

EXPLANATORY NOTES TO QUARTERLY FINANCIAL STATEMENTS
FOURTH QUARTER ENDED 31 DECEMBER 2010

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 Main Market 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 2010 except for the adoption of those financial reporting standards which are effective for financial year commencing 1 March 2010, 1 July 2010 and 1 January 2011 as discussed in Note A2.

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 2010, 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 31 March 2011.

2. **Changes in accounting policies**

Commencing 1 January 2010, the Group has adopted the following Financial Reporting Standards (“FRS”), Amendments to FRSs and Interpretations:

Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment* *
- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations* *
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements* *
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation* *
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners* *
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

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2. **Changes in accounting policies (cont'd)**

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
 - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
 - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions* *
- Amendments to FRS 7, *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers* *
- Improvements to FRSs (2010)

The adoption of the FRS, Amendments to FRSs and Interpretations does not have a significant impact on the financial performance of the Group.

3. **Auditors' report**

The auditors' report dated 21 April 2011 on the financial statements for the financial year ended 31 December 2010 was not subject to any 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 and lower in Quarter 1 of every financial year.

5. **Unusual items**

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

6. **Changes in estimates**

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

7. **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.

8. **Dividends**

No interim dividend has been proposed for the quarter under review.

The Directors proposed a first and final tax exempt dividend of 6% (or 3 sen per share) for the financial year ended 31 December 2010, subject to the approval by shareholders in the forthcoming Annual General Meeting.

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9. Segment information

The Group organised its activities principally into two reportable 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)

Segment revenue and results for the year to date ended 31 March 2011 are as follows:

	Current year to-date ended			Preceding year to-date ended		
	31/03/2011			31/03/2010		
	General cans RM'000	Food products RM'000	Total RM'000	General cans RM'000	Food products RM'000	Total RM'000
Revenue						
External customers	50,685	80,330	131,015	51,507	41,273	92,780
Inter segment	17,444	-	17,444	10,026	-	10,026
	<u>68,129</u>	<u>80,330</u>	<u>148,459</u>	<u>61,533</u>	<u>41,273</u>	<u>102,806</u>
Segment results	4,680	2,394	7,074	3,751	620	4,371
Other non-reportable segments			(219)			347
Interest income			24			20
Financial expenses			(1,810)			(1,843)
Consolidated profit before taxation			<u>5,069</u>			<u>2,895</u>
Segment assets	308,013	139,390	447,403	307,300	121,092	428,392
Others			31,099			30,062
Total assets			<u>478,502</u>			<u>458,454</u>
Segment liabilities	177,287	83,459	260,746	180,081	81,410	261,491
Others			18,670			16,350
Total liabilities			<u>279,416</u>			<u>277,841</u>
Capital expenditure	<u>2,411</u>	<u>1,250</u>	<u>3,661</u>	<u>2,853</u>	<u>835</u>	<u>3,688</u>

10. 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.

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11. **Material subsequent events**

As at 25 May 2011 (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

13. **Changes in Group composition**

There were no changes in the Group composition during the period ended 31 March 2011.

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

There were no contingent liabilities or assets for the Group as at 31 March 2011.

As at 25 May 2011, (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.

15. **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 26 May 2011.

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

1. **Review of performance**

The Group's revenue has increased from RM92.8 million in the previous year corresponding quarter to RM131.0 million in the quarter under review. The pre-tax and post-tax profit has also improved from RM2.9 million and RM2.5 million respectively in the previous year corresponding quarter to RM5.1 million and RM4.3 million respectively in the quarter under review.

The performance of the various segments are as follows:

General can division

The general can division's revenue has increased from RM61.5 million in the previous year corresponding quarter to RM68.1 million in the quarter under review. The improvement in revenue is contributed mainly by the increase in internal demand for food cans.

Operating margin for general can division has increased from 6.1% in the previous year corresponding quarter to 6.9% in the quarter under review. The slight improvement is due mainly to economies of larger scale operations.

Food division

The food division's revenue has increased from RM41.3 million in the previous year corresponding quarter to RM80.3 million in the quarter under review. The improvement in revenue is contributed mainly by the increase in production capacity and demand for liquid milk products.

Operating margin for food division has increased from 1.5% in the previous year's corresponding quarter to 3.0% in the quarter under review. The improvement is due mainly to the increase in production following the Group's expansion plan in the previous financial years.

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

The Group's revenue has declined slightly from RM132.2 million in the immediate preceding quarter to RM131.0 million in the quarter under review. The pre-tax profit has declined from RM12.5 million in the immediate preceding quarter to RM5.1 million in the quarter under review due mainly to changes in sales mix.

The performance of the various segments are as follows:

General can division

Revenue from general can division declined from RM74.3 million to RM68.1 million. This is in line with the cyclical nature of the general can business where demand is usually weak in Quarter 1.

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2. **Variation of results against preceding quarter (cont'd)**

Food division

Revenue from food division has increased from RM72.3 million in the preceding quarter to RM80.3 million in the quarter under review. This is due mainly to the increased in productivity and demand.

3. **Current year prospects**

Barring any unforeseen circumstances, the Directors anticipate the results for the financial year ending 31 December 2011 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 2011.

5. **Tax expense**

The effective tax rate of the Group is slightly lower than the enacted statutory tax rate due to the availability of 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 unquoted investments and properties during the quarter under review.

7. **Investment in quoted securities**

Movements in investment in quoted securities, classified as available-for-sale investment for the quarter under review are as follows:

	RM'000
Net carrying amount	
Balance at 1 January 2011	116
Disposal of investment	(116)
	<hr/>
Balance at 31 March 2011	-
	<hr/> <hr/>
Gain on disposal of investment	3
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8. **Status of corporate proposal announced**

Save as disclosed below, the Group has not announced any corporate proposal as at 25 May 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

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8. Status of corporate proposal announced (cont'd)

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 ("KJCF"), 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 was approved by the Securities Commission on 7 September 2009.

Pending the satisfactory resolution of the litigation as mentioned in Note B12, the Proposed Acquisition has yet to be completed at the date of this report.

9. Group borrowings and debts securities

Group borrowings are as follows:

	At 31/03/2011 RM'000	At 31/12/2010 RM'000
Short term borrowings - secured		
Finance leases	2,939	1,971
Term loans	2,040	2,885
Foreign currencies trade loans in USD	27,450	19,495
	32,429	24,351
Short term borrowings - unsecured		
Term loans	14,623	14,444
Bankers acceptances	2,898	8,506
Foreign currencies trade loans in USD	64,286	57,012
Revolving credits	21,000	15,000
	102,807	94,962
Total short term borrowings	135,236	119,313
Long term borrowings - secured		
Finance leases	3,270	3,489
Term loans	17,125	16,465
	20,395	19,954
Long term borrowings - unsecured		
Term loans	47,026	50,777
Total long term borrowings	67,421	70,731

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10. Derivative financial instruments

The Group does not have any off balance sheet financial instruments at 31 March 2011. Outstanding derivatives as at 31 March 2011 is as follows:

Type of derivatives and maturity profile	Contracted Value RM'000	Fair Value RM'000
Less than 1 year		
Forward currency exchange contracts to sell		
- USD	26,817	26,597
- SGD	973	977
	<u>27,790</u>	<u>27,574</u>
Less than 1 year		
Forward currency exchange contracts to buy		
- USD	13,943	13,864
- Euro	1,663	1,711
	<u>15,606</u>	<u>15,575</u>
	Current quarter ended 31/03/2011 Gain/(Loss) RM'000	Preceding year corresponding quarter ended 31/03/2010 Gain/(Loss) RM'000
Types of derivatives		
Forward foreign currency exchange contracts		
- to buy USD	32	(59)
- to buy EURO	118	-
- to sell USD	23	611
- to sell SGD	(4)	-
	<u>169</u>	<u>552</u>

Gain/(Loss) arising from fair value changes is the difference between the contracted rate and the fair value of the forward foreign currency exchange contract at balance sheet date.

The fair value is the amount payable or receivable on termination of these contracts at balance sheet date, determined with reference to the forward rate applied to a contract with similar quantum and maturity profile.

There have been no changes in the Group's financial risk management policies in relation to credit risk, market risk and liquidity risk.

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11. Retained profit

Pursuant to Bursa Malaysia Securities Berhad's directive dated 25 March 2010, the retained earnings of the Group as at 31 March 2011 comprise:

	At 31/03/2011	At 31/12/2010
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	169,004	165,222
- Unrealised	(14,399)	(14,568)
	<hr/>	<hr/>
	154,605	150,654
Consolidation adjustments	(50,342)	(50,342)
Total retained earnings of the Group	<hr/> <hr/>	<hr/> <hr/>
	104,263	100,312

12. Changes in material litigation

Save as disclosed below, the Group was not involved in any material litigation as at 25 May 2011 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

- a) 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.

CISB has applied to the Kuala Lumpur High Court to set aside and/or strike out the Plaintiffs' Writ and Statement of Claim. The case has now been fixed for mention on 20 July 2011.

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12. Changes in material litigation (cont'd)

- b) In May 2011, CISB served a writ of summons and a statement of claims on KJCF and 4 other defendants to claim the following:
- (i) a declaration that the proposed bonus issue of 222,083,893 new ordinary shares of RM0.25 each in KJCF ("Bonus Shares") to be credited as fully paid-up on the basis of one Bonus Share for every two shares in KJCF ("KJCF Shares") held ("Proposed Bonus Issue") and the proposed renounceable rights issue of 166,562,919 five-year warrants 2011/2016 on the basis of one warrant for every four KJCF Shares held after the Proposed Bonus Issue at an issue price of RM0.01 per warrant ("Proposed Renounceable Rights Issue") by KJCF are in breach of the rights and interests of CISB under the Shares Sale Agreement dated 23 March 2009 and in breach of the Order of the Court of Appeal dated 25 August 2010 and the Order of the Federal Court dated 21 February 2011;
 - (ii) a declaration that the other 4 Defendants, as the shareholders or contributories of Kian Joo Holdings Sdn Bhd (in liquidation) ("KJH") and as directors of KJCF, are in breach of the Order of the Court of Appeal dated 25 August 2010 and the Order of the Federal Court dated 21 February 2011;
 - (iii) a declaration that the Defendants by their respective acts and involvement in the Proposed Bonus Issue and the Proposed Renounceable Rights Issue are in contempt of the Court of Appeal and the Federal Court;
 - (iv) a declaration that the Proposed Bonus Issue and the Proposed Renounceable Rights Issue and all shares issued in pursuance thereof are null and void;
 - (v) an injunction that the Defendants be restrained whether by themselves, their servants, agents or otherwise howsoever until such further Order from convening any directors' meetings or any ordinary or extraordinary general meetings of KJCF for purposes of approving or for any purposes incidental to the Proposed Bonus Issue and the Proposed Renounceable Rights Issue by KJCF;
 - (vi) an injunction that the Defendants be restrained whether by themselves, their servants, agents or otherwise howsoever until such further Order from acting, implementing or continuing to act on or implement the Proposed Bonus Issue and the Proposed Renounceable Rights Issue by KJCF or on any of the resolutions passed at any directors' meetings and general meetings of KJCF or on any approval of the regulatory authorities, incidental to the Proposed Bonus Issue and the Proposed Renounceable Rights Issue;

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12. Changes in material litigation (cont'd)

- (vii) an injunction that the Defendants be restrained whether by themselves, their servants, agents or otherwise howsoever until such further Order from taking, continuing and directing any steps or actions to be taken with a view to passing, effecting or enforcing any decisions or resolutions, whether incidental to the Proposed Bonus Issue and the Proposed Renounceable Rights Issue or any other corporate exercise, including declaring any benefits or dividends or causing any dispositions, which may have the effect of diluting the share capital or assets of KJCF and/or affect or prejudice the rights and interests of CISB under the Shares Sale Agreement dated 23 March 2009 ("SSA") and/or the said shares thereunder;
- (viii) an inquiry into the damages suffered by CISB by reason of the Defendants' breach of the rights and interests of CISB under the SSA;
- (ix) such further and/or other requisite accounts, inquiries, directions or reliefs as may be appropriate to safeguard the rights and interests of CISB under the SSA; and
- (x) costs.

The Federal Court had on 21 February 2011 ordered, amongst other things, that the rights and interests of CISB under the SSA, including the rights of the parties thereto to agree upon such other date upon which completion of the sale of the 146,131,500 shares of KJH in KJCF ("Sale Shares") to CISB shall take place, shall not be affected or prejudiced pending the hearing of the appeal to the Federal Court against the Judgment of the Court of Appeal.

The Court of Appeal had earlier on 25 August 2010 ordered that the rights and interests of CISB under the SSA, including the rights of the parties thereto to agree upon such other date upon which completion of the sale of the Sale Shares shall take place, shall not be affected or prejudiced pending the hearing of the application for leave to appeal to the Federal Court against the Judgment of the Court of Appeal, and that in the event leave to appeal is granted, pending the hearing of CISB's Appeal to the Federal Court.

The Court of Appeal had on 24 June 2010 allowed the Appeal of the majority contributories of KJH against the decision of the High Court. On 25 September 2009, the High Court dismissed the application of the majority contributories of KJH led by one of the Defendant, for leave to commence proceedings against the Liquidators and CISB, and had allowed the Liquidators' application to proceed with the sale of the Sale Shares to CISB.

13. Capital commitment

As at 31 March 2011, the Group has the following capital commitment:

Approved and contracted for	RM'000 21,430
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14. **Dividends**

No interim dividend has been proposed for the quarter under review.

The Directors proposed a first and final tax exempt dividend of 6% (or 3 sen per share) for the financial year ended 31 December 2010, subject to the approval by shareholders in the forthcoming Annual General Meeting.

15. **Earnings per share**

The basic earnings per share is computed as follows:

	Current Quarter ended 31/03/2011	Preceding year corresponding quarter ended 31/03/2010	Current year to date ended 31/03/2011	Preceding year to date ended 31/03/2010
Net profit attributable to shareholders of the Company (RM'000)	3,941	2,457	3,941	2,457
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	<u>2.59</u>	<u>1.61</u>	<u>2.59</u>	<u>1.61</u>

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

Dated : 26 May 2011
Petaling Jaya