

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 June 2020. The figures have not been audited.
(Financial year ending 31 December 2020)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2020 RM'000	As at 31/12/2019 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,803,551	1,791,888
Right-of-use assets	449,715	449,576
Investment properties	112,856	113,702
Intangible assets	1,730	2,451
Other assets	13,842	8,807
Deferred tax assets	5,298	5,292
Total non-current assets	2,386,992	2,371,716
Current assets		
Inventories	606,687	604,721
Trade and other receivables	454,359	487,881
Current tax assets	15,577	14,005
Derivative financial assets	308	414
Other assets	22,869	7,842
Cash and cash equivalents	219,629	350,599
Total current assets	1,319,429	1,465,462
Total assets	3,706,421	3,837,178
Equity		
Share capital	197,660	197,660
Reserves	1,491,916	1,530,223
Equity attributable to owners of the Company	1,689,576	1,727,883
Non-controlling interests	142,586	140,865
Total equity	1,832,162	1,868,748
Liabilities		
Retirement benefits obligations	52,454	51,422
Deferred tax liabilities	98,923	102,147
Loans and borrowings	771,796	736,207
Lease liabilities	5,688	8,340
Derivative financial liabilities	9,445	5,370
Total non-current liabilities	938,306	903,486
Trade and other payables	295,695	393,749
Retirement benefits obligations	12,332	12,332
Derivative financial liabilities	7,288	2,675
Loans and borrowings	610,932	649,331
Lease liabilities	5,452	3,209
Current tax payables	4,254	3,648
Total current liabilities	935,953	1,064,944
Total liabilities	1,874,259	1,968,430
Total equity and liabilities	3,706,421	3,837,178
Net assets per share attributable to equity holders of the Company (Sen)	879.29	899.22

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2020. The figures have not been audited.

(Financial year ending 31 December 2020)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current Year Second Quarter ended 30/06/2020 RM'000	Preceding Year Corresponding Quarter ended 30/06/2019 RM'000	Changes %	Current year-to-date ended 30/06/2020 RM'000	Preceding year-to-date ended 30/06/2019 RM'000	Changes %
Continuing Operations						
Revenue	568,402	631,956	(10)	1,213,470	907,127	34
Cost of sales	(547,703)	(599,432)		(1,149,607)	(855,968)	
Gross profit	20,699	32,524	(36)	63,863	51,159	25
Other income	7,280	140,044		4,575	394,280	
Distribution and Admin expenses	(39,784)	(45,517)		(81,910)	(68,672)	
(Loss)/Profit from operations	(11,805)	127,051	(109)	(13,472)	376,767	(104)
Interest income	1,881	208		3,937	389	
Interest expense	(14,628)	(24,461)		(29,683)	(30,965)	
Net finance cost	(12,747)	(24,253)		(25,746)	(30,576)	
Share of loss of equity- accounted associate, net of tax	-	-		-	(3,402)	
(Loss)/Profit before tax	(24,552)	102,798	(124)	(39,218)	342,789	(111)
Tax (expense)/credit	(2,060)	530		(3,182)	(875)	
(Loss)/Profit from continuing operations	(26,612)	103,328		(42,400)	341,914	(112)
Discontinued Operation						
Profit from discontinued operation, net of tax	-	18,604		-	34,956	
(Loss)/Profit for the period	(26,612)	121,932	(122)	(42,400)	376,870	(111)

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(Financial year ending 31 December 2020)

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

	Individual quarter			Cumulative quarter		
	Current Year Second Quarter ended 30/06/2020 RM'000	Preceding Year Corresponding Quarter ended 30/06/2019 RM'000	Changes %	Current year-to-date ended 30/06/2020 RM'000	Preceding year-to-date ended 30/06/2019 RM'000	Changes %
(Loss)/Profit for the period	(26,612)	121,932	(122)	(42,400)	376,870	(111)
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences of foreign operations	585	1,115		14,259	777	
Past service cost on retirement benefits	-	(2,838)		-	(2,838)	
Cash flow hedge	(2,197)	(2,465)		(8,445)	(2,465)	
Share of other comprehensive expense of associate	-	-		-	(564)	
Total comprehensive (expense)/income for the period attributable to the Owners of the Company	(28,224)	117,744	(124)	(36,586)	371,780	(110)
(Loss)/Profit attributable to :						
Owners of the Company						
- from continuing operations	(26,476)	10,586		(41,891)	89,765	
- from discontinued operation	-	18,604		-	34,956	
	(26,476)	29,190		(41,891)	124,721	
Non-controlling interests	(136)	92,742		(509)	252,149	
	(26,612)	121,932		(42,400)	376,870	
Total comprehensive (expense)/income attributable to :						
Owners of the Company						
- from continuing operations	(28,622)	7,755		(38,307)	86,032	
- from discontinued operation	-	18,604		-	34,956	
	(28,622)	26,359		(38,307)	120,988	
Non-controlling interests	398	91,385		1,721	250,792	
	(28,224)	117,744		(36,586)	371,780	
(Loss)/Earnings per share						
Basic (Sen)	(13.78)	15.19		(21.80)	64.91	
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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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(Financial year ending 31 December 2020)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<-----Attributable to Owners of the Company----->						
	<-----Non-Distributable----->			Distributable			
	Share capital RM'000	Other reserves 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 2020							
Balance at 1 January 2020	197,660	(897)	9,696	1,521,424	1,727,883	140,865	1,868,748
Loss for the period	-	-	-	(41,891)	(41,891)	(509)	(42,400)
Foreign currency translation differences of foreign operations	-	-	11,125	-	11,125	3,134	14,259
Cash flow hedge	-	(7,541)	-	-	(7,541)	(904)	(8,445)
Total comprehensive (expense)/income for the period	-	(7,541)	11,125	(41,891)	(38,307)	1,721	(36,586)
Balance at 30 June 2020	197,660	(8,438)	20,821	1,479,533	1,689,576	142,586	1,832,162
Preceding year corresponding year ended 30 June 2019							
Balance at 1 January 2019	197,660	-	9,504	623,607	830,771	-	830,771
Profit for the period	-	-	-	124,721	124,721	252,149	376,870
Foreign currency translation differences of foreign operations	-	-	600	-	600	177	777
Past service cost on retirement benefits	-	(2,838)	-	-	(2,838)	-	(2,838)
Cash flow hedge	-	(2,465)	-	-	(2,465)	-	(2,465)
Share of other comprehensive expense of associate	-	-	(564)	-	(564)	-	(564)
Total comprehensive (expense)/income for the period	-	(5,303)	36	124,721	119,454	252,326	371,780
Acquisition of a subsidiary	-	-	1,534	-	1,534	111,185	112,719
Acquisition of non-controlling interests	-	-	-	222,200	222,200	(222,200)	-
Balance at 30 June 2019	197,660	(5,303)	11,074	970,528	1,173,959	141,311	1,315,270

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Quarterly report on consolidated results for two quarters ended 30 June 2020. The figures have not been audited.

(Financial year ending 31 December 2020)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year 6 months ended 30/06/2020 RM'000	Preceding year 6 months ended 30/06/2019 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax from continuing operations	(39,218)	342,789
Profit before tax from discontinued operation	-	43,399
	(39,218)	386,188
Adjustments :		
Amortisation and depreciation of assets	69,401	42,795
Interest expense	29,683	33,688
Interest income	(3,938)	(532)
Income distribution on money market placement with a financial institution	(1,524)	(181)
Property, plant and equipment written off	419	758
Goodwill on consolidation written off	-	16
Impairment loss on receivables	501	2,516
Unrealised loss on derivatives financial instruments	8,794	4,324
(Gain)/Loss on disposal of property, plant and equipment	(222)	93
Cash flow hedge	(8,445)	-
Gain arising on acquisition of a subsidiary	-	(395,868)
Share of loss of equity-accounted associate, net of tax	-	3,402
Operating profit before changes in working capital	55,451	77,199
Inventories	(1,966)	21,300
Trade and other receivables	33,003	37,465
Trade and other payables	(98,060)	4,136
Others	(11,895)	(7,224)
Cash (used in)/generated from operations	(23,467)	132,876
Tax paid	(7,507)	(10,147)
Net cash (used in)/generated from operating activities	(30,974)	122,729
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	260	1,237
Acquisition of subsidiaries, net of cash	-	(130,560)
Acquisition of non-controlling interests	-	(658,420)
Acquisition of property, plant and equipment	(55,358)	(81,948)
Acquisition of intangible assets	(44)	(1,044)
Acquisition of right-of-use assets	(2,496)	-
Interest received	3,938	532
Income distribution on money market placement with a financial institution	1,524	181
Net cash used in investing activities	(52,176)	(870,022)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(29,683)	(33,688)
Net movement in borrowings and lease liabilities	(15,658)	939,363
Net cash flows (used in)/generated from financing activities	(45,341)	905,675
Net (decrease)/increase in cash and cash equivalents	(128,491)	158,382
Effect of exchange differences on cash and cash equivalents	(2,479)	11,462
Cash and cash equivalents brought forward	350,599	108,214
Cash and cash equivalents carried forward	219,629	278,058
Comprises :		
Cash and bank balances	175,212	217,494
Short term deposits with licensed banks	21,474	15,669
Money market placement with financial institution	22,943	44,895
	219,629	278,058

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2020

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 2019 ("FY 2019"). 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 Can-One Berhad ("Can-One" or "the Company") group of companies ("Can-One Group" or "the Group") since FY 2019.

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 2019 except for the following :

The Group adopted (where applicable) the following accounting standards, interpretations or amendments which are applicable to the Group that have been issued by the Malaysian Accounting Standards Board ("MASB") effective 1 January 2020 :

- Amendments to MFRS 3, *Business Combinations - Definition of Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments : Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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

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

- MFRS 17, *Insurance Contracts*

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2020

2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current*

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 Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on or after 1 January 2021 as it is not applicable to the Group.

The initial applications of the abovementioned accounting standards, interpretations or amendments are not expected to have any material financial impact on the Group.

3. Auditors' report

The auditors' report dated 14 May 2020 on the financial statements for the financial year ended 31 December 2019 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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

6. Changes in estimates

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

7. Issuance, cancellations, repurchases and repayments of debt and equity securities

There were no issuance, cancellations, repurchases, resale and repayments of debt and equity securities during the current quarter under review.

8. Dividend paid

A first and final single-tier dividend of 4 sen per share and a special single-tier dividend of 2 sen per share amounting to RM7,686,120 and RM3,843,060 respectively in respect of the financial year ended 31 December 2019 was paid on 30 July 2020.

9. Segment information

The Group organised its activities principally into 4 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 carbonated and non-carbonated beverages, milk powder as well as edible oil products ("Contract Manufacturing");
- c) Trading; and
- d) Property and investment holding.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

9. Segment information (cont'd)

Segment revenue and results for two quarters ended 30 June 2020 are as follows :

	General Packaging	Contract Manufacturing	Trading	Property and Investment Holding	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	1,033,226	192,870	326,593	2,726	1,555,415	(341,945)	1,213,470
Inter-segment sales	100,614	367	-	-	100,981	(100,981)	-
	1,133,840	193,237	326,593	2,726	1,656,396	(442,926)	1,213,470
Results							
Segment results	8,877	(19,284)	(939)	(273)	(11,619)	(1,853)	(13,472)
Interest income	2,052	42	4,854	6,149	13,097	(9,160)	3,937
Financial expenses	(21,983)	(3,505)	(4,120)	(9,551)	(39,159)	9,476	(29,683)
Loss before tax	(11,054)	(22,747)	(205)	(3,675)	(37,681)	(1,537)	(39,218)
Assets							
Segment assets	3,488,998	230,476	400,743	309,816	4,430,033	(744,487)	3,685,546
Unallocated assets	-	-	-	-	20,875	-	20,875
Total assets	3,488,998	230,476	400,743	309,816	4,450,908	(744,487)	3,706,421
Liabilities							
Segment liabilities	1,438,949	246,601	349,930	480,862	2,516,342	(745,260)	1,771,082
Unallocated liabilities	-	-	-	-	103,177	-	103,177
Total liabilities	1,438,949	246,601	349,930	480,862	2,619,519	(745,260)	1,874,259

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

9. Segment information (cont'd)

Segment revenue and results for the preceding year corresponding two quarters ended 30 June 2019 are as follows :

	General Packaging	Contract Manufacturing	Trading	Property and Investment Holding	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External sales	777,729	85,805	182,371	1,979	1,047,884	(140,757)	907,127
Inter-segment sales	60,990	-	-	-	60,990	(60,990)	-
	838,719	85,805	182,371	1,979	1,108,874	(201,747)	907,127
Results							
Segment results	(1,606)	(4,929)	3,964	(12,977)	(15,548)	392,315	376,767
Interest income	1,353	11	2,399	831	4,594	(4,205)	389
Finance expenses	(15,610)	(1,571)	(1,898)	(17,103)	(36,182)	5,217	(30,965)
Share of loss after tax of associate	-	-	-	(3,402)	(3,402)	-	(3,402)
(Loss)/Profit before tax from continuing operations	(15,863)	(6,489)	4,465	(32,651)	(50,538)	393,327	342,789
Profit before tax from discontinued operation	-	34,956	-	-	34,956	-	34,956
(Loss)/Profit before tax	(15,863)	28,467	4,465	(32,651)	(15,582)	393,327	377,745
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	3,447,029	716,056	391,322	1,562,205	6,149,592	(1,886,208)	4,263,384
Liabilities							
Segment liabilities	1,374,177	401,612	236,756	1,238,657	3,251,202	(444,478)	2,806,724
Unallocated liabilities	-	-	-	-	140,143	-	140,143
Total liabilities	1,374,177	401,612	236,756	1,238,657	3,391,345	(444,478)	2,946,867

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

10. Valuation of property, plant and equipment

The Group did not carry out any revaluation exercise during the quarter under review.

11. Material subsequent events

Bintang Seribu Sdn. Bhd., an indirect wholly-owned subsidiary of Can-One had on 13 July 2020 entered into 2 Sale and Purchase Agreements ("SPAs") to acquire freehold vacant lands from a third party at a total cash consideration of RM103,554,000 inclusive of sales tax (if applicable). The SPAs are subject to the satisfaction of the conditions precedent.

Save for the above and the Corporate Proposal as disclosed in Note 6 (Part B) of this announcement, as at 24 August 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there were no other material events subsequent to the end of the balance sheet date which may have an impact on the consolidated financial statements of the Group.

12. Changes in the Group composition

There were no changes in the Group composition as at 30 June 2020.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2020.

As at 24 August 2020 (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.

14. Capital commitment

As at 30 June 2020, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>66,212</u></u>

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

15. Related party disclosures

The Group has related party relationship with a company in which a Director has substantial financial interests ("related party").

The 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 30/06/2020 RM'000
Purchases of goods from a related party	<u><u>680</u></u>

16. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") at the Board Meeting held on 27 August 2020.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2020

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

1. Review of performance

(a) *Second quarter ended 30 June 2020 ("Q2, 2020") compared with Second quarter ended 30 June 2019 ("Q2, 2019")*

The Group's revenue for Q2, 2020 decreased by RM63.6 million to RM568.4 million mainly from adverse impact of the COVID-19 pandemic and Movement Control Order ("MCO") which affected our production activities as well as lower demand from our customers, both local and export markets, due to restriction in business operations, changes in consumer behaviour, transportation and logistical issues.

Gross profit of the Group dropped by RM11.8 million to RM20.7 million in Q2, 2020 mainly due to reduction in sales which resulted in low production and inefficiencies, sales mix, as well as write down of inventories. Other income dropped by RM132.8 million to RM7.3 million when compared with Q2, 2019 mainly due to gain arising from acquisition of Kian Joo Can Factory Berhad ("KJCF") shares which was recognised in Q2, 2019. Interest expense reduced by RM9.8 million mainly due to partial settlement of term loan to acquire KJCF shares.

Consequently, the Group recorded a loss before tax of RM24.6 million in Q2, 2020 as opposed to a profit before tax of RM102.8 million in Q2, 2019.

Continuing operations

General Packaging division

General Packaging division generated a total revenue of RM480.3 million in Q2, 2020, a decrease of RM86.7 million from RM567.0 million in Q2, 2019. Its revenue decreased mainly due to adverse impact of the COVID-19 pandemic and MCO. Despite a substantial lower revenue, its loss before tax improved marginally by RM1.2 million to RM16.7 million in Q2, 2020 mainly attributable to lower operating and interest expenses.

Contract Manufacturing division

Revenue in Contract Manufacturing division grew by RM42.4 million to RM95.8 million in Q2, 2020 compared to RM53.4 million in Q2, 2019, mainly due to ramp up of Edible Oils packing. Loss before tax, however, widened by RM7.3 million to RM11.7 million in Q2, 2020 mainly due to losses in Edible Oils segment because of the MCO, logistical issues as well as Beverages segment operation which is still in investment phase where new capacity is being added and is yet to be fully operational.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

1. Review of performance (cont'd)

(a) *Second quarter ended 30 June 2020 ("Q2, 2020") compared with Second quarter ended 30 June 2019 ("Q2, 2019") (cont'd)*

Trading division

Revenue of Trading division increased by RM37.5 million to RM167.8 million in Q2, 2020 compared to RM130.3 million in Q2, 2019. Despite the increase in revenue, the division only registered a profit before tax of RM0.2 million mainly due to sales mix.

Discontinued operation

Contract Manufacturing division - Dairy segment

On 15 October 2019, the Group completed the disposal of its entire equity interests in F & B Nutrition Sdn. Bhd. ("FBSB") through the disposal of Can Ridge Sdn. Bhd. ("CRSB") to Wholesome Dairies Pte. Ltd. ("Buyer") for an aggregate disposal consideration of between RM800.0 million (minimum) to RM1,000.0 million (maximum). In FY2019, the Group used disposal consideration of RM912.0 million based on cash proceeds received to compute for gain on disposal.

The Company and the Buyer vide a letter dated 17 August 2020, agreed to the final disposal consideration of RM1,000.0 million. The gain arising from the difference between the final disposal consideration and the preliminary disposal consideration amounting to RM88.0 million will be accounted for in the third quarter ended 30 September 2020 ("Q3, 2020") profit or loss.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2020

(b) Current year-to-date ended 30 June 2020 ("YTD Q2, 2020") compared with preceding year-to-date ended 30 June 2019 ("YTD Q2, 2019")

The Group recorded an increase in revenue of RM306.3 million to RM1,213.5 million in YTD Q2, 2020 with a loss before tax of RM39.2 million. The increase in revenue was mainly due to consolidation of the full six-month results of KJCF Group in YTD Q2, 2020 compared to 1 quarter and 14 days of post-acquisition revenue of KJCF Group in YTD Q2, 2019. However, the COVID-19 pandemic and MCO had an adverse impact on the results of the Group in the current year-to-date. YTD Q2, 2019 profit before tax of RM382.0 million was mainly attributable to gain arising from acquisition of KJCF.

Continuing operations

General Packaging division

Revenue of General Packaging division increased by RM255.5 million to RM1,033.2 million in YTD Q2, 2020, mainly due to consolidation of the full six-month revenue of KJCF Group in YTD Q2, 2020. In tandem, loss before tax of the division narrowed by RM4.8 million to RM11.1 million in YTD Q2, 2020.

Contract Manufacturing division

Revenue of the Contract Manufacturing division increased by RM107.1 million to RM192.9 million in YTD Q2, 2020 mainly due to ramp up of Edible Oils packing. Despite increase in revenue, loss before tax of the division widened by RM16.3 million to RM22.7 million in YTD Q2, 2020 mainly attributable to losses in Edible Oils segment because of the MCO, logistical issues, high overhead and operating costs as well as Beverages segment operation which is still in investment phase where new capacity is being added and is yet to be fully operational.

Trading division

Revenue of Trading Division increased by RM144.2 million to RM326.6 million in YTD Q2, 2020 mainly attributable to consolidation of the full six-month revenue of KJCF Group in YTD Q2, 2020. Loss before tax of RM0.2 million recorded by the division in YTD Q2, 2020 compared to profit before tax of RM4.5 million recorded in YTD Q2, 2019 was mainly attributable to changes in sales mix.

Discontinued operation

Contract Manufacturing division - Dairy segment

The Group completed the disposal of its entire equity interests in FBSB on 15 October 2019 and the Dairy segment recorded RM35.0 million profit after tax in YTD Q2, 2019.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**2. Variation of results against immediate preceding quarter ended 31 March 2020 ("Q1, 2020")**

	Current year Second Quarter Ended 30/06/2020 RM'000	Current year Immediate Preceding Quarter Ended 31/03/2020 RM'000	Changes RM'000
Revenue	568,402	645,068	(76,666)
Operating Loss	(11,805)	(1,667)	(10,138)
Loss Before Interest and Tax	(11,805)	(1,667)	(10,138)
Loss Before Tax	(24,552)	(14,666)	(9,886)
Loss After Tax	(26,612)	(15,788)	(10,824)
Loss Attributable to Owners of the Company	(26,476)	(15,414)	(11,062)

The Group registered a revenue of RM568.4 million in the current quarter under review, a decrease of RM76.7 million from the last quarter as most of the divisions suffered lower sales volume compared to last quarter due to the COVID-19 pandemic, MCO and weaker demand. Loss before tax of the Group increased by RM9.9 million to RM24.6 million in Q2, 2020 mainly attributable to lower sales hence lower production and inefficiencies, sales mix as well as write down of inventories.

General Packaging division

Total revenue of the division decreased by RM72.6 million to RM480.3 million in the current quarter under review mainly due to reduction in sales volume as the full impact of COVID-19 pandemic was felt. The division recorded loss before tax of RM16.7 million in the current quarter attributable to lower gross profit due to drop in demand for aluminium cans which caused production down time and inefficiencies, and write down of inventories value coupled with unfavourable foreign currency movement in the current quarter under review.

Contract Manufacturing division

Revenue of Contract Manufacturing division decreased by RM1.2 million to RM95.8 million in Q2, 2020, mainly due to sales mix. Loss before tax increased marginally by RM0.7 million to RM11.7 million in Q2, 2020.

Trading division

Revenue of Trading division increased by RM9.0 million to RM167.8 million in current quarter. Its loss before tax improved by RM0.6 million to profit before tax of RM0.2 million.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**

3. Prospects

It has been a challenging first half for the financial year ending 31 December 2020 ("FY 2020"), with the COVID-19 pandemic dragging down the world economy and affecting most industry globally. Malaysia's Gross Domestic Product (GDP) fell 17.1% in Q2, 2020 as it bore the full brunt of the pandemic lockdowns. Economic activity has gradually recovered and the Group anticipates a gradual improvement and normalisation of our business activities for the remaining half of FY 2020.

The exchange rate of United States Dollar ("USD") has been volatile, and this poses a risk to the Group as its raw materials purchases are mainly in USD. A strengthened USD against RM would mean higher raw material costs for the Malaysian operations.

The Group will continue to prioritise its recovery by improving operational efficiency, prudent cost control measures, expanding marketing efforts and ensuring no disruption in the supply chain. The Group is cautiously optimistic to deliver a satisfactory results for the remaining half of FY 2020.

4. Profit forecast/profit guarantee

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**5. Tax expense**

	Current Year		Preceding Year	
	Second quarter ended 30/06/2020 RM'000	Second quarter ended 30/06/2019 RM'000	Current year-to-date ended 30/06/2020 RM'000	Preceding year-to-date ended 30/06/2019 RM'000
Current tax expense	3,477	856	6,402	1,863
Deferred tax expense	(1,417)	(1,386)	(3,220)	(988)
	<u>2,060</u>	<u>(530)</u>	<u>3,182</u>	<u>875</u>

6. Status of Corporate Proposal announced but not completed as at 24 August 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report)

Disposal by Can-One of the entire issued share capital of FBSB, through the disposal of CRSB, a wholly-owned subsidiary of Can-One, to Wholesome Dairies Pte. Ltd. ("WDPL") for an aggregate disposal consideration of between RM800.0 million (minimum) to RM1,000.0 million (maximum) pursuant to the Sale and Purchase Agreement dated 14 June 2019 with WDPL ("SPA")

The Company and the Buyer vide a letter dated 17 August 2020, agreed to the final disposal consideration of RM1,000.0 million. The gain arising from the difference between the final disposal consideration and the preliminary disposal consideration amounting to RM88.0 million will be accounted for in Q3, 2020 profit or loss.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

7. Group borrowings and debts securities

Group borrowings as at 30 June 2020 are as follows :

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Borrowings denominated in RM		
Current		
Secured		
Hire purchase liabilities	126	111
Term loans	2,592	1,726
	<u>2,718</u>	<u>1,837</u>
Unsecured		
Other trade facilities	-	494
Term loans	43,902	44,940
Bankers' acceptances	188,984	260,252
Revolving credits	99,500	97,300
	<u>335,104</u>	<u>404,823</u>
Non-current		
Secured		
Hire purchase liabilities	296	67
Term loans	397,450	390,649
	<u>397,746</u>	<u>390,716</u>
Unsecured		
Term loans	168,548	139,722
	<u>566,294</u>	<u>530,438</u>
Total borrowings in RM	<u><u>901,398</u></u>	<u><u>935,261</u></u>
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	4,100	8,055
Foreign currencies trade loans	95,520	99,527
	<u>99,620</u>	<u>107,582</u>
Non-current		
Term loans	20,498	19,611
Total borrowings in VND	<u><u>120,118</u></u>	<u><u>127,193</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

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

	As at 30/06/2020 RM'000	As at 31/12/2019 RM'000
Borrowings denominated in United States Dollar ("USD")		
Current		
Unsecured		
Foreign currencies trade loans	65,719	28,326
Revolving credits	59,955	60,226
Term loans	50,534	48,374
	<u>176,208</u>	<u>136,926</u>
Non-current		
Unsecured		
Term loans	185,004	186,158
Total borrowings in USD	<u>361,212</u>	<u>323,084</u>
Total Group borrowings	<u>1,382,728</u>	<u>1,385,538</u>

The interest rates for the borrowings are as follows :

	As at 30/06/2020	As at 31/12/2019
Term loans :		
- Floating	1.39% - 6.83%	2.90% - 7.20%
Trade facilities	0.89% - 6.85%	2.33% - 7.64%
Hire purchase liabilities	1.48% - 2.08%	2.08%
Revolving credits	<u>2.17% - 3.65%</u>	<u>3.48% - 4.80%</u>

The Group's total borrowings decreased by RM2.8 million to RM1,382.7 million as at 30 June 2020. This was mainly attributable to decrease in trade borrowings offset against increase in term loans drawndwon to part finance acquisition of capital expenditures.

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

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**8. Derivatives financial instruments**

As at 30 June 2020, 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 contracts 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 were determined by using mark-to-market values at the end of the reporting date and changes in the fair value were recognised in the profit or loss statement as shown in Note 9.

Details of derivative financial instruments outstanding as at 30 June 2020 are set out below :

Type of derivatives	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	54,755	-	1,960	-
Interest swap contracts				
- Less than 1 year	50,534	-	5,328	-
- 1 year to 3 years	185,004	-	-	9,445
Non-hedging derivatives :				
Foreign exchange contracts				
- Less than 1 year	30,647	308	-	-
		<u>308</u>	<u>7,288</u>	<u>9,445</u>

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.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020

9. (Loss)/Profit for the period

(Loss)/Profit for the period was stated after charging/(crediting) :

	Current Year	Preceding Year		
	Second	Second	Current	Preceding
	quarter	quarter	year-to-date	year-to-date
	ended	ended	ended	ended
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
	RM'000	RM'000	RM'000	RM'000
Interest income	(1,881)	(273)	(3,938)	(532)
Interest expense	14,628	25,613	29,683	33,688
Depreciation and amortisation	34,852	36,576	69,401	42,795
Goodwill on consolidation written off	-	-	-	16
Impairment loss of receivables, net	175	2,435	501	2,516
Property, plant and equipment written off	419	758	419	758
(Gain)/Loss on disposal of property, plant and equipment	63	126	(222)	93
(Gain)/Loss on foreign currency exchange	(4,781)	381	(2,496)	1,168
Unrealised gain on derivatives	(1,561)	(734)	(308)	(704)
Gain arising on acquisition of a subsidiary	-	(143,280)	-	(395,868)

10. Changes in material litigation

There was no pending material litigation as at 24 August 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2020**11. Dividends**

No interim dividend has been declared for the financial period under review.

12. (Loss)/Earnings per share

Basic (loss)/earnings per share were computed as follows :

	Current Year	Preceding Year		
	Second	Second	Current	Preceding
	quarter	quarter	year-to-date	year-to-date
	ended	ended	ended	ended
	30/06/2020	30/06/2019	30/06/2020	30/06/2019
(Loss)/Profit from continuing operations (RM'000)	(26,476)	10,586	(41,891)	89,765
Profit from discontinued operation (RM'000)	-	18,604	-	34,956
	<u>(26,476)</u>	<u>29,190</u>	<u>(41,891)</u>	<u>124,721</u>
(Loss)/Profit attributable to owners of the Company (RM'000)				
	<u>(26,476)</u>	<u>29,190</u>	<u>(41,891)</u>	<u>124,721</u>
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
(Loss)/Earnings from continuing operations (Sen)	(13.78)	5.51	(21.80)	46.72
Earnings from discontinued operation (Sen)	-	9.68	-	18.19
	<u>(13.78)</u>	<u>15.19</u>	<u>(21.80)</u>	<u>64.91</u>
Basic (loss)/earnings per ordinary share (Sen)				
	<u>(13.78)</u>	<u>15.19</u>	<u>(21.80)</u>	<u>64.91</u>

Dated : 27 August 2020
Petaling Jaya,
Selangor Darul Ehsan