

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 June 2022. The figures have not been audited.
(Financial year ending 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2022 RM'000	As at 31/12/2021 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,578,316	1,568,073
Right-of-use assets	398,868	398,942
Investment properties	108,548	109,476
Land held for property development	110,451	109,225
Intangible assets	866	1,094
Deferred tax assets	3,086	3,279
Prepayments	47,107	7,898
Total non-current assets	2,247,242	2,197,987
Current assets		
Inventories	900,068	874,087
Trade and other receivables	679,794	625,890
Prepayments	29,362	11,974
Current tax assets	3,743	2,739
Derivative financial assets	1	843
Cash and cash equivalents	234,707	248,830
Total current assets	1,847,675	1,764,363
Total assets	4,094,917	3,962,350
Equity		
Share capital	197,660	197,660
Reserves	1,631,673	1,535,189
Equity attributable to owners of the Company	1,829,333	1,732,849
Non-controlling interests	91,133	91,934
Total equity	1,920,466	1,824,783
Liabilities		
Loans and borrowings	488,792	657,566
Lease liabilities	5,273	4,812
Retirement benefits obligations	63,975	62,331
Derivative financial liabilities	-	3,896
Deferred tax liabilities	101,278	103,245
Total non-current liabilities	659,318	831,850
Trade and other payables	472,844	460,151
Loans and borrowings	1,002,337	812,949
Lease liabilities	6,015	5,837
Retirement benefits obligations	4,668	4,772
Contract liabilities	3,083	6,306
Provisions	5,408	5,006
Derivative financial liabilities	7,045	1,022
Current tax liabilities	13,733	9,674
Total current liabilities	1,515,133	1,305,717
Total liabilities	2,174,451	2,137,567
Total equity and liabilities	4,094,917	3,962,350
Net assets per share attributable to equity holders of the Company (Sen)	952.02	901.81

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 2022. The figures have not been audited.

(Financial year ending 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current year Second Quarter ended 30/06/2022 RM'000	Preceding year Second Quarter ended 30/06/2021 RM'000	Changes %	Current period-to-date ended 30/06/2022 RM'000	Preceding period-to-date ended 30/06/2021 RM'000	Changes %
Revenue	776,092	678,827	14	1,528,390	1,330,905	15
Cost of sales	(670,696)	(573,363)		(1,318,095)	(1,137,868)	
Gross profit	105,396	105,464	(0)	210,295	193,037	9
Distribution expenses	(5,855)	(7,888)		(11,359)	(15,307)	
Admin expenses	(36,502)	(32,987)		(71,727)	(65,424)	
Other (expenses)/income	(353)	1,747		1,127	5,824	
Operating profit before impairment losses	62,686	66,336		128,336	118,130	
Net (impairment losses)/reversal of impairment losses						
- property, plant and equipment	(15)	(1,000)		-	(4,372)	
- financial instruments	(314)	264		(476)	337	
Profit from operating activities	62,357	65,600	(5)	127,860	114,095	12
Interest income	189	2,024		324	3,943	
Interest expense	(12,307)	(11,161)		(22,553)	(21,857)	
Profit before tax	50,239	56,463	(11)	105,631	96,181	10
Tax expenses	(11,519)	(7,791)		(18,646)	(11,364)	
Profit after tax	38,720	48,672	(20)	86,985	84,817	3

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2022. The figures have not been audited.

(Financial year ending 31 December 2022)

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

	Individual quarter			Cumulative quarter		
	Current year	Preceding year	Changes %	Current period-to-date	Preceding period-to-date	Changes %
	Second Quarter ended	Second Quarter ended		ended	ended	
	30/06/2022	30/06/2021		30/06/2022	30/06/2021	
	RM'000	RM'000		RM'000	RM'000	
Profit after tax	38,720	48,672	(20)	86,985	84,817	3
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences of foreign operations	9,621	993		11,689	11,201	
Cash flow hedge	(4,828)	(119)		(2,991)	(1,340)	
Total comprehensive income for the period attributable to the Owners of the Company	43,513	49,546	(12)	95,683	94,678	1
Profit attributable to :						
Owners of the Company	40,733	48,831		88,963	83,602	
Non-controlling interests	(2,013)	(159)		(1,978)	1,215	
	38,720	48,672		86,985	84,817	
Total comprehensive income attributable to :						
Owners of the Company	44,513	49,506		96,484	90,682	
Non-controlling interests	(1,000)	40		(801)	3,996	
	43,513	49,546		95,683	94,678	
Basic earnings per ordinary share (Sen)	21.20	25.41		46.30	43.51	

NOTE :

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2022. The figures have not been audited.
(Financial year ending 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	←-----Attributable to Owners of the Company-----→						Total equity RM'000
	Share capital RM'000	Cash flow hedge reserve RM'000	Foreign currency translation reserve RM'000	←--Non-Distributable-->		Non- controlling interests RM'000	
Retained profits RM'000				Total RM'000	Total equity RM'000		
Current period ended 30 June 2022							
Balance at 1 January 2022	197,660	919	15,309	1,518,961	1,732,849	91,934	1,824,783
Profit/(Loss) for the period	-	-	-	88,963	88,963	(1,978)	86,985
Foreign currency translation differences of foreign operations	-	-	11,100	-	11,100	589	11,689
Cash flow hedge	-	(3,579)	-	-	(3,579)	588	(2,991)
Total comprehensive (expense)/income for the period	-	(3,579)	11,100	88,963	96,484	(801)	95,683
Balance at 30 June 2022	<u>197,660</u>	<u>(2,660)</u>	<u>26,409</u>	<u>1,607,924</u>	<u>1,829,333</u>	<u>91,133</u>	<u>1,920,466</u>
Preceding year corresponding period 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>

NOTE :

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2022. The figures have not been audited.

(Financial year ending 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current year period-to-date 30/06/2022 RM'000	Preceding year period-to-date 30/06/2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	105,631	96,181
Adjustments :		
Amortisation and depreciation of assets	69,971	70,347
Gain on disposal of property, plant and equipment	(351)	(3,014)
Net gain on termination and remeasurement of lease contracts	(3)	-
Interest expense	22,553	21,857
Interest income	(324)	(3,943)
Income distribution from money market placement with a non-financial institution	(239)	(614)
Net impairment loss/(reversal of impairment loss) on :		
- property, plant and equipment	-	4,372
- financial instruments	476	(337)
Retirement benefits obligations	3,420	3,491
Unrealised gain on derivative financial instruments	(22)	(1,996)
Usage of spare parts in property, plant and equipment	-	5,661
(Reversal of write-down)/Write-down of inventories	(509)	926
Write off in respect of :		
- property, plant and equipment	39	-
- inventories	13,707	9,652
Operating profit before changes in working capital	<u>214,349</u>	<u>202,583</u>
Inventories	(39,179)	(148,193)
Trade and other receivables	(54,536)	(98,302)
Trade and other payables	12,693	19,650
Others	(62,118)	(14,438)
Cash generated from/(used in) operations	<u>71,209</u>	<u>(38,700)</u>
Interest paid	(182)	(224)
Retirement benefits paid	(1,880)	(2,250)
Tax paid	(17,537)	(7,928)
Net cash from/(used in) operating activities	<u>51,610</u>	<u>(49,102)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	1,344	6,135
Additions of :		
- property, plant and equipment	(45,838)	(58,696)
- land held for property development	(1,226)	-
- intangible assets	(277)	(1,014)
Interest received	324	3,943
Income distribution from money market placement with a non-financial institution	239	614
Net cash used in investing activities	<u>(45,434)</u>	<u>(49,018)</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results for Second Quarter ended 30 June 2022. The figures have not been audited.

(Financial year ending 31 December 2022)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	Current year period-to-date 30/06/2022 RM'000	Preceding year period-to-date 30/06/2021 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	-	51,912
Repayment of term loans	(42,572)	(57,918)
Net movement in other borrowings and lease liabilities	57,918	159,941
Interest paid	(22,371)	(21,633)
Net cash flows (used in)/from financing activities	(7,025)	132,302
Net (decrease)/increase in cash and cash equivalents	(849)	34,182
Effect of exchange differences on cash and cash equivalents	(13,274)	3
Cash and cash equivalents brought forward	248,830	229,729
Cash and cash equivalents carried forward	234,707	263,914
Comprises :		
Cash and bank balances	188,280	192,756
Short-term deposits with licensed banks	8,768	7,487
Money market placements with a non-financial institution	37,659	63,671
	234,707	263,914

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 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 2022

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 2021 ("FYE 2021"). 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 FYE 2021.

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 2021 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 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)*

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 2022

2. Significant Accounting Policies (cont'd)

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

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- 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*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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* and Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17* that are effective for annual periods beginning on 1 January 2023 as it is not applicable to the Group.

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

3. Auditors' report

The auditors' report dated 11 April 2022 in respect of the financial statements for the financial year ended 31 December 2021 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.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022

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 ("Contract Manufacturing");
- c) Trading; and
- d) Property development and investment holding.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022**

9. Segment information (cont'd)

Segment revenue and results for current period-to-date ended 30 June 2022 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property Development and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,321,198	71,222	135,901	69	1,528,390	-	1,528,390
Inter-division revenue	143,996	-	222,518	14,234	380,748	(380,748)	-
	<u>1,465,194</u>	<u>71,222</u>	<u>358,419</u>	<u>14,303</u>	<u>1,909,138</u>	<u>(380,748)</u>	<u>1,528,390</u>
Results							
Segment results	139,766	(10,747)	1,387	9,593	139,999	(12,139)	127,860
Interest income	912	4	3,949	690	5,555	(5,231)	324
Interest expenses	(16,294)	(2,211)	(4,103)	(5,263)	(27,871)	5,318	(22,553)
Profit/(Loss) before tax	<u>124,384</u>	<u>(12,954)</u>	<u>1,233</u>	<u>5,020</u>	<u>117,683</u>	<u>(12,052)</u>	<u>105,631</u>
Depreciation and amortisation	68,299	2,683	89	938	72,009	(2,038)	69,971
Interest income	(912)	(4)	(3,949)	(690)	(5,555)	5,231	(324)
Interest expenses	16,294	2,211	4,103	5,263	27,871	(5,318)	22,553
Income distribution on money market placement with a non-financial institution	(133)	(1)	-	(105)	(239)	-	(239)
EBITDA	<u>207,932</u>	<u>(8,065)</u>	<u>1,476</u>	<u>10,426</u>	<u>211,769</u>	<u>(14,177)</u>	<u>197,592</u>
Assets							
Segment assets	3,957,605	162,641	527,938	271,062	4,919,246	(831,158)	4,088,088
Unallocated assets	-	-	-	-	6,829	-	6,829
Total assets	<u>3,957,605</u>	<u>162,641</u>	<u>527,938</u>	<u>271,062</u>	<u>4,926,075</u>	<u>(831,158)</u>	<u>4,094,917</u>
Liabilities							
Segment liabilities	1,686,228	266,017	472,068	466,459	2,890,772	(831,332)	2,059,440
Unallocated liabilities	-	-	-	-	115,011	-	115,011
Total liabilities	<u>1,686,228</u>	<u>266,017</u>	<u>472,068</u>	<u>466,459</u>	<u>3,005,783</u>	<u>(831,332)</u>	<u>2,174,451</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022**

9. Segment information (cont'd)

Segment revenue and results for the preceding year corresponding period-to-date ended 30 June 2021 are as follows :

	General Packaging RM'000	Contract Manufacturing RM'000	Trading RM'000	Property Development and Investment Holding RM'000	Total RM'000	Elimination RM'000	Consolidated RM'000
Revenue							
External revenue	1,028,422	40,131	262,283	69	1,330,905	-	1,330,905
Inter-segment revenue	231,354	534	301,450	16,456	549,794	(549,794)	-
	<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)	10,676	13,130	128,936	(14,841)	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	102,904	(13,716)	10,919	10,754	110,861	(14,680)	96,181
Depreciation and amortisation	67,908	4,090	78	842	72,918	(2,571)	70,347
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
Income distribution on money market placement with a non-financial institution	(518)	(10)	(72)	(14)	(614)	-	(614)
EBITDA	183,483	(6,883)	10,682	13,958	201,240	(17,412)	183,828
Impairment losses on property, plant and equipment	4,372	-	-	-	4,372	-	4,372
Adjusted EBITDA	<u>187,855</u>	<u>(6,883)</u>	<u>10,682</u>	<u>13,958</u>	<u>205,612</u>	<u>(17,412)</u>	<u>188,200</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 2022**

10. Valuation of property, plant and equipment

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

11. Material subsequent events

As at 22 August 2022 (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 Proposal as disclosed in Note 6 (Part B) of this announcement.

12. Changes in the Group composition

Can-One (USA), Inc. ("CUS"), a private limited company was incorporated in the United States of America on 19 May 2022. CUS is wholly-owned by Kian Joo Cans Distribution Sdn. Bhd., which in turn is a wholly-owned subsidiary of COB. The principal activity of CUS is manufacturing of 2-piece aluminium cans.

Save for the above, as at 22 August 2022 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report), there were no other changes in the Group composition.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2022.

As at 22 August 2022 (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 2022, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u><u>426,427</u></u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022**

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 30/06/2022 RM'000
Purchases of goods from a related party	<u><u>393</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 25 August 2022.

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CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2022

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

1. Review of performance

(a) *Second quarter ended 30 June 2022 ("Q2, 2022") compared with Second quarter ended 30 June 2021 ("Q2, 2021")*

The Group's net revenue for Q2, 2022 increased by RM97.3 million or 14% to RM776.1 million. Profit before tax reported by the Group was RM50.2 million in Q2, 2022, a decrease of RM6.2 million mainly contributed by lower profit from General packaging and Trading divisions as explained below.

General Packaging division

General Packaging division generated total revenue of RM738.9 million in Q2, 2022, an increase of RM100.0 million compared to Q2, 2021, mainly due to changes in sales mix and revision of selling price in tandem with increase in material prices. However, profit before tax of the division decreased by RM1.2 million to RM58.2 million in Q2, 2022 mainly due to :

- Increase in sales volume and sales mix, lower depreciation and sales of previously impaired resins in General cans segment offset by inventories written off in Carton boxes segment; and
- higher admin expenses mainly due to depreciation of new server and stamp duty for trade bank facilities.

Contract Manufacturing division

Revenue of the Contract Manufacturing division increased by RM21.0 million to RM41.8 million in Q2, 2022 mainly due to increase in sales volume. The division registered a lower loss before tax of RM4.1 million in Q2, 2022 mainly because loss-making Edible oils segment had ceased operation in Q1, 2021 and a reversal of impairment loss on plant and machinery was recorded in Q2, 2022.

Trading division

Trading division registered a decrease in revenue of RM145.1 million to RM146.6 million in Q2, 2022 mainly due to decrease in export sales of aluminium cans to third party customers and transfer of sales of goods and purchases of materials back to Malaysia manufacturing plants. The division registered a loss before tax of RM0.2 million in Q2, 2022 compared to a profit before tax of RM4.6 million in Q2, 2021 mainly due to lower sales and profit offset by decrease in distribution expenses due to lower commission.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2022

1. Review of performance (cont'd)

(b) Current period-to-date ended 30 June 2022 ("PTD Q2, 2022") compared with preceding period-to-date ended 30 June 2021 ("PTD Q2, 2021")

The Group's net revenue for PTD Q2, 2022 increased by RM197.5 million or 14.8% to RM1,528.4 million. Profit before tax reported by the Group was RM105.6 million in PTD Q2, 2022, an increase of RM9.5 million mainly contributed by higher profit from General packaging division offset by lower profit from Trading division as explained below.

General Packaging division

Revenue of General Packaging division increased by RM205.4 million to RM1,465.2 million in PTD Q2, 2022 mainly due to sales mix as well as revision of selling price in accordance with increase in material prices. Profit before tax increased by RM21.5 million to RM124.4 million in PTD Q2, 2022. This was mainly due to :

- Increase in sales volume, sales mix and margins in General cans segment offset by inventories written off in Carton boxes segment;
- higher admin expenses mainly due to increase in staff costs, depreciation of new server and stamp duty for trade bank facilities;
- lower other income mainly due to higher gain on disposal of assets in PTD Q2, 2021; and
- no impairment of property, plant and equipment in PTD Q2, 2022.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM30.6 million to RM71.2 million in PTD Q2, 2022 mainly due to increase in sales volume. Loss before tax of the division decreased to RM13.0 million because Beverages segment has yet to achieve operational efficiency and Edible oils segment had ceased operation in PTD Q2, 2021.

Trading division

Revenue of Trading division decreased by RM205.3 million to RM358.4 million in PTD Q2, 2022 mainly due to decrease in export sales of aluminium cans to third party customers and transfer of sales of goods and purchases of materials back to Malaysia manufacturing plants. Profit before tax decreased by RM9.7 million to RM1.2 million in PTD Q2, 2022 mainly due to lower sales and gross profit offset by lower distribution expenses.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022**2. Variation of results against immediate preceding quarter ended 31 March 2022 ("Q1, 2022")**

	Current year Second Quarter ended 30/06/2022 RM'000	Immediate Preceding Quarter ended 31/03/2022 RM'000	Changes RM'000
Revenue	776,092	752,298	23,794
Operating Profit	62,357	65,503	(3,146)
Profit Before Tax	50,239	55,392	(5,153)
Profit After Tax	38,720	48,265	(9,545)
Profit Attributable to Owners of the Company	40,733	48,230	(7,497)

Despite the increase in revenue, the Group recorded a lower profit before tax in Q2, 2022 compared to Q1, 2022 mainly due to lower profit contribution from General packaging division offset by reduced loss from Contract manufacturing division as explained below.

General Packaging division

The division registered an increase of RM12.7 million in revenue in Q2, 2022 from the immediate preceding quarter mainly due to changes in product mix. Despite the revenue increase, profit before tax dropped by RM8.0 million in Q2, 2022 mainly due to :

- impact of increase in material prices which could not be fully passed down to customers;
- decrease in sales volume and higher aluminium coil cost at Aluminium cans segment;
- inventories written off cushioned by increase in sales volume in Carton boxes segment; and
- impairment loss on property, plant and equipment.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM12.3 million to RM41.8 million in Q2, 2022 mainly due to increase in sales volume. Loss before tax of the division decreased by RM4.7 million to RM4.1 million in Q2, 2022 mainly attributable to lower operating loss and reversal of impairment loss on plant and machinery recorded in Q2, 2022.

Trading division

Revenue of Trading division decreased by RM65.2 million to RM146.6 million in Q2, 2022 mainly due to transfer of sales of goods and purchases of materials back to Malaysia manufacturing plants. Consequently, the division recorded a loss before tax of RM0.2 million in Q2, 2022 as opposed to a profit before tax of RM1.5 million in Q1, 2022.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022

3. Prospects

The Board of Directors expects the Group's operating environment to remain challenging due to global economy conditions and geopolitical tensions, including Myanmar. The key challenges continue to be faced by the Group included :

- (i) volatility in raw materials costs and inflationary impact of all other materials and services costs;
- (ii) volatility in foreign currency exchange rates, mainly the United States Dollar;
- (iii) increased labour costs and shortage of workforce; and
- (iv) uncertainties arising from the variants of Covid-19.

Barring further unforeseen circumstances, the Board of Directors is cautiously optimistic that the performance of the Group for the remaining 6-month financial period ending 31 December 2022 shall 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		Preceding Year	
	Second Quarter ended 30/06/2022 RM'000	Second Quarter ended 30/06/2021 RM'000	Current period-to-date ended 30/06/2022 RM'000	Preceding period-to-date ended 30/06/2021 RM'000
Current tax expense	13,367	7,220	20,408	10,563
Deferred tax expense	(1,848)	571	(1,762)	801
	<u>11,519</u>	<u>7,791</u>	<u>18,646</u>	<u>11,364</u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2022

6. Status of Corporate Proposal

Development Agreement

TOGO Greenland Sdn. Bhd. ("TGSB"), a wholly-owned subsidiary of Can-One, and Worldklang Group Property Development Sdn. Bhd. ("WKGPD") (collectively, "the Parties" and the expression "Party" means either or each of them) had on 22 April 2022, entered into a Development Agreement ("Development Agreement") to collaborate with each other in the implementation of the Development (as hereinafter defined) on 2 pieces of vacant freehold land identified as H.S.(D) 165117, PT84454 and H.S.(D) 165118, PT84455, both situated in Mukim Kapar, Daerah Klang, Negeri Selangor (collectively, "Lands" and each a "Land") which are owned by TGSB, through the contribution of the respective Party's resources, expertise, skills, knowledge and technical know-how as a property developer, on the terms and conditions set out in the Development Agreement.

The Lands are proposed to be developed into an industrial park comprising factories and a hostel, together with all infrastructure, amenities, public utilities and other complementary development appropriate for or incidental to such development, as may be approved by the relevant authorities ("Development").

Subject to the requisite consents having been obtained, below is the expected profit to be derived from the Development based on the existing land size of 2,958,783.70 square feet :

Project Name	Excellent Technology Park (ETP) @ KIIP Kapar
Proposed development	Factories and Hostel
Proposed number of units	- 86 units of semi-detached factory - 44 units of terrace factory - 1 unit of hostel
Total Estimated Gross Development Value including TGSB's Share of Profits (as hereinafter defined)	Approximately RM478.8 million
Total Estimated Gross Development and Construction Costs (including costs for building the factories and the hostel and TGSB's Share of Profits)	Approximately RM339.3 million

Pursuant to the Development Agreement, the gross development and construction cost shall be borne solely by WKGPD inclusive of incidental cost like obtaining the approval for access road, building plan, marketing license, etc. The total capital and investment outlay by Can-One Group in the Development is TGSB's contribution of the Lands to the Development.

The expected profit to be derived from the Development is approximately up to RM139 million over a period 5 years, depending on the sale of the factory units developed under the Development. The share of profits to be derived from the Development and to be paid to TGSB is estimated to be over RM120.0 million (based on the estimated construction costs at this juncture) over the development period of 5 years ("TGSB's Share of Profits") subject to completion of the Development and the sale of factory units.

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022

7. Group borrowings and debts securities

Group borrowings as at 30 June 2022 are as follows :

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Borrowings denominated in RM		
Current		
Secured		
Hire purchase liabilities	500	139
Term loans	-	426
Lease liabilities	6,015	5,837
	<u>6,515</u>	<u>6,402</u>
Unsecured		
Term loans	49,793	45,595
Bankers' acceptances	220,987	146,905
Revolving credits	161,500	100,500
Other trade facilities	59	691
	<u>438,854</u>	<u>300,093</u>
Non-current		
Secured		
Hire purchase liabilities	1,322	297
Term loans	286,107	379,305
Lease liabilities	5,273	4,812
	<u>292,702</u>	<u>384,414</u>
Unsecured		
Term loans	197,175	129,822
	<u>489,877</u>	<u>514,236</u>
Total borrowings in RM	<u><u>928,731</u></u>	<u><u>814,329</u></u>

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022

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

	As at 30/06/2022 RM'000	As at 31/12/2021 RM'000
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Unsecured		
Term loans	4,188	8,066
Foreign currency trade loans	133,979	118,315
	<u>138,167</u>	<u>126,381</u>
Non-current		
Term loans	4,188	4,033
Total borrowings in VND	<u>142,355</u>	<u>130,414</u>
Borrowings denominated in USD		
Current		
Unsecured		
Foreign currency trade loans	164,427	267,987
Revolving credits	101,384	87,465
Term loans	165,520	36,860
	<u>431,331</u>	<u>392,312</u>
Non-current		
Unsecured		
Term loans	-	144,109
Total borrowings in USD	<u>431,331</u>	<u>536,421</u>
Total Group borrowings	<u>1,502,417</u>	<u>1,481,164</u>

The interest rates for the borrowings are as follows :

	As at 30/06/2022	As at 31/12/2021
Term loans :		
- Floating	2.46% - 5.89%	1.16% - 4.85%
Trade facilities	0.84% - 5.60%	0.71% - 5.81%
Hire purchase liabilities	1.48% - 2.08%	1.48% - 2.08%
Revolving credits	1.81% - 3.70%	0.94% - 3.50%
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 2022

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

Total loans and borrowings including lease liabilities increased by RM21.3 million to RM1,502.4 million as at 30 June 2022 to finance working capital and offset against repayment of term loans amounting to RM42.6 million.

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

8. Derivatives financial instruments

As at 30 June 2022, 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 statements of profit or loss and other comprehensive income.

Details of derivative financial instruments outstanding as at 30 June 2022 are set out below :

Type of derivatives	Notional amount RM'000	Current assets RM'000	Current liabilities RM'000
Hedging derivatives :			
Commodity contracts			
- Less than 1 year	29,749	-	6,798
Interest swap contracts			
- Less than 1 year	165,520	-	242
Non-hedging derivatives :			
Foreign exchange contracts			
- Less than 1 year	2,512	1	5
		<u>1</u>	<u>7,045</u>

The fair value of financial instruments increased by RM3.0 million to RM7.0 million as at 30 June 2022 due to mainly change in interest rate and USD/RM exchange rate for interest swap contracts as well as increased in commodity contracts.

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 2022**9. Profit for the current quarter and financial period-to-date**

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

	Current Year		Preceding Year	
	Second Quarter ended 30/06/2022 RM'000	Second Quarter ended 30/06/2021 RM'000	Current period-to-date ended 30/06/2022 RM'000	Preceding period-to-date ended 30/06/2021 RM'000
Depreciation and amortisation	35,355	36,138	69,971	70,347
Income distribution from money market placement with a non-financial institution	(179)	(286)	(239)	(614)
Write off in respect of :				
- Inventories	9,377	4,176	13,707	9,652
- Property, plant and equipment	3	(44)	39	-
Gain on disposal of property, plant and equipment	(251)	(1,935)	(351)	(3,014)
Loss on foreign currency exchange	1,064	2,301	1,706	3,180

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.

11. Dividend

No interim dividend has been declared for the financial period under review (2021 : Nil).

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2022**

12. Earnings per share

Basic earnings per share were computed as follows :

	Current Year		Preceding Year	
	Second Quarter ended 30/06/2022	Second Quarter ended 30/06/2021	Current period-to-date ended 30/06/2022	Preceding period-to-date ended 30/06/2021
Profit attributable to Owners of the Company (RM'000)	<u>40,733</u>	<u>48,831</u>	<u>88,963</u>	<u>83,602</u>
Weighted average number of ordinary shares in issue ('000)	<u>192,153</u>	<u>192,153</u>	<u>192,153</u>	<u>192,153</u>
Basic earnings per ordinary share (Sen)	<u>21.20</u>	<u>25.41</u>	<u>46.30</u>	<u>43.51</u>

Dated : 25 August 2022
Petaling Jaya,
Selangor Darul Ehsan