05 - 4.77
- Floating	4.20 - 6.15	4.71 - 5.71
Trade facilities	2.08 - 4.09	2.34 - 4.03
Finance leases	1.88 - 3.25	2.34 - 3.25
Bills receivable financing	-	1.68 - 1.71
Revolving credits	<u>3.63 - 4.80</u>	<u>2.83 - 4.41</u>

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

8. Derivatives

	As at 31/12/2017		As at 31/12/2016	
	Contracted value RM'000	Fair value RM'000	Contracted value RM'000	Fair value RM'000
Derivatives held for trading at fair value, net				
- Forward exchange contracts	<u>53</u>	<u>63</u>	<u>181</u>	<u>84</u>

The Group uses forward exchange contracts to hedge its foreign currency risks. All of the forward exchange contracts have maturities of less than 1 year after the end of the reporting period. When necessary, the forward exchange contracts are rolled over at maturity.

The fair value represents marked-to-market value. The different between the fair value and the contracted value was recognised in profit or loss statement.

Other than the forward exchange contracts which were measured at fair value, the Group does not remeasure other financial liabilities after initial recognition.

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FOURTH QUARTER ENDED 31 DECEMBER 2017

9. Profit before taxation

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

	Current Quarter ended 31/12/2017 RM'000	Preceding year corresponding quarter ended 31/12/2016 RM'000	Current year ended 31/12/2017 RM'000	Preceding year ended 31/12/2016 RM'000
Interest income	(523)	(161)	(1,157)	(668)
Other expenses/(income)	505	1,237	(2,438)	(672)
Interest expense	6,154	4,870	22,404	20,754
Depreciation and amortisation	6,056	5,872	23,549	22,790
Property, plant and equipment written off	539	(9)	539	17
Bad debts written-off	-	-	12	-
Impairment loss of receivables, net	288	(134)	613	1,203
Impairment loss of property, plant and equipment	-	235	-	779
(Gain)/Loss on disposal of property, plant and equipment	628	316	(5,724)	310
(Gain)/Loss on foreign exchange	3,181	885	10,541	464
(Gain)/Loss on derivative financial instruments	31	171	(10)	97

10. Changes in material litigation

There was no pending material litigation as at 26 February 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. Dividend

The Directors are recommending a first and final single-tier dividend of 4 sen per share amounting to RM7,686,120.00 in respect of the financial year ended 31 December 2017 (2016 : 4 sen), subject to the approval of shareholders at the forthcoming Annual General Meeting of the Company.

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FOURTH QUARTER ENDED 31 DECEMBER 2017

12. Earnings per share

The basic earnings per share are computed as follows :

	Current Quarter ended 31/12/2017	Preceding year corresponding quarter ended 31/12/2016	Current year ended 31/12/2017	Preceding year ended 31/12/2016
Net profit attributable to shareholders of the company (RM'000)	17,574	24,784	63,575	86,373
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>9.15</u>	<u>12.90</u>	<u>33.09</u>	<u>44.95</u>

Dated : 28 February 2018
Petaling Jaya,
Selangor Darul Ehsan