PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

1. **Basis of preparation**

The Group has adopted the Malaysian Financial Reporting Standard (MFRS) framework for the financial year ending 31 December 2012 and these quarterly financial statements are the first set of MFRS compliant interim financial statements. Hence MFRS 1: First-Adoption of Malaysian Financial Reporting Standards (MFRS 1) has been applied.

The date of transition into MFRS framework is 1 January 2011. At the transition date, the Group reviewed its accounting policies and revised those, if any, that do not comply with the MFRS framework. The Group also considered the transitional opportunities under MFRS 1. The impact of this revision is discussed in Note A2.

The Group has not adopted any new/revised MFRSs that has been issued as at the date of authorisation but is not yet effective for the financial year ending 31 December 2012.

Other than those stated in Note A2 and Note A3, these interim financial statements have been prepared in accordance with the same accounting policies adopted in the financial statements for the financial year ended 31 December 2011.

The interim financial statements are unaudited and have been prepared in compliance with the requirements of MFRS134 – Interim Financial Reporting and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

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 2011, 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 interim financial statements in conformity with MFRS134 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 statements 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 periods ended 31 June 2012.

2. **Changes in accounting policies**

Property, plant and equipment

Under the previous accounting framework, all property plant and equipment were stated at cost or valuation, as the case may be less accumulated depreciation and impairment loss. The Group revalues its property comprises land and building every 5 years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

2. **Changes in accounting policies – Cont'd**

Property, plant and equipment – Cont'd

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Upon transition into MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS116 Property, Plant and Equipment. At date of transition, the Group updated the valuation its property comprises land and building and regard the fair value at 1 January 2011 as deemed cost at the date of transition.

The cumulative surpluses arising from revaluation of properties, net of tax were transferred to retained earnings on 1 January 2011 in accordance with the transitional provisions under MFRS 1.

The reconciliations of the affected financial statements captions reported in accordance with the previous FRS framework and the MFRS framework at the date of transitions and the comparative period are provided below:

A. At 1 January 2011 (date of transition)

Dr/(Cr)	Plant and machinery RM'000	Deferred taxation RM'000	Capital reserve RM'000	Retained profit RM'000
As reported previously under FRS	195,040	(18,494)	(4,918)	(100,312)
Impact of adopting MFRS	5,884	(87)	4,918	(10,715)
As reported under MFRS	200,924	(18,581)	-	(111,027)

B. At 31 December 2011

Dr/(Cr)	Plant and machinery RM'000	Deferred taxation RM'000	Capital reserve RM'000	Retained profit RM'000
As reported previously under FRS	249,261	(23,053)	(4,918)	(128,153)
Impact of adopting MFRS	5,884	(87)	4,918	(10,715)
As reported under MFRS	255,145	(23,140)	-	(138,868)

3. **New accounting policy**

The Group adopted the following accounting policy during the financial period:

Investment in associates

The Group regards as associates, entities (including unincorporated entities), in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of investment includes transaction cost.

The consolidated financial statements include the Group's share of profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

Where the Group's share of losses (if any) exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent theat the Group has an obligation or has made payments on behalf of the associate.

4. **Auditors' report**

The auditors' report dated 17 April 2012 on the financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

5. **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 the first quarter of every financial year.

6. **Significant transactions**

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

7. **Investment in associates**

	At 30/06/2012 RM'000	At 31/12/2011 RM'000
Share of net assets in associates	356,646	-
Market value	317,105	-

8. **Changes in estimates**

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

9. **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.

10. **Dividends**

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

A first and final tax exempt dividend of 6% (or 3 sen per share) for the financial year ended 31 December 2011 was paid on 30 July 2012.

11. Segment information

The Group organised its activities principally into three reportable business segments:
a) Manufacture of tin cans and plastic jerry cans (General Cans)
b) Manufacture of food products (Food Products)
c) International trading

Segment revenue and results for the financial period ended 30 June 2012 are as follows:

	Year-to-date ended 30/06/2012			
	General cans RM'000	**Food products RM'000**	**International trading RM'000**	**Total RM'000**
Revenue				
External customers	126,287	203,216	53,605	383,108
Inter segment	49,684	46,646	16,683	113,013
	175,971	249,862	70,288	496,121
Segment results	18,873	13,861	2,056	34,790
Unallocated income/(expenses)				(2,472)
Operating profit				32,318
Interest income				83
Financial expenses				(11,196)
Share of profit after tax of associates				112,663
Consolidated profit before taxation				133,868
Segment assets	338,961	259,365	20,912	619,238
Investment in associates				356,646
Unallocated assets				11,479
Total assets				987,363
Segment liabilities	192,124	150,798	17,589	360,511
Unallocated liabilities				266,128
Total liabilities				626,639
Capital expenditure	5,335	1,796	-	7,131

11. **Segment information – Cont'd**

	Preceding year-to-date ended 31/06/2011			
	General cans RM'000	**Food products RM'000**	**International trading RM'000**	**Total RM'000**
Revenue				
External customers	122,399	180,731	-	303,130
Inter segment	37,785	-	-	37,785
	160,184	180,731	-	340,915
Segment results	13,201	6,333	-	19,534
Unallocated income/(expenses)				(414)
Operating profit				19,120
Interest income				53
Financial expenses				(4,033)
Share of profit after tax of associates				-
Consolidated profit before taxation				15,140
Segment assets	321,170	154,236	-	475,406
Unallocated assets				30,932
Total assets				506,338
Segment liabilities	183,710	96,095	-	279,805
Unallocated liabilities				18,593
Total liabilities				298,398
Capital expenditure	13,711	2,491	-	16,202

12. **Valuation of property, plant and equipment**

Upon the adoption of MFRS framework, the Group regards the fair value of its land and building at 1 January 2011 as deemed cost. The Group has updated the valuation of land and building to reflect the fair value at 1 January 2011. The financial impact of the valuation exercise has been incorporated in the Statement of Financial Position as at 1 January 2011. Please refer to Note A2.

13. **Material subsequent events**

As at 24 August 2012 (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.

14. **Changes in Group composition**

There were no changes in the Group composition during the quarter ended 30 June 2012.

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

There were no contingent liabilities or assets for the Group as at 30 June 2012.

As at 24 August 2012, (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.

16. **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 28 August 2012.

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

1. **Review of performance**

The Group's revenue increased from RM172.1 million in the previous year corresponding quarter to RM201.4 million in the quarter under review. The pre-tax and post-tax profit has also improved from RM10.1 million and RM8.9 million respectively in the previous year corresponding quarter to RM39.3 million and RM36.3 million respectively in the quarter under review.

For the 6 months period ended 30 June 2012, the Group's revenue increased from RM303.1 million in the previous year corresponding period to RM383.1 million. The pre-tax and post tax profit has improved from RM15.2 million and RM13.2 million respectively in the previous year corresponding period to RM133.9 million and RM128.4 million in the 6 months period ended 30 June 2012.

General can division

Revenue from general can division for the 6 months period ended 30 June 2012 has increased by 9.8% to RM176.0 million from RM160.2 million in the previous year corresponding period.

Revenue in the tin can division was driven mainly by the improvement in internal demand (driven by increase in production capacity in the food division) and sales contributions from its operating unit in Indonesia.

Gross profit margin for general can division has improved due to increased production efficiency. The increase in revenue has contributed to better profit for the general can division.

Food division

Revenue from food division for the 6 months period ended 30 June 2012 has increased by 38.3% to RM249.9 million from RM180.7 million in the previous year corresponding period.

Improvement in revenue is due mainly to the ability of this division to meet increase in demand from customers, following the expansion in its production capacity by late 2011.

Gross profit margin has also improved due to economies of large scale production. The increase in revenue and operating efficiencies has contributed to the improved profit for food division.

1. **Review of performance – cont'd**

International trading division

Revenue from international trading division which was established in December 2011 amounted to RM70.3 million for the 6 months ended 30 June 2012.

The international trading division has contributed a segment profit of RM2.1 million for the 6 months period ended 30 June 2012.

Investment in associates

Following the completion of the acquisition of 32.9% equity interest in Kian Joo Can Factory Berhad ("KJCFB") in January 2012, the following additional income/(expenses) has been recognised during the 6 months period ended 30 June 2012.

	RM'000
Difference between the share of net fair value in associate and total purchase consideration	104,094
Share of current year profit from associates	8,569
Total share of associate's results	112,663
Additional interest expense	(4,829)
One-off finance charges	(1,593)
One-off legal and professional fees	(2,183)
Total additional expenses incurred	(8,605)

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

	Current Quarter RM'000	Preceding Quarter RM'000
Revenue	201,447	181,661
Profit before taxation	39,305	94,563
Profit after taxation	36,305	92,120

The Group's revenue has increased from RM181.1 million in the preceding quarter to RM201.4 million in the quarter under review. The pre-tax and post-tax profit have decreased from RM94.6 million and RM92.1 million in the preceding quarter to RM39.3 million and RM36.3 million in the quarter under review respectively.

2. **Variation of results against immediate preceding quarter – cont'd**

Profits were higher in the preceding quarter due to a one-off profit arising from the completion of acquisition of an associate, recognised in the preceding quarter.

The performances of the other segments are as follows:

General can division

Revenue from general can division decreased from RM85.0 million in the preceding quarter to RM90.9 million in the current quarter. Demand for general can product is usually weaker in the first quarter of the financial year.

The increase in revenue has contributed to better profit for the general can division.

Food division

Revenue from food division increased from RM117.2 million in the preceding quarter to RM132.7 million in the current quarter. The Group continues to ramp up its production capacity to cater for increased demand from its customers.

Profit margin from the food division has also increased due to better production efficiency.

International trading division

Revenue for international trading division decreased slightly from RM36.8 million in the preceding quarter to RM33.5 million in the current quarter. However, the profit contribution from this division has increased due to improvement in profit margin.

3. **Current year prospects**

For the financial year ending 31 December 2012, the Group expects all its operating divisions to continue strengthening their performance. The Group also anticipates the newly established international trading division, subsidiary in Indonesia and its investment in associates to yield positive results.

Barring any unfavourable movements in foreign currency exchange rates, interest rates and cost of key materials, the Directors anticipate the results for the financial year ending 31 December 2012 to be better.

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 2012.

5. **Tax expense**

The effective tax rate of the Group is lower than the enacted statutory tax rate due to the availability of reinvestment allowance to certain subsidiaries and share of results from associates which has been accounted for net of tax.

6. Status of corporate proposal announced

There were no corporate proposals announced which have not been completed as at 24 August 2012 (the latest practicable date which is not earlier than 7 days from the date of issue of this quarterly report).

7. Group borrowings and debts securities

Group borrowings are as follows:

	At 30/06/2012 RM'000	**At 31/12/2011 RM'000** (restated)
Short term borrowings - secured		
Finance leases	2,155	2,194
Term loans	3,352	6,095
Bankers acceptances	-	31,087
Foreign currencies trade loans in USD	42,497	31,101
Bank overdraft	-	374
	48,004	70,851
Short term borrowings - unsecured		
Term loans	13,495	11,195
Foreign currencies trade loans in USD	94,978	63,144
Revolving credits	17,000	19,000
	125,473	93,339
Total short term borrowings	173,477	164,190
Long term borrowings - secured		
Finance leases	1,571	2,302
Term loans	289,220	39,539
	290,791	41,841
Long term borrowings - unsecured		
Term loans	33,868	41,416
Total long term borrowings	324,659	83,257

8. Retained profit

The breakdown of retained earnings of the Group are as follows:

	At 30/06/2012	At 31/12/2011 (restated)
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	224,317	206,674
- Unrealised	(15,287)	(13,408)
	209,030	193,266
Total share of retained earnings in associates		
- Realised	10,540	-
- Unrealised	102,122	-
Consolidation adjustments	(56,565)	(54,398)
Total retained earnings of the Group	265,127	138,868

9. Profit before taxation

The profit before taxation is stated after charging/(crediting):

	Current Quarter ended 30/06/2012 RM'000	Preceding year corresponding quarter ended 30/06/2011 RM'000	Current year to date ended 30/06/2012 RM'000	Preceding year to date ended 30/06/2011 RM'000
Interest income	(2)	(29)	(83)	(53)
(Gain)/loss on derivative financial instruments	413	177	(647)	132
(Gain)/loss on foreign exchange	1,565	(617)	(651)	(1,989)
Rental income	(198)	(198)	(396)	(495)
Miscellaneous income	(80)	(35)	(171)	(37)
(Gain)/Loss on disposal of investment	-	(10)	-	(20)
(Gain)/Loss on disposal of plant & equipment	-	-	(23)	186
Total other (income)/expenses	1,698	(712)	(1,971)	(2,276)
Depreciation and amortisation	3,308	2,999	7,131	6,013
Interest expense	5,302	1,077	8,992	2,663

10. Changes in material litigation

Save as disclosed below, the Group was not involved in any material litigation as at 24 August 2012 (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, Can-One International Sdn Bhd ("CISB") together with 4 other defendants were served a writ of summons and a statement of claims pertaining to the 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 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 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 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 28 November 2012.

b) In May 2011, CISB served a writ of summons and a statement of claim on KJCFB 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 KJCFB ("Bonus Shares") to be credited as fully paid-up on the basis of one Bonus Share for every two shares in KJCFB ("KJCFB 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 KJCFB Shares held after the Proposed Bonus Issue at an issue price of RM0.01 per warrant ("Proposed Renounceable Rights Issue") by KJCFB 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 ("KJHSB") and as directors of KJCFB, 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;

10. **Changes in material litigation (cont'd)**

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 KJCFB for purposes of approving or for any purposes incidental to the Proposed Bonus Issue and the Proposed Renounceable Rights Issue by KJCFB;

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 KJCFB or on any of the resolutions passed at any directors' meetings and general meetings of KJCFB or on any approval of the regulatory authorities, incidental to the Proposed Bonus Issue and the Proposed Renounceable Rights Issue;

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 KJCFB 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.

On 4 July 2011, the High Court dismissed CISB's application for the said injunction.

On 8 July 2011, CISB filed the Notices of Appeal to the Court of Appeal against the decisions of the High Court.

10. **Changes in material litigation (cont'd)**

The Court of Appeal had on 8 November 2011:-

i) allowed CISB's Appeal against the decision of the High Court given on 4 July 2011 in allowing CISB's suit to be strike out ("CISB's Appeal"); and

ii) dismissed CISB's Appeal against the decision of the High Court given on 4 July 2011 in refusing CISB's application for an injunction restraining the implementation the Proposed Bonus Issue and the Proposed Renounceable Rights Issue pending the hearing of the suit of CISB.

Following CISB's Appeal, the High Court has adjourned the case for further mention on 4 June 2012.

CISB has applied for leave to appeal to the Federal Court against the Court of Appeal's decision in dismissing CISB's Appeal on the injunction. The Federal Court has fixed the said matter for case management on 28 November 2012.

c) The Federal Court on 5 January 2012, allowed the appeals of the Liquidators of KJHSB, including the Liquidator's Appeals to proceed with the completion of the sale of 146,131,500 KJCFB shares held by KJHSB to CISB at a total consideration of RM241,116,975 ("FC Judgement"). CISB had on 25 January 2012 completed the acquisition of the said KJCFB shares.

CISB received two (2) Notice of Motions and the Affidavits in Support filed by Dato' See Teow Chuan and 13 others on 14 February 2012 ("First Applicants") followed by another two (2) motions and Affidavits in Support filed by See Tiau Kee and 10 others on 24 February 2012 ("Second Applicants").

They have applied for the following orders;

i) the Grounds of FC Judgement and the consequent Orders of the Federal Court dated 5 January 2012 be reviewed and set aside pursuant to Rule 137 of the Rules of the Federal Court, 1995 and/or the inherent jurisdiction of the Federal Court;

ii) the said Appeals be re-heard by the Federal Court consisting of nine (9) Judges of the Federal Court other than those who heard and decided upon the said Appeals on 5 January 2012;

iii) The Liquidators of KJHSB, Ooi Woon Chee and Ng Kim Tuck be restrained from distributing the said proceeds of RM241,116,975 from the sale of the 146,131,500 shares of KJCFB to CISB and the said proceeds be retained in a monthly fixed deposit account in a local bank pending the hearing and final disposal of this Application and in the event the reliefs in paragraphs (i) and (ii) above are granted by the Federal Court, until the said Appeals are re-heard and finally disposed of by the Federal Court;

10. Changes in material litigation (cont'd)

iv) CISB be restrained from selling and/or in any way disposing of the whole or any part of the 146,131,500 of KJCFB shares purchased from KJHSB pending the hearing and final disposal of this Application and in the event the reliefs in paragraphs (i) and (ii) above are granted by the Federal Court, until the said Appeals are re-heard and finally disposed of by the Federal Court;

v) CISB be restrained from exercising any of its rights attached to or arising from the purchase of the 146,131,500 of KJCFB shares by CISB from KJHSB pending the hearing and final disposal of this Application and in the event the reliefs in paragraphs (i) and (ii) above are granted by the Federal Court, until the said Appeals are re-heard and finally disposed of by the Federal Court;

vi) costs of this Application be costs in the cause; and

vii) any other or further reliefs that the Federal Court deems fit and proper to grant in the circumstances

(collectively "Review Applications")

The Federal Court on 3 April 2012 granted the Liquidators leave to issue committal proceedings against the First Applicants/Second Applicants and their solicitors for contempt of the Federal Court, whilst the hearing on the Review Application has yet to be fixed by the Federal Court.

11. Capital commitment

As at 30 June 2012, the Group has the following capital commitment:

	RM'000
Approved and contracted for	7,819

12. Dividends

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

13. **Earnings per share**

The basic earnings per share are computed as follows:

	Current Quarter ended 30/06/2012	**Preceding year corresponding quarter ended 30/06/2011** (Restated)	**Current year to date ended 30/06/2012**	**Preceding year to date ended 30/06/2011** (Restated)
Net profit attributable to shareholders of the Company (RM'000)	34,925	8,286	126,259	12,237
Weighted average number of shares in issue ('000)	152,400	152,400	152,400	152,400
Earnings per share (Sen)	22.92	5.44	82.85	8.03

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

Dated : 28 August 2012
Petaling Jaya