

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for the First Quarter ended 31 March 2018. The figures have not been audited.

(Financial year ending 31 December 2018)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31/03/2018 RM'000	As at 31/12/2017 (Audited) RM'000
Non-current assets		
Property, plant and equipment	376,897	351,629
Intangible assets	201	235
Investment in associate	514,123	515,928
Goodwill on consolidation	1,424	1,408
Total non-current assets	<u>892,645</u>	<u>869,200</u>
Current assets		
Inventories	132,651	170,955
Trade and other receivables	357,545	365,620
Current tax assets	725	782
Derivative financial assets	145	10
Cash and cash equivalents	92,505	95,556
Total current assets	<u>583,571</u>	<u>632,923</u>
Total assets	<u><u>1,476,216</u></u>	<u><u>1,502,123</u></u>
Equity		
Share capital	197,660	197,660
Reserves	601,081	595,586
	<u>798,741</u>	<u>793,246</u>
Liabilities		
Loans and borrowings	254,620	258,687
Deferred tax liabilities	31,545	30,914
Total non-current liabilities	<u>286,165</u>	<u>289,601</u>
Loans and borrowings	245,028	240,965
Trade and other payables	146,029	177,211
Current tax payables	253	1,100
Total current liabilities	<u>391,310</u>	<u>419,276</u>
Total liabilities	<u>677,475</u>	<u>708,877</u>
Total equity and liabilities	<u><u>1,476,216</u></u>	<u><u>1,502,123</u></u>
Net assets per share attributable to equity holders of the Company (Sen)	<u>415.68</u>	<u>412.82</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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(Company No. 638899-K)

Quarterly report on consolidated results for the First Quarter ended 31 March 2018. The figures have not been audited.

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UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current quarter ended 31/03/2018 RM'000	Preceding year corresponding quarter ended 31/03/2017 RM'000	Changes %	Current year-to-date ended 31/03/2018 RM'000	Preceding year-to-date ended 31/03/2017 RM'000	Changes %
Continuing Operations						
Revenue	310,479	260,963	19%	310,479	260,963	19%
Cost of sales	(277,045)	(229,292)		(277,045)	(229,292)	
Gross profit	33,434	31,671	6%	33,434	31,671	6%
Other income/(expenses)	(2,737)	(1,041)		(2,737)	(1,041)	
Sales and distribution expenses	(4,371)	(4,063)		(4,371)	(4,063)	
Administrative expenses	(8,344)	(7,461)		(8,344)	(7,461)	
Profit from operations	17,982	19,106	(6%)	17,982	19,106	(6%)
Interest income	181	237		181	237	
Finance costs	(5,705)	(5,448)		(5,705)	(5,448)	
Net finance cost	(5,524)	(5,211)		(5,524)	(5,211)	
Share of profit of equity-accounted investees, net of tax	3,489	5,893		3,489	5,893	
Profit before tax	15,947	19,788	(19%)	15,947	19,788	(19%)
Tax expense	(4,522)	(4,710)		(4,522)	(4,710)	
Profit for the period	11,425	15,078	(24%)	11,425	15,078	(24%)

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

	Current quarter ended 31/03/2018 RM'000	Preceding year corresponding quarter ended 31/03/2017 RM'000	Changes %	Current year-to-date ended 31/03/2018 RM'000	Preceding year-to-date ended 31/03/2017 RM'000	Changes %
Profit for the period	11,425	15,078	(24%)	11,425	15,078	(24%)
Other comprehensive income						
Foreign currency translation differences for :						
- Foreign operations	(636)	(257)		(636)	(257)	
- Share of other income/(loss) of associate	(5,294)	(1,324)		(5,294)	(1,324)	
Total comprehensive income for the period attributable to the Owners of the Company	5,495	13,497	(59%)	5,495	13,497	(59%)
Earnings per share						
Basic (Sen)	5.95	7.85		5.95	7.85	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<----- Attributable to Owners of the Company ----->					Total equity RM'000
	<----- 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	
Current year ended 31 March 2018						
Balance at 1 January 2018	197,660	-	-	9,018	586,568	793,246
Comprehensive income for the year						
Profit for the year	-	-	-	-	11,425	11,425
Currency translation differences of foreign operations	-	-	-	(636)	-	(636)
Share of currency translation differences of associate	-	-	-	(5,294)	-	(5,294)
Total comprehensive income for the year	-	-	-	(5,930)	11,425	5,495
Balance at 31 March 2018	<u>197,660</u>	<u>-</u>	<u>-</u>	<u>3,088</u>	<u>597,993</u>	<u>798,741</u>
Preceding year corresponding year ended 31 March 2017						
Balance at 1 January 2017	96,077	101,583	(75,441)	52,886	573,039	748,144
Comprehensive income for the year						
Profit for the year	-	-	-	-	15,078	15,078
Currency translation differences of foreign operations	-	-	-	(257)	-	(257)
Foreign currency translation differences for a subsidiary with functional currency other than Ringgit Malaysia	-	-	-	(32,729)	32,729	-
Share of currency translation differences of associate	-	-	-	(1,324)	-	(1,324)
Transfer in accordance with Section 618(2) of the Companies Act, 2016 (Note ¹)	101,583	(101,583)	-	-	-	-
Total comprehensive income for the year	101,583	(101,583)	-	(34,310)	47,807	13,497
Balance at 31 March 2017	<u>197,660</u>	<u>-</u>	<u>(75,441)</u>	<u>18,576</u>	<u>620,846</u>	<u>761,641</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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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 31/03/2018 RM'000	Preceding year-to-date ended 31/03/2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	15,947	19,788
Adjustments:		
Interest expense	5,705	5,448
Interest income	(181)	(237)
Impairment loss on receivables, net	(15)	(833)
Amortisation of intangible assets	34	72
Depreciation of property, plant and equipment	5,667	5,431
Unrealised (gain)/loss on forward exchange contracts	(136)	(5)
(Gain)/Loss on disposal of property, plant and equipment	(66)	(99)
Share of profit of equity-accounted investee, net of tax	(3,489)	(5,893)
Operating profit before changes in working capital	<u>23,466</u>	<u>23,672</u>
Inventories	38,175	24,356
Trade and other receivables	(18,099)	(42,508)
Trade and other payables	(29,741)	(7,998)
Cash generated from operations	<u>13,801</u>	<u>(2,478)</u>
Tax paid	(4,698)	(4,470)
Net cash from operating activities	<u>9,103</u>	<u>(6,948)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	297	188
Goodwill acquired	(16)	-
Acquisition of property, plant and equipment	(6,352)	(7,847)
Interest received	181	237
Net cash used in investing activities	<u>(5,890)</u>	<u>(7,422)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(5,705)	(5,448)
Net movement in borrowings	(324)	722
Pledged deposits for bank borrowings	7,540	(69)
Net cash flows generated from financing activities	<u>1,511</u>	<u>(4,795)</u>
Net increase in cash and cash equivalent	<u>4,724</u>	<u>(19,165)</u>
Effects of changes in foreign currency rates	(235)	(53)
Cash and cash equivalent brought forward	88,016	75,421
Cash and cash equivalent carried forward	<u><u>92,505</u></u>	<u><u>56,203</u></u>
Comprises :		
Cash and bank balances	88,505	52,703
Short term deposits with licensed banks (excluding deposits pledged)	4,000	3,500
	<u><u>92,505</u></u>	<u><u>56,203</u></u>

The above excluded short term deposits placed with a licensed bank of RM Nil (2017 : RM7,353,000) pledged for bank borrowings.

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2018

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 2017. 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 2017.

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 2017 except for the following :

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 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>

The adoption of new standards do not have any material financial impact to the Group.

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2. Significant Accounting Policies (cont'd)

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>
Plan Amendment, Curtailment or Settlement (Amendments to MFRS 119 Employee Benefits)	

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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MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

Amendments to MFRS 10	<i>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</i>
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**** - 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 applications of the above mentioned accounting standards, amendments or interpretations are not expected to have any material financial impact on the Group.

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3. Auditors' report

The auditors' report dated 21 March 2018 on the financial statements for the financial year ended 31 December 2017 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 31/03/2018	At 31/12/2017
	RM'000	RM'000
Share of net assets in associate	<u>514,123</u>	<u>515,928</u>
Market value	<u>400,400</u>	<u>438,395</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

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 first quarter ended 31 March 2018 are as follows :

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FIRST QUARTER ENDED 31 MARCH 2018

10. Segment information (cont'd)

	Year-to-date ended 31/03/2018						
	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	119,166	220,331	36,017	57	375,571	(65,092)	310,479
Inter-segment sales	4,445	-	-	-	4,445	(4,445)	-
	<u>123,611</u>	<u>220,331</u>	<u>36,017</u>	<u>57</u>	<u>380,016</u>	<u>(69,537)</u>	<u>310,479</u>
Results							
Segment results	3,947	14,800	627	(3,186)	16,188	1,794	17,982
Interest income	143	137	-	89	369	(188)	181
Financial expenses	(1,342)	(1,631)	-	(2,920)	(5,893)	188	(5,705)
Share of profit after tax of associate	-	-	-	3,489	3,489	-	3,489
Profit before taxation	<u>2,748</u>	<u>13,306</u>	<u>627</u>	<u>(2,528)</u>	<u>14,153</u>	<u>1,794</u>	<u>15,947</u>
Assets							
Segment assets	425,079	543,256	26,848	561,890	1,557,073	(81,582)	1,475,491
Unallocated assets	-	-	-	-	725	-	725
Total assets	<u>425,079</u>	<u>543,256</u>	<u>26,848</u>	<u>561,890</u>	<u>1,557,798</u>	<u>(81,582)</u>	<u>1,476,216</u>
Liabilities							
Segment liabilities	184,311	274,679	18,436	252,450	729,876	(84,199)	645,677
Unallocated liabilities	-	-	-	-	31,684	114	31,798
Total liabilities	<u>184,311</u>	<u>274,679</u>	<u>18,436</u>	<u>252,450</u>	<u>761,560</u>	<u>(84,085)</u>	<u>677,475</u>
Preceding year-to-date ended 31/03/2017							
	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	108,410	168,829	24,634	231	302,104	(41,141)	260,963
Inter-segment sales	3,317	-	-	-	3,317	(3,317)	-
	<u>111,727</u>	<u>168,829</u>	<u>24,634</u>	<u>231</u>	<u>305,421</u>	<u>(44,458)</u>	<u>260,963</u>
Results							
Segment results	5,907	13,359	569	(1,615)	18,220	886	19,106
Interest income	406	131	-	148	685	(448)	237
Finance expenses	(1,506)	(1,224)	-	(3,166)	(5,896)	448	(5,448)
Share of profit after tax of associate	-	-	-	5,893	5,893	-	5,893
Profit before taxation	<u>4,807</u>	<u>12,266</u>	<u>569</u>	<u>1,260</u>	<u>18,902</u>	<u>886</u>	<u>19,788</u>
Assets							
Segment assets	450,282	466,300	25,055	533,978	1,475,615	(83,558)	1,392,057
Unallocated assets	-	-	-	-	3,027	-	3,027
Total assets	<u>450,282</u>	<u>466,300</u>	<u>25,055</u>	<u>533,978</u>	<u>1,478,642</u>	<u>(83,558)</u>	<u>1,395,084</u>
Liabilities							
Segment liabilities	211,345	219,483	13,672	239,931	684,431	(86,168)	598,263
Unallocated liabilities	-	-	-	-	35,180	-	35,180
Total liabilities	<u>211,345</u>	<u>219,483</u>	<u>13,672</u>	<u>239,931</u>	<u>719,611</u>	<u>(86,168)</u>	<u>633,443</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 May 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

Acquisition of 100% equity stake in Hinoki Beverages Sdn. Bhd. (formerly known as Hinoki Plas Sdn. Bhd.) ("Hinoki Beverages") 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 Hinoki Beverages at a total cash consideration of RM2.00. The share transfer instruments were successfully effected on 17 January 2018. The intended business activity of Hinoki Beverages will be the provision of contract packaging services.

Incorporation of a new wholly-owned subsidiary company, TOGO Palm Oils & Fats Sdn. Bhd. ("TOGO Palm")

On 13 March 2018, the Company incorporated a wholly-owned subsidiary known as TOGO Palm. TOGO Palm's share capital and number of issued share capital is RM2.00 comprising 2 ordinary shares. The intended principal activity of TOGO Palm is packing and blending of edible oils and fats.

Save for the above, as at 28 May 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there were no other changes in the Group Composition.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 31 March 2018.

As at 28 May 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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15. Capital commitment

As at 31 March 2018, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>51,890</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-to-date ended 31/03/2018 RM'000
Sales of goods to associated companies	<u><u>817</u></u>
Purchases of goods from a related party	95
Purchases of goods from associated companies	<u><u>10,280</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 31 May 2018.

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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 31 March 2018 ("Q1, 2018") compared with previous corresponding quarter ended 31 March 2017 ("Q1, 2017")

The Group's revenue increased from RM261.0 million in Q1, 2017 to RM310.5 million in Q1, 2018. Profit before taxation and profit after taxation decreased from RM19.8 million and RM15.1 million in Q1, 2017 to RM15.9 million and RM11.4 million respectively in Q1, 2018.

General Cans division

The General Cans division generated total revenue of RM123.6 million in Q1, 2018, a net increase of RM11.9 million from RM111.7 million in Q1, 2017. Profit before taxation however decreased by RM2.1 million to RM2.7 million in Q1, 2018 despite higher sales. This was attributable to higher raw material cost and production overhead.

Food Products division

Revenue in Food Products division grew by RM51.5 million in Q1, 2018 compared to RM168.8 million in Q1, 2017 mainly due to effective sales execution. The profit before taxation of Q1, 2018 increased by RM1.0 million to RM13.3 million mainly due to sales growth.

International Trading division

Revenue of International Trading division increased by RM11.4 million in Q1, 2018 compared to RM24.6 million in Q1, 2017 due to improve trading activities in milk products. The profit before taxation in Q1, 2018 approximates to Q1, 2017.

Investment in associate

The Group has equity accounted the results of associated company, Kian Joo Can Factory Berhad ("KJCF") amounting to RM3.5 million (net of tax) in Q1, 2018 compared to the RM5.9 million Q1, 2017. Overall, KJCF reported a lower profit before taxation mainly due to escalating cost of tin plate, aluminium and paper rolls coupled with unfavourable derivative financial instruments movement in current quarter compared to favourable derivative financial instruments movement in Q1, 2017.

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2. Variation of results against immediate preceding quarter ended 31 December 2017 ("Q4, 2017")

	Current Quarter 31/03/2018 RM'000	Immediate Preceding Quarter 31/12/2017 RM'000	Changes RM'000
Revenue	310,479	300,815	9,664
Operating Profit	17,982	12,899	5,083
Profit Before Interest and Taxation	21,471	28,153	(6,682)
Profit Before Taxation	15,947	22,522	(6,575)
Profit After Taxation / Profit Attributable to Owners of the Company	<u>11,425</u>	<u>17,574</u>	<u>(6,149)</u>

Revenue in current quarter under review increased from RM300.8 million in Q4, 2017 to RM310.5 million in Q1, 2018. Profit before taxation decreased by RM6.1 million compared to Q4, 2017.

General Cans division

Revenue of General Cans division decreased by 0.9 % from RM124.8 million in Q4, 2017 to RM123.6 million in Q1, 2018 mainly due to decline in sales of Tin Cans segment offset against increase in sales in Jerry Cans segment. Profit before taxation however increased by RM1.0 million compared to the last quarter mainly due to write off and net loss of disposal of property, plant and equipment in last quarter.

Food Products division

Revenue from Food Products division increased by 6.3% to RM220.3 million in Q1, 2018. Profit before taxation increased by RM2.2 million to RM13.3 million in Q1, 2018 mainly due to higher sales and lower material costs compared to Q4, 2017.

International Trading division

International Trading division recorded an increase in turnover of RM4.0 million from RM32.0 million in Q4, 2017 to RM36.0 million in Q1, 2018. The profit before taxation in Q1, 2018 approximate to Q4, 2017.

Investment in associate

The Group has equity accounted the results of KJCF, amounting to RM3.5 million in Q1, 2018, a decrease of RM11.8 million from last quarter. This was mainly attributable to lower revenue compared to demand boosted for festive season in last quarter, current quarter's unfavorable derivative financial instruments movement compared to favorable derivative financial instruments movement.

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(Company No. 638899-K)

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3. Prospects

Global economic growth is anticipated to edge up to 3.8% in 2018 and growth in emerging markets and developing economies is projected to strengthen to 4.5% in 2018 as activity in commodity exporters continues to recover amid firming prices. In first quarter 2018, Malaysia economy expanded moderately by 5.4%. Looking ahead, the Management is cautiously optimistic about the performance of the Group in 2018 and to improve operational efficiency and marketability of its products for both local and oversea markets.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current quarter ended 31/03/2018 RM'000	Preceding year corresponding quarter ended 31/03/2017 RM'000	Current year-to-date ended 31/03/2018 RM'000	Preceding year-to-date ended 31/03/2017 RM'000
Current tax expense				
- Current year	3,910	3,814	3,910	3,814
- Prior year	(23)	-	(23)	-
Deferred tax expense	635	896	635	896
	4,522	4,710	4,522	4,710

Effective tax rate was higher than the Income Tax rate of 24% mainly due to losses incurred by a subsidiary in the current quarter and certain expenses which were not tax deductible.

6. Status of Corporate Proposals

There were no corporate proposals announced which have not been completed as at 28 May 2018 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

CAN-ONE BERHAD
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FIRST QUARTER ENDED 31 MARCH 2018

7. Group borrowings and debts securities

Group borrowings as at 31 March 2018 are as follows :

	As at 31/03/2018 RM'000	As at 31/12/2017 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	657	656
Term loans	1,726	2,726
Bankers acceptances	28,092	29,774
	<u>30,475</u>	<u>33,156</u>
Unsecured		
Bills receivable financing	7,720	5,482
Term loans	12,907	12,348
Bankers acceptances	164,075	143,691
Revolving credits	6,000	6,000
	<u>221,177</u>	<u>200,677</u>
Non-current		
Secured		
Finance leases	1,487	1,388
Term loans	219,562	222,827
	<u>221,049</u>	<u>224,215</u>
Unsecured		
Term loans	33,571	34,472
	<u>254,620</u>	<u>258,687</u>
Total borrowings in RM	<u><u>475,797</u></u>	<u><u>459,364</u></u>
Borrowings denominated in USD		
Current		
Secured		
Foreign currencies trade loans	8,860	7,417
Unsecured		
Foreign currencies trade loans	11,128	28,823
Revolving credits	3,863	4,048
Total borrowings in USD	<u><u>23,851</u></u>	<u><u>40,288</u></u>
Total Group borrowings	<u><u>499,648</u></u>	<u><u>499,652</u></u>

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(Company No. 638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2018

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

The weighted average of interest rates for the borrowings are as follows :

	As at 31/03/2018 %	As at 31/12/2017 %
Term loans:		
- Fixed	3.05	3.05
- Floating	5.23	5.03
Trade facilities	3.91	3.61
Finance leases	2.73	2.87
Revolving credits	<u>4.59</u>	<u>4.32</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 Financial Instruments

Derivatives consist of foreign exchange contracts which are measured at fair value together with their corresponding notional value amounts as follows :

	As at 31/03/2018 RM'000	As at 31/12/2017 RM'000
Forward foreign exchange contracts, net		
- Contractual value	3,956	53
- Fair value	4,101	63
- Gain/(Loss) on Fair Value Changes	<u>145</u>	<u>10</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 difference between the fair value and the contractual 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 assets and financial liabilities after initial recognition.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FIRST QUARTER ENDED 31 MARCH 2018

9. Profit before taxation

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

	Current Quarter ended 31/03/2018 RM'000	Preceding year corresponding quarter ended 31/03/2017 RM'000	Current year-to-date ended 31/03/2018 RM'000	Preceding year-to-date ended 31/03/2017 RM'000
Interest income	(181)	(237)	(181)	(237)
Other expenses/(income)	46	20	46	20
Interest expense	5,705	5,448	5,705	5,448
Depreciation and amortisation	5,701	5,503	5,701	5,503
Impairment loss of receivables, net	15	(833)	(15)	(833)
(Gain)/Loss on disposal of property, plant and equipment	(66)	(99)	(66)	(99)
(Gain)/Loss on foreign exchange	2,902	1,028	2,902	1,028
(Gain)/Loss on derivative financial instruments	(145)	92	(145)	92

10. Changes in material litigation

There was no pending material litigation as at 28 May 2018 (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.

The first and final single-tier dividend of 4 sen per share amounting to RM7,686,120 in respect of the financial year ended 31 December 2017 which was approved by shareholders at the Company's Fourteenth Annual General Meeting on 26 April 2018, will be paid to shareholders on 20 July 2018.

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12. Earnings per share

The basic earnings per share are computed as follows :

	Current Quarter ended 31/03/2018	Preceding year corresponding quarter ended 31/03/2017	Current year-to-date ended 31/03/2018	Preceding year-to-date ended 31/03/2017
Net profit attributable to shareholders of the Company (RM'000)	11,425	15,078	11,425	15,078
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>5.95</u>	<u>7.85</u>	<u>5.95</u>	<u>7.85</u>

Dated : 31 May 2018
Petaling Jaya,
Selangor Darul Ehsan