

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
SECOND QUARTER ENDED 30 JUNE 2009

PART A: REQUIREMENTS OF FRS134 – INTERIM FINANCIAL REPORTING

1. **Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with the requirements of FRS134 – 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 2008.

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 2008, 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 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 June 2009.

2. **Auditors' report**

The auditors' report dated 21 April 2009 on the financial statements for the financial year ended 31 December 2008 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 of 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 first and final tax exempt dividend of 6% (or 3 sen per share) for the financial year ended 31 December 2008 was paid on 31 July 2009.

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 30 June 2009 are as follows:

	General cans RM'000	Food products RM'000	Others RM'000	Total RM'000	Elimination RM'000	Group
Revenue						
External sales	158,438	60,056	-	218,494	-	218,494
Inter segment sales	17,807	-	15	17,822	(17,822)	-
	<u>176,245</u>	<u>60,056</u>	<u>15</u>	<u>236,316</u>		<u>218,494</u>
Segment results	19,440	1,521	(4,286)	16,675	-	16,675
Interest income						42
Finance cost						(5,617)
Taxation						(2,717)
Profit after taxation						<u>8,383</u>

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8. **Segment information (Cont'd)**

	General cans RM'000	Food products RM'000	Others RM'000	Total RM'000	Elimination RM'000	Group
Segment assets	293,490	102,880	28,175	424,545	-	424,545
Unallocated assets						488
						<u>425,033</u>
Segment liabilities	202,277	54,432	175	256,884	-	256,884
Unallocated liabilities						12,783
						<u>269,667</u>
Capital expenditure	8,641	5,649	-	14,290	-	14,290
Depreciation	3,922	915	-	4,837	-	4,837
Amortisation	115	-	-	115	-	115

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 17 August 2009 (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 30 June 2009.

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

There were no contingent liabilities or assets for the Group as at 30 June 2009.

As at 17 August 2009, (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 24 August 2009.

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

1. **Review of performance**

During the quarter under review, the Group recorded a revenue of RM96.2 million and pre-tax profit of RM6.9 million compared with a revenue of RM89.7 million and pre-tax profit of RM4.1 million in the preceding year corresponding quarter.

The increase in revenue was contributed mainly by the increase in demand for the Group's products across all divisions. The impact of the increase in demand was offset by the reduction in selling price as a result of lower production cost.

Improvement in gross profit margin and profit before taxation were contributed to the decrease in the cost of key materials.

The increase in other expenses was due mainly to the recognition of impairment loss which amounted to RM4 million in respect of the Company's investment in unquoted bonds (under the collateralised loan obligations program participated in 2003).

2. **Variation of results against preceding quarter**

Revenue for the quarter under review is lower than the immediate preceding quarter. The reduction was mainly due to lower selling price as a result of lower production cost.

The profit before taxation was higher due mainly to reduction in the cost of key materials.

The increase in other expenses was due mainly to the recognition of impairment loss which amounted to RM4 million in respect of the Company's investment in unquoted bonds (under the collateralised loan obligations program participated in 2003).

3. **Current year prospects**

Barring any unforeseen circumstances, the Directors anticipate the results for the financial year ending 31 December 2009 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 2009.

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5. Tax expense

The effective tax rate of the Group is higher than the enacted statutory tax rate as certain expenses is not deductible for tax purposes.

6. Unquoted investments and properties

The Group recognised an impairment loss which amounted to RM4 million in respect of unquoted bonds (under the collateralised loan obligations program participated in 2003) during the quarter under review.

Except for the above, 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

Except as disclosed in Note 8, the Group did not purchase or dispose of quoted securities during the quarter under review.

8. Status of corporate proposal announced

Save as disclosed below, the Group has not announced any corporate proposal as at 17 August 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

- i) On 23 March 2009, a wholly-owned subsidiary of the Company, Can-One International Sdn Bhd ("CISB") entered into a conditional shares sale agreement to acquire 146,131,500 ordinary shares of RM0.25 each, representing 32.9% equity interest in Kian Joo Can Factory Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, for a total consideration of RM241,116,975 ("Proposed Acquisition").

The Proposed Acquisition was approved by the shareholders of the Company on 3 June 2009 and Ministry of International Trade and Industry on 11 June 2009.

The Proposed Acquisition is subject to the approval by the Securities Commission.

- ii) On 27 April 2009, the Company announced that it will seek shareholders approval to allow the Company to purchase its own shares of up to ten per centum (10%) of the issued and paid-up share capital of the Company through Bursa Malaysia Securities Berhad ("Proposed Share Buy-Back").

The Proposed Share Buy-Back was approved by the shareholders of the Company on 3 June 2009.

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9. **Group borrowings and debts securities**

Group borrowings as at 30 June 2009 are as follows:

	RM'000
Short term borrowings - Secured	
Hire purchase/finance leases	1,494
Term loans	2,240
Trade facilities	18,746
Short term borrowings - Unsecured	
Short term borrowings	
Trade facilities	79,937
Revolving credits	25,000
Term loans	5,900
Total	133,317
Long term borrowings - Secured	
Hire purchase/finance leases	4,464
Term loans	15,252
Long term borrowings – Unsecured	
Term loans	65,707
Total	85,423

10. **Off balance sheet financial instruments**

The Group did not enter into any transaction on off balance sheet financial instruments as at 17 August 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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11. Changes in material litigation

Save as disclosed below, the Group was not involved in any material litigation as at 17 August 2009 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

On 23 March 2009, CISB together with 4 other defendants were served a writ of summons and a statement of claims pertaining to the Proposed Acquisition.

The plaintiffs are claiming:

- i) Against the other 4 defendants and CISB damages amounting to RM55,000,000 for alleged fraud and interest at rate of 8% per annum on the said sum, cost of action on a full indemnity basis and such further or any other reliefs as the Court may deemed fit and proper to grant,
- ii) An interim order restraining the defendants and each of them whether by themselves, their directors, their servants, or agents or otherwise howsoever from proceeding with the implementation of the Proposed Acquisition until the final hearing and disposal of the action,
- iii) A declaration that the award of the bid in the public tender exercise to CISB for the Proposed Acquisition is illegal, null and void.

The Board of Directors has referred the matter to its solicitors. Upon obtaining legal advice, the Directors are of the opinion that the suit against CISB is unlikely to succeed.

12. Capital commitment

As at 30 June 2009, the Group has the following capital commitment:

	RM'000
Approved and contracted for	14,342
	<u> </u>

13. Dividends

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

The first and final tax exempt dividend of 6% (or 3 sen per share) for the financial year ended 31 December 2008 was paid on 31 July 2009.

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14. **Earnings per share**

The basic earnings per share is computed as follows:

	Individual Quarter	Individual Quarter	Cumulative Quarter	Cumulative Quarter
	Current Quarter ended 30/6/2009	Preceding year corresponding quarter ended 30/6/2008	Current year to date ended 30/6/2009	Preceding year to date ended 30/6/2008
Net profit attributable to shareholders of the Company (RM'000)	4,909	3,490	8,283	5,044
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	<u>3.22</u>	<u>2.29</u>	<u>5.44</u>	<u>3.31</u>

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

Dated : 24 August 2009
Petaling Jaya