

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2007

PART A: REQUIREMENTS OF FRS134₂₀₀₄ – INTERIM FINANCIAL REPORTING

1. Basis of preparation

The interim financial report is unaudited and has been prepared in compliance with the requirements of FRS134₂₀₀₄ – Interim Financial Reporting and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad.

This interim financial report has been prepared in accordance with the same accounting policies adopted in the financial statements for the financial year ended 31 December 2006.

This interim financial report includes only condensed financial statements and should be read in conjunction with the annual financial statements for the financial year ended 31 December 2006, as this interim financial report focuses on the effects of transactions, events and circumstances that have occurred since the annual financial statements.

The preparation of an interim financial report in conformity with FRS134₂₀₀₄ requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to an understanding of the financial position and performance of the Group for the financial period ended 30 September 2007.

2. Auditors' report

The auditors' report dated 18 April 2007 on the financial statements for the financial year ended 31 December 2006 was not subject to any qualification.

3. 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.

4. Unusual items

There were no items affecting assets, liabilities, equity, net income, or cashflows that are unusual because their nature, size or incidence.

5. Changes in estimates

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

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6. Issue and repayment of debt and equity securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the current financial period.

7. Dividends

No dividend was proposed for the current quarter ended 30 September 2007.

A first and final dividend of 8% less 27% tax (or approximately 2.92 sen per share) for the financial year ended 31 December 2006 was paid on 31 July 2007.

8. Segment information

The Group operates mainly in two business segments which are primarily operated in Malaysia:

- a) Manufacture of tin cans and plastic jerry cans (Can Division)
- b) Manufacture of dairy products (Dairy Division)

The other segment comprises investment and property holding.

Segment revenue and results for the period ended 30 September 2007 are as follows:

	Revenue	Operating profits	Finance cost	Interest income	Profit before tax
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
- General Cans	144,958	15,400	6,029	77	9,435
- Food products	46,682	1,310	797	15	541
- Others	45	(344)	-	-	(344)
	<u>191,685</u>	<u>16,366</u>	<u>6,826</u>	<u>92</u>	<u>9,632</u>
Elimination	(10,225)	-	-	-	-
Total	<u>181,460</u>	<u>16,366</u>	<u>6,826</u>	<u>92</u>	<u>9,632</u>
Taxation					(1,407)
Profit after taxation					<u>8,225</u>

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9. Valuation of property, plant and equipment

The valuation of property, plant and equipment have been brought forward from the previous audited annual financial statements without amendment.

10. Material subsequent events

As at 24 November 2007 (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 balance sheet date which may have an impact on the consolidated financial statements of the Group

11. Changes in Group composition

There were no changes in the Group composition during the quarter ended 30 September 2007.

12. Changes in contingent liabilities or contingent assets

There were no contingent liabilities or assets for the Group as at 31 December 2006.

As at 24 November 2007, (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report) no material contingent assets or liabilities have arisen since the end of the financial period.

13. Authorisation for issue

This interim financial report was authorized for issue by the Board of Directors ("Board") on 29 November 2007.

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PART B: REQUIREMENTS OF REVISED LISTING REQUIREMENTS OF BURSA
MALAYSIA SECURITIES BERHAD

1. Review of performance

During the quarter under review, the Group recorded a revenue of RM71.8 million and pre-tax profit of RM3.7 million compared with a revenue of RM48.0 million and pre-tax profit of RM4.1 million in the preceding year corresponding quarter.

The increase in revenue is contributed mainly by the increase in revenue from the dairy division and increase in demand for jerry cans. The decline in profit margin despite increase in revenue, is due mainly to changes in sales mix, higher operating and finance costs.

2. Variation of results against preceding quarter

As compared to the preceding quarter, the Group has recorded an increase in revenue due to increase in demand for jerry cans and food products. However, the profit before tax has declined slightly due to higher financial cost.

3. Current year prospects

Barring any unforeseen circumstances, the Directors anticipate the results for the financial year ending 31 December 2007 to be satisfactory.

4. Profit forecast/profit guarantee

The Group did not publish any profit forecast or provide any profit guarantee for the financial year ending 31 December 2007.

5. Tax expense

The effective tax rate of the Group is lower than the enacted statutory tax rate as the Group is eligible for reinvestment allowance.

6. Unquoted investments and properties

There were no profits/losses on sale of unquoted investments and properties as there were no disposals of investments and properties during the quarter under review.

7. Purchase or disposal of quoted securities

The Company did not purchase or dispose of quoted securities during the quarter under review.

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8. Status of corporate proposal announced

During the quarter under review, the Group announced that it has tendered an offer to acquire equity interest in Kian Joo Can Factory Berhad, being the equity interest put up for sale by the liquidators of Kian Joo Holdings Sdn Bhd.

The Group has yet to receive any decision from the liquidators.

9. Group borrowings and debts securities

Group borrowings as at 30 September 2007 are as follows:

	RM'000
Secured	
Hire purchase/finance leases	711
Unsecured	
Short term borrowings	
Bankers' acceptances	64,242
Revolving credits	14,000
Bank overdraft	2,222
Term loan	5,079
Total	86,254
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Long term borrowings - Secured	
Hire purchase/finance leases	584
Long term borrowings – Unsecured	
Term loans	71,344
Total	71,928
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10. Off balance sheet financial instruments

The Group did not enter into any transaction on off balance sheet financial instruments as at 24 November 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

11. Changes in material litigation

The Group was not involved in any material litigation as at 24 November 2007 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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12. Dividends

No interim dividend was proposed for the quarter under review.

A first and final dividend of 8% less 27% tax (or approximately 2.92 sen per share) for the financial year ended 31 December 2006 was paid on 31 July 2007.

13. Earnings per share

The basic earnings per share is computed as follows:

	Individual Quarter	Individual Quarter	Cumulative Quarter	Cumulative Quarter
	Current Quarter ended 30/09/2007	Preceding year corresponding quarter ended 30/09/2006	Current year to date ended 30/09/2007	Preceding year to date ended 30/09/2006
Net profit attributable to shareholders of the Company (RM'000)	3,150	3,952	8,117	10,933
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	<u>2.07</u>	<u>2.59</u>	<u>5.33</u>	<u>7.17</u>

There were no dilutive potential ordinary shares as at the end of the financial period.

Dated : 29 November 2007
Petaling Jaya