

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

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS  
FORTH QUARTER ENDED 31 DECEMBER 2007

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PART A: REQUIREMENTS OF FRS134<sub>2004</sub> – INTERIM FINANCIAL REPORTING

**1. Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with the requirements of FRS134<sub>2004</sub> – 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 FRS134<sub>2004</sub> 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 interim dividend was paid during or has been proposed for the quarter under review.

The Directors proposed a first and final tax exempt dividend of 6% (or approximately 3 sen per share) for the financial year ended 31 December 2007, subject to approval by shareholders of the Company.

**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 (General Cans)
- b) Manufacture of dairy products (Food Products)

The other segment comprises investment and property holding.

Segment revenue and results for the period ended 31 December 2007 are as follows:

	<b>Revenue</b>	<b>Operating profits</b>	<b>Finance cost</b>	<b>Interest income</b>	<b>Profit before tax</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue					
- General Cans	207,264	23,109	7,905	131	15,333
- Food products	68,045	1,238	1,077	123	285
- Others	60	(650)	-	-	(650)
	<u>275,369</u>	<u>23,697</u>	<u>8,982</u>	<u>254</u>	<u>14,968</u>
Elimination	(14,942)	-	-	-	-
Total	<u><u>260,427</u></u>	<u><u>23,697</u></u>	<u><u>8,982</u></u>	<u><u>254</u></u>	<u><u>14,968</u></u>
Taxation					<u>(2,933)</u>
Profit after taxation					<u><u>12,035</u></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 annual financial statements without amendment.

**10. Material subsequent events**

As at 25 February 2008 (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 period ended 31 December 2007.

**12. Changes in contingent liabilities or contingent assets**

There were no contingent liabilities or assets for the Group as at 31 December 2007.

As at 25 February 2008, (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") in accordance with a resolution of Directors passed at the Board Meeting held on 29 February 2008.

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

**1. Review of performance**

During the quarter under review, the Group recorded a revenue of RM78.8 million and pre-tax profit of RM5.3 million compared with a revenue of RM56.4 million and pre-tax profit of RM5.4 million in the preceding year corresponding quarter.

The increase in revenue is contributed mainly by the increase in revenue from food 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 cost.

**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 tin cans. The Group has achieved a higher profit margin as compared to the preceding quarter due to higher contribution from high margin products.

**3. Current year prospects**

Barring any unforeseen circumstances, the Directors anticipate the results for the financial year ending 31 December 2008 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 ended 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**

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 liquidator of Kian Joo Holdings Sdn Bhd.

The offer has lapsed during the quarter under review.

**9. Group borrowings and debts securities**

Group borrowings as at 31 December 2007 are as follows:

	<b>RM'000</b>
Secured	
Hire purchase/finance leases	1,178
Term loans	808
Unsecured	
Short term borrowings	
Bankers' acceptances	63,091
Revolving credits	13,000
Term loans	4,563
<b>Total</b>	<b>82,640</b>
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Long term borrowings - Secured	
Hire purchase/finance leases	4,332
Term loans	5,871
Long term borrowings – Unsecured	
Term loans	65,333
<b>Total</b>	<b>75,536</b>
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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 25 February 2008 (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 25 February 2008 (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. Capital commitment**

As at 31 December 2007, the Group has the following capital commitment:

	RM'000
Approved and contracted for	9,289
	9,289

**13. Dividends**

No interim dividend was paid during or has been proposed for the quarter under review.

The Directors proposed a first and final tax exempt dividend of 6% (or approximately 3 sen per share) for the financial year ended 31 December 2007, subject to approval by shareholders of the Company.

**14. Earnings per share**

The basic earnings per share is computed as follows:

	Individual Quarter	Individual Quarter	Cumulative Quarter	Cumulative Quarter
	Current Quarter ended 31/12/2007	Preceding year corresponding quarter ended 31/12/2006	Current year to date ended 31/12/2007	Preceding year to date ended 31/12/2006
Net profit attributable to shareholders of the Company (RM'000)	3,885	4,566	12,003	15,498
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	2.55	3.00	7.88	10.17

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

Dated : 29 February 2008  
Petaling Jaya