



## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. Reg. No. 3186-P)

### Condensed Consolidated Statement of Comprehensive Income for the second quarter ended 30 June 2014

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		Current Year Quarter 30.06.2014 RM'000 Unaudited	Preceding Year Corresponding Quarter 30.06.2013 RM'000 Unaudited	Current Year Quarter Ended 30.06.2014 RM'000 Unaudited	Preceding Year Quarter Ended 30.06.2013 RM'000 Unaudited
Revenue		333,338	322,638	650,439	623,256
Cost of sales		(278,747)	(265,983)	(546,157)	(511,708)
Gross profit		54,591	56,655	104,282	111,548
Other income		1,653	1,712	3,716	2,887
Operating expenses		(16,467)	(13,655)	(44,507)	(29,948)
Finance costs		(2,423)	(1,030)	(4,327)	(2,062)
Share of (loss)/profit of joint venture (net of tax)		(378)	289	(806)	58
Profit Before Taxation	19	36,976	43,971	58,358	82,483
Taxation	21	(8,644)	(9,960)	(9,998)	(16,578)
<b>Profit for the period</b>		<b>28,332</b>	<b>34,011</b>	<b>48,360</b>	<b>65,905</b>
<b>Other comprehensive income, net of tax</b>					
Foreign currency translation differences for foreign operations		(5,943)	3,792	(7,356)	4,583
Actuarial loss recognised on defined benefit plan		-	(74)	-	(129)
<b>Other comprehensive income for the period, net of tax</b>		<b>(5,943)</b>	<b>3,718</b>	<b>(7,356)</b>	<b>4,454</b>
<b>Total comprehensive income for the period</b>		<b>22,389</b>	<b>37,729</b>	<b>41,004</b>	<b>70,359</b>
Profit attributable to:					
Owners of the company		27,569	32,174	47,395	62,605
Non-controlling interest		763	1,837	965	3,300
<b>Profit for the period</b>		<b>28,332</b>	<b>34,011</b>	<b>48,360</b>	<b>65,905</b>
Total comprehensive income attributable to:					
Owners of the company		23,222	34,842	41,953	65,598
Non-controlling interest		(833)	2,887	(949)	4,761
<b>Total comprehensive income for the period</b>		<b>22,389</b>	<b>37,729</b>	<b>41,004</b>	<b>70,359</b>
Earnings per share attributable to owners of the company:					
Basic (sen)					
Continuing operations		6.21	7.24	10.67	14.09
Discontinued operation		-	-	-	-
		<b>6.21</b>	<b>7.24</b>	<b>10.67</b>	<b>14.09</b>
Diluted (sen)					
Continuing operations		-	-	-	-
Discontinued operation		-	-	-	-
		-	-	-	-

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 June 2014

		As at 30.06.2014 RM'000 Unaudited	As at 31.12.2013 RM'000 Audited
	Note		
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment		742,449	692,698
Land use rights		13,281	14,195
Investment properties		24,229	24,282
Intangible assets		2,550	2,500
Investments in a joint venture		19,663	20,469
Other assets		29,259	39,433
Deferred tax assets		5,282	3,366
		836,713	796,943
<b>Current Assets</b>			
Inventories		289,282	284,282
Trade and other receivables		284,352	297,379
Tax recoverable		4,837	3,184
Cash and bank balances		126,286	146,383
		704,757	731,228
<b>TOTAL ASSETS</b>		<b>1,541,470</b>	<b>1,528,171</b>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the company			
Share capital		111,042	111,042
Share premium		744	744
Other reserves		(626)	4,816
Retained earnings	22	940,485	920,850
		1,051,645	1,037,452
<b>Non-Controlling Interest</b>			
<b>Total Equity</b>		<b>1,112,698</b>	<b>1,101,488</b>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation		35,923	31,458
Borrowings	24	134,916	95,616
Deferred tax liabilities		18,192	18,297
		189,031	145,371
<b>Current Liabilities</b>			
Retirement benefit obligation		1,254	10,985
Provisions		65	58
Borrowings	24	127,011	132,621
Trade and other payables		102,119	130,200
Tax payable		5,561	2,698
Derivative financial instrument		3,731	4,750
		239,741	281,312
<b>Total Liabilities</b>		<b>428,772</b>	<b>426,683</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,541,470</b>	<b>1,528,171</b>
Net assets per share attributable to owners of the Company (RM)		2.37	2.34

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 second quarter ended 30 June 2014

	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 2013</b>	111,042	744	(1,591)	864,009	974,204	59,003	1,033,207
Profit for the period	-	-	-	62,605	62,605	3,300	65,905
Currency translation differences	-	-	3,122	-	3,122	1,461	4,583
Actuarial gains/(losses) on defined benefit plans	-	-	-	(129)	(129)	-	(129)
Total comprehensive income for the period	-	-	3,122	62,476	65,598	4,761	70,359
<b>At 30 June 2013</b>	111,042	744	1,531	926,485	1,039,802	63,764	1,103,566
<b>At 1 January 2014</b>	111,042	744	4,816	920,850	1,037,452	64,036	1,101,488
Profit for the period	-	-	-	47,395	47,395	965	48,360
Currency translation differences	-	-	(5,442)	-	(5,442)	(1,914)	(7,356)
Total comprehensive income for the period	-	-	(5,442)	47,395	41,953	(949)	41,004
Dividends	-	-	-	(27,760)	(27,760)	-	(27,760)
Dividend paid to non-controlling interest	-	-	-	-	-	(2,034)	(2,034)
<b>At 30 June 2014</b>	111,042	744	(626)	940,485	1,051,645	61,053	1,112,698

**The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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 Cash Flows

For the second quarter ended 30 June 2014

	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
	<b>Unaudited</b>	<b>Unaudited</b>
<b>Net cash generated from/(used in) operating activities</b>		
Receipts from customers	647,451	298,973
Payments to suppliers	(580,822)	(281,982)
	<hr/>	<hr/>
Cash generated from operations	66,629	16,991
Interest paid	(4,327)	(1,032)
Income tax paid	(10,787)	(5,042)
	<hr/>	<hr/>
	51,515	10,917
<b>Net cash generated from/(used in) investing activities</b>		
Acquisition of property, plant and equipment	(78,422)	(12,667)
Proceeds from disposal of property, plant and equipment	1,157	1
Dividends received from short term investment	459	93
Interest received	988	272
	<hr/>	<hr/>
	(75,818)	(12,301)
<b>Net cash generated from/(used in) financing activities</b>		
Proceeds from/(Repayment of) term loans, bankers' acceptances and revolving credit	34,261	(2,988)
Dividends paid	(29,794)	-
Advances to a joint venture	70	6
	<hr/>	<hr/>
	4,537	(2,982)
Net decrease in Cash and Cash Equivalents	(19,766)	(4,366)
Effect of Exchange Rate Changes	(331)	264
Cash and Cash Equivalents at 1 January	146,383	133,683
	<hr/>	<hr/>
* Cash and Cash Equivalents at 30 June	126,286	129,581
	<hr/> <hr/>	<hr/> <hr/>
* Cash and Cash Equivalents at 30 June comprised the following:		
Cash and bank balances	81,086	95,536
Short term deposits	45,200	34,045
	<hr/>	<hr/>
	126,286	129,581
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The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements

## 1. Basis of Preparations

The Interim Financial Statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards (MFRS), International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1965 in Malaysia, and complies with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed report 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 2013.

## 2. Significant Accounting Policies

The accounting policies adopted in the preparation of this report are consistent with those followed in the preparation of the Group's audited financial statements for the financial year ended 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee (IC) interpretations effective as of 1 January 2014.

### 2.1 Adoption of Standards, Amendments and IC Interpretations

The Group has adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014.

Amendments to MFRS 10	:	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	:	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	:	Separate Financial Statements: Investment Entities
Amendments to MFRS 132	:	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136	:	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139	:	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretations 21	:	Levies

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

### 2.2 Standards Issued But Not Yet Effective

As at the date of authorisation of this report, the following Standards were issued but not yet effective and have not been adopted by the Group:

MFRS 9	:	Financial Instruments (Hedge Accounting and amendments to MFRS 7, MFRS 9 and MFRS 139)
Amendments to MFRS 119	:	Defined Benefit Plans: Employee Contributions
Annual Improvements to MFRSs 2010 - 2012 Cycle		
Annual Improvements to MFRSs 2011 - 2013 Cycle		

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

### **2.2 Standards Issued But Not Yet Effective (cont'd)**

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application.

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

The financial statements for the year ended 31 December 2013 were not subject to any audit qualification.

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

The business operations of the Group were 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 that had any material effect to the financial statements in the period under review.

## **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 2013, amounting to RM27.8 million, which was approved at the Company's Annual General Meeting on 16 April 2014 was paid on 6 May 2014.

**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 June 2014 are as follows: -

Cans Division	Cartons Division	Contract Packing Services Division	Others	Total	Elimination	Consolidated
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

**REVENUE**

External sales	465,345	164,069	20,968	57	650,439	-	650,439
Inter-segmental sales	11,630	2,115	-	-	13,745	(13,745)	-
<b>Total revenue</b>	<b>476,975</b>	<b>166,184</b>	<b>20,968</b>	<b>57</b>	<b>664,184</b>	<b>(13,745)</b>	<b>650,439</b>

**RESULTS**

Segment results	55,590	3,921	321	(57)	59,775	-	59,775
Other income	4,074	631	42	-	4,747	(1,031)	3,716
Finance costs	(3,291)	(1,746)	(321)	-	(5,358)	1,031	(4,327)
Share of loss of a joint venture	-	-	-	(806)	(806)	-	(806)
<b>Profit/(loss) before taxation</b>	<b>56,373</b>	<b>2,806</b>	<b>42</b>	<b>(863)</b>	<b>58,358</b>	<b>-</b>	<b>58,358</b>
Taxation							(9,998)
Non-controlling interest							(965)
							<b>47,395</b>

Cans Division	Cartons Division	Contract Packing Services Division	Others	Total	Elimination	Consolidated
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

**ASSETS AND LIABILITIES**

Segment assets	1,312,644	284,679	21,094	3,989	1,622,406	(91,055)	1,531,351
Unallocated corporate assets							10,119
<b>Consolidated total assets</b>							<b>1,541,470</b>
Segment liabilities	(265,863)	(136,843)	(2,270)	(44)	(405,019)	-	(405,019)
Unallocated corporate liabilities							(23,753)
<b>Consolidated total liabilities</b>							<b>(428,772)</b>

**OTHER INFORMATION**

Capital Expenditure	71,222	7,132	68	-	78,422	-	78,422
Depreciation and amortisation	15,671	4,727	1,292	104	21,794	-	21,794
Non-cash expenses other than depreciation	4,317	1,269	126	-	5,712	-	5,712

## 10. Valuation of Property, Plant and Equipment

The Group did not carry out any revaluation exercise for accounting purposes during the period under review.

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

Except as stated in Note 12, there were no other material events subsequent to the end of the period under review up to the date of this announcement that are not disclosed in the quarterly financial statements.

## 12. Changes in the Composition of the Group

On 7 July 2014, the Company announced the incorporation of the following subsidiary companies in the Republic of Indonesia:

- (i) PT. KJ Canmax ("Canmax");
- (ii) PT. KJ Canco ("Canco"); and
- (iii) PT. KJ Box-Pak ("PT KJBP").

Each of Canmax and Canco has an authorised share capital of USD1,200,000, comprising 1,200,000 ordinary shares of USD1.00 per share. The two subsidiaries will have an issued and paid-up capital of USD1,200,000 each, with 99% being held by KJO International Sdn. Bhd., the Company's wholly-owned subsidiary, and the remaining 1% held by the Company.

The intended principal activities of Canmax and Canco are metal printing, manufacturing and distribution of tin cans and aluminium beverage cans. Both companies have yet to commence operations.

PT KJBP has an authorised share capital of USD1,200,000, comprising 1,200,000 ordinary shares of USD1.00 per share. The intended issued and paid-up capital of PT KJBP is USD1,200,000, with 99% being held by Box-Pak (Malaysia) Bhd., the Company's 54.83%-owned subsidiary, and the remaining 1% held by the Company.

The intended principal activity of PT KJBP is the manufacture of corrugated cartons. PT KJBP has yet to commence operations.

The incorporation of above subsidiaries is not expected to have any material effect on the financial results and financial position of the Group for the financial year ending 31 December 2014.

## 13. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the end of the previous financial year.



#### 14. Capital Commitments

The amount of capital commitments as at 30 June 2014 is as follows:-

	<b>RM'000</b>
Approved and contracted for	53,898

#### 15. Related Party Transactions

	<b>Financial Period to date 30.06.2014 RM'000</b>
Sales to a joint venture company	18
Purchases from a joint venture company	3

Apart from the above, the Group has also entered into the following related party transactions : -

<b>(a) Nature of transaction</b>	<b>Identity of related parties</b>	<b>Financial Year to date 30.06.2014 RM'000</b>
Sales of trading inventories by subsidiary companies	Aik Joo Can Factory Sdn. Bhd. <sup>(i)</sup> F & B Nutrition Sdn. Bhd. <sup>(ii)</sup>	866 5,167
Purchases of trading inventories by subsidiary companies	Aik Joo Can Factory Sdn. Bhd.	82

Parties (i) and (ii) are deemed to be related to the Group by virtue of:

- (a) common directorship held by a director of the Group, Yeoh Jin Hoe; and
- (b) being subsidiaries of Can-One Berhad, which is the holding company of Can-One International Sdn Bhd, a major shareholder of Kian Joo Can Factory Berhad.

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

### *2nd Quarter 2014 (2Q2014) versus 2nd Quarter 2013 (2Q2013)*

The Group recorded a revenue of RM333.3 million in 2Q2014, an increase of 3% from RM322.6 million in 2Q2013. The Group's overall profit before taxation was lower in 2Q2014 at RM37.0 million, compared to RM44.0 million in 2Q2013.

#### *(i) Cans Division*

The Cans Division generated a total operating revenue of RM242.9 million in 2Q2014, a slight decrease from RM246.1 million in 2Q2013. Profit before taxation of this division was lower in 2Q2014 at RM34.9 million compared to RM37.6 million in 2Q2013.

The decrease in revenue was mainly attributable to the drop in revenue from the Division's Vietnam operations. Demand for tin cans in Vietnam had been indirectly affected by geopolitical unrest in the Middle East, an important export destination for its customers. Profit before taxation decreased in 2Q2014 compared to 2Q2013 due to a drop in revenue, higher labour cost, and higher electricity cost from the electricity tariff increase in 2014.

#### *(ii) Cartons Division*

Revenue from Cartons Division increased by 25% in 2Q2014 to RM87.2 million, from RM69.7 million in 2Q2013. Profit before tax was lower at RM2.1 million in 2Q2014, a decrease from RM4.8 million in 2Q2013.

The increase in revenue in 2Q2014 was mainly from the contribution of the Division's new subsidiaries, AMBM Packaging Distribution Sdn. Bhd. and Box-Pak (Hanoi) Co., Ltd. Profit before tax in 2Q2014 decreased due to initial operating losses of RM1.6 million from the new subsidiaries and decreased sales margins from its existing operations. Pressure from the market to reduce selling prices, and the increase in labour costs and electricity tariff in the year have placed further stress on the profitability of this Division.

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

Revenue from Contract Packing Services Division in 2Q2014 decreased to RM11.1 million from RM17.0 million in 2Q2013. This decrease in revenue was mainly attributable to decrease in orders from both beverages and dry food packing segments.

The Division recorded a profit before taxation in the current quarter of RM0.4 million, compared to RM1.4 million in 2Q2013. This reduction in profit was in tandem with the decrease in sales, and higher operating expenses.

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

### *Financial Period Ended 30 June 2014 (6M2014) versus 30 June 2013 (6M2013)*

The Group recorded a revenue of RM650.4 million in 6M2014, an increase of 4% from RM623.3 million in 6M2013. The Group's overall profit before taxation decreased to RM58.4 million in 6M2014 from RM82.5 million in 6M2013.

#### *(i) Cans Division*

The Cans Division generated a total operating revenue of RM477.0 million in 6M2014, a marginal increase from RM475.8 million in 6M2013. Profit before taxation of this Division was lower in 6M2014 at RM56.4 million compared to RM72.5 million in 6M2013.

The increase in revenue of the Cans Division in 6M2014 compared to 6M2013 was mainly attributable to the Division's domestic aerosol can sales, as well as dry food cans in the Vietnam operations. The decrease in profit before taxation was due to margin compression as a result of higher material, utilities and other operating costs. Apart from that, payment for retirement benefit for a former director was accounted for in the current period.

#### *(ii) Cartons Division*

Revenue from Cartons Division increased by 22% in 6M2014 to RM166.2 million, from RM136.6 million in 6M2013. Profit before tax in 6M2014 was at RM2.8 million, a decrease from RM8.6 million in 6M2013.

The increase in revenue was mainly due to strong demand from customers in footwear and beverage sectors in Vietnam, and contribution from its new subsidiaries. The decrease in profit before tax for 6M2014 compared to 6M2013 was mainly due to reduced sales margins, and higher operating and labour costs resulting from electricity tariff hike, the implementation of minimum wage scheme in Malaysia, and an upward revision of minimum wages in Vietnam. The Division's new subsidiaries incurred a total loss before taxation of RM3.9 million during the period.

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

Revenue from Contract Packing Services Division in 6M2014 was lower by 30% at RM21.0 million, compared to RM29.8 million in 6M2013. The Division experienced a decrease in profit before taxation in the current period in tandem with the lower revenue.

The decrease in sales was mainly attributable to decreased demand from customers in the beverages and dry food packing segments. This in turn resulted in a drop in profit before taxation in the current period.

**17. Material Change in Performance of Operating Segments of Current Quarter (2Q2014) Compared with immediate Preceding Quarter (1Q2014)**

The Group recorded a revenue of RM333.3 million in 2Q2014, an increase from RM317.1 million in 1Q2014, while profit before tax was RM37.0 million in 2Q2014, a significant improvement from RM21.4 million in 1Q2014.

**(i) Cans Division**

The total operating revenue generated by the Cans Division in 2Q2014 was RM242.9 million, an increase from RM234.1 million in 1Q2014. Profit before taxation was higher at RM34.9 million in 2Q2014, from RM21.5 million in 1Q2014.

The increase in revenue generated by the Cans Division in 2Q2014 was mainly attributable to the increase in customer demand in Malaysia. The improvement in profit before tax compared to 1Q2014 was a result of increase in sales and write back of slow moving inventories. Apart from this, the profit before taxation was lower in 1Q2014 due to an additional provision for retirement benefit for a former director.

**(ii) Cartons Division**

Revenue from Cartons Division increased by 10% in 2Q2014 to RM87.2 million, from RM79.0 million in 1Q2014. Profit before tax of this Division increased in 2Q2014 to RM2.1 million, from RM0.7 million in 1Q2014.

The increase in revenue was recorded by both Malaysia and Vietnam operations. However, profit margins continued to remain compressed, The Division's profitability improved with the increased sales and better operating efficiency compared to the immediate preceding quarter.

**(iii) Contract Packing Services Division**

Revenue from Contract Packing Services Division improved to RM11.1 million in the current quarter, from RM9.9 million in 1Q2014. The increase was attributable to both beverage and dry food packing segments.

In the current quarter, the Division experienced a profit before taxation of RM0.4 million from a loss before taxation of RM0.4 million in the immediate preceding quarter, in tandem with the higher sales.

## 18. Commentary on Prospects

The global economic climate is expected to remain uncertain and challenging in year 2014. The Group continues to face challenges from stiff competition in both its Malaysia and Vietnam operations, while coping with rising costs of materials, utilities, labour and interest rates. Apart from these, the volatility in foreign exchange rates, especially the US Dollar and Vietnam Dong, poses risk to the Group's profitability and asset value.

Geopolitical uncertainty in the Middle East had an indirect impact on the Group's Vietnam operations, as it affects the export of consumer products from Vietnam, which in turn reduces demand for packaging material supplied by the Group.

For the year 2014, the Group will continue exploring and taking measures to streamline its operations and manage operational costs better, while protecting and growing its regional market share.

Despite the challenges posed in year 2014, the Group expects its domestic and Vietnam operations to remain resilient and profitable.

## 19. Profit Before Taxation

Included in profit before taxation are the following items:

	Current Year Quarter 30.06.2014 RM'000	Preceding Year Corresponding Quarter 30.06.2013 RM'000	Current Year To Date 30.06.2014 RM'000	Preceding Year Corresponding Year To Date 30.06.2013 RM'000
Interest income	(404)	(435)	(807)	(707)
Other income including investment income	(1,653)	(1,712)	(3,716)	(2,887)
Interest expense	2,423	1,030	4,327	2,062
Depreciation and amortisation	10,411	10,425	21,794	20,483
Impairment in respect of receivables	(69)	(24)	(105)	(24)
Gain on disposal of property, plant and equipment	(577)	(1)	(1,093)	(1)
Impairment of assets	-	71	-	71
Non-current assets written off	-	-	-	-
Foreign exchange (gain)/loss	2,660	(1,871)	3,694	(1,764)
(Gain)/loss on derivatives	(600)	(69)	(1,018)	1,772
(Reversal of previous impairment)/ write-down/write-off of inventories	(520)	(420)	872	(675)

## 20. Variance from Forecast Profit and Profit Guarantee

No profit forecast or guarantee was issued by the Group.

**KIAN JOO CAN FACTORY BERHAD (3186-P)**  
**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA**  
**MALAYSIA SECURITIES BERHAD**

## 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>Corresponding</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Group				
Income Tax				
- current year	(8,646)	(10,567)	(12,848)	(16,914)
- prior year	(8)	-	(13)	-
Deferred taxation	10	607	2,863	336
	<b>(8,644)</b>	<b>(9,960)</b>	<b>(9,998)</b>	<b>(16,578)</b>

The effective tax rate for the financial period under review was lower than the statutory tax rate due to availability of reinvestment allowance and other tax incentives in certain subsidiaries, and a lower tax rate in Vietnam.

## 22. Retained Earnings

	<b>As at</b>	<b>As at</b>
	<b>30.06.2014</b>	<b>30.06.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Total retained earnings of Group:		
- Realised	815,921	795,896
- Unrealised	86,202	85,056
	<b>902,123</b>	<b>880,952</b>
Add: Consolidated adjustments	38,362	45,533
Total Group retained earnings as per Consolidated Accounts	<b>940,485</b>	<b>926,485</b>

## 23. Status of Corporate Proposals

On 26 November 2013, the Company received a letter of offer from Aspire Insight Sdn Bhd ("Aspire") to acquire the entire business and undertaking including all assets and liabilities of the Company ("Offer") for a cash consideration of approximately RM1.466 billion. On 10 December 2013, the Company, via its adviser, MIDF Amanah Investment Bank Berhad ("Adviser") announced that Aspire agreed to the Company's request for an extension of time until 20 January 2014 to consider their Offer. On 10 January 2014, Board of Directors of the Company, via its Adviser announced that it has deliberated and agreed to accept Aspire's Offer.

On 29 January 2014, the Company received a letter of request for an extension of time from Aspire for the completion of the ongoing due diligence exercise and the signing of the definitive agreement in relation to the Offer. In response, the Company agreed on the extension of time from 31 January 2014 to 14 March 2014. On 13 March 2014, the parties agreed to further extend the timeline to 31 March 2014.

### 23. Status of Corporate Proposals (cont'd)

On 24 March 2014, the Company, via its Adviser, announced that it has entered into a conditional Business Sale Agreement ("BSA"), Properties Sale Agreements and Assets Sale Agreement with Aspire ("Proposed Disposal"). Upon completion of the Proposed Disposal, the Company will undertake a capital reduction and repayment exercise to return the cash proceeds arising from the said Proposed Disposal to all entitled shareholders via a proposed distribution of proceeds in cash at not less than RM3.30 per ordinary share of RM0.25 each in the Company ("Proposed Proceeds Distribution").

On 7 May 2014, the Company, its subsidiary, Box-Pak (Malaysia) Bhd ("Box-Pak") and 5 others were served with a Writ of Summons and Statement of Claims dated 6 May 2014 by an executive director of the Company, who was also the former Managing Director of Box-Pak, Dato' See Teow Guan in relation to the Proposed Disposal. Details of the Writ of Summons and Statement of Claims are set out in Note 25.

On 29 May 2014, the Company, via its Adviser, announced that Bursa Malaysia Securities Berhad had vide its letter dated 27 May 2014 approved the extension of time to submit the draft circular to shareholders in relation to the Proposed Disposal and Proposed Proceeds Distribution from 24 May 2014 until 23 August 2014. Vide Bursa Malaysia Securities Berhad's letter on 22 August 2014, approval was given for a further extension of time to submit the draft circular to shareholders in relation Proposals from 23 August 2014 to 23 November 2014.

Pursuant to a letter dated 28 August 2014, the Company and Aspire have agreed to extend the date on which all conditions precedent to the BSA should be fulfilled from 23 September 2014 to 23 March 2015.

The above Proposals are subject to the approval by relevant authorities and shareholders of the Company and written confirmation from Aspire on whether the due diligence is satisfactory.

Apart from the above, there were no other corporate proposals announced but not completed as at the date of this report.

### 24. Group Borrowings and Debt Securities

Total Group borrowings as at 30 June 2014 are as follows:-

	<b>As at 30.06.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Current - unsecured		
- Banker's acceptances	36,318	9,944
- Foreign currency loans against imports	33,650	76,717
- Trust receipts/bill discounts	5,038	8,161
- Revolving credit	40,000	15,000
- Term loans	19,910	22,799
	134,916	132,621
Non-current - unsecured		
- Term loans	127,011	95,616
	261,927	228,237

## 24. Group Borrowings and Debt Securities (cont'd)

Details of borrowings which are denominated in foreign currencies are as follows: -

	<b>As at 30.06.2014 RM'000</b>	<b>As at 31.12.2013 RM'000</b>
Current - unsecured		
- Trust receipts/bill discounts (denominated in VND)	5,038	8,161
- Term loans (denominated in USD)	2,680	4,451
- Foreign currency loans against imports (denominated in USD)	30,043	76,717
- Foreign currency loan against imports (denominated in EUR)	2,598	-
- Foreign currency loan against imports (denominated in CHF)	1,009	-
	41,368	89,329
Non-current - unsecured		
- Term loans (denominated in USD)	6,735	8,040
	48,103	97,369

All the Group's borrowings are unsecured.

## 25. Material Litigation

### (I) (a) Claim by an executive director, Dato' See Teow Guan in relation to the Offer from Aspire

In relation to the Offer from Aspire as detailed in Note 23, an executive director of the Company, Dato' See Teow Guan ("Plaintiff"), acting in a personal capacity and in a representative capacity on behalf and for the benefit of the Company, has on 7 May 2014 served a Writ of Summons and Statement of Claim to the following defendants:

1. Yeoh Jin Hoe, Group Managing Director of the Company ("YJH")
2. Chee Khay Leong, Chief Operating Officer cum Executive Director of the Company ("CKL")
3. Aspire Insight Sdn Bhd
4. Can-One Berhad ("Can-One")
5. Can-One International Sdn Bhd ("Can-One International")
6. Kian Joo Can Factory Berhad
7. Box-Pak (Malaysia) Bhd, listed subsidiary of the Company ("Box-Pak")

(collectively referred to as "the Defendants")

The Plaintiff's claims are as follows:

#### Against the Company, Can-One International, YJH and Aspire:-

- (i) a declaration that the letter of offer dated 26 November 2013 from Aspire to the Company to acquire the entire business and undertaking including all of the assets and liabilities of the Company ("Aspire Bid") is deemed a related party transaction by virtue of the interest in the proposed disposal of the entire assets and liabilities of the Company to Aspire ("Proposed Disposal") of the following:-



## 25. Material Litigation (cont'd)

### (I) (a) Claim by an executive director, Dato' See Teow Guan in relation to the Offer from Aspire (cont'd)

- (a) Can-One International, as a major shareholder of the Company with an interest direct or indirect in Aspire;
- (b) YJH, as a director of the Company with an interest direct or indirect in Aspire;
- (c) Aspire, as a person connected to Can-One and/or Can-One International within the meaning under the Main Market Listing Requirements ("Listing Requirements");
- (d) Aspire, as a person connected with YJH within the meaning under the Listing Requirements;

#### Against YJH:-

- (ii) A declaration that YJH is a person connected to CKL in relation to the Aspire Bid;
- (iii) A consequential order that YJH shall issue a written declaration to the board of directors and shareholders of the Company before the general meeting convened for the Proposed Disposal ("EGM") that he is a person connected to CKL;

#### Against CKL:-

- (iv) A declaration that CKL is a person connected to YJH and Can-One in relation to the Aspire Bid;
- (v) A consequential order that CKL shall issue a written declaration to the board of directors and shareholders of the Company before the EGM that he is a person connected to YJH and Can-One;

#### Against YJH and CKL:-

- (vi) A declaration that YJH and CKL are in breach of their fiduciary duties as directors of the Company;
- (vii) General and exemplary damages to be assessed by the Kuala Lumpur High Court ("High Court") and to be paid to the Company;
- (viii) Interest on any such sum assessed and awarded by the High Court to the Company at the rate of 5% per annum from the date of filing of this Court action until the date of full and final settlement;

#### Against the Company:-

- (ix) An order that the Company, by its directors, officers, servants, agents or employees or any of them or otherwise howsoever, be restrained from allowing Can-One International from voting at any shareholders meeting and/or general meeting convened by the Company to determine the Aspire Bid;

## 25. Material Litigation (cont'd)

### (I) (a) Claim by an executive director, Dato' See Teow Guan in relation to the Offer from Aspire (cont'd)

#### Against Aspire, Can-One and Can-One International:-

- (x) A declaration that Can-One International shall abstain from participating and/or deliberating and/or voting at any shareholders meeting and/or general meeting convened by the Company to determine the Aspire Bid;
- (xi) Alternatively a declaration that any resolution(s) passed by the shareholders of the Company in any shareholders meeting and/or general meeting convened by the Company in relation to the Aspire Bid and in which Can-One International has participate and/or deliberated and/or voted, is null and void;

#### Against Box-Pak:-

- (xii) A declaration that the voting on Resolution 7 at the Annual General Meeting of Box-Pak on 15 April 2014 is null and void;
- (xiii) An order that the Plaintiff be reinstated as a Director and/or Managing Director of Box-Pak with immediate effect;
- (xiv) Alternatively, damages to be assessed by the High Court and to be paid to the Plaintiff;
- (xv) Interest on any such sum assessed and awarded by the High Court to the Plaintiff at the rate of 5% per annum from the date of filing of this Court action until the date of full and final settlement;

#### Against YJH, CKL, Aspire, Can-One, Can-One International and Box-Pak:-

- (xvi) Costs; and
- (xvii) Such further and other relief(s) as the High Court deems fit and just.

On 31 July 2014, the High Court heard the Company's submissions and all the other Defendants' submissions in respect of the striking out applications on the Plaintiff's claims. The High Court adjourned the hearing to 19 August 2014 for the Plaintiff's submission and reply by all the Defendants.

After hearing the submissions by the Plaintiff's solicitors on 19 August 2014, the High Court adjourned the hearing to be continued on 29 August 2014, to hear the reply submissions by the Defendants.

### (I) (b) Injunction application by the Plaintiff

Further to the aforementioned claims by the Plaintiff, the Company's solicitors were served with an unsealed Notice of Application ("Injunction Application") together with a copy of the Plaintiff's Affidavit in Support, dated 16 June 2014 by the Plaintiff's solicitors on 17 June 2014. Similar Applications were addressed to the solicitors of YJH, CKL, Aspire, Can-One International and Can-One.

## **25. Material Litigation (cont'd)**

### **(I) (b) Injunction application by the Plaintiff (cont'd)**

Pursuant to the Injunction Application, the Plaintiff seeks the following orders:

- (i) that the Company be restrained until the trial of this action from calling any shareholders meeting in respect of the offer made by Aspire to purchase inter-alia all the assets and liabilities of the Company ("the Aspire Bid");
- (ii) that the Company be restrained until the trial of this action from taking further steps to finalise or complete the circular to the shareholders in relation to the Aspire Bid;
- (iii) that the Company inform Bursa Malaysia Securities Berhad of the Order made by the High Court herein;
- (iv) alternatively, that Can-One International be restrained until the trial of this action from participating and voting at any shareholders meeting to be held by the Company in respect of the Aspire Bid;
- (v) that the costs of this application be provided for; and
- (vi) such other orders and reliefs as the High Court deems fit and just.

The Plaintiff's Injunction Application was not brought up for case management at the hearing on 19 August 2014 and will be addressed on 29 August 2014.

### **(II) Claim by a former director, See Teow Koon for reinstatement as executive director**

The Company had on 14 August 2014 received a sealed Writ of Summons and Statement of Claim ("STK Claim") from Messrs V. Siva and Partners, the solicitors acting for former director, See Teow Koon ("STK").

Details of the STK Claim are as follows:

- (i) A declaration that STK is entitled to work as the Executive Director of the Company until he attains the age of 70 years as ordered by the Court of Appeal Order dated 4 October 2006;
- (ii) A declaration that the removal of STK as the Executive Director of the Company is unlawful, null and void;
- (iii) An order that the Company forthwith restore STK to his position as an Executive Director of the Company without any loss of salaries, perks and benefits;
- (iv) Further or alternatively, the Company be ordered to pay to STK all salaries, perks and benefits including retirement benefits under the Kian Joo Group of Companies Terms and Conditions of Employment for Executive Director, that is due to STK upon STK attaining 70 years of age on 14 June 2019 in the sum of RM12,601,469.55 as particularised in paragraphs 42(i) to (v) of the Statement of Claim;

## 25. Material Litigation (cont'd)

### (II) Claim by a former director, See Teow Koon for reinstatement as executive director (cont'd)

- (v) A declaration that the Company pay the statutory contributions to STK's Employees' Provident Fund account in respect of the sums that is due and payable as stated in paragraphs 42(ii), (iii) and (iv) of the Statement of Claim;
- (vi) Loss of contractual benefits being inter-alia payment for the benefit of having a Mercedes Benz S300 luxury sedan with a full time paid personal driver;
- (vii) Interest thereon at the rate of 8% per annum on all the judgment sums awarded by the High Court from 16 April 2014 and/or from the date of filing this action in Court until the date of full and final settlement;
- (viii) General damages suffered by the Plaintiff to be assessed by the Deputy Registrar;
- (ix) An order that the costs of this action on a full indemnity basis be paid by the Company to STK; and
- (x) Such further or any other reliefs as the High Court shall deem fit and proper to grant.

STK Claim arose for case management on 27 August 2014. The Company will be filing its defence by 17 September 2014 and the next case management has been fixed for 18 September 2014.

Save for the above, there is no other pending material litigation against the Group for the financial period under review.

## 26. Dividend

The Board does not recommend any dividend for the financial period under review.

## 27. Earnings Per Share

	Current Quarter 30.06.2014	Preceding Year Corresponding Quarter 30.06.2013	Current Quarter 30.06.2014	Preceding Year Corresponding Quarter 30.06.2013
Profit attributable to owners of the company (RM '000)	27,569	32,174	47,395	62,605
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>	6.21	7.24	10.67	14.09



**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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## **28. 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 28 August 2014.

Batu Caves, Selangor Darul Ehsan  
28 August 2014