

CAN-ONE BERHAD

Registration No. 200401000396 (638899-K)

Quarterly report on consolidated results as at 30 June 2023. The figures have not been audited.
(Financial year ending 31 December 2023)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 30/06/2023 RM'000	As at 31/12/2022 (Audited) RM'000
Non-current assets		
Property, plant and equipment	1,840,571	1,692,713
Right-of-use assets	534,192	525,037
Investment properties	82,053	82,861
Land held for property development	109,628	109,628
Intangible assets	5,408	1,717
Deferred tax assets	2,354	2,506
Prepayments	6,429	3,465
Total non-current assets	2,580,635	2,417,927
Current assets		
Inventories	766,127	862,876
Trade and other receivables	552,587	571,629
Prepayments	20,361	21,198
Current tax assets	6,948	2,719
Derivative financial assets	32	1,048
Cash and cash equivalents	314,310	386,176
Total current assets	1,660,365	1,845,646
Total assets	4,241,000	4,263,573
Equity		
Share capital	197,660	197,660
Reserves	1,663,464	1,628,915
Equity attributable to owners of the Company	1,861,124	1,826,575
Non-controlling interests	84,942	87,642
Total equity	1,946,066	1,914,217
Liabilities		
Loans and borrowings	680,796	669,667
Lease liabilities	159,986	151,315
Retirement benefits obligations	67,024	65,529
Deferred tax liabilities	99,848	101,202
Total non-current liabilities	1,007,654	987,713
Trade and other payables	437,656	537,120
Loans and borrowings	793,964	770,417
Lease liabilities	11,027	11,673
Retirement benefits obligations	6,722	6,504
Contract liabilities	25,423	23,465
Provisions	5,000	5,000
Derivative financial liabilities	3,707	2,087
Current tax liabilities	3,781	5,377
Total current liabilities	1,287,280	1,361,643
Total liabilities	2,294,934	2,349,356
Total equity and liabilities	4,241,000	4,263,573
Net assets per share attributable to equity holders of the Company (Sen)	968.56	950.58

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 2023. The figures have not been audited.

(Financial year ending 31 December 2023)

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Individual quarter			Cumulative quarter		
	Current Second Quarter ended 30/06/2023 RM'000	Preceding Second Quarter ended 30/06/2022 RM'000	Changes %	Current period-to-date ended 30/06/2023 RM'000	Preceding period-to-date ended 30/06/2022 RM'000	Changes %
Revenue	705,445	776,092	(9)	1,466,065	1,528,390	(4)
Cost of sales	(631,925)	(670,183)		(1,315,511)	(1,317,102)	
Gross profit	73,520	105,909	(31)	150,554	211,288	(29)
Distribution expenses	(7,284)	(6,368)		(14,297)	(12,352)	
Admin expenses	(42,509)	(36,502)		(84,478)	(71,727)	
Other income/(expenses)	12,938	(353)		13,044	1,127	
Profit from operations before impairment losses	36,665	62,686		64,823	128,336	
Net reversal of impairment losses/(impairment losses) on :						
- property, plant and equipment	-	(15)		-	-	
- financial instruments	540	(314)		269	(476)	
Profit from operating activities	37,205	62,357	(40)	65,092	127,860	(49)
Interest income	540	189		1,007	324	
Interest expense	(19,403)	(12,307)		(37,802)	(22,553)	
Profit before tax	18,342	50,239	(63)	28,297	105,631	(73)
Tax expenses	(6,769)	(11,519)		(11,085)	(18,646)	
Profit after tax	11,573	38,720	(70)	17,212	86,985	(80)

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

	Individual quarter			Cumulative quarter		
	Current Second Quarter ended 30/06/2023 RM'000	Preceding Second Quarter ended 30/06/2022 RM'000	Changes %	Current period-to-date ended 30/06/2023 RM'000	Preceding period-to-date ended 30/06/2022 RM'000	Changes %
Profit after tax	11,573	38,720	(70)	17,212	86,985	(80)
Other comprehensive income/(expense), net of tax						
Foreign currency translation differences of foreign operations	11,617	9,621		18,579	11,689	
Cash flow hedge	(4,552)	(4,828)		(3,942)	(2,991)	
Total comprehensive income for the period attributable to the Owners of the Company	<u>18,638</u>	<u>43,513</u>	(57)	<u>31,849</u>	<u>95,683</u>	(67)
Profit/(Loss) attributable to :						
Owners of the Company	13,743	40,733		21,794	88,963	
Non-controlling interests	(2,170)	(2,013)		(4,582)	(1,978)	
	<u>11,573</u>	<u>38,720</u>		<u>17,212</u>	<u>86,985</u>	
Total comprehensive income/ (expense) attributable to :						
Owners of the Company	19,357	44,513		34,548	96,484	
Non-controlling interests	(719)	(1,000)		(2,699)	(801)	
	<u>18,638</u>	<u>43,513</u>		<u>31,849</u>	<u>95,683</u>	
Basic earnings per ordinary share (Sen)	<u>7.15</u>	<u>21.20</u>		<u>11.34</u>	<u>46.30</u>	

NOTE :

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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 period ended 30 June 2023							
Balance at 1 January 2023	197,660	236	20,449	1,608,230	1,826,575	87,642	1,914,217
Profit/(Loss) for the period	-	-	-	21,794	21,794	(4,582)	17,212
Foreign currency translation differences of foreign operations	-	-	16,697	-	16,697	1,882	18,579
Cash flow hedge	-	(3,942)	-	-	(3,942)	-	(3,942)
Total comprehensive (expense)/income for the period	-	(3,942)	16,697	21,794	34,549	(2,700)	31,849
Balance at 30 June 2023	<u>197,660</u>	<u>(3,706)</u>	<u>37,146</u>	<u>1,630,024</u>	<u>1,861,124</u>	<u>84,942</u>	<u>1,946,066</u>
Preceding year corresponding period ended 30 June 2022							
Balance at 1 January 2022	197,660	(3,439)	15,309	1,524,267	1,733,797	90,986	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>(7,018)</u>	<u>26,409</u>	<u>1,613,230</u>	<u>1,830,281</u>	<u>90,185</u>	<u>1,920,466</u>

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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(Financial year ending 31 December 2023)

UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current period-to-date 30/06/2023 RM'000	Preceding period-to-date 30/06/2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	28,297	105,631
Adjustments :		
Amortisation and depreciation of assets	80,448	69,971
Gain on disposal of property, plant and equipment	(2,928)	(351)
Net loss/(gain) on termination and remeasurement of lease contracts	51	(3)
Interest expense	37,802	22,553
Interest income	(1,007)	(324)
Income distribution from money market placements with a non-financial institution	(823)	(239)
Net (reversal of impairment losses)/impairment losses on :		
- financial instruments	(269)	476
Retirement benefits obligations	3,385	3,420
Unrealised gain on derivative financial instruments	(1,307)	(22)
Reversal of write-down of inventories	(1,182)	(509)
Write off in respect of :		
- property, plant and equipment	53	39
- inventories	17,280	13,707
Operating profit before changes in working capital	159,799	214,349
Changes in working capital		
Inventories	80,650	(39,179)
Trade and other receivables	18,560	(54,536)
Trade and other payables	(99,464)	12,693
Others	2,795	(62,118)
Cash generated from operations	162,340	71,209
Interest paid	(2,437)	(182)
Retirement benefits paid	(1,673)	(1,880)
Tax paid	(18,458)	(18,198)
Tax refund	276	661
Net cash from operating activities	140,048	51,610

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UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

	Current period-to-date 30/06/2023 RM'000	Preceding period-to-date 30/06/2022 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	3,117	1,344
Additions of :		
- property, plant and equipment	(183,958)	(45,838)
- land held for property development	-	(1,226)
- intangible assets	(4,136)	(277)
Interest received	1,007	324
Income distribution from money market placements with a non-financial institution	823	239
Net cash used in investing activities	(183,147)	(45,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	34,493	-
Repayment of term loans	(39,297)	(42,572)
Net movement in other borrowings and lease liabilities	22,634	57,918
Interest paid	(35,365)	(22,371)
Net cash used in financing activities	(17,535)	(7,025)
Net decrease in cash and cash equivalents	(60,634)	(849)
Effect of exchange differences on cash and cash equivalents	(11,232)	(13,274)
Cash and cash equivalents brought forward	386,176	248,830
Cash and cash equivalents carried forward	314,310	234,707
	As at 30/06/2023	As at 30/06/2022
Comprises :		
Cash and bank balances	220,395	188,280
Short-term deposits with licensed banks	30,865	8,768
Money market placements with a non-financial institution	63,050	37,659
	314,310	234,707

NOTE :

The condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 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 2023

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 2022 ("FYE 2022"). 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 2022.

2. Significant Accounting Policies

The accounting policies adopted for this interim report are consistent with those adopted in the audited financial statements for the FYE 2022 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 2023 :

- Amendments to MFRS 101, *Presentation of Financial Statements - 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*

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements - Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*

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SECOND QUARTER ENDED 30 JUNE 2023

2. Significant Accounting Policies (cont'd)

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

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The 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 5 April 2023 in respect of the financial statements for the financial year ended 31 December 2022 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 the major festive seasons such as Ramadan and Chinese New Year and 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.

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SECOND QUARTER ENDED 30 JUNE 2023

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.

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**

9. Segment information (cont'd)

Segment revenue and results for current period-to-date ended 30 June 2023 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	1,318,648	83,333	64,016	68	1,466,065	-	1,466,065
Inter-division revenue	78,967	-	54,297	66,035	199,299	(199,299)	-
	1,397,615	83,333	118,313	66,103	1,665,364	(199,299)	1,466,065
Results							
Segment results	72,917	1,698	(869)	54,422	128,168	(63,076)	65,092
Interest income	6,217	28	4,870	2,770	13,885	(12,878)	1,007
Interest expenses	(33,118)	(2,979)	(7,179)	(7,442)	(50,718)	12,916	(37,802)
Profit/(Loss) before tax	46,016	(1,253)	(3,178)	49,750	91,335	(63,038)	28,297
Depreciation and amortisation	77,572	3,001	94	748	81,415	(967)	80,448
Interest income	(6,217)	(28)	(4,870)	(2,770)	(13,885)	12,878	(1,007)
Interest expenses	33,118	2,979	7,179	7,442	50,718	(12,916)	37,802
Income distribution on money market placement with a non-financial institution	(728)	(15)	-	(80)	(823)	-	(823)
EBITDA	149,761	4,684	(775)	55,090	208,760	(64,043)	144,717
Assets							
Segment assets	4,317,604	127,206	472,167	339,407	5,256,384	(1,024,686)	4,231,698
Unallocated assets	-	-	-	-	9,302	-	9,302
Total assets	4,317,604	127,206	472,167	339,407	5,265,686	(1,024,686)	4,241,000
Liabilities							
Segment liabilities	2,091,886	210,372	420,764	492,965	3,215,987	(1,024,682)	2,191,305
Unallocated liabilities	-	-	-	-	103,629	-	103,629
Total liabilities	2,091,886	210,372	420,764	492,965	3,319,616	(1,024,682)	2,294,934

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**

9. Segment information (cont'd)

Segment revenue and results for the preceding year corresponding 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-segment 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	124,384	(12,954)	1,233	5,020	117,683	(12,052)	105,631
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>

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**

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 21 August 2023 (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 reporting date which may have an impact on the interim financial statements of the Group.

12. Changes in the Group composition

There were no significant change in the composition of the Group during the financial period under review.

13. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 30 June 2023.

As at 21 August 2023 (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 2023, the Group has the following capital commitment :

	RM'000
Approved and contracted for	<u>359,865</u>

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15. Related party disclosures

The Group has related party relationship with a company in which a Director has substantial financial interests ("related party"). During the financial period under review, there was no related party transaction recorded.

16. Authorisation for issue

This interim financial report was authorised for issue by the Board of Directors ("Board") at the Board Meeting held on 24 August 2023.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2023

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

1. Review of performance

(a) *Second quarter ended 30 June 2023 ("Q2, 2023") compared with Second quarter ended 30 June 2022 ("Q2, 2022")*

The Group's net revenue for Q2, 2023 decreased by RM70.6 million or 9.1% to RM705.4 million. Accordingly, profit before tax of the Group was lower by RM31.9 million to RM18.3 million in Q2, 2023. This was mainly attributable from General Packaging division as explained below.

General Packaging division

General Packaging division generated total revenue of RM671.1 million in Q2, 2023, a decrease of RM67.9 million compared to Q2, 2022, mainly due to lower sales volumes in General cans and Cartons segments offset by higher sales volume in Aluminium cans segment. Profit before tax of the division was lower by RM32.6 million to RM25.6 million in Q2, 2023 mainly due to lower sales, pre-operating expenses incurred for the set up of a new aluminium can plant in United States of America ("USA"), higher interest expense and partially offset by higher unrealised foreign exchange gain.

Contract Manufacturing division

Revenue of the Contract Manufacturing division decreased marginally by RM0.8 million to RM40.9 million in Q2, 2023, which was mainly due to changes in sales mix. Loss before tax of the division decreased by RM6.0 million to profit before tax of RM1.9 million in Q2, 2023 was mainly due to lower manufacturing expenses and waiver of debts given by a related company.

Trading division

Trading division registered a decrease in revenue of RM92.7 million to RM53.9 million in Q2, 2023. Loss before tax of the division increased by RM1.2 million to RM1.4 million in Q2, 2023 which was mainly due to the decrease in trading activities and higher interest expense.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2023

1. Review of performance (cont'd)

(b) Current period-to-date ended 30 June 2023 ("PTD Q2, 2023") compared with preceding year corresponding period-to-date ended 30 June 2022 ("PTD Q2, 2022")

The Group's net revenue for PTD Q2, 2023 decreased by RM62.3 million or 4.1% to RM1,466.1 million. Accordingly, profit before tax of the Group was lower by RM77.3 million to RM28.3 million in PTD Q2, 2023. This was mainly attributable from General Packaging division as explained below.

General Packaging division

Revenue of General Packaging division decreased by RM67.6 million to RM1,397.6 million in PTD Q2, 2023 mainly due to decrease in sales volumes of General cans and Cartons segments partially offset by increase in sales volumes of Aluminium cans segment. Profit before tax decreased by RM77.9 million to RM46.4 million in PTD Q2, 2023. This was mainly due to lower sales, higher inventories written off, pre-operating expenses incurred for the set up of a new aluminium can plant in USA, higher interest expense and partially offset by higher other operating income, which was mainly from unrealised foreign exchange gain and gain on disposal of plant and machinery.

Contract Manufacturing division

Revenue of Contract Manufacturing division increased by RM12.1 million to RM83.3 million in PTD Q2, 2023 mainly due to increase in sales volume. Loss before tax of the division decreased by RM11.7 million to RM1.3 million in PTD Q2, 2023 was mainly due to higher sales and waiver of debts given by a related company.

Trading division

Revenue of Trading division decreased by RM240.1 million to RM118.3 million in PTD Q2, 2023. Profit before tax of the division decreased by RM4.4 million to a loss before tax of RM3.2 million in PTD Q2, 2023 which was mainly due to the decrease in trading activities and higher interest expense.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**2. Variation of results against immediate preceding quarter ended 31 March 2023 ("Q1, 2023")**

	Current year Second Quarter ended 30/06/2023 RM'000	Immediate Preceding Quarter ended 31/03/2023 RM'000	Changes RM'000
Revenue	705,445	760,620	(55,175)
Operating Profit	37,205	27,887	9,318
Profit Before Tax	18,342	9,955	8,387
Profit After Tax	11,573	5,639	5,934
Profit Attributable to Owners of the Company	13,743	8,051	5,692

The Group recorded a higher profit before tax in Q2, 2023 despite a decrease in revenue. This was mainly contributed by General Packaging division as explained below.

General Packaging division

Revenue of General Packaging division in Q2, 2023 was RM671.1 million, a decrease of RM55.5 million from immediate preceding quarter mainly due to lower sales volume in all segments and hence lower gross profit was registered. However, profit before tax of the division increased by RM4.8 million to RM25.6 million mainly due to favourable movement in foreign currency exchange rate.

Contract Manufacturing division

Revenue of Contract Manufacturing division decreased by RM1.5 million from the immediate preceding quarter. Loss before tax of the division lower by RM5.1 million from the immediate preceding quarter to profit before tax of RM1.9 million in Q2, 2023 was mainly due to lower manufacturing expenses and waiver of debts given by a related company.

Trading division

Trading division registered a decrease in revenue of RM10.4 million to RM53.9 million in Q2, 2023 due to decrease in trading activities. Loss before tax of RM1.4 million was recorded in Q2, 2023, a marginal decrease of RM0.4 million from immediate preceding quarter.

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS SECOND QUARTER ENDED 30 JUNE 2023

3. Prospects

The Group's operating environment remains challenging due to the factors stated below:

- (i) volatility in foreign currency exchange rates;
- (ii) cumulative inflationary effects in raw materials and other input costs such as labour and energy costs;
- (iii) hikes in interest rates;
- (iv) challenging macroeconomics conditions in certain markets continue to adversely impact volumes; and
- (v) lower economic growth in advance economy as consumers become more cautious about spending.

The new aluminium can plant in United States of America is expected to commence operations before the end of the second half of 2023. As a greenfield project, it is only expected to contribute positive results to the Group in 3 to 5 years time.

The Board remained cautiously optimistic on the prospect for the second half of the year 2023. The Group will continue to focus on long term growth strategies such as market expansion, customer relationship building and productivity efficiencies while expecting the global demand to bounce back in the foreseeable future.

4. Profit forecast/profit guarantee

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

5. Tax expense

	Current Second Quarter ended 30/06/2023 RM'000	Preceding Second Quarter ended 30/06/2022 RM'000	Current period-to-date ended 30/06/2023 RM'000	Preceding period-to-date ended 30/06/2022 RM'000
Current tax expense	5,442	13,367	12,251	20,408
Deferred tax expense/(credit)	1,327	(1,848)	(1,166)	(1,762)
	6,769	11,519	11,085	18,646

6. Status of Corporate Proposal

There was no corporate proposal announced as at 21 August 2023 (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 2023**7. Group borrowings and debts securities**

Group borrowings as at 30 June 2023 are as follows :

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
Borrowings denominated in RM		
Current		
Secured		
Hire purchase liabilities	715	517
Term loans	5,377	1,792
Lease liabilities	6,382	8,147
	<u>12,474</u>	<u>10,456</u>
Unsecured		
Term loans	47,079	51,284
Trade facilities	200,411	243,816
Revolving credits	133,000	140,000
	<u>392,964</u>	<u>445,556</u>
Non-current		
Secured		
Hire purchase liabilities	757	999
Term loans	373,929	377,513
Lease liabilities	11,130	9,752
	<u>385,816</u>	<u>388,264</u>
Unsecured		
Term loans	131,309	124,253
	<u>517,125</u>	<u>512,517</u>
Total borrowings in RM	<u><u>910,089</u></u>	<u><u>958,073</u></u>
Borrowings denominated in EURO		
Current		
Unsecured		
Trade facilities	2,506	-
Total borrowings in EURO	<u><u>2,506</u></u>	<u><u>-</u></u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**7. Group borrowings and debts securities (cont'd)**

	As at 30/06/2023 RM'000	As at 31/12/2022 RM'000
Borrowings denominated in Vietnam Dong ("VND")		
Current		
Secured		
Lease liabilities	1,083	272
Unsecured		
Term loans	-	4,122
Trade facilities	107,251	103,886
	<u>108,334</u>	<u>108,280</u>
Non-current		
Secured		
Lease liabilities	616	457
	<u>616</u>	<u>457</u>
Total borrowings in VND	<u>108,950</u>	<u>108,737</u>
Borrowings denominated in United State Dollar ("USD")		
Current		
Secured		
Lease liabilities	3,562	3,254
Unsecured		
Trade facilities	199,371	131,295
Revolving credits	79,305	74,630
Term loans	18,949	19,075
	<u>301,187</u>	<u>228,254</u>
Non-current		
Secured		
Lease liabilities	148,240	141,106
Unsecured		
Term loans	174,801	166,902
	<u>323,041</u>	<u>308,008</u>
Total borrowings in USD	<u>624,228</u>	<u>536,262</u>
Total Group borrowings	<u>1,645,773</u>	<u>1,603,072</u>

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EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**7. Group borrowings and debts securities (cont'd)**

The interest rates for the borrowings are as follows :

	As at 30/06/2023	As at 31/12/2022
Term loans - floating	3.58% - 6.92%	3.58% - 9.16%
Trade facilities	3.18% - 9.97%	2.91% - 11.18%
Hire purchase liabilities	1.48% - 2.28%	1.48% - 2.08%
Revolving credits	3.65% - 7.07%	3.31% - 6.26%
Lease liabilities	<u>1.16% - 7.36%</u>	<u>1.16% - 6.70%</u>

Total loans and borrowings including lease liabilities increased by RM42.7 million to RM1,645.8 million as at 30 June 2023, mainly due to increase in trade facilities and net increase in term loans. During the period under review, the Group made term loans repayment amounting to RM39.3 million and drawn down RM34.5 million new term loans.

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

8. Derivatives financial instruments

As at 30 June 2023, the Group had entered into :

- (i) forward foreign currency exchange contracts to hedge against USD/RM exchange rate fluctuations; and
- (ii) commodity contracts to hedge pricing risk of aluminium.

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 statement of profit or loss and other comprehensive income.

Details of derivative financial instruments outstanding as at 30 June 2023 are set out below :

Type of derivatives	Notional amount RM'000	Current assets RM'000	Current liabilities RM'000
Hedging derivatives :			
Commodity contracts	42,874	-	3,707
Non-hedging derivatives :			
Foreign exchange contracts	6,149	32	-
		<u>32</u>	<u>3,707</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 2023**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 Second Quarter ended 30/06/2023 RM'000	Preceding Second Quarter ended 30/06/2022 RM'000	Current period-to-date ended 30/06/2023 RM'000	Preceding period-to-date ended 30/06/2022 RM'000
Depreciation and amortisation	41,419	35,355	80,448	69,971
Income distribution from money market placement with a non-financial institution	(499)	(179)	(823)	(239)
Write off in respect of :				
- inventories	10,605	9,377	17,280	13,707
- property, plant and equipment	-	3	53	39
Gain on disposal of :				
- property, plant and equipment	(394)	(251)	(2,928)	(351)
(Gain)/Loss on foreign currency exchange	(7,292)	1,064	(3,458)	1,706

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 (2022 : Nil).

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**EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2023**

12. Earnings per share

Basic earnings per share were computed as follows :

	Current Second Quarter ended 30/06/2023	Preceding Second Quarter ended 30/06/2022	Current period-to-date ended 30/06/2023	Preceding period-to-date ended 30/06/2022
Profit attributable to Owners of the Company (RM'000)	<u>13,743</u>	<u>40,733</u>	<u>21,794</u>	<u>88,963</u>
Weighted average number of ordinary shares in issue	<u>192,153</u>	<u>192,153</u>	<u>192,153</u>	<u>192,153</u>
Basic earnings per ordinary share (Sen)	<u>7.15</u>	<u>21.20</u>	<u>11.34</u>	<u>46.30</u>

Dated : 24 August 2023
Petaling Jaya,
Selangor Darul Ehsan