



## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. Reg. No. 3186-P)

### Condensed Consolidated Statement of Comprehensive Income for the third quarter ended 30 September 2012

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30.09.2012 RM'000 Unaudited	Preceding Year Corresponding Quarter 30.09.2011 RM'000 Unaudited (Restated)	Current Year Quarter Ended 30.09.2012 RM'000 Unaudited	Preceding Year Quarter Ended 30.09.2011 RM'000 Unaudited (Restated)
<b>Continuing Operations</b>					
Revenue		279,795	276,230	850,609	792,865
Cost of sales		(240,037)	(220,854)	(720,400)	(633,511)
Gross profit		39,758	55,376	130,209	159,354
Other income		961	1,719	3,552	9,379
Operating expenses		(10,438)	(19,270)	(36,423)	(49,055)
Finance costs		(943)	(1,297)	(3,080)	(3,646)
Share of (loss)/profit of associate (net of tax)		(535)	74	(1,343)	(48)
Profit Before Taxation	19	28,803	36,602	92,915	115,984
Gain on disposal of subsidiary		8,054	-	8,054	-
Taxation	21	(5,656)	(5,538)	(18,905)	(19,896)
Profit for the period from continuing operations		31,201	31,064	82,064	96,088
<b>Discontinued Operations</b>					
Loss for the period from a discontinued operation	22	(477)	(946)	(2,589)	(2,699)
<b>Profit for the period</b>		<b>30,724</b>	<b>30,118</b>	<b>79,475</b>	<b>93,389</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		(5,019)	4,958	(3,088)	(6,889)
Non-controlling interest portion of issued share capital in subsidiary		-	-	602	-
<b>Other comprehensive income for the period, net of tax</b>		<b>(5,019)</b>	<b>4,958</b>	<b>(2,486)</b>	<b>(6,889)</b>
<b>Total comprehensive income for the period</b>		<b>25,705</b>	<b>35,076</b>	<b>76,989</b>	<b>86,500</b>
Profit attributable to:					
Owners of the company		28,159	28,453	73,764	89,751
Non-controlling interest		2,565	1,665	5,711	3,638
<b>Profit for the period</b>		<b>30,724</b>	<b>30,118</b>	<b>79,475</b>	<b>93,389</b>
Total comprehensive income attributable to:					
Owners of the company		24,361	31,820	71,425	84,519
Non-controlling interest		1,344	3,256	5,564	1,981
<b>Total comprehensive income for the period</b>		<b>25,705</b>	<b>35,076</b>	<b>76,989</b>	<b>86,500</b>
Earnings per share attributable to owners of the company:					
Basic (sen)					
Continuing operations		6.34	6.62	16.61	20.82
Discontinued operation		(0.11)	(0.21)	(0.58)	(0.61)
		<b>6.23</b>	<b>6.41</b>	<b>16.03</b>	<b>20.21</b>
Diluted (sen)					
Continuing operations		-	-	-	-
Discontinued operation		-	-	-	-
		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements



## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. Reg. No. 3186-P)

### Condensed Consolidated Statement of Financial Position As at 30 September 2012

	Note	As at 30.09.2012 RM'000 Unaudited	As at 31.12.2011 RM'000 Audited (restated)	As at 01.01.2011 RM'000 Audited (restated)
<b>ASSETS</b>				
<b>Non-Current Assets</b>				
Property, plant & equipment		611,416	632,077	568,694
Land use rights		12,057	12,289	7,752
Investment properties		22,803	23,010	23,519
Intangible assets		122	246	266
Other investment		-	90	90
Investments in associated company		23,013	24,362	24,406
Deferred tax assets		32	32	3,522
		669,443	692,106	628,249
<b>Current Assets</b>				
Inventories		273,358	278,933	230,669
Trade and other receivables		271,656	259,026	245,223
Derivative financial instrument		1,705	-	-
Cash and bank balances		66,840	92,917	92,087
		613,559	630,876	567,979
		1,283,002	1,322,982	1,196,228
<b>TOTAL ASSETS</b>				
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to owners of the company				
Share capital		111,042	111,042	111,042
Share premium		744	744	744
Other reserves		(1,438)	(510)	4,480
Retained earnings	23	817,114	798,871	755,900
		927,462	910,147	872,166
<b>Non-Controlling Interest</b>				
		57,250	64,545	62,361
<b>Total Equity</b>				
		984,712	974,692	934,527
<b>Non-Current Liabilities</b>				
Retirement benefit obligation		24,039	22,827	22,876
Borrowings	25	66,878	63,152	10,725
Deferred tax liabilities		21,782	20,988	19,391
		112,699	106,967	52,992
<b>Current Liabilities</b>				
Retirement benefit obligation		1,922	1,891	1,725
Provision for solid waste disposal		192	103	151
Borrowings	25	88,865	131,064	103,707
Trade and other payables		92,492	101,152	98,790
Derivative financial instrument		-	4,107	8
Taxation		2,120	3,006	4,328
		185,591	241,323	208,709
<b>Total Liabilities</b>				
		298,290	348,290	261,701
<b>TOTAL EQUITY AND LIABILITIES</b>				
		1,283,002	1,322,982	1,196,228
Net assets per share attributable to owners of the Company (RM)				
		2.08	2.05	1.96

**The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements**



## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. Reg. No. 3186-P)

### Condensed Consolidated Statement of Changes in Equity For the third quarter ended 30 September 2012

	Attributable to Owners of the Company						Total Equity RM'000
	Non-distributable			Distributable		Non-Controlling Interest RM'000	
	Share Capital RM'000	Share Premium RM'000	Other Reserve RM'000	Retained Earnings RM'000	Total RM'000		
<b>At 1 January 2011 (restated)</b>	111,042	744	4,480	755,900	872,166	62,361	934,527
Profit for the period	-	-	-	89,751	89,751	3,638	93,389
Currency translation differences	-	-	(5,232)	-	(5,232)	(1,657)	(6,889)
Total comprehensive income for the period	-	-	(5,232)	89,751	84,519	1,981	86,500
Dividends	-	-	-	(61,073)	(61,073)	-	(61,073)
Dividend payable to non-controlling interest	-	-	-	-	-	(1,423)	(1,423)
<b>At 30 September 2011 (restated)</b>	111,042	744	(752)	784,578	895,612	62,919	958,531
<b>At 1 January 2012 (restated)</b>	111,042	744	(510)	798,871	910,147	64,545	974,692
Profit for the period	-	-	-	73,764	73,764	5,711	79,475
Currency translation differences	-	-	(2,339)	-	(2,339)	(749)	(3,088)
Subscription of shares by non-controlling interest	-	-	-	-	-	602	602
Total comprehensive income for the period	-	-	(2,339)	73,764	71,425	5,564	76,989
Dividends	-	-	-	(55,521)	(55,521)	-	(55,521)
Dividend payable to non-controlling interest	-	-	-	-	-	(1,423)	(1,423)
Disposal of investment in subsidiary	-	-	1,411	-	1,411	(11,436)	(10,025)
<b>At 30 September 2012</b>	111,042	744	(1,438)	817,114	927,462	57,250	984,712

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements



## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

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### Condensed Consolidated Statement of Cash Flows For the third quarter ended 30 September 2012

	30.09.2012 RM'000 Unaudited	30.09.2011 RM'000 Unaudited
<b>Net cash generated from operating activities</b>		
Receipts from customers	866,757	797,938
Payments to suppliers	(728,756)	(720,183)
Cash generated from operations	138,001	77,755
Interest paid	(3,080)	(3,646)
Income tax paid	(18,269)	(20,687)
Income tax refunded	-	153
	<u>116,652</u>	<u>53,575</u>
<b>Net cash used in investing activities</b>		
Acquisition of property, plant and equipment	(47,707)	(79,747)
Acquisition of intangible assets	-	-
Acquisition of land use rights	-	-
Proceeds from disposal of property, plant and equipment	450	3,621
Cash held by disposed subsidiary	(1,645)	-
Interest received	1,148	1,907
	<u>(47,754)</u>	<u>(74,219)</u>
<b>Net cash used in financing activities</b>		
Proceeds from term loan and bankers' acceptances	2,886	60,574
Proceeds from subscription of shares by a non-controlling interest in a subsidiary company	-	-
Repayment of term loans, bankers' acceptances and revolving credit	(40,456)	(8,759)
Repayment of hire purchase and lease obligations	-	(98)
Dividends paid	(55,521)	(62,496)
Advances (to)/from an associate	(1,744)	2,056
	<u>(94,835)</u>	<u>(8,723)</u>
Net increase in Cash and Cash Equivalents	(25,937)	(29,367)
Effect of Exchange Rate Changes	(140)	(1,248)
Cash and Cash Equivalents at 1 January	92,917	90,526
*Cash and Cash Equivalents at 30 September	<u>66,840</u>	<u>59,911</u>
*Cash and Cash Equivalents at 30 September comprised the following:		
Cash and bank balances	36,915	34,720
Short term deposits	29,925	25,191
	<u>66,840</u>	<u>59,911</u>

**The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements**

## **1. First-time adoption of Malaysian Financial Reporting Standards ("MFRS")**

This condensed consolidated interim financial statements (Condensed Report) are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting, and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1") has been applied.

The date of transition to the MFRS framework is 1 January 2011. At that transition date, the Group reviewed its accounting policies and considered the transitional opportunities under MFRS 1. The impact of the transition from FRS to MFRS is described in Note 2.1 below.

These explanatory notes attached to the condensed interim financial statements provide an explanation of the events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

## **2. Significant Accounting Policies**

### **2.1 Application of MFRS 1**

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. As the requirements under FRS and MFRS are similar, the significant accounting policies adopted in preparing this Condensed Report are consistent with those of the audited financial statements for the year ended 31 December 2011, except as discussed below:

#### **(a) Property, plant and equipment**

The Group has previously adopted the MASB Approved Accounting Standard IAS 16 (Revised) Property, Plant and Equipment, and all items of property, plant equipment were initially recorded at cost. Subsequent to recognition, plant and equipment were measured at cost less accumulated depreciation and accumulated impairment losses. Freehold land, leasehold land and buildings were measured at fair value less accumulated depreciation and impairment losses recognised after the date of revaluation.

Upon transition to MFRS, the Group has elected to measure all its property, plant and equipment using the cost model under MFRS 116 Property, Plant and Equipment. At the date of transition to MFRS, the Group elected to regard the revalued amounts of freehold land and buildings and leasehold land and buildings as at 31 December 2009 as deemed cost at the date of transition, as these amounts were broadly comparable to fair value at that date. The revaluation surplus of RM101,750,657 (30 September 2011: RM101,750,657; 31 December 2011: RM101,750,657) was transferred to retained earnings on date of transition to MFRS.

#### **(b) Land use rights**

The Group's treatment of land use rights, which were stated at cost under FRS is consistent with that of MFRS. Subsequent to the transition to MFRS, the land use rights will continue to be amortised over its lease terms.

## 2. Significant Accounting Policies (cont'd.)

### 2.1 Application of MFRS 1 (cont'd.)

#### (c) Foreign currency translation reserve

Under FRS, the Group recognised translation differences on foreign operations as a separate component of equity. Cumulative foreign currency translation differences for all foreign operations are deemed to be zero as at the date transition to MFRS. Accordingly, at date of the transition to MFRS, the cumulative foreign currency translation differences of RM17,316,620 (30 September 2011: RM17,316,620; 31 December 2011: RM17,316,620) was transferred to retained earnings.

#### (d) Estimates

The estimates at 1 January 2011 and at 31 December 2011 were consistent with those made for the same dates in accordance with FRS. The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011.

The reconciliations of equity for comparative periods and at the date of transition reported under FRS to those reported for those periods and at the date of transition under MFRS are provided below:

#### As at 1 January 2011:

Equity	FRS as at 01.01.2011 RM '000	Reclassification RM '000	MFRS as at 01.01.2011 RM '000
Other reserves, comprising:			
- Asset revaluation reserve	101,751	(101,751)	-
- Foreign currency translation reserve	(17,317)	17,317	-
- Capital reserve	4,480	-	4,480
Other reserves, total	88,914	(84,434)	4,480
Retained earnings	671,466	84,434	755,900

#### As at 30 September 2011:

Equity	FRS as at 30.09.2011 RM '000	Reclassification RM '000	MFRS as at 30.09.2011 RM '000
Other reserves, comprising:			
- Asset revaluation reserve	101,751	(101,751)	-
- Foreign currency translation reserve	(22,549)	17,317	(5,232)
- Capital reserve	4,480	-	4,480
Other reserves, total	83,682	(84,434)	(752)
Retained earnings	700,144	84,434	784,578

## 2. Significant Accounting Policies (cont'd.)

### 2.1 Application of MFRS 1 (cont'd.)

#### As at 31 December 2011:

Equity	FRS as at 31.12.2011 RM '000	Reclassification RM '000	MFRS as at 31.12.2011 RM '000
Other reserves, comprising:			
- Asset revaluation reserve	101,751	(101,751)	-
- Foreign currency translation reserve	(22,307)	17,317	(4,990)
- Capital reserve	4,480	-	4,480
Other reserves, total	83,924	(84,434)	(510)
Retained earnings	714,437	84,434	798,871

### 2.2 MFRSs, Amendments to MFRS and IC Interpretation Issued But Not Yet Effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but not yet effective and have not been applied by the Group:

FRSs, IC Interpretation and Amendments to IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 101 : Presentation of Items of Other Comprehensive Income	1 July 2012
MFRS 9 : Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)	1 January 2013
MFRS 10 : Consolidated Financial Statements	1 January 2013
MFRS 11 : Joint Arrangements	1 January 2013
MFRS 12 : Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 : Fair Value Measurement	1 January 2013
MFRS 119 : Employee Benefits	1 January 2013
MFRS 127 : Separate Financial Statements	1 January 2013
MFRS 128 : Investment in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 7 : Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 132 : Offsetting Financial Assets and Financial Liabilities	1 January 2014

### **3. Qualification of Audit Report of the Preceding Annual Financial Statements**

The financial statements for the year ended 31 December 2011 was not subject to any audit qualification.

### **4. Seasonal or Cyclical Factors**

The business operations of the Group are not materially affected by any seasonal or cyclical factors.

### **5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows**

There were no other unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period under review.

### **6. Changes in Estimates**

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or in prior financial years that have a material effect on the financial year-to-date results.

### **7. Issuance, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities**

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities for the current financial period.

### **8. Dividends Paid**

A final tax exempt (single-tier) dividend of 10% and a special tax exempt (single-tier) dividend of 15% on 444,167,786 ordinary shares in respect of the financial year ended 31 December 2011, amounting to RM27.8 million was paid on 12 July 2012.

For the financial period under review, a 10% interim tax exempt (single-tier) dividend per ordinary share, amounting to RM11.1 million and a 15% special tax exempt (single-tier) dividend per ordinary share, amounting to RM16.7 million was paid on 28 September 2012.



**KIAN JOO CAN FACTORY BERHAD (3186-P)**  
**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134**

## 9. Segmental Reporting

Segmental results for the period ended 30 September 2012 are as follows: -

	<b>Cans Division</b>	<b>Cartons Division</b>	<b>Contract Packing</b>	<b>Others</b>	<b>Total</b>	<b>Discontinued Operation</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>REVENUE</b>								
External sales	602,242	188,361	59,921	85	850,609	923	-	851,532
Inter-segmental sales	27,684	3,607	-	-	31,291	-	(31,291)	-
<b>Total revenue</b>	<b>629,926</b>	<b>191,968</b>	<b>59,921</b>	<b>85</b>	<b>881,900</b>	<b>923</b>	<b>(31,291)</b>	<b>851,532</b>
<b>RESULTS</b>								
Segment results	71,926	17,783	4,298	(241)	93,766	(2,589)	-	91,177
Other income	6,210	599	68	-	6,877	-	(3,305)	3,572
	78,136	18,382	4,366	(241)	100,643	(2,589)	(3,305)	94,749
Finance costs	(4,769)	(860)	(756)	-	(6,385)	-	3,305	(3,080)
Share of loss of Associated Co.	-	-	-	(1,343)	(1,343)	-	-	(1,343)
<b>Profit before taxation</b>	<b>73,367</b>	<b>17,522</b>	<b>3,610</b>	<b>(1,584)</b>	<b>92,915</b>	<b>(2,589)</b>	<b>-</b>	<b>90,326</b>
Gain on disposal of subsidiary								8,054
Taxation								(18,905)
Non-controlling interest								(5,711)
								<b>73,764</b>

	<b>Cans Division</b>	<b>Cartons Division</b>	<b>Contract Packing</b>	<b>Others</b>	<b>Total</b>	<b>Discontinued Operation</b>	<b>Elimination</b>	<b>Consolidated</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS AND LIABILITIES</b>								
Segment assets	1,150,173	190,844	22,844	4,089	1,367,951	-	(86,818)	1,281,134
Unallocated corporate assets								1,868
<b>Consolidated total assets</b>								<b>1,283,002</b>
Segment liabilities	(219,783)	(54,176)	(378)	(50)	(274,388)	-	-	(274,388)
Unallocated corporate liabilities								(23,902)
<b>Consolidated total liabilities</b>								<b>(298,290)</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	37,153	6,582	3,972	-	47,707	-	-	47,707
Depreciation and amortisation	32,220	4,658	2,315	94	39,286	-	-	39,286
Non-cash expenses other than depreciation	12,777	121	69	-	12,967	-	-	12,967

## 10. Valuation of Property, Plant and Equipment

Upon adoption of MRFS 1, the Group has elected to measure all its property, plant and equipment using the cost model. Consequently, the Group elected to regard the revalued amounts of leasehold land and buildings as at 31 December 2009 as deemed cost.

**11. Material Events Subsequent to the End of the Interim Period**

There were no significant events subsequent to the end of the period under review to the date of this announcement that are not disclosed in the quarterly financial statements.

**12. Changes in the Composition of the Group**

The Company entered into an agreement with a non-related party on 27 July 2012 to dispose off its entire 60% equity interest in a subsidiary, Kian Joo Canpack (Vietnam) Co., Ltd.. The disposal was completed on 11 October 2012.

**13. Changes in Contingent Liabilities or Contingent Assets**

There were no material changes in contingent liabilities or contingent assets since the last annual balance sheet date.

**14. Capital Commitments**

The amount of capital commitments as at 30 September 2012 is as follows:-

	<b>RM'000</b>
Approved and contracted for	33,878
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**15. Related Party Transactions**

	<b>Financial Period to date 30.09.2012</b>
	<hr/> <b>RM'000</b>
Sales to associated company	89
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Apart from the above, the Group has also entered into the following related party transactions : -

		<b>Financial Period to date 30.09.2012</b>
		<hr/> <b>RM'000</b>
(a) Nature of transaction	Identity of related party	
Sales of trading inventories	(i) Hercules Sdn. Bhd.	435
by a subsidiary company	(ii) Hercules Vietnam Co Ltd	311
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The parties are deemed related to the Group by virtue of common directorship held by See Leong Chye @ Sze Leong Chye in these parties and a subsidiary company.

The above transactions were entered into in the normal course of business on terms that the directors consider comparable to transactions entered into with third parties.

## 16. Operating Segments Review

### *3rd Quarter 2012 (3Q2012) versus 3rd Quarter 2011 (3Q2011)*

The Group recorded a revenue of RM279.8 million in 3Q2012, a marginal increase from RM276.2 million in 3Q2011. The Group's overall profit before taxation was lower by 21% in 3Q2012 at RM28.8 million, compared to RM36.6 million in 3Q2011.

#### *(i) Cans Division*

The Cans Division generated a total operating revenue of RM206.7 million in 3Q2012, a marginal decrease from RM207.9 million in 3Q2011. Profit before taxation of this division was lower by 27% in 3Q2012 at RM22.2 million compared to RM30.5 million in 3Q2011.

The slight decrease in revenue experienced by the Cans Division was attributable to a decrease in sales to both domestic and export customers. The decrease in sales mainly from the food and beverage cans sector.

Profit before taxation was lower by RM8.3 million in 3Q2012 compared to 3Q2011. This was mainly attributable to an increase in cost of material consumed.

#### *(ii) Cartons Division*

Revenue from Cartons Division increased by 6% in 3Q2012 to RM65.3 million, from RM61.7 million in 3Q2011. The profit before tax was recorded at RM6.9 million in 3Q2012, an increase of 35% from RM5.1 million in 3Q2011.

The increase in revenue in the current quarter compared to last year's corresponding quarter was attributable to continuous revenue growth in both Malaysia and Vietnam operations, with strong demand from customers in the food and beverage sectors. The higher profit before tax in 3Q2012 compared to the same quarter last year was mainly due to operating efficiency from an increased production volume in Malaysia and Vietnam.

#### *(iii) Contract Packing Services Division*

Revenue from Contract Packing Services Division in 3Q2012 was higher by 10% at RM15.9 million, compared to RM14.5 million in 3Q2011. The division recorded a profit before taxation of RM0.3 million in the current quarter, a decrease from the profit before taxation of RM0.8 million in 3Q2011.

The improvement in 3Q2012 revenue was mainly attributable to improvement in domestic sales, while export sales decreased slightly in the current quarter.



KIAN JOO CAN FACTORY BERHAD (3186-P)

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA  
MALAYSIA SECURITIES BERHAD**

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**16. Operating Segments Review (cont'd.)**

***Financial Period Ended 30 September 2012 (9M2012) versus 30 September 2011 (9M2011)***

The Group recorded a revenue of RM850.6 million in 9M2012, an increase of 7% from RM792.9 million in 9M2011. The Group's overall profit before taxation was lower by 20% in 9M2012 at RM92.9 million, compared to RM116.0 million in 9M2011.

***(i) Cans Division***

The Cans Division generated a total operating revenue of RM629.9 million in 9M2012, an increase of 10% from RM593.6 million in 9M2011. Profit before taxation of this division was lower in 9M2012 at RM73.4 million compared to RM100.9 million in 9M2011.

Revenue in the Cans Division experienced an increase of RM36.3 million in 9M2012 compared to 9M2011, due to increase in demand from its domestic and export customers.

The decrease of 27% in profit before taxation in 9M2012, amounting to RM27.5 million, was attributable to factors such as margin compression and write down of inventory value in the current period compared to the same period last year.

***(ii) Cartons Division***

Revenue from Cartons Division increased by 8% in 9M2012 to RM192.0 million, from RM178.4 million in 9M2011. The profit before tax was recorded at RM17.5 million in 9M2012, an increase of 48% from RM11.8 million in 9M2011.

The increase in revenue in 9M2012 compared to the same period last year was mainly due to growth in domestic and export market for food and beverage sectors of both Malaysia and Vietnam operations. The Vietnam operation continued to be the major contributor to the revenue and profit before taxation of the Cartons Division. The higher profit before tax in 9M2012 compared to 9M2011 was mainly due to improved operating efficiencies that the Division enjoyed from its high sales volume.

***(iii) Contract Packing Services Division***

Revenue from Contract Packing Services Division in 9M2012 was higher by 19% at RM59.9 million, compared to RM50.3 million in 9M2011. The division recorded an increase of 12% in profit before taxation at RM3.6 million in 9M2012, compared to a profit before tax of RM3.2 million in 9M2011.

This division's significant improvement in 9M2012 revenue was mainly attributable to improvements to both domestic and export sales compared to the corresponding period in the last year. This increase in sales resulted in an increase in volume, and in turn, resulted in an increase of profit before taxation.

**17. Material Change In Performance of Operating Segments of Current Quarter (3Q2012) Compared With Preceding Quarter (2Q2012)**

The Group recorded a revenue of RM279.8 million in 3Q2012, a decrease of 8% from RM304.3 million in 2Q2012, while profit before tax experienced a marginal decrease to RM28.8 million in 3Q2012, from RM29.6 million in 2Q2012.

**(i) Cans Division**

The total operating revenue generated by the Cans Division was RM206.7 million in 3Q2012, a decrease of 9% from RM222.8 million in 2Q2012. Profit before tax was RM22.2 million in 3Q2012, a 3% increase from RM21.5 million in 2Q2012.

The RM16.1 million decrease in revenue generated by the Cans Division in the current quarter was mainly attributable to the decrease in sales to food, beverage and aerosol sectors in the domestic market, and beverage can sectors for the export market.

Profit before tax remained mostly unchanged in the current quarter compared to 2Q2012. This was due to write down in inventory value being offset against gains on derivative contracts and foreign exchange in the same quarter.

**(ii) Cartons Division**

Revenue from Cartons Division decreased marginally in 3Q2012 to RM64.2 million, from RM65.8 million in 2Q2012. The profit before tax of this division increased by 11% in 3Q2012 to RM6.9 million, from RM6.2 million in 2Q2012.

High production tonnage from sales in the current quarter continued to result in better production efficiency and a higher profit before tax in the current quarter compared to the preceding quarter.

**(iii) Contract Packing Services Division**

Revenue from Contract Packing Services Division decreased to RM15.9 million in the current quarter, from RM28.3 million in 2Q2012. The decrease in sales is attributable to decreases in both domestic and export sales. In 3Q2012, the division recorded a profit before taxation of RM0.4 million, compared to a profit before taxation of RM2.4 million in 2Q2012. This was mainly attributable to the significant decrease in sales in the current quarter.

**18. Commentary On Prospects**

The operating divisions of the Group are facing stiff competition from their competitors, both locally and globally. Profitability of the Group will be affected by the movement in cost of key materials and foreign currency exchange rates.

The Board expects the Group to remain resilient and anticipate the result for the remaining quarter to be satisfactory.

## 19. Profit Before Taxation

Included in the profit before taxation are the following items:

	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>To Date</b>	<b>Year To Date</b>
	<b>30.09.2012</b>	<b>30.09.2011</b>	<b>30.09.2012</b>	<b>30.09.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	(268)	(576)	(1,149)	(1,903)
Other income including investment income	(961)	(1,334)	(3,552)	(9,379)
Interest expense	943	1,297	3,080	3,646
Depreciation and amortisation	13,310	11,174	39,286	34,693
Provision for and write off of receivables	-	202	(6)	202
Provision for and write off of inventories	402	390	1,936	2,060
Gain on disposal of property, plant and equipment	(281)	138	(304)	(3,407)
Impairment of assets	-	-	56	-
Foreign exchange (gain)/loss	354	2,519	(863)	5,283
(Gain)/loss on derivatives	(4,075)	3,449	(4,817)	3,287
Write-down of inventories	9,164	(2,377)	9,932	(1,802)

## 20. Variance from Forecast Profit and Profit Guarantee

No profit forecast or guarantee was issued by the Group.

## 21. Taxation

	<b>Current Year</b>	<b>Preceding Year</b>	<b>Current Year</b>	<b>Preceding Year</b>
	<b>Quarter</b>	<b>Corresponding</b>	<b>To Date</b>	<b>Year To Date</b>
	<b>30.09.2012</b>	<b>30.09.2011</b>	<b>30.09.2012</b>	<b>30.09.2011</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Group				
Income Tax				
- current year	(5,397)	(5,884)	(18,081)	(19,168)
- over/(under) provision in prior year	-	(56)	-	(56)
Deferred taxation	(259)	402	(824)	(672)
	(5,656)	(5,538)	(18,905)	(19,896)

The effective tax rate for the financial period under review is lower than the statutory tax rate due to utilisation of capital allowances and tax losses and tax exempt income from subsidiary companies.

## 22. Discontinued Operation

On 30 July 2012, the Company announced the decision of the Board of Directors to dispose of one of its subsidiary, Kian Joo Canpack (Vietnam) Co., Ltd. ("KJCPV"), which was previously reported in the Contract Packing segment. The disposal of KJCPV was completed on 11 October 2012.

The results of KJCPV for the periods ended 30 September are as follows:

	2012 RM'000	2011 RM'000
Revenue	923	675
Expenses	(3,510)	(3,374)
Loss from operations	(2,587)	(2,699)
Finance costs	-	-
Loss before tax from discontinued operation	(2,587)	(2,699)
Taxation	(2)	-
Loss for the period from discontinued operation	(2,589)	(2,699)

The following were included in the loss from discontinued operation:

	Current Year Quarter 30.09.2012 RM'000	Preceding Year Corresponding Quarter 30.09.2011 RM'000	Current Year To Date 30.09.2012 RM'000	Preceding Year To Date 30.09.2011 RM'000
Interest income	-	(1)	(1)	(8)
Depreciation and amortisation	76	213	517	643

## 23. Retained Earnings

	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000 (restated)
Total retained earnings of Group:		
- Realised	598,859	643,033
- Unrealised	91,418	85,297
	690,277	728,330
Add: Consolidated adjustments	126,837	70,541
Total Group retained earnings as per Consolidated Accounts	817,114	798,871



KIAN JOO CAN FACTORY BERHAD (3186-P)

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## **24. Status of Corporate Proposals**

### **Proposed Bonus Issue and Proposed Rights Issue**

On 25 February 2011, the Company has via its adviser, HwangDBS Investment Bank Berhad ("HwangDBS"), announced that it proposed to implement the following:

- (i) a bonus issue of 222,083,893 new ordinary shares of RM0.25 each in the Company ("KJCF Shares") ("Bonus Shares"), to be credited as fully paid up, on the basis of one (1) Bonus Share for every two (2) KJCF Shares held ("Proposed Bonus Issue"); and
- (ii) a renounceable rights issue of 166,562,919 five (5)-year warrants 2011/2016 ("Warrants") on the basis of one (1) Warrant for every four (4) KJCF Shares held after the Proposed Bonus Issue at an issue price of RM0.01 per Warrant ("Proposed Rights Issue").

On 11 April 2011, HwangDBS, on behalf of the Board of Directors of the Company, made the following applications:

- (i) additional listing application for the Bonus Shares in respect of the Proposed Bonus Issue to Bursa Malaysia Securities Berhad ("Bursa Securities");
- (ii) initial listing application for the listing of the Warrants in respect of the Proposed Rights Issue and the additional listing application for the listing of additional KJCF Shares to be issued pursuant to the exercise of the Warrants to Bursa Securities; and
- (iii) application to Bank Negara Malaysia ("BNM") in respect of the Proposed Rights Issue pursuant to the Exchange Control Regulations.

BNM has, via its letter dated 18 April 2011, approved the Company's application for the issuance of Warrants to non-resident shareholders of the Company pursuant to the Proposed Rights Issue. The approval from BNM is not subject to any condition.

On 18 May 2011, the Company announced that Bursa Securities has requested for a court confirmation that:

- (i) the orders by the Court of Appeal dated 25 August 2010 and the Federal Court dated 21 February 2011 ("Orders"), in relation to a litigation involving Can-One International Sdn Bhd ("CISB"), Kian Joo Holdings Sdn Bhd (in liquidation) and others, do not bind the Company; and
- (ii) the Company is allowed to proceed with the Proposed Bonus Issue and Proposed Rights Issue.

On 20 May 2011, the Company was served with a Statement of Claim and Writ of Summons by CISB ("Suit") to, among other things:

- (i) claim that the Proposed Bonus Issue and Proposed Rights Issue are allegedly in breach of the Orders;
- (ii) claim that the Proposed Bonus Issue and Proposed Rights Issue are allegedly null and void; and



#### **24. Status of Corporate Proposals (cont'd.)**

- (iii) seek an injunction to restrain the Company from proceeding with the Proposed Bonus Issue and Proposed Rights Issue.

At the hearing of the Suit on 4 July 2011, the Kuala Lumpur High Court dismissed CISB's injunction with costs, while the Company's application to strike out the Suit has been allowed with costs.

On 8 July 2011, the Company was served with Notices of Appeal by CISB to the Court of Appeal against the decisions of the Kuala Lumpur High Court given on 4 July 2011.

On 3 August 2011, the Company filed Notices of Motion for orders that:

- (i) CISB's appeals be struck out;
- (ii) costs of the motions be paid by CISB; and
- (iii) such other order or relief as the Court deems fit.

On 18 August 2011, CISB served two (2) Notices of Motion on the Company's solicitors to move the Court of Appeal for, inter-alia, orders that:

- (i) the Notices of Motion dated 3 August 2011 filed by the Company be struck out. The Notices of Motion filed by the Company is to strike out the two (2) appeals by CISB to the Court of Appeal appealing against the decisions of the High Court granted on 4 July 2011, which had, inter-alia, dismissed CISB's injunction application and had allowed the Company's applications to strike out the Suit;
- (ii) the Judgement(s) of the High Court dated 4 July 2011 to dismiss CISB's injunction application and to allow the Company's applications to strike out the Suit be stayed pending the hearing of CISB's appeal(s) against the Judgement(s);
- (iii) until the hearing of CISB's appeal, the Company be restrained from, inter-alia, acting, implementing or continuing to act or implement, including convening any directors' or any general meeting of the Company, taking, continuing and directing any steps or actions with a view of passing, effecting or enforcing any decisions or resolutions, whether incidental to the Proposed Bonus Issue and the Proposed Rights Issue or any other corporate exercise, including declaring any benefits or dividends or causing any dispositions, which have the effect of diluting the share capital or assets of KJCF;
- (iv) that the costs of the Notices of Motion filed by CISB be borne by the Company; and
- (v) that there be such further and/or other directions or orders as may be deemed necessary.

#### **24. Status of Corporate Proposals (cont'd.)**

At the hearing on 24 August 2011 for the Notices of Motions filed by the Company, the Court of Appeal ordered the following:

- (i) CISB's Notices of Motion to strike out the Notices of Motion dated 3 August 2011, filed by the Company to strike out the two (2) appeals by CISB to the Court of Appeal appealing against the judgements of the High Court as delivered on 4 July 2011 were allowed;
- (ii) CISB's applications to stay the judgement(s) of the High Court dated 4 July 2011 dismissing CISB's injunction application and allowing KJCF's applications to strike out the Suit pending the hearing of CISB's appeal(s) against the aforesaid judgement(s) were dismissed; and
- (iii) CISB's applications for an injunction that KJCF be restrained from, inter-alia, acting, implementing or continuing to act or implement, including convening any directors' or any general meeting of the Company, taking, continuing and directing any steps or actions with a view of passing, effecting or enforcing any decisions or resolutions, whether incidental to the Proposed Bonus Issue and the Proposed Rights Issue or any other corporate exercise, including declaring any benefits or dividends or causing any dispositions, which have the effect of diluting the share capital or assets of KJCF were dismissed.

At the hearing on 8 November 2011 for CISB's appeals against the decisions of the Kuala Lumpur High Court given on 4 July 2011, the Court of Appeal decided as follows:

- (i) CISB's appeal against the striking out of the Suit by the High Court as delivered on 4 July 2011 was allowed, as the court held that there were triable issues; and
- (ii) CISB's appeal against the High Court's dismissal of their application for injunction against the Company was dismissed.

Following that, the Federal Court fixed 10 May 2012 for further case management of CISB's application for leave to appeal against the Court of Appeal's decision given on 8 November 2011 to dismiss CISB's application for an injunction against the Company, while the Suit was fixed for further mention on 16 May 2012 by the High Court.

On 10 May 2012, the Federal Court fixed 20 June 2012 for further case management of CISB's application for leave to appeal against the Court of Appeal's decision given on 8 November 2011. On 20 June 2012, the Federal Court adjourned the application for leave to a later date to be fixed by the Federal Court. Subsequently, at the case management on 17 October 2012, the Federal Court fixed 23 November 2012 for further case management on CISB's application for leave to appeal.

Meanwhile on 16 May 2012, the High Court fixed 4 June 2012 for further case management of the Suit. On 4 June 2012, the High Court fixed 30 July 2012 for further case management of the Suit, and subsequently on 30 July 2012, the suit was re-fixed for further case management on 4 December 2012.

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**24. Status of Corporate Proposals (cont'd.)**

In summary, the Suit remains and will proceed in due course to trial, while the injunction sought by CISB to restrain the Company from proceeding with the Proposed Bonus Issue and Proposed Rights Issue has not been granted.

As at the date of authorisation for issue of this report, the applications to Bursa Securities are still pending approval.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the reporting date.

**25. Group Borrowings and Debt Securities**

Total Group borrowings as at 30 September 2012 are as follows:-

	<b>As at 30.09.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Current - unsecured		
- Banker's acceptances	30,876	55,588
- Foreign currency trade loans	7,989	10,249
- Revolving credit	50,000	50,000
- Term loans	-	15,227
	<hr/> 88,865	<hr/> 131,064
Non-current - unsecured		
- Term loans	66,878	63,152
	<hr/> 155,743	<hr/> 194,216

The details of borrowings which are denominated in US Dollars and Vietnam Dong are as follows: -

	<b>As at 30.09.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Current - unsecured		
- Banker's acceptances	23,629	36,059
- Foreign currency trade loans	7,989	10,249
- Term loans	-	15,227
	<hr/> 31,618	<hr/> 61,535
Non-current - unsecured		
- Term loans	66,878	63,152
	<hr/> 98,496	<hr/> 124,687

All the Group's borrowings are unsecured.



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**26. Material Litigation**

There was no pending material litigation against the Group for the financial period under review, save as disclosed in Note 24.

**27. Dividend**

The Directors do not recommend any dividend for the financial period under review.

**28. Earnings Per Share**

	<b>Current Quarter 30.09.2012</b>	<b>Preceding Year Corresponding Quarter 30.09.2011</b>	<b>Financial Year to Date 30.09.2012</b>	<b>Preceding Year Corresponding Year to Date 30.09.2011</b>
Profit attributable to owners of the company (RM '000)	28,159	28,452	73,764	89,750
Weighted average number of ordinary shares	444,167,786	444,167,786	444,167,786	444,167,786
<b>Basic earnings per share (sen)</b>	6.23	6.41	16.03	20.21

**29. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 November 2012.

Batu Caves, Selangor Darul Ehsan  
20 November 2012