

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 June 2021. The figures have not been audited.
(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2021 RM'000	As at 31/12/2020 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,793,747	1,791,969
Right-of-use assets	435,249	440,232
Investment properties	116,187	117,035
Intangible assets	1,664	1,398
Other assets	21,826	24,124
Deferred tax assets	5,470	5,323
Total non-current assets	2,374,143	2,380,081
Current assets		
Inventories	693,120	555,507
Trade and other receivables	684,540	583,344
Other assets	35,492	22,755
Derivative financial assets	722	4,183
Current tax assets	9,414	12,669
Cash and cash equivalents	263,914	229,729
Total current assets	1,687,202	1,408,187
Total assets	4,061,345	3,788,268
Equity		
Share capital	197,660	197,660
Reserves	1,673,424	1,582,742
Equity attributable to owners of the Company	1,871,084	1,780,402
Non-controlling interests	147,610	143,614
Total equity	2,018,694	1,924,016
Liabilities		
Loans and borrowings	718,066	710,543
Lease liabilities	4,193	6,599
Retirement benefits obligations	64,728	65,306
Derivative financial liabilities	6,173	6,017
Deferred tax liabilities	102,162	101,220
Total non-current liabilities	895,322	889,685
Loans and borrowings	736,740	579,143
Lease liabilities	5,720	5,974
Retirement benefits obligations	9,252	7,433
Trade and other payables	387,843	369,632
Derivative financial liabilities	1,940	6,077
Current tax payables	5,834	6,308
Total current liabilities	1,147,329	974,567
Total liabilities	2,042,651	1,864,252
Total equity and liabilities	4,061,345	3,788,268
Net assets per share attributable to equity holders of the Company (Sen)	973.75	926.55

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 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 2021. The figures have not been audited.

(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current year Second Quarter ended 30/06/2021 RM'000	Preceding year Second Quarter ended 30/06/2020 RM'000	Changes %	Current period-to-date ended 30/06/2021 RM'000	Preceding period-to-date ended 30/06/2020 RM'000	Changes %
Revenue	678,827	568,402	19	1,330,905	1,213,470	10
Cost of sales	(573,363)	(547,703)		(1,137,868)	(1,149,607)	
Gross profit	105,464	20,699	410	193,037	63,863	202
Other income	544	7,280		823	4,575	
Distribution and Admin expenses	(40,408)	(39,784)		(79,765)	(81,910)	
Profit/(Loss) from operations	65,600	(11,805)	656	114,095	(13,472)	947
Interest income	2,024	1,881		3,943	3,937	
Interest expenses	(11,161)	(14,628)		(21,857)	(29,683)	
Net interest expenses	(9,137)	(12,747)		(17,914)	(25,746)	
Profit/(Loss) before tax	56,463	(24,552)	330	96,181	(39,218)	345
Tax expenses	(7,791)	(2,060)		(11,364)	(3,182)	
Profit/(Loss) for the period	48,672	(26,612)	283	84,817	(42,400)	300

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2021. The figures have not been audited.

(Financial year ending 31 December 2021)

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

	Individual quarter			Cumulative quarter		
	Current year Second Quarter ended 30/06/2021 RM'000	Preceding year Second Quarter ended 30/06/2020 RM'000	Changes %	Current period-to-date ended 30/06/2021 RM'000	Preceding period-to-date ended 30/06/2020 RM'000	Changes %
Profit/(Loss) for the period	48,672	(26,612)	283	84,817	(42,400)	300
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences of foreign operations	993	585		11,201	14,259	
Cash flow hedge	(119)	(2,197)		(1,340)	(8,445)	
Total comprehensive income/ (expense) for the period attributable to the Owners of the Company	49,546	(28,224)	276	94,678	(36,586)	359
Profit/(Loss) attributable to :						
Owners of the Company	48,831	(26,476)		83,602	(41,891)	
Non-controlling interests	(159)	(136)		1,215	(509)	
	48,672	(26,612)		84,817	(42,400)	
Total comprehensive income/ (expense) attributable to :						
Owners of the Company	49,506	(28,622)		90,682	(38,307)	
Non-controlling interests	40	398		3,996	1,721	
	49,546	(28,224)		94,678	(36,586)	
Basic earnings/(loss) per ordinary share (Sen)	25.41	(13.78)		43.51	(21.80)	

NOTE :

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

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(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	<-----Attributable to Owners of the Company----->						
	<--Non-Distributable-->			Distributable			
	Share capital RM'000	Cash flow hedge reserve RM'000	Foreign currency translation reserve RM'000	Retained profits RM'000	Total RM'000	Non- controlling interests RM'000	Total equity RM'000
Current year ended 30 June 2021							
Balance at 1 January 2021	197,660	(442)	3,674	1,579,510	1,780,402	143,614	1,924,016
Profit for the period	-	-	-	83,602	83,602	1,215	84,817
Foreign currency translation differences of foreign operations	-	-	8,762	-	8,762	2,439	11,201
Cash flow hedge	-	(1,682)	-	-	(1,682)	342	(1,340)
Total comprehensive (expense)/income for the period	-	(1,682)	8,762	83,602	90,682	3,996	94,678
Balance at 30 June 2021	<u>197,660</u>	<u>(2,124)</u>	<u>12,436</u>	<u>1,663,112</u>	<u>1,871,084</u>	<u>147,610</u>	<u>2,018,694</u>
Preceding year corresponding year 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	<u>197,660</u>	<u>(8,438)</u>	<u>20,821</u>	<u>1,479,533</u>	<u>1,689,576</u>	<u>142,586</u>	<u>1,832,162</u>

NOTE :

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2021. The figures have not been audited.

(Financial year ending 31 December 2021)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year 6 months ended 30/06/2021 RM'000	Preceding year 6 months ended 30/06/2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	96,181	(39,218)
Adjustments :		
Amortisation and depreciation of assets	70,347	69,401
Interest expense	21,857	29,683
Interest income	(3,943)	(3,937)
Income distribution on money market placement with a financial institution	(614)	(1,524)
Property, plant and equipment written off (Reversal of impairment loss)/Impairment loss on receivables, net	-	419
Impairment loss on property, plant and equipment	4,372	-
Unrealised (gain)/loss on derivatives financial instruments	(1,996)	96
Gain on disposal of property, plant and equipment	(3,014)	(222)
Operating profit before changes in working capital	<u>182,853</u>	<u>55,199</u>
Inventories	(137,615)	(1,966)
Trade and other receivables	(100,864)	33,003
Trade and other payables	18,183	(98,060)
Others	(3,508)	(11,895)
Cash used in operations	<u>(40,951)</u>	<u>(23,719)</u>
Tax paid	(7,928)	(7,507)
Net cash used in operating activities	<u>(48,879)</u>	<u>(31,226)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	6,135	260
Acquisition of property, plant and equipment	(58,696)	(55,358)
Acquisition of intangible assets	(1,014)	(44)
Acquisition of right-of-use assets	-	(2,496)
Interest received	3,943	3,937
Income distribution on money market placement with a financial institution	614	1,524
Net cash used in investing activities	<u>(49,018)</u>	<u>(52,177)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(21,857)	(29,683)
Net movement in borrowings and lease liabilities	153,935	(15,658)
Net cash flows generated from/(used in) financing activities	<u>132,078</u>	<u>(45,341)</u>
Net increase/(decrease) in cash and cash equivalents	<u>34,181</u>	<u>(128,744)</u>
Effect of exchange differences on cash and cash equivalents	4	(2,226)
Cash and cash equivalents brought forward	229,729	350,599
Cash and cash equivalents carried forward	<u><u>263,914</u></u>	<u><u>219,629</u></u>
Comprises :		
Cash and bank balances	192,756	175,212
Short term deposits with licensed banks	7,487	21,474
Money market placement with financial institution	63,671	22,943
	<u><u>263,914</u></u>	<u><u>219,629</u></u>

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2021

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 2020 ("FY 2020"). 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 2020.

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 2020 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 2021 :

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases - Interest Rate Benchmark Reform - Phase 2*
- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

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

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2021

2. Significant Accounting Policies (cont'd)

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

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

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 2023 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.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2021

3. Auditors' report

The auditors' report dated 15 April 2021 on the financial statements for the financial year ended 31 December 2020 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 financial period under review.

6. Changes in estimates

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

8. Dividend paid

There was no dividend paid during the financial period under review.

9. Segment information

The Group organised its activities principally into 4 reportable business divisions :

- a) Manufacture of metal and lithographed tin cans, plastic cans, aluminium cans and corrugated fibreboard cartons (collectively, "General Packaging");
- b) Manufacturing, packaging and distribution of carbonated and non-carbonated beverages as well as edible oil products ("Contract Manufacturing");
- c) Trading; and
- d) Property and investment holding.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021

9. Segment information (cont'd)

Segment revenue and results for the financial period ended 30 June 2021 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,259,776	40,665	563,733	16,525	1,880,699	(549,794)	1,330,905
Inter-division revenue	-	-	-	-	-	-	-
	<u>1,259,776</u>	<u>40,665</u>	<u>563,733</u>	<u>16,525</u>	<u>1,880,699</u>	<u>(549,794)</u>	<u>1,330,905</u>
Results							
Segment results	116,093	(10,963)	10,677	13,130	128,937	(14,842)	114,095
Interest income	1,291	5	4,119	5,045	10,460	(6,517)	3,943
Interest expenses	(14,480)	(2,758)	(3,876)	(7,421)	(28,535)	6,678	(21,857)
Profit/(Loss) before tax	<u>102,904</u>	<u>(13,716)</u>	<u>10,920</u>	<u>10,754</u>	<u>110,862</u>	<u>(14,681)</u>	<u>96,181</u>
Assets							
Segment assets	3,673,982	217,135	543,526	305,911	4,740,554	(694,093)	4,046,461
Unallocated assets	-	-	-	-	14,884	-	14,884
Total assets	<u>3,673,982</u>	<u>217,135</u>	<u>543,526</u>	<u>305,911</u>	<u>4,755,438</u>	<u>(694,093)</u>	<u>4,061,345</u>
Liabilities							
Segment liabilities	1,433,729	243,897	474,896	476,547	2,629,069	(694,414)	1,934,655
Unallocated liabilities	-	-	-	-	107,996	-	107,996
Total liabilities	<u>1,433,729</u>	<u>243,897</u>	<u>474,896</u>	<u>476,547</u>	<u>2,737,065</u>	<u>(694,414)</u>	<u>2,042,651</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021****9. Segment information (cont'd)**

Segment revenue and results for the preceding year corresponding period ended 30 June 2020 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,030,946	192,870	326,593	20,493	1,570,902	(357,432)	1,213,470
Inter-segment revenue	-	-	-	-	-	-	-
	<u>1,030,946</u>	<u>192,870</u>	<u>326,593</u>	<u>20,493</u>	<u>1,570,902</u>	<u>(357,432)</u>	<u>1,213,470</u>
Results							
Segment results	8,616	(19,284)	(939)	17,494	5,887	(19,359)	(13,472)
Interest income	1,741	42	4,854	6,149	12,786	(8,849)	3,937
Interest expenses	(21,405)	(3,505)	(4,120)	(9,551)	(38,581)	8,898	(29,683)
(Loss)/Profit before tax	<u>(11,048)</u>	<u>(22,747)</u>	<u>(205)</u>	<u>14,092</u>	<u>(19,908)</u>	<u>(19,310)</u>	<u>(39,218)</u>
Assets							
Segment assets	3,401,252	230,476	400,743	309,816	4,342,287	(656,741)	3,685,546
Unallocated assets	-	-	-	-	20,875	-	20,875
Total assets	<u>3,401,252</u>	<u>230,476</u>	<u>400,743</u>	<u>309,816</u>	<u>4,363,162</u>	<u>(656,741)</u>	<u>3,706,421</u>
Liabilities							
Segment liabilities	1,350,706	246,601	349,930	480,862	2,428,099	(657,017)	1,771,082
Unallocated liabilities	-	-	-	-	103,177	-	103,177
Total liabilities	<u>1,350,706</u>	<u>246,601</u>	<u>349,930</u>	<u>480,862</u>	<u>2,531,276</u>	<u>(657,017)</u>	<u>1,874,259</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021**

10. Valuation of property, plant and equipment

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

11. Material subsequent events

As at 23 August 2021 (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.

12. Changes in the Group composition

There were no changes in the Group composition as at 30 June 2021.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2021.

As at 23 August 2021 (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 2021, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>121,513</u></u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021**

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 period-to-date ended 30/06/2021 RM'000
Purchases of goods from a related party	<u><u>799</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 26 August 2021.

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2021

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

1. Review of performance

(a) *Second quarter ended 30 June 2021 ("Q2, 2021") compared with Second quarter ended 30 June 2020 ("Q2, 2020")*

The Group's net revenue for Q2, 2021 increased by RM110.4 million or 19.4% to RM678.8 million compared to RM568.4 million in Q2, 2020. Profit before tax reported by the Group was RM56.5 million in Q2, 2021 versus a loss before tax of RM24.6 million in Q2, 2020 mainly due to improved performance in General Packaging division and lower interest expenses offset against other operational expenses.

General Packaging division

General Packaging division generated total revenue of RM638.9 million in Q2, 2021, an increase of RM159.8 million from RM479.1 million in Q2, 2020. All segments shown an improvement in revenue. Profit before tax increased by RM76.1 million to RM59.3 million in Q2, 2021. This was mainly due to, amongst others, increase in sales and production, changes in sales mix and improvement in operational efficiency. Furthermore, as part of the Malaysian Government's efforts to contain the spread of Covid-19 infection, the performance of Q2, 2020 was affected by the impact of enforced shut down and reduction in capacity during Movement Control Order to 50% workforce capacity in the months of April and May 2020 compared to 60% workforce capacity in the month of June 2021.

Contract Manufacturing division

Revenue of the Contract Manufacturing division decreased by RM75.1 million to RM20.7 million in Q2, 2021. The division, however, registered a lower loss before tax of RM5.7 million in Q2, 2021 compared to RM11.7 million in Q2, 2020. This was mainly due to stoppage of edible oil operation in the first quarter ("Q1") of 2021.

Trading division

Trading division registered a higher revenue of RM291.7 million in Q2, 2021, a growth of RM123.9 million compared with Q2, 2020 mainly due to increase in third parties and intercompany trading activities. In tandem with higher revenue and sales mix, the division reported a profit before tax of RM4.6 million in Q2, 2021.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2021

1. Review of performance (cont'd)

(b) Current year-to-date ended 30 June 2021 ("YTD Q2, 2021") compared with preceding year-to-date ended 30 June 2020 ("YTD Q2, 2020")

The Group recorded an increase in revenue of RM117.4 million to RM1,330.9 million in YTD Q2, 2021 compared to YTD Q2, 2020 mainly due to increase in revenue recorded by General packaging and Trading divisions offset against lower revenue in Contract manufacturing division. The Group recorded profit before tax of RM96.2 million in YTD Q2, 2021 compared to loss before tax of RM39.2 million in YTD Q2, 2020 mainly due to sales growth and improved performance in General packaging division together with reduced loss from Contract manufacturing division as the Group ceased the edible oil operation in Q1 of 2021.

General Packaging division

Revenue of General Packaging division increased by RM228.8 million to RM1,259.8 million in YTD Q2, 2021. All segments shown as improvement in revenue. The division reported a profit before tax of RM102.9 million in YTD Q2, 2021 versus a loss before tax of RM11.0 million in YTD Q2, 2020. The improved performance was achieved by all segments, gain from disposal of plant and machinery, favourable foreign currency movement and lower interest expenses incurred; and these were set off by impairment loss on plant and machinery.

Contract Manufacturing division

Revenue of Contract Manufacturing division decreased by RM152.2 million to RM40.7 million in YTD Q2, 2021. Loss before tax of the division, however, was lower by RM9.0 million to RM13.7 million in YTD Q2, 2021. This was mainly attributable to stoppage of edible oil operation in Q1 of 2021.

Trading division

Trading division registered a higher revenue of RM563.7 million in YTD Q2, 2021, a growth of RM237.1 million compared with YTD Q2, 2020 mainly due to increase in third parties and intercompany trading activities. Profit before tax of the division improved by RM11.1 million to RM10.9 million in YTD Q2, 2021 mainly due to sales growth and sales mix offset against higher distribution expenses.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021**2. Variation of results against immediate preceding quarter ended 31 March 2021 ("Q1, 2021")**

	Current year Second Quarter ended 30/06/2021 RM'000	Immediate Preceding Quarter ended 31/03/2021 RM'000	Changes RM'000
Revenue	678,827	652,078	26,749
Operating Profit	65,600	48,495	17,105
Profit Before Interest and Tax	65,600	48,495	17,105
Profit Before Tax	56,463	39,718	16,745
Profit After Tax	48,672	36,145	12,527
Profit Attributable to Owners of the Company	48,831	34,773	14,058

The Group registered revenue of RM678.8 million in the current quarter under review, an increase of RM26.7 million from the immediate preceding quarter. The increase was mainly due to higher sales in General packaging and Trading divisions. Profit before tax of the Group improved by RM16.7 million to RM56.5 million in Q2, 2021 mainly due to higher contribution from General packaging division arising from sales growth and improved performance of the division.

General Packaging division

Compared with Q1, 2021, total revenue of this division increased by RM18.1 million to RM638.9 million in the current quarter under review with higher revenue recorded in its General cans and Aluminium cans segments. Higher sales was mainly due to higher sales volume in its Malaysia General cans operation together with sales and production ramped up by its Myanmar Aluminium plant. In tandem with increased revenue, profit before tax of this division increased by RM15.8 million to RM59.3 million in Q2, 2021.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM0.8 million to RM20.7 million in Q2, 2021 when compared with Q1, 2021. The division reported a loss before tax of RM5.7 million in Q2, 2021, an improvement of RM2.3 million mainly due to higher sales in its Beverages segment and cessation of edible oil operation.

Trading division

Revenue of Trading division increased by RM19.7 million to RM291.7 million in Q2, 2021 when compared to Q1, 2021. Despite increased sales, its profit before tax was lower by RM1.8 million to RM4.6 million in the current quarter under review mainly due to sales mix and higher distribution expenses.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021

3. Prospects

Bank Negara Malaysia had revised its full-year gross domestic product growth forecast for Malaysia to between 3% to 4%, from the previous forecast of between 6% to 7.5% for 2021.

Heightened challenges to the growth of the Group included :

- i) Escalating cost of raw materials;
- ii) Elevated freight rates;
- iii) Shortages of certain raw materials due to disruption to global supply chain;
- iv) Volatility in foreign currency exchange rates, mainly in United States Dollar; and
- v) Operational restrictions due to regulatory compliance of Covid-19 standard operating procedures for manufacturers both in Malaysia as well as overseas operations.

The political upheaval in Myanmar on 1 February 2021 had resulted in a state of emergency declared in Myanmar for a period of 1 year. This has raised some cause for concern as it could disrupt the business environment in Myanmar and the development of the Group's Myanmar business operations. Nevertheless, the Myanmar plants have been able to continue their operations.

The Group's results have been improving and barring any unforeseen circumstances, the Board is cautiously optimistic in addressing the challenges and to deliver satisfactory results for the current financial year ending 31 December 2021.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current Year	Preceding Year		
	Second Quarter ended 30/06/2021 RM'000	Second Quarter ended 30/06/2020 RM'000	Current period-to-date ended 30/06/2021 RM'000	Preceding period-to-date ended 30/06/2020 RM'000
Current tax expense	7,220	3,477	10,563	6,402
Deferred tax expense/(credit)	571	(1,417)	801	(3,220)
	<u>7,791</u>	<u>2,060</u>	<u>11,364</u>	<u>3,182</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021**6. Status of Corporate Proposal****Receipt of notice of unconditional mandatory take-over offer ("Offer") by Eller Axis Sdn Bhd ("Offeror") through UOB Kay Hian Securities (M) Sdn Bhd ("UOBKH")**

On 10 June 2021, the Company received a Press Notice from UOBKH, on behalf of the Offeror, to inform that the Offeror had dealt in the 2,126,000 Can-One Shares (via acceptance of the Offer by the relevant persons acting-in-concert) on even date.

On 15 June 2021, the Company received a Press Notice from UOBKH, on behalf of the Offeror, to inform that the Offer had closed at 5.00 pm (Malaysian time) on 15 June 2021 ("Closing Date"). The total Can-One Shares held by the Offeror and Yeoh Jin Hoe, the ultimate offeror, on the Closing Date was 116,364,500.

7. Group borrowings and debts securities

Group borrowings as at 30 June 2021 are as follows :

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Borrowings denominated in RM		
Current		
Secured		
Hire purchase liabilities	130	128
Term loans	937	1,116
Lease liabilities	5,720	5,974
	<u>6,787</u>	<u>7,218</u>
Unsecured		
Other trade facilities	-	30
Term loans	37,451	40,621
Bankers' acceptances	149,008	104,838
Revolving credits	95,000	73,000
	<u>288,246</u>	<u>225,707</u>
Non-current		
Secured		
Hire purchase liabilities	166	232
Term loans	410,990	389,533
Lease liabilities	4,193	6,599
	<u>415,349</u>	<u>396,364</u>
Unsecured		
Term loans	139,036	157,151
	<u>554,385</u>	<u>553,515</u>
Total borrowings in RM	<u><u>842,631</u></u>	<u><u>779,222</u></u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021

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

	As at 30/06/2021 RM'000	As at 31/12/2020 RM'000
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	3,989	7,712
Foreign currencies trade loans	127,366	99,202
	<u>131,355</u>	<u>106,914</u>
Non-current		
Term loans	11,966	11,567
Total borrowings in VND	<u>143,321</u>	<u>118,481</u>
Borrowings denominated in United State Dollar ("USD")		
Current		
Unsecured		
Foreign currencies trade loans	199,129	144,840
Revolving credits	74,736	60,255
Term loans	48,994	47,401
	<u>322,859</u>	<u>252,496</u>
Non-current		
Unsecured		
Term loans	155,908	152,060
Total borrowings in USD	<u>478,767</u>	<u>404,556</u>
Total Group borrowings	<u>1,464,719</u>	<u>1,302,259</u>

The interest rates for the borrowings are as follows :

	As at 30/06/2021	As at 31/12/2020
Term loans :		
- Floating	1.16% - 4.26%	1.22% - 6.57%
Trade facilities	0.54% - 5.16%	0.62% - 5.57%
Hire purchase liabilities	1.48% - 2.08%	1.48% - 2.08%
Revolving credits	0.96% - 3.78%	2.95% - 3.40%
Lease liabilities	<u>2.65% - 6.70%</u>	<u>2.65% - 6.70%</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021

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

Total loans and borrowings including lease liabilities increased by RM162.5 million to RM1,464.7 million as at 30 June 2021 to finance working capital. During the quarter under review, the Group draw down RM51.9 million of new term loans to part finance the capital expenditures and also made repayment on term loans amounting to RM57.9 million.

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

8. Derivatives financial instruments

As at 30 June 2021, 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 2021 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	23,553	615	-	-
Interest swap contracts				
- Less than 1 year	48,994	-	1,940	-
- 1 year to 3 years	155,908	-	-	6,173
Non-hedging derivatives :				
Foreign exchange contracts				
- Less than 1 year	15,866	107	-	-
		722	1,940	6,173

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

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021

9. Profit/(Loss) for the current quarter and financial year-to-date

Profit/(Loss) for the current quarter and financial year-to-date was stated after charging/(crediting) :

	Current Year	Preceding Year		
	Second	Second	Current	Preceding
	Quarter	Quarter	period-to-date	period-to-date
	ended	ended	ended	ended
	30/06/2021	30/06/2020	30/06/2021	30/06/2020
	RM'000	RM'000	RM'000	RM'000
Interest income	(2,024)	(1,881)	(3,943)	(3,937)
Interest expense	11,161	14,628	21,857	29,683
Depreciation and amortisation	36,138	34,852	70,347	69,401
Impairment loss of receivables, net	(264)	175	(337)	501
Impairment loss of property, plant and equipment	1,000	-	4,372	-
Property, plant and equipment written off	(44)	419	-	419
(Gain)/Loss on disposal of property, plant and equipment	(1,935)	63	(3,014)	(222)
Loss/(Gain) on foreign currency exchange	2,301	(4,781)	3,180	(2,496)
Fair value loss/(gain) on non-hedging derivatives financial instruments	749	(1,561)	(1,966)	96

10. Changes in material litigation

There was no material litigation nor pending material litigation against the Group since the end of the previous financial year up to the date of issue of this quarterly report.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2021**

11. Dividends

No interim dividend has been declared for the financial period under review (2020 : Nil).

12. Earnings/(Loss) per share

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

	Current Year Second Quarter ended 30/06/2021	Preceding Year Second Quarter ended 30/06/2020	Current period-to-date ended 30/06/2021	Preceding period-to-date ended 30/06/2020
Profit/(Loss) attributable to Owners of the Company (RM'000)	48,831	(26,476)	83,602	(41,891)
Weighted average number of ordinary shares in issue ('000)	192,153	192,153	192,153	192,153
Basic earnings/(loss) per ordinary share (Sen)	<u>25.41</u>	<u>(13.78)</u>	<u>43.51</u>	<u>(21.80)</u>

Dated : 26 August 2021
Petaling Jaya,
Selangor Darul Ehsan