

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

Quarterly report on consolidated results as at 30 June 2019. The figures have not been audited.
(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2019 RM'000	As at 31/12/2018 (Audited) RM'000
Non-current assets		
Property, plant and equipment	2,372,767	451,061
Intangible assets	3,092	1,786
Investment in associate	-	512,671
Land use rights	179,983	-
Investment properties	44,790	-
Other assets	3,916	-
Deferred tax assets	10,875	-
Total non-current assets	2,615,423	965,518
Current assets		
Inventories	662,136	185,496
Trade and other receivables	669,847	334,673
Current tax assets	22,105	3,720
Derivative financial assets	270	54
Cash and cash equivalents	281,349	108,214
Other assets	12,254	-
Total current assets	1,647,961	632,157
Total assets	4,263,384	1,597,675
Equity		
Share capital	197,660	197,660
Reserves	977,546	633,111
Total equity attributable to owners of the Company	1,175,206	830,771
Non-controlling interest	141,311	-
	1,316,517	830,771
Liabilities		
Retirement benefits obligations	52,867	-
Deferred tax liabilities	133,851	31,384
Loans and borrowings	1,586,692	281,942
Derivative financial liabilities	6,359	-
Total non-current liabilities	1,779,769	313,326
Trade and other payables	467,648	192,480
Provisions	30	-
Retirement benefits obligations	9,337	-
Derivative financial liabilities	6,575	-
Loans and borrowings	677,216	258,179
Current tax payables	6,292	2,919
Total current liabilities	1,167,098	453,578
Total liabilities	2,946,867	766,904
Total equity and liabilities	4,263,384	1,597,675
Net assets per share attributable to equity holders of the Company (Sen)	611.60	432.35

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for Two Quarters ended 30 June 2019. The figures have not been audited.

(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current year Second quarter ended 30/06/2019 RM'000	Preceding year corresponding quarter ended 30/06/2018 RM'000	Changes %	Current year-to-date ended 30/06/2019 RM'000	Preceding year-to-date ended 30/06/2018 RM'000	Changes %
Continuing Operations						
Revenue	832,001	296,358	181	1,238,218	606,837	104
Cost of sales	(766,846)	(261,361)		(1,127,915)	(538,406)	
Gross profit	65,155	34,997	86	110,303	68,431	61
Other income/(expenses)	144,280	(401)		396,613	(3,138)	
Sales and distribution expenses	(11,620)	(4,270)		(18,094)	(8,641)	
Administrative expenses	(41,622)	(8,625)		(60,671)	(16,968)	
Profit from operations	156,193	21,701	620	428,151	39,684	979
Interest income	530	230		701	411	
Interest expense	(28,518)	(5,970)		(35,971)	(11,674)	
Net finance cost	(27,988)	(5,740)		(35,270)	(11,263)	
Share of profit of equity-accounted investees, net of tax	-	1,403		(3,402)	4,892	
Profit before tax	128,205	17,364	638	389,479	33,313	1,069
Tax expense	(6,373)	(6,152)		(11,362)	(10,675)	
Profit for the period	121,832	11,212	987	378,117	22,638	1,570

CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for Two Quarters ended 30 June 2019. The figures have not been audited.

(Financial year ending 31 December 2019)

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

	Individual quarter			Cumulative quarter		
	Current year Second quarter ended 30/06/2019 RM'000	Preceding year corresponding quarter ended 30/06/2018 RM'000	Changes %	Current year-to-date ended 30/06/2019 RM'000	Preceding year-to-date ended 30/06/2018 RM'000	Changes %
Profit for the period	121,832	11,212	987	378,117	22,638	1,570
Other comprehensive income, net of tax						
Foreign currency translation differences for foreign operations	1,115	1,062		777	426	
Past service cost on retirement benefits	(2,838)	-		(2,838)	-	
Fair value loss on cash flow hedge	(2,465)	-		(2,465)	-	
Share of other comprehensive income/(loss) of associate	-	4,040		(564)	(1,254)	
Total comprehensive income for the period attributable to the Owners of the Company	<u>117,644</u>	<u>16,314</u>	621	<u>373,027</u>	<u>21,810</u>	1,610
Profit attributable to :						
Owners of the Company	29,090	11,212		125,968	22,638	
Non-controlling interest	92,742	-		252,149	-	
	<u>121,832</u>	<u>11,212</u>		<u>378,117</u>	<u>22,638</u>	
Total comprehensive income attributable to :						
Owners of the Company	26,259	16,314		122,235	21,810	
Non-controlling interest	91,385	-		250,792	-	
	<u>117,644</u>	<u>16,314</u>		<u>373,027</u>	<u>21,810</u>	
Earnings per share						
Basic (Sen)	15.14	5.83		65.56	11.78	
Diluted (Sen)	NA	NA		NA	NA	

NOTE:

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CAN-ONE BERHAD

(Company No. 638899-K)

Quarterly report on consolidated results for Two Quarters ended 30 June 2019. The figures have not been audited.
(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←-----Attributable to Owners of the Company----->						
	←-----Non-Distributable----->			Distributable			
	Share capital RM'000	Other reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
Current period ended 30 June 2019							
Balance at 1 January 2019	197,660	-	7,653	625,458	830,771	-	830,771
Profit for the period	-	-	-	125,968	125,968	252,149	378,117
Currency translation differences of foreign operations	-	-	600	-	600	177	777
Past service cost on retirement benefits	-	(2,838)	-	-	(2,838)	-	(2,838)
Cash flow hedged	-	(2,465)	-	-	(2,465)	-	(2,465)
Share of currency translation differences of associate	-	-	(564)	-	(564)	-	(564)
Total comprehensive income for the period	-	(5,303)	36	125,968	120,701	252,326	373,027
Acquisition of a subsidiary	-	-	1,534	-	1,534	111,185	112,719
Acquisition of non-controlling interest	-	-	-	222,200	222,200	(222,200)	-
Balance at 30 June 2019	<u>197,660</u>	<u>(5,303)</u>	<u>9,223</u>	<u>973,626</u>	<u>1,175,206</u>	<u>141,311</u>	<u>1,316,517</u>
Preceding year corresponding period ended 30 June 2018							
Balance at 1 January 2018	197,660	-	9,018	586,568	793,246	-	793,246
Profit for the period	-	-	-	22,638	22,638	-	22,638
Currency translation differences of foreign operations	-	-	426	-	426	-	426
Share of currency translation differences of associate	-	-	(1,254)	-	(1,254)	-	(1,254)
Total comprehensive income for the period	-	-	(828)	22,638	21,810	-	21,810
Balance at 30 June 2018	<u>197,660</u>	<u>-</u>	<u>8,190</u>	<u>609,206</u>	<u>815,056</u>	<u>-</u>	<u>815,056</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

Quarterly report on consolidated results for Two Quarters ended 30 June 2019. The figures have not been audited.
(Financial year ending 31 December 2019)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year-to-date ended 30/06/2019 RM'000	Preceding year-to-date ended 30/06/2018 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax from continuing operations	389,479	33,313
Adjustments:		
Interest expense	35,971	11,674
Interest income	(701)	(411)
Property, plant and equipment written off	758	1
Impairment loss on goodwill	16	-
Impairment loss on receivables	2,516	495
Bad debts written-off	(63)	-
Amortisation of intangible assets	432	75
Depreciation of property, plant and equipment	42,363	11,544
Unrealised (gain)/loss on derivatives	4,324	269
(Gain)/Loss on disposal of property, plant and equipment	93	49
Gain on bargain purchase	(451,564)	-
Share of profit of equity-accounted investee, net of tax	3,402	(4,892)
Operating profit before changes in working capital	<u>27,026</u>	<u>52,117</u>
Inventories	21,300	30,443
Trade and other receivables	37,528	(23,661)
Trade and other payables	4,136	(17,403)
Retirement benefits obligation	(129)	-
Provisions	13	-
Other assets	(7,108)	-
Cash generated from operations	<u>82,766</u>	<u>41,496</u>
Tax paid	(10,147)	(9,574)
Net cash from operating activities	<u>72,619</u>	<u>31,922</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,237	363
Acquisition of subsidiaries, net of cash acquired	(733,284)	(16)
Acquisition of property, plant and equipment	(81,948)	(48,381)
Acquisition of intangible assets	(1,044)	(171)
Dividend received	-	5,845
Interest received, net of interest received from pledged deposit	701	411
Net cash used in investing activities	<u>(814,338)</u>	<u>(41,949)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(35,971)	(11,674)
Net movement in borrowings	939,363	28,949
Withdrawal of deposits for bank borrowings	-	7,540
Net cash flows generated from financing activities	<u>903,392</u>	<u>24,815</u>
Net increase in cash and cash equivalent	<u>161,673</u>	<u>14,788</u>
Effects of changes in foreign currency rates	11,462	483
Cash and cash equivalent brought forward	108,214	88,016
Cash and cash equivalent carried forward	<u>281,349</u>	<u>103,287</u>
Comprises :		
Cash and bank balances	208,336	99,252
Short term deposits with licensed banks (excluding deposits pledged)	73,013	4,035
	<u>281,349</u>	<u>103,287</u>

NOTE:

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

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 2018. 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 2018.

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 2018 except for the following :

The Group adopted the following additional accounting policies during current quarter :

i) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation and accumulated impairment losses. The land use rights are amortised over their lease terms.

The Group has assessed and classified land use rights of the Group as operating leases as management has determined that the risks and rewards incidental to ownership of the land do not reside with the Group.

ii) Investment properties

Investment properties are initially measured at cost, which includes transaction costs. After initial recognition, investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses. The investment properties are depreciated over the lease terms.

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

2. Significant Accounting Policies (cont'd)

iii) Hedging and Non-hedging derivatives assets and liabilities

Hedging derivative assets and liabilities are measured at fair value through other comprehensive income whereas non-hedging derivative assets and liabilities are measured at fair value through profit or loss.

a) Cross currency interest rate swap contracts

In the financial year ended 2012, the Group obtained a term loan denominated in RM from a financial institution, with whom the Group entered into a USD/RM cross currency interest rate swap contract. The term loan was subsequently converted into USD and extended to its subsidiary in Vietnam. The Group shall repay the loan in RM at a predetermined USD/RM conversion rate as per the cross currency interest rate swap contract. The subsidiary shall repay the loan in USD to the Group.

b) Cross currency interest rate swaps

Cross currency interest rate swaps have been entered into in order to operationally hedge floating monthly interest payments on borrowings that would mature in various date. The fair value of cross currency interest rate swaps is based on bankers' quotes.

iv) Cash flow hedge

The cash flow hedge comprises the effective portion of the cumulative net change in the fair value of the cash flow hedges related to hedged transactions that have not yet occurred.

v) Retirement benefit obligations

The Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees in certain subsidiaries. The Group's obligation under the Scheme is determined based on the latest actuarial valuation by an independent actuary dated 17 January 2017. The Group carries out the valuation every 3 years. Under the Scheme, eligible employees are entitled to retirement benefits varying between 18 days and 52 days per year of final salary upon attainment of the retirement age of 60.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

2. Significant Accounting Policies (cont'd)

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 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 112	<i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>
Amendments to MFRS 119	<i>Employee Benefits - Plan Amendment, Curtailment or Settlement</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>

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

Amendments to MFRS 3	<i>Business Combinations - Definition of Business</i>
Amendments to MFRS 101	<i>Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material</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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CAN-ONE BERHAD
(Company No. 638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

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*

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.

3. Auditors' report

The auditors' report dated 4 April 2019 on the financial statements for the financial year ended 31 December 2018 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.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

6. Investment in associate

	At 31/12/2018 RM'000
Share of net assets in associate	<u>512,671</u>
Market value	<u>385,787</u>

Pursuant to the Mandatory General Offer for Kian Joo Can Factory Berhad ("KJCF") shares (kindly refer Status of Corporate Proposals - Page 18) on 18 March 2019, the acceptance condition was fulfilled and the offer became unconditional. Accordingly, the associated companies have become subsidiaries of Can-One Berhad.

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, cancellations, repurchases and repayments of debt and equity securities

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

9. Dividend paid

A first and final single-tier dividend of 4 sen per share for the financial year ended 31 December 2018 was paid on 26 July 2019.

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, rigid packaging, aluminium cans and corrugated fibreboard cartons (collectively, "General Packaging");
- b) Manufacturing, packaging and distribution of dairy, carbonated and non-carbonated beverages, milk powder as well as edible oil products ("Contract Manufacturing");
- c) Trading; and
- d) Property and investment holding ("Others")

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

10. Segment information (cont'd)

Segment revenue and results for two quarters ended 30 June 2019 are as follows :

	Year-to-date ended 30/06/2019						
	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External sales	859,555	512,753	179,803	2,973	1,555,084	(316,866)	1,238,218
Inter-segment sales	89,367	3,475	-	-	92,842	(92,842)	-
	<u>948,922</u>	<u>516,228</u>	<u>179,803</u>	<u>2,973</u>	<u>1,647,926</u>	<u>(409,708)</u>	<u>1,238,218</u>
Results							
Segment results	5,548	41,292	3,093	(20,358)	29,575	398,576	428,151
Interest income	1,568	183	2,080	12,575	16,406	(15,705)	701
Financial expenses	(17,124)	(4,266)	(1,857)	(31,983)	(55,230)	19,259	(35,971)
Share of profit after tax of associate	-	-	-	(3,402)	(3,402)	-	(3,402)
Profit/(Loss) before taxation	<u>(10,008)</u>	<u>37,209</u>	<u>3,316</u>	<u>(43,168)</u>	<u>(12,651)</u>	<u>402,130</u>	<u>389,479</u>
Assets							
Segment assets	3,447,029	716,056	391,322	1,562,205	6,116,612	(1,886,208)	4,230,404
Unallocated assets	-	-	-	-	32,980	-	32,980
Total assets	<u>3,447,029</u>	<u>716,056</u>	<u>391,322</u>	<u>1,562,205</u>	<u>6,149,592</u>	<u>(1,886,208)</u>	<u>4,263,384</u>
Liabilities							
Segment liabilities	1,374,177	401,612	236,754	1,238,659	3,251,202	(444,478)	2,806,724
Unallocated liabilities	-	-	-	-	140,143	-	140,143
Total liabilities	<u>1,374,177</u>	<u>401,612</u>	<u>236,754</u>	<u>1,238,659</u>	<u>3,391,345</u>	<u>(444,478)</u>	<u>2,946,867</u>
Preceding year-to-date ended 30/06/2018							
	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Others RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External sales	234,285	428,239	74,080	16,245	752,849	(146,012)	606,837
Inter-segment sales	10,014	-	-	7,345	17,359	(17,359)	-
	<u>244,299</u>	<u>428,239</u>	<u>74,080</u>	<u>23,590</u>	<u>770,208</u>	<u>(163,371)</u>	<u>606,837</u>
Results							
Segment results	5,455	35,229	1,161	8,721	50,566	(10,882)	39,684
Interest income	413	607	-	104	1,124	(713)	411
Finance expenses	(2,861)	(3,206)	-	(6,320)	(12,387)	713	(11,674)
Share of profit after tax of associate	-	-	-	4,892	4,892	-	4,892
Profit before taxation	<u>3,007</u>	<u>32,630</u>	<u>1,161</u>	<u>7,397</u>	<u>44,195</u>	<u>(10,882)</u>	<u>33,313</u>
Assets							
Segment assets	464,291	552,777	27,352	553,761	1,598,181	(62,156)	1,536,025
Unallocated assets	-	-	-	-	720	-	720
Total assets	<u>464,291</u>	<u>552,777</u>	<u>27,352</u>	<u>553,761</u>	<u>1,598,901</u>	<u>(62,156)</u>	<u>1,536,745</u>
Liabilities							
Segment liabilities	215,485	274,377	18,141	245,491	753,494	(64,886)	688,608
Unallocated liabilities	-	-	-	-	32,967	114	33,081
Total liabilities	<u>215,485</u>	<u>274,377</u>	<u>18,141</u>	<u>245,491</u>	<u>786,461</u>	<u>(64,772)</u>	<u>721,689</u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

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 26 August 2019 (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 except for the Corporate Proposals as disclosed in Note 6 (Part B) of this announcement.

13. Changes in the Group composition

There were no changes in the Group composition as at 30 June 2019.

14. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2019.

As at 26 August 2019 (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 2019, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>52,181</u>

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

16. Related party disclosures

The Group has related party relationship with the following :

- i) associate company and its subsidiaries ("associated companies"); and
- 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 30/06/2019 RM'000
Sales of goods to associated companies	<u><u>2,743</u></u>
Purchases of goods from a related party	764
Purchases of goods from associated companies	<u><u>9,716</u></u>

17. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") at the Board Meeting held on 29 August 2019.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

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

1. Review of performance

(a) Current quarter ended 30 June 2019 ("Q2, 2019") compared with preceding year corresponding quarter ended 30 June 2018 ("Q2, 2018")

The Group's revenue increased from RM296.4 million in Q2, 2018 to RM832.0 million in Q2, 2019 arising from the consolidation of KJCF Group revenue. Profit before tax and profit after tax increased from RM17.4 million and RM11.2 million in Q2, 2018 to RM128.2 million and RM121.8 million respectively in Q2, 2019. Increase in profit before taxation was mainly due to net gain arising from the acquisition of KJCF shares offset against loss on remeasurement of previously equity interest held in KJCF.

General Packaging division

General Packaging division generated total revenue of RM666.2 million in Q2, 2019, an increase of RM551.1 million from RM115.1 million in Q2, 2018. Revenue increased mainly due to consolidation of the revenue of KJCF Group. A loss before taxation of RM11.9 million was registered compared to profit before taxation of RM0.3 million in Q2, 2018 mainly attributable to Myanmar Plants' operating loss, higher raw material cost and higher operating expenses.

Contract Manufacturing division

Revenue in Contract Manufacturing division grew by RM53.2 million to RM261.2 million in Q2, 2019 compared to RM207.9 million in Q2, 2018, contributed mainly by edible oils and beverages segment. However, profit before taxation for Q2, 2019 decreased by RM0.6 million to RM18.7 million mainly due to sales mix and higher operating expenses.

Trading division

Revenue of Trading division increased by RM92.2 million to RM130.3 million in Q2, 2019 compared to RM38.1 million in Q2, 2018, mainly due to consolidation of KJCF Group's Trading division. In tandem, profit before taxation of the division grew by RM1.5 million to RM2.0 million in the current quarter under review.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

1. Review of performance (cont'd.)

(b) *Current year-to-date ended 30 June 2019 ("YTD Q2, 2019") compared with preceding year-to-date ended 30 June 2018 ("YTD Q2, 2018")*

The Group recorded an increase in revenue by 104.0% or RM631.4 million to RM1,238.2 million in YTD Q2, 2019 as compared to YTD Q2, 2018 due to consolidation of KJCF Group's revenue. Profit before taxation and profit after taxation increased from RM33.3 million and RM22.6 million in YTD Q2, 2018 to RM389.5 million and RM378.1 million respectively in YTD Q2, 2019. The increase in profit before taxation was mainly due to net gain arising from the acquisition of KJCF shares offset against loss on remeasurement of previously equity interest held in KJCF.

General Packaging division

Revenue of General Cans division increased by RM625.3 million to RM859.6 million in YTD Q2, 2019 mainly attributable to consolidation of the revenue of KJCF Group. However, a loss before tax of RM10.0 million in YTD Q2, 2019 was suffered compared to profit before tax of RM3.0 million in YTD Q2, 2018 mainly attributable to Myanmar Plants' operating loss, higher raw material and operating cost.

Contract Manufacturing division

Contract Manufacturing division registered revenue of RM512.8 million in YTD Q2, 2019, an increase of RM84.5 million compared to YTD Q2, 2018, mainly contributed by edible oils and beverages segments. Its profit before tax increased by RM4.6 million to RM37.2 million in YTD Q2, 2019 mainly due to sales growth and sales mix.

Trading division

Revenue of Trading division increased by RM105.7 million to RM179.8 million in YTD Q2, 2019 mainly due to consolidation of KJCF's Trading division. In tandem, profit before taxation of the division increased by RM2.2 million to RM3.3 million in YTD Q2, 2019.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

2. Variation of results against immediate preceding quarter ended 31 March 2019 ("Q1, 2019")

	Current year Second Quarter Ended 30/06/2019 RM'000	Immediate Preceding Quarter Ended 31/03/2019 RM'000	Changes RM'000
Revenue	832,001	406,217	425,784
Operating Profit	156,193	271,958	(115,765)
Profit Before Interest and Tax	156,193	268,556	(112,363)
Profit Before Tax	128,205	261,274	(133,069)
Profit After Tax	121,832	256,285	(134,453)
Profit Attributable to Owners of the Company	29,090	96,878	(67,788)

Revenue increased from RM406.2 million in the immediate preceding quarter to RM832.0 million in the current quarter under review. However, profit before tax decreased by RM133.1 million to RM128.2 million in the current quarter under review mainly due to lower net gain arising from the acquisition of KJCF recognised in the current quarter compared to the immediate preceding quarter.

General Packaging division

Revenue of General Packaging division increased by RM472.9 million from RM193.3 million in Q1, 2019 to RM666.2 million in Q2, 2019 mainly due to consolidation of the revenue of KJCF Group. Profit before taxation of the division decreased by RM13.8 million compared to the preceding quarter mainly attributable to Myanmar Plants' operating loss, higher raw material cost and higher operating expenses.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM9.6 million to RM261.2 million in Q2, 2019. In tandem with sales growth and sales mix, profit before taxation increased marginally by RM0.2 million.

Trading division

Trading division recorded an increase in turnover of RM80.8 million from RM49.5 million in Q1, 2019 to RM130.3 million in Q2, 2019 mainly due to consolidation of the revenue of KJCF's Trading division. Profit before taxation increased in tandem by RM0.7 million.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

3. Prospects

The Board of Directors of the Company expects the Group's operating environment to remain challenging due to global economy condition. Following the completion of the acquisition of KJCF Group, the Management is looking to streamline the operations to improve operational efficiencies, enhance scale and synergies and to reduce operational costs resulting from economies of scale and integration.

Barring any unforeseen circumstances, the Directors anticipate the results of the Group for the financial year ending 31 December 2019 to be satisfactory.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current year Second quarter ended 30/06/2019 RM'000	Preceding year corresponding quarter ended 30/06/2018 RM'000	Current year-to-date ended 30/06/2019 RM'000	Preceding year-to-date ended 30/06/2018 RM'000
Current tax expense				
- Current year	7,454	6,095	10,788	9,982
- Prior year	-	(1)	-	-
Deferred tax expense	(1,081)	58	574	693
	<u>6,373</u>	<u>6,152</u>	<u>11,362</u>	<u>10,675</u>

The current quarter's effective tax rate is lower than the Malaysian corporate tax rate of 24% mainly due to non-taxable income arising from net gain arising from acquisition of KJCF recognised during the current quarter under review.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

6. Status of Corporate Proposals

- (a) **Proposed Acquisition of 2,166,000 ordinary shares in KJCF ("KJCF Shares"), representing approximately 0.49% equity interest in KJCF by Can-One International Sdn Bhd ("CISB" or "Offeror"), a wholly-owned subsidiary of Can-One Berhad ("Can-One"), from Tan Kim Seng ("Vendor") at a total cash consideration of RM6,714,600 or RM3.10 per KJCF Share ("Acquisition") and the resultant Mandatory General Offer for all the remaining KJCF Shares not already owned by CISB after the Acquisition at a cash consideration of RM3.10 per KJCF Share ("Offer Price") ("MGO")**

(The Acquisition and MGO are collectively referred to as the "Proposals")

On 13 December 2018, AmlInvestment Bank Berhad ("AmlInvestment Bank") had, on behalf of the Board, announced that CISB had entered into a conditional sale and purchase agreement ("SSA") with the Vendor.

At the Extraordinary General Meeting ("EGM") of Can-One on 14 February 2019, shareholders approved the Proposals. Consequently, the SSA became unconditional and the Acquisition was completed on 14 February 2019. As a result of the Acquisition, CISB's shareholding in KJCF increased from 32.90% to 33.39%.

Pursuant to Section 218(2) of the Capital Markets and Services Act 2007 ("CMSA") and Paragraph 4.01(a) of the Rules and Take-overs, Mergers and Compulsory Acquisitions ("Rules"), as the shareholding of CISB in KJCF had exceeded 33.00% of the total voting shares in KJCF. On 14 February 2019, AmlInvestment Bank on behalf of CISB, served a Notice to KJCF's Board of Directors in respect of the MGO in accordance with Paragraph 9.10(1) of the Rules ("Offer").

On 1 March 2019, AmlInvestment Bank, on behalf of CISB, extended the Offer to the shareholders of KJCF whose names appeared in the Record of Depositors of KJCF as at 26 February 2019 and have a registered Malaysian address maintained with Bursa Malaysia Depository Sdn. Bhd.. The closing date for the acceptance of the Offer was 22 March 2019 or such later date as CISB may decide and announce at least 2 days before the closing date.

On 18 March 2019, the valid acceptances of the Offer when taken together with the KJCF Shares of CISB, Can-One and Parties Acting in Concert with them, were more than 50% of the total KJCF Shares. Accordingly, the acceptance condition was fulfilled and the Offer became unconditional. As at 31 March 2019, CISB and Can-One's equity interest in KJCF aggregated 82.78%. The closing date of the Offer was extended to 8 April 2019 and subsequently, extended to 30 April 2019 ("Final Closing Date").

On 30 April 2019, AmlInvestment Bank announced that the Offer had closed at 30 April 2019, 5.00 p.m. (Malaysia Time). Based on the valid acceptances, CISB and Can-One's collectively held 97.48% of the total KJCF Shares.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

6. Status of Corporate Proposals (cont'd)

As CISB and Can-One did not intend to maintain the listing status of KJCF, Bursa Malaysia Securities Berhad ("Bursa Securities") suspended the trading of the securities of KJCF commencing 9 May 2019, being the expiry of 5 Market Days from the Final Closing Date of 30 April 2019 in accordance with Paragraph 16.02(3) of the Main Market Listing Requirements of Bursa Securities. Accordingly, CISB procured KJCF to make an application to Bursa Securities for the withdrawal of its listing status from the Official List of Bursa Securities, in accordance with Paragraph 16.07 of the Listing Requirements.

In addition, as CISB had received valid acceptance of not less than nine-tenths (9/10) in the value of the KJCF Shares (excluding KJCF Shares already held by the CISB, Can-One and Parties Acting in Concert as at the Posting Date), CISB and Can-One invoked the provisions of Section 222(1) of the CMSA to compulsorily acquire any remaining offer shares.

On 7 May 2019, KJCF submitted an application to Bursa Securities for the withdrawal of its listing status from the Official List of Bursa Securities in accordance with Paragraph 16.07 of the Listing Requirements.

On 10 May 2019, AmInvestment Bank announced that CISB had posted the Compulsory Acquisition Notice to the Dissenting Shareholders (whose names appear in the Record of Depositors of KJCF as at 5.00 p.m. (Malaysian time) on 7 May 2019) in accordance with Section 222(1) of the CMSA, notifying them of CISB's intention to compulsorily acquire the Remaining Offer Shares held by the Dissenting Shareholders.

Subject to the provisions of the CMSA, CISB shall be registered as the holder of the Remaining Offer Shares not already owned by the CISB :-

- (i) after the expiration of 1 month from the date of the Compulsory Acquisition Notice; or
- (ii) if applicable, after 14 days from the date of posting of the names and addresses of all other dissenting shareholders, as shown in the Register of Members and/or Record of Depositors, to the Dissenting Shareholders, upon his/her request,

whichever is later.

Bursa Securities advised vide its letter dated 13 May 2019, that pursuant to Paragraph 16.07(a) of the Listing Requirements, the entire issued share capital of KJCF will be removed from the Official List of Bursa Securities with effect from 9.00 a.m., Thursday, 16 May 2019.

On 28 June 2019, AmInvestment Bank announced that CISB had completed the Compulsory Acquisition of the Remaining Offer Shares held by the Dissenting Shareholders in accordance with Section 222(1) of the CMSA.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

6. Status of Corporate Proposals (cont'd)

- (b) Proposed disposal by Can-One of the entire issued share capital of F & B Nutrition Sdn Bhd ("FBSB"), through the disposal of Can Ridge Sdn Bhd ("CRSB"), a wholly-owned subsidiary of Can-One, to Wholesome Dairies Pte Ltd ("WDPL") for an aggregate disposal consideration of between RM800.0 million to RM1,000.0 million ("Disposal Consideration").**

On 3 June 2019, Can-One had received a letter of offer of even date from Asia Dairy Creations Sdn Bhd ("ADCSB"), a wholly-owned subsidiary of WDPL and a special purpose vehicle managed by Southern Capital, to acquire the entire issued share capital of FBSB from Can-One at the indicative Disposal Consideration ("Offer"), on the terms and subject to the conditions as specified in the said Letter ("Offer Letter").

On 4 June 2019, RHB Investment Bank Berhad ("RHB Investment Bank") announced on behalf of the Board of Directors of Can-One ("Board") that the Board had deliberated on the Offer and had accepted the Offer based on the terms and subject to the conditions as set out in the term sheet appended to the Offer Letter ("Term Sheet"). Subsequent to the acceptance of the Term Sheet, Can-One had agreed at the request of Southern Capital, to replace the intended purchaser, namely ADCSB, with its holding company, WDPL, on the basis that WDPL will nominate ADCSB to be the transferee and beneficial owner of the Sale Shares.

On 14 June 2019, RHB Investment Bank announced on behalf of the Board that Can-One had on even date entered into a sale and purchase agreement ("SPA") with WDPL for the proposed disposal by Can-One of the entire issued share capital of FBSB, through the disposal of the entire share capital of CRSB, to WDPL (and ADCSB as its nominee transferee) for the Disposal Consideration ("Proposed Disposal").

At the Extraordinary General Meeting of Can-One on 9 August 2019, shareholders approved the Proposed Disposal. The Proposed Disposal, however, is conditional upon satisfaction of the condition precedents on or before a date falling 4 months from the date of SPA or such other date as may be agreed in writing between Can-One and WDPL.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

7. Group borrowings and debts securities

Group borrowings as at 30 June 2019 are as follows :

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Borrowings denominated in RM		
Current		
Secured		
Finance leases	275	269
Term loans	14,326	1,726
Bankers' acceptances	-	12,908
	14,601	14,903
Unsecured		
Bills receivable financing	3,844	-
Term loans	57,474	18,970
Bankers' acceptances	330,619	163,483
Revolving credits	95,600	51,000
	502,138	248,356
Non-current		
Secured		
Finance leases	626	765
Term loans	1,128,806	218,268
	1,129,432	219,033
Unsecured		
Term loans	193,327	62,909
	1,322,759	281,942
Total borrowings in RM	1,824,897	530,298
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	4,553	-
Foreign currencies trade loans	102,620	-
	107,173	-
Non-current		
Term loans	27,456	-
Total borrowings in VND	134,629	-

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

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

	As at 30/06/2019 RM'000	As at 31/12/2018 RM'000
Borrowings denominated in United States Dollar ("USD")		
Current		
Secured		
Foreign currencies trade loans	-	1,859
Unsecured		
Foreign currencies trade loans	24,710	3,828
Revolving credits	31,001	4,136
Term loans	12,194	-
	<u>67,905</u>	<u>9,823</u>
Non-current		
Unsecured		
Term loans	236,477	-
Total borrowings in USD	<u>304,382</u>	<u>9,823</u>
Total Group borrowings	<u>2,263,908</u>	<u>540,121</u>

The interest rates for the borrowings are as follows :

	As at 30/06/2019	As at 31/12/2018
Term loans:		
- Fixed	3.50%	Nil
- Floating	3.52% - 7.80%	4.61% - 5.61%
Trade facilities	2.93% - 7.06%	2.93% - 4.36%
Finance leases	1.88% - 2.65%	1.88% - 2.65%
Revolving credits	<u>4.15% - 4.99%</u>	<u>4.18% - 4.90%</u>

There were no major changes in the Group's total borrowings except for the consolidation of KJCF's borrowings, new term loans drawn down to finance the acquisition of KJCF shares and capital expenditures of the Group.

Certain amounts of the Group's borrowings denominated in USD were hedged.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

8. Derivatives Financial Instruments

As at 30 June 2019, the Group had entered into :

- (i) forward foreign currency exchange contracts to hedge against USD/RM exchange rate fluctuations;
- (ii) commodity contracts to hedge pricing risk of aluminium; and
- (iii) interest rate swap contract with a financial institution to hedge the interest rate exposure in respect of a long term loan denominated in USD.

The fair value of the derivatives are determined by using mark-to-market values at the end of the reporting date and changes in the fair value are recognised in profit or loss statement as shown in Note 9.

Details of derivative financial instruments outstanding as at 30 June 2019 are set out below :

Type of derivative	Notional amount RM'000	Current assets RM'000	Current liabilities RM'000	Non-current liabilities RM'000
Hedging derivatives :				
Commodity contracts				
- Less than 1 year	24,186	-	3,040	-
Interest swap contract				
- Less than 1 year	77,158	-	2,296	-
- 1 year to 3 years	212,187	-	-	6,359
Non-hedging derivatives :				
Cross currency swap contract				
- Less than 1 year	2,998	222	1,074	-
Foreign exchange contracts				
- Less than 1 year	44,667	48	165	-
		270	6,575	6,359

Other than the above derivatives which were measured at fair value, the Group did not remeasure other financial assets and financial liabilities after initial recognition.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

9. Profit before taxation

Profit before taxation is stated after charging/(crediting) :

	Current year Second quarter ended 30/06/2019 RM'000	Preceding year corresponding quarter ended 30/06/2018 RM'000	Current year-to-date ended 30/06/2019 RM'000	Preceding year-to-date ended 30/06/2018 RM'000
Interest income	(530)	(230)	(701)	(411)
Other expenses/(income)	(1,675)	518	(1,716)	564
Interest expense	28,518	5,970	35,971	11,674
Depreciation and amortisation	36,576	5,918	42,795	11,619
Property, plant and equipment written off	758	1	758	1
Impairment loss of receivables, net	2,435	510	2,516	495
(Gain)/Loss on disposal of property, plant and equipment	(60)	115	93	49
Impairment of goodwill	16	-	16	-
(Gain)/Loss on foreign currency exchange	(146)	(637)	157	2,265
(Gain)/Loss on derivative financial instruments	960	404	970	259
Loss on remeasurement of equity accounted KJCF	-	-	55,696	-
Gain arising from the acquisition of KJCF	(143,280)	-	(451,564)	-

10. Changes in material litigation

There was no pending material litigation as at 26 August 2019 (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 declared for the current period under review.

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2019

12. Earnings per share

Basic earnings per share are computed as follows :

	Current year Second quarter ended 30/06/2019	Preceding year corresponding quarter ended 30/06/2018	Current year-to-date ended 30/06/2019	Preceding year-to-date ended 30/06/2018
Profit attributable to owners of the Company (RM'000)	29,090	11,212	125,968	22,638
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic Earnings per ordinary share (Sen)	<u>15.14</u>	<u>5.83</u>	<u>65.56</u>	<u>11.78</u>

Dated : 29 August 2019
Petaling Jaya,
Selangor Darul Ehsan