

## KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. No. 003186-P)

### Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the second quarter ended 30 June 2017

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		Current Year	Preceding Year	Changes	Current	Preceding	Changes
		Quarter Ended	Quarter Ended		Year-To-Date Ended	Year-To-Date Ended	
30.06.2017	30.06.2016	%	30.06.2017	30.06.2016	%		
		RM'000	RM'000		RM'000	RM'000	
Revenue		440,897	438,875	0.5%	872,539	866,946	0.6%
Cost of sales		(379,701)	(373,570)	1.6%	(758,212)	(737,513)	2.8%
Gross profit		61,196	65,305	(6.3%)	114,327	129,433	(11.7%)
Other income		(254)	7,413	(103.4%)	9,532	15,428	(38.2%)
Operating expenses		(35,500)	(23,226)	52.8%	(72,437)	(71,638)	1.1%
Finance costs		(6,501)	(5,029)	29.3%	(11,588)	(9,836)	17.8%
Profit Before Taxation	20	18,941	44,463	(57.4%)	39,834	63,387	(37.2%)
Taxation	22	(5,760)	(4,630)	24.4%	(10,835)	(11,066)	(2.1%)
<b>Profit for the period</b>		13,181	39,833	(66.9%)	28,999	52,321	(44.6%)
<b>Other comprehensive income, net of tax</b>							
Foreign currency translation differences for foreign operations		(9,312)	(4,156)	124.1%	(14,302)	(18,316)	(21.9%)
Cash flow hedge		(1,758)	-	100.0%	(1,906)	-	100.0%
<b>Other comprehensive income for the period, net of tax</b>		(11,070)	(4,156)	166.4%	(16,208)	(18,316)	(11.5%)
<b>Total comprehensive income for the period</b>		2,111	35,677	(94.1%)	12,791	34,005	(62.4%)
Profit attributable to:							
Owners of the company		15,128	39,494	(61.7%)	33,568	51,362	(34.6%)
Non-controlling interest		(1,947)	339	(674.3%)	(4,569)	959	(576.4%)
<b>Profit for the period</b>		13,181	39,833	(66.9%)	28,999	52,321	(44.6%)
Total comprehensive income attributable to:							
Owners of the company		5,727	37,715	(84.8%)	20,142	36,497	(44.8%)
Non-controlling interest		(3,616)	(2,038)	77.4%	(7,351)	(2,492)	195.0%
<b>Total comprehensive income for the period</b>		2,111	35,677	(94.1%)	12,791	34,005	(62.4%)
Earnings per share attributable to owners of the company:							
Basic (sen)							
Continuing operations		3.41	8.89	(61.6%)	7.56	11.56	(34.6%)

The above Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements

**KIAN JOO CAN FACTORY BERHAD**

(Incorporated in Malaysia)

(Co. No. 003186-P)

**Condensed Consolidated Statement of Financial Position  
As at 30 June 2017**

	Note	As at 30.06.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment		1,109,964	1,118,076
Land use rights		126,169	133,309
Investment properties		16,807	16,979
Intangible assets		1,485	664
Other assets		24,319	17,048
		<u>1,278,744</u>	<u>1,286,076</u>
<b>Current Assets</b>			
Inventories		494,496	457,475
Trade and other receivables		359,497	351,671
Other assets		38,945	10,907
Tax recoverable		17,511	15,422
Derivative financial instruments		7,069	7,824
Cash and bank balances and short term funds		252,034	142,626
		<u>1,169,552</u>	<u>985,925</u>
Non-current assets held for distribution		-	5,011
		<u>1,169,552</u>	<u>990,936</u>
<b>TOTAL ASSETS</b>		<u><u>2,448,296</u></u>	<u><u>2,277,012</u></u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the company			
Share capital		111,786	111,042
Share premium		-	744
Other reserves		39,151	52,577
Retained earnings	24	<u>1,273,881</u>	<u>1,258,080</u>
		1,424,818	1,422,443
<b>Non-Controlling Interest</b>		<u>125,755</u>	<u>82,232</u>
<b>Total Equity</b>		<u>1,550,573</u>	<u>1,504,675</u>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation		45,368	43,249
Loans and borrowings	25	217,811	142,392
Deferred tax liabilities		28,759	28,849
Derivative financial instrument		4,054	8,136
		<u>295,992</u>	<u>222,626</u>
<b>Current Liabilities</b>			
Retirement benefit obligation		9,660	9,459
Provisions		99	67
Loans and borrowings	25	338,979	313,552
Trade and other payables		243,104	216,843
Tax payable		4,150	5,352
Derivative financial instrument		5,739	4,438
		<u>601,731</u>	<u>549,711</u>
<b>Total Liabilities</b>		<u>897,723</u>	<u>772,337</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,448,296</u></u>	<u><u>2,277,012</u></u>
Net assets per share attributable to owners of the Company (RM)		<u>3.21</u>	<u>3.20</u>

The above Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements



**KIAN JOO CAN FACTORY BERHAD**  
(Incorporated in Malaysia)  
(Co. No. 003186-P)

**Condensed Consolidated Statement of Changes in Equity**  
**For the second quarter ended 30 June 2017**

	Attributable to Owners of the Company						Non-Controlling Interest	Total Equity
	Non-distributable			Distributable		Total		
	Share Capital	Share Premium	Other Reserve	Retained Earnings	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
<b>At 1 January 2017</b>	111,042	744	52,577	1,258,080	1,422,443	82,232	1,504,675	
Adjustments for effects of Companies Act 2016 ( <b>Note a</b> )	744	(744)	-	-	-	-	-	
Profit for the period	-	-	-	33,568	33,568	(4,569)	28,999	
Currency translation differences	-	-	(11,520)	-	(11,520)	(2,782)	(14,302)	
Cash flow hedge	-	-	(1,906)	-	(1,906)	-	(1,906)	
Total comprehensive (loss)/ income for the period	-	-	(13,426)	33,568	20,142	(7,351)	12,791	
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
<b>At 30 June 2017</b>	<b>111,786</b>	<b>-</b>	<b>39,151</b>	<b>1,273,881</b>	<b>1,424,818</b>	<b>125,755</b>	<b>1,550,573</b>	
<b>At 1 January 2016</b>	111,042	744	37,971	1,145,314	1,295,071	80,410	1,375,481	
Profit for the year	-	-	-	51,362	51,362	959	52,321	
Currency translation differences	-	-	(14,865)	-	(14,865)	(3,451)	(18,316)	
Total comprehensive (loss)/ income for the period	-	-	(14,865)	51,362	36,497	(2,492)	34,005	
Dividends	-	-	-	(8,884)	(8,884)	-	(8,884)	
<b>At 30 June 2016</b>	<b>111,042</b>	<b>744</b>	<b>23,106</b>	<b>1,187,792</b>	<b>1,322,684</b>	<b>77,918</b>	<b>1,400,602</b>	

**Note a**

With the Companies Act 2016 ("New Act") which came into effect on 31 January 2017, the credit standing in the share premium account of RM744,000, has been transferred to the share capital account. Pursuant to subsection 618(3) of the New Act, the Group may exercise its right to use the credit amount being transferred from share premium account within 24 months after the commencement of the New Act.

The above Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements



**KIAN JOO CAN FACTORY BERHAD**  
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**Condensed Consolidated Statement of Cash Flows**  
**For the second quarter ended 30 June 2017**

	<b>Current Year-To-Date 30.06.2017 RM'000 Unaudited</b>	<b>Preceding Year-To-Date 30.06.2016 RM'000 Audited</b>
<b>Net cash generated from operating activities</b>		
Receipts from customers	873,944	883,640
Payments to suppliers	(821,517)	(787,116)
	<hr/>	<hr/>
Cash generated from operations	52,427	96,524
Interest paid	(11,588)	(9,835)
Income tax paid	(14,013)	(15,268)
	<hr/>	<hr/>
	26,826	71,421
<b>Net cash used in investing activities</b>		
Acquisition of property, plant and equipment	(55,180)	(91,311)
Acquisition of land use rights	-	(55,221)
Acquisition of intangible assets	(1,123)	(379)
Additional investment in a subsidiary	50,874	-
Proceeds from disposal of property, plant and equipment	307	354
Cash distribution received from non-current assets held for distribution	5,007	5,000
Net changes in short term funds	(2,284)	(13,657)
Interest received	1,241	935
	<hr/>	<hr/>
	(1,158)	(154,279)
<b>Net cash generated from financing activities</b>		
Net proceeds from term loans, bankers' acceptances and revolving credit	102,700	60,860
Dividends paid	(17,767)	(8,884)
	<hr/>	<hr/>
	84,933	51,976
Net increase/(decrease) in Cash and Cash Equivalents	110,601	(30,882)
Effect of Exchange Rate Changes	(3,477)	(5,581)
Cash and Cash Equivalents at 1 January	117,794	176,307
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 June	224,918	139,844
Cash and Cash Equivalents at 30 June comprised the following:		
Cash and bank balances	81,568	75,808
Deposits with licenced bank	143,350	64,036
Short-term funds	27,116	36,240
	<hr/>	<hr/>
Cash and bank balances and short term funds	252,034	176,084
Less: Short-term funds	(27,116)	(36,240)
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 June	224,918	139,844

**The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2016 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 complies with MFRS 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. 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 2016.

## 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 2016.

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

The accounting policies adopted are consistent with those of previous financial year except for the adoption of the following new and amended MFRSs and IC Interpretation mandatory for financial periods beginning on or after 1 January 2017:

Amendments to MFRS 12 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*  
Amendments to MFRS 107 *Disclosure Initiative*  
Amendments to MFRS 112 *Recognition of Deferred Tax Assets for Unrealised Losses*

The adoption of these above standards and interpretation did not have any material effect on the financial performance or position of the Group.

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

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

Amendments to MFRS 1 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*  
MFRS 9 *Financial Instruments (IFRS 9 as issued by IASB in July 2014)*  
MFRS 15 *Revenue from Contracts with Customers*  
Clarifications to MFRS 15  
Amendments to MFRS 2 *Classification and Measurement of Share-based Payment Transactions*  
Amendments to MFRS 128 *Annual Improvements to MFRS Standards 2014 - 2016 Cycle*  
Amendments to MFRS 140 *Transfers of Investment Property*  
IC Interpretation 22 *Foreign Currency Transactions and Advance Consideration*  
Amendments to MFRS 4 *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*  
MFRS 16 *Leases*  
Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associates or Joint Venture*

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 2016 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 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 have had any material effect to the financial statements during the financial 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 during the financial period under review.

## 8. Dividends Paid

A first and final single-tier dividend in respect of the financial year ended 31 December 2016, of 4 Sen (2015: 2 Sen) per share, totalling RM17.767 million was paid on 30 June 2017.

## 9. Segmental Reporting

Segmental information for the period ended 30 June 2017 are as follows:

	<b>Cans Division</b>	<b>Cartons Division</b>	<b>Contract Packing</b>	<b>Trading</b>	<b>Others</b>	<b>Total</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	434,148	255,395	26,474	156,016	506	872,539	-	872,539
Inter-segmental sales	153,563	2,763	14,950	127,378	1,115	299,769	(299,769)	-
<b>Total revenue</b>	<b>587,711</b>	<b>258,158</b>	<b>41,424</b>	<b>283,394</b>	<b>1,621</b>	<b>1,172,308</b>	<b>(299,769)</b>	<b>872,539</b>
<b>RESULTS</b>								
Segment results	35,721	(9,053)	(1,297)	7,840	(1,481)	31,730	10,160	41,890
Other income	16,693	4,451	787	696	507	23,134	(13,602)	9,532
	52,414	(4,602)	(510)	8,536	(974)	54,864	(3,442)	51,422
Finance costs	(9,370)	(4,519)	(388)	(275)	(478)	(15,030)	3,442	(11,588)
Profit before taxation								39,834
Taxation								(10,835)
Non-controlling interest								4,569
								33,568
<b>ASSETS AND LIABILITIES</b>								
Segment assets	2,096,985	573,731	68,259	226,002	96,407	3,061,384	(637,668)	2,423,716
Unallocated corporate assets	15,880	2,278	5,976	239	207	24,580	-	24,580
<b>Consolidated total assets</b>								<b>2,448,296</b>
Segment liabilities	700,382	284,672	50,140	149,037	80,555	1,264,786	(409,762)	855,024
Unallocated corporate liabilities	25,575	12,204	1,451	1,853	1,616	42,699	-	42,699
<b>Consolidated total liabilities</b>								<b>897,723</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	33,004	15,111	672	83	6,310	55,180	-	55,180
Depreciation and amortisation	30,011	11,000	1,675	12	1,437	44,135	-	44,135
Non-cash expenses other than depreciation	4,192	-	103	-	-	4,295	-	4,295

## 9. Segmental Reporting (Cont'd)

Segmental information for the period ended 30 June 2016 are as follows:

	<b>Cans Division</b>	<b>Cartons Division</b>	<b>Contract Packing</b>	<b>Trading</b>	<b>Others</b>	<b>Total</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	467,516	241,101	34,460	123,364	505	866,946	-	866,946
Inter-segmental sales	130,054	2,413	5,986	76,567	656	215,676	(215,676)	-
<b>Total revenue</b>	<b>597,570</b>	<b>243,514</b>	<b>40,446</b>	<b>199,931</b>	<b>1,161</b>	<b>1,082,622</b>	<b>(215,676)</b>	<b>866,946</b>
<b>RESULTS</b>								
Segment results	47,968	303	1,121	5,192	343	54,927	2,868	57,795
Other income	18,648	6,726	919	219	329	26,841	(11,413)	15,428
	66,616	7,029	2,040	5,411	672	81,768	(8,545)	73,223
Finance costs	(9,105)	(3,551)	(221)	-	(505)	(13,382)	3,546	(9,836)
Profit before taxation								63,387
Taxation								(11,066)
Non-controlling interest								(959)
								51,362
<b>ASSETS AND LIABILITIES</b>								
Segment assets	1,901,993	444,286	55,057	173,041	84,659	2,659,036	(556,550)	2,102,486
Unallocated corporate assets	14,674	1,770	3,904	-	276	20,624	-	20,624
<b>Consolidated total assets</b>								<b>2,123,110</b>
Segment liabilities	595,052	255,836	32,945	111,537	70,099	1,065,469	(386,641)	678,828
Unallocated corporate liabilities	22,862	18,414	762	45	1,597	43,680	-	43,680
<b>Consolidated total liabilities</b>								<b>722,508</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	34,954	66,152	14,274	4	31,527	146,911	-	146,911
Depreciation and amortisation	24,471	7,874	1,397	2	358	34,102	-	34,102
Non-cash expenses other than depreciation	15,542	5,466	-	-	64	21,072	-	21,072

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## 10. Valuation of Property, Plant and Equipment

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

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

There were no material events subsequent to the end of the financial 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

There were no changes to the Group's composition during the financial period under review.

On 12 August 2017, Kian Joo-Visypak Sdn. Bhd., a joint venture company between Kian Joo Can Factory Berhad and Visypak Packaging (Malaysia) Sdn. Bhd. was dissolved after the expiration of three (3) months from the date of lodgement of the Return by Liquidator relating to Final Meeting (Form 69) with the Companies Commission of Malaysia.

## 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 2017 is as follows:

	<b>RM'000</b>
Approved and contracted for	<u>388,391</u>

## 15. Related Party Transactions

The Group has entered into the following related party transactions:

Nature of transaction	Identity of related parties	<b>Current Year-To-Date 30.06.2017 RM'000</b>
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	8,939
	F & B Nutrition Sdn. Bhd. <sup>(ii)</sup>	8,984
	Canzo Sdn. Bhd. <sup>(iii)</sup>	15
Purchases of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	641
	Aluminium Company of Malaysia Berhad <sup>(iv)</sup>	1,417
Purchases of machinery and equipment	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	1,203

Parties (i), (ii) and (iii) 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 the Company.

Parties (iv) is deemed to be related to the Group by virtue of:

- (a) common directorship held by the director of the Group, Yeoh Jin Hoe and Chee Khay Leong.

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



## 16. Operating Segments Review

### *Second Quarter Ended 30 June 2017 ("Q2, 2017") versus Second Quarter Ended 30 June 2016 ("Q2, 2016")*

The Group recorded a total revenue of RM440.9 million in Q2, 2017, a marginal increase from RM438.9 million in Q2, 2016. Gross profit dropped from RM65.3 million in Q2, 2016 to RM61.2 million due to escalating material and production costs. The Group's overall profit before taxation was lower in Q2, 2017 at RM18.9 million compared to RM44.5 million in Q2, 2016.

#### **(i) Cans Division**

The Cans Division generated a total operating revenue of RM292.2 million in Q2, 2017, a decrease from RM301.3 million in Q2, 2016. Weak consumer sentiment in the food and beverage sector in Malaysia has a knock-on effect on the demand for tin and aluminium cans. The reduction sales in Malaysia entities were partially offset by incremental sales in Vietnam and increase in export sales.

Profit before taxation of this division decreased by RM19.3 million in Q2, 2017 to RM19.8 million compared to RM39.1 million in Q2, 2016 mainly due unrealised loss on hedging instruments amounting to RM4.2 million and foreign currency exchange loss of RM3.0 million in Q2, 2017 as compared to an unrealised gain hedging instruments of RM5.2 million and foreign exchange gain of RM4.7 million in Q2, 2016.

#### **(ii) Cartons Division**

Revenue from Cartons Division increased in Q2, 2017 to RM135.3 million from RM123.1 million in Q2, 2016. The increase in revenue is contributed by marginal increase in sales in its operations in Malaysia and Vietnam. The relative strengthening of Vietnam Dong ("VND") against Ringgit Malaysia ("RM") has also contributed to the increase in revenue.

This division recorded a loss before taxation of RM3.9 million in Q2, 2017 as compared to a profit before taxation of RM1.1 million in Q2, 2016. Due to weak sentiment in the consumer market, its operations in Malaysia faced margin compression as selling price stagnated whilst cost of paper rolls increased.

Its operations in Vietnam was also affected by increase in cost of paper rolls.

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

Revenue from Contract Packing Division in Q2, 2017 decreased to RM20.0 million from RM20.5 million in Q2, 2016. Revenue from beverage packing section has increased due to increased order from new and existing customers whilst revenue from milk powder packing section dropped due to weak demand from its traditional market in Africa.

During the quarter under review, this division recorded a loss before taxation of RM1.3 million compared to a profit before taxation of RM0.5 million in Q2, 2016. This was due mainly to low production volume in the milk powder packing section and incremental finance, depreciation, labour and upkeep cost in the beverage packing section.

#### **(iv) Trading Division**

The revenue of Trading Division increased from RM122.8 million in Q2, 2016 to RM153.6 million in Q2, 2017 mainly due to the increase in trading activities. A profit before taxation of RM5.1 million was recorded in Q2, 2017 as compared to a profit before taxation of RM3.6 million in Q2, 2016.

**16. Operating Segments Review (cont'd)*****Year-To-Date Ended 30 June 2017 ("YTD 2017") versus Year-To-Date Ended 30 June 2016 ("YTD 2016")***

The Group registered an increase in revenue of RM5.6 million, from RM866.9 million in YTD Q2, 2016 to RM872.5 million in YTD Q2, 2017. However, due to escalating cost of direct materials and production cost, gross profit dropped from RM129.4 million in YTD Q2, 2016 to RM114.3 million in YTD Q2, 2017.

The Group also recorded a lower gain on derivative financial instruments amounting to RM3.9 million in YTD Q2, 2017 as compared to RM9.8 million in YTD Q2, 2016 and a higher finance cost due to increase in borrowings.

Consequently, the Group recorded a drop in profit before taxation from RM63.4 million in YTD Q2, 2016 to RM39.8 million in YTD Q2, 2017.

***(i) Cans Division***

The Cans Division reported a decrease in revenue of RM9.9 million, from RM597.6 million in YTD Q2, 2016 to RM587.7 million in YTD Q2, 2017. This was attributable to a drop in demand from processed food cans and beverage cans due to a knock-on effect of weak sentiment in consumer market.

Profit before taxation declined by RM9.5 million from RM52.5 million in YTD Q2, 2016 to RM43.0 million in YTD Q2, 2017 due mainly to higher cost of raw material, a smaller gain on derivative financial instruments of RM0.3 million in YTD Q2, 2017 as compared to RM5.3 million in YTD Q2, 2016 and higher finance cost.

***(ii) Cartons Division***

Revenue of Cartons Division improved from RM243.5 million in YTD Q2, 2016 to RM258.2 million in YTD Q2, 2017. The increase in revenue was mainly contributed by its Vietnam operations due to the relative strengthening of VND against RM.

This division recorded a loss before taxation of RM9.1 million in YTD Q2, 2017 as compared to a profit before taxation of RM3.5 million in YTD Q2, 2016. The reduction in profit was due mainly to higher paper cost, pre-operating cost incurred in Myanmar, higher labour, marketing and finance costs.

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

Revenue of Contract Packing Division increased from RM40.4 million in YTD Q2, 2016 to RM41.4 million in YTD Q2, 2017 due to increase in demand from customers in beverage packing section.

Loss before taxation of RM0.9 million was recorded in YTD Q2, 2017 as compared to a profit before taxation of RM1.8 million in YTD Q2, 2016 due mainly to low production volume in the milk powder packing segment and higher cost of packaging material and finance costs.

***(iv) Trading Division***

The revenue of Trading Division increased from RM199.9 million in YTD Q2, 2016 to RM283.4 million in YTD Q2, 2017 mainly due to the increase in trading activities. A profit before taxation of RM8.3 million was recorded in YTD Q2, 2017 as compared to a profit before taxation of RM5.4 million in YTD Q2, 2016.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 June 2017 ("Q2, 2017") Compared with Immediate Preceding Quarter Ended 31 March 2017 ("Q1, 2017")

	Current Quarter Ended 30.06.2017 RM'000	Immediate Preceding Quarter Ended 31.03.2017 RM'000	Changes %
Revenue	440,897	431,642	2.1%
Operating Profit	25,696	16,194	58.7%
Profit Before Interest and Tax	25,442	25,980	(2.1%)
Profit Before Tax	18,941	20,893	
Profit After Tax	13,181	15,818	(16.7%)
<b>Profit attributable to:</b>			
Owners of the company	15,128	18,440	(18.0%)

The Group recorded a revenue of RM440.9 million in Q2, 2017, a 2.1% improvement from RM431.6 million in Q1, 2017. Profit before taxation decreased from RM20.9 million in Q1, 2017 to RM18.9 million in Q2, 2017.

The lower profit in Q2, 2017 was due mainly to higher material, operating and finance costs.

**(i) Cans Division**

Revenue in Cans Division dropped from RM295.5 million in Q1, 2017 to RM292.2 million in Q2, 2017 due to reduction sales in Malaysia due to weak sentiment in its consumer market, partially offset by incremental sales in Vietnam.

Profit before taxation for Q2, 2017 was lower at RM19.8 million as compared to RM23.2 million in Q1, 2017 in tandem with the decrease in revenue. An unrealised loss in aluminium hedging contracts amounting to RM4.2 million in Q2, 2017 as compared to an unrealised gain of RM4.5 million in Q1, 2017 contributed to the drop in profit before tax.

**(ii) Cartons Division**

Revenue of Cartons Division increased from RM122.9 million in Q1, 2017 to RM135.3 million in Q2, 2017 due to high demand from customers. A lower loss before taxation of RM3.9 million was posted in Q2, 2017 as compared to RM5.2 million in Q1, 2017 due mainly to slight improvement in production efficiency.

**(iii) Contract Packing Division**

Revenue in Contract Packing Division decreased from RM21.4 million in Q1, 2017 to RM20.0 million in Q2, 2017 due to decrease in contribution from milk powder powder sector, partially offset by increase in revenue from beverage packing sector. A loss before taxation of RM1.3 million was recorded as against a profit before taxation of RM0.4 million in Q1, 2017 due to low production volume in milk powder packing sector and higher maintenance cost.

**(iv) Trading Division**

The revenue of Trading Division increased from RM129.8 million in Q1, 2017 to RM153.6 million in Q2, 2017 mainly due to the increase in trading activities. A profit before taxation of RM5.1 million was recorded as compared to profit of RM3.2 million in Q1, 2017.

## 18. Commentary on Prospects

The key challenges faced by the Group include:

- (i) Weak sentiment in consumer market in Malaysia which has a knock-on effect on the Group's operations;
- (ii) Escalating cost of direct material such as tin plate, aluminium and paper rolls; and
- (iii) Increase in production costs including labour cost.

Average cost of paper rolls used by the Group has increased by more than 8% and is expected to increase further. Cost of aluminium materials has also increased in tandem with the aluminium price quoted on London Metal Exchange. Cost of tin plate has also increased.

The revision in minimum wage rate in Malaysia (since July 2016) and Vietnam (since January 2017) has increased the production cost of the Group. The Vietnam government has in August 2017 announced a further increase in minimum wage by approximately 6.0% - 7.0%, effective January 2018. The prospect of possible implementation of employment insurance in Malaysia may add further burden to the escalating production cost.

To address these challenges faced by the Group, effort has been placed by the management to negotiate with its customers to absorb part of the cost increase. Emphasis is also placed on growing the business operations of subsidiaries in foreign countries and to grow export sales.

In addition, the Group is constantly reviewing the efficiency of its production facilities and implementing cost cutting measures.

The Group's investments in Myanmar are in progress but are not expected to contribute to the Group's results in 2017.

Based on the above, the Board is cautiously optimistic that the Group will remain profitable in the second half of 2017.

## 19. Other income

Included in other income are the following items:

	<b>Current Year Quarter Ended 30.06.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.06.2016 RM'000</b>	<b>Current Year-To-Date 30.06.2017 RM'000</b>	<b>Preceding Year-To-Date 30.06.2016 RM'000</b>
Gain on disposal of property, plant and equipment	-	(244)	-	(157)
Income distribution from short term funds	(159)	(29)	(197)	(88)
Interest income	(986)	(364)	(1,241)	(931)
Loss/(Gain) fair value adjustment on derivative instruments *	2,210	(4,568)	(3,932)	(9,757)
Realised foreign exchange (gain)/loss	(712)	-	(2,501)	-
Reversal of write-down of inventories	-	(1,926)	-	(1,655)
Rental income	(371)	(359)	(778)	(844)

\* The Group enters into derivative financial instruments to hedge the following exposures:

- (i) Pricing risk of aluminium;
- (ii) Foreign currency exchange risks of monetary assets; and
- (iii) Foreign currency exchange risks and interest rate risk arising from long term borrowings in foreign currency incurred by the Group.

**20. Profit Before Taxation**

Included in profit before taxation are the following items:

	<b>Current Year Quarter Ended 30.06.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.06.2016 RM'000</b>	<b>Current Year-To-Date 30.06.2017 RM'000</b>	<b>Preceding Year-To-Date 30.06.2016 RM'000</b>
Interest expense	6,501	5,029	11,588	9,836
Depreciation and amortisation	22,591	17,136	44,135	34,102
Write off of property, plant and equipment	2	-	5	1
Net foreign exchange (gain)/loss	4,294	(3,466)	5,840	20,711
Net loss/(gain) on disposal of property, plant and equipment	162	(244)	14	(157)
(Reversal of write-down)/write-down/write-off of inventories	4,186	(1,926)	8,343	(1,655)

**21. Variance from Forecast Profit and shortfall in Profit Guarantee**

No profit forecast or guarantee was issued by the Group.

**22. Taxation**

	<b>Current Year Quarter Ended 30.06.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.06.2016 RM'000</b>	<b>Current Year-To-Date 30.06.2017 RM'000</b>	<b>Preceding Year-To-Date 30.06.2016 RM'000</b>
Group				
Income Tax				
- current year	(5,893)	(4,640)	(11,027)	(10,415)
- prior year	93	-	93	-
Deferred taxation	40	10	99	(651)
	<u>(5,760)</u>	<u>(4,630)</u>	<u>(10,835)</u>	<u>(11,066)</u>

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

**23. Status of Corporate Proposals**

There were no corporate proposals announced as at the date of issue of this quarterly report.

**24. Retained Earnings**

	<b>As at 30.06.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Total retained earnings of the Group:		
- Realised	1,322,473	1,308,973
- Unrealised	(39,824)	(37,632)
	<u>1,282,649</u>	<u>1,271,341</u>
Add: Consolidated adjustments	(8,768)	(13,261)
Total Group retained earnings as per Consolidated Accounts	<u>1,273,881</u>	<u>1,258,080</u>

## 25. Group Borrowings and Debt Securities

Total Group borrowings are as follows:

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Current - unsecured		
- Trade facilities	198,789	203,031
- Revolving credit	88,975	69,420
- Term loans	51,215	41,101
	338,979	313,552
Non-current - unsecured		
- Term loans	217,811	142,392
	556,790	455,944

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

	As at 30.06.2017 RM'000	As at 31.12.2016 RM'000
Current - unsecured		
- Trade facilities denominated in USD	29,300	33,444
- Trade facilities denominated in VND	58,499	47,412
- Term loan denominated in USD	1,460	1,910
- Term loan denominated in VND	898	936
Non-current - unsecured		
- Term loan denominated in USD	730	9,890
- Term loan denominated in VND	45,547	44,257
	136,434	137,849

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

Term loans:		
- Fixed rates	3.50% - 4.60%	3.50% - 4.60%
- Floating rates	3.05% - 7.12%	2.45% - 7.12%
Trade facilities	1.60% - 6.50%	1.22% - 6.50%
Revolving credits	3.03% - 4.71%	2.76% - 4.69%

## 26. Material Litigations

### Claim by a former Director, See Teow Koon for reinstatement as Executive Director

On 14 August 2014, the Company received a sealed Writ of Summons and Statement of Claim ("STK Claim") from the solicitors of former Director, See Teow Koon ("STK").

STK Claim include, among others, the following:

- (i) Further or alternatively, the Company be ordered to pay to STK all salaries, perks and benefits including retirement benefits under the Kian Joo Group 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;
- (ii) Interest thereon at the rate of 8% per annum on all the judgment sums awarded by the Kuala Lumpur High Court ("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;
- (iii) An order that the costs of this action on a full indemnity basis be paid by the Company to STK; and
- (iv) Such further or any other reliefs as the High Court shall deem fit and proper to grant.

On 31 October 2014, the High Court allowed STK to amend his Writ of Summons and Statement of Claim to add two (2) wholly-owned subsidiaries, Kian Joo Packaging Sdn. Bhd. ("KJP") and KJ Can (Selangor) Sdn. Bhd. ("KJCS") with costs in the cause.

On 4 November 2015, the High Court ruled in favour of STK. At the hearing on quantum of payments on 21 January 2016, the High Court granted the following relief to STK:

- (i) A total sum of RM8,822,810.72 being the retirement gratuity, contractual bonus and arrears of salary as claimed by STK until the age of seventy (70) years old;
- (ii) Interest at 5% per annum on item (i) above from 21 January 2016 until full payment; and
- (iii) Cost of RM519,074.82 with interest at 5% per annum from 21 January 2016 until full payment.

All the other claims by STK were disallowed.

Two (2) appeals to the Court of Appeal were filed on 1 December 2015 and 2 February 2016 by the Company, KJP and KJCS (collectively, "Appellants") against the decision of the High Court. Both appeals were consolidated and heard together by the Court of Appeal on 29 September 2016.

On 14 February 2017, the Court of Appeal set aside the Order of the High Court entered on 4 November 2015. The Court of Appeal set aside the judgment of RM8,822,810.72 and substituted a judgment in the sum of RM2,528,556.72 in favour of STK as gratuity payment with interest at the rate of 5% per annum from the date of filing of the Writ of Summons. The Court of Appeal further awarded Court of Appeal costs to the Appellants of RM20,000, and the High Court costs to STK of RM20,000.

## 26. Material Litigations (cont'd)

### Claim by a former Director, See Teow Koon for reinstatement as Executive Director (cont'd)

On 13 March 2017, the Company received an unsealed Notice of Motion ("Leave Application") of the same date together with STK's Affidavit for the following Orders:

- (i) That pursuant to Section 96 of the Courts of Judicature Act 1964, STK be granted leave to appeal to the Federal Court of Malaysia ("Federal Court") against the whole of the decision of the Court of Appeal given on 14 February 2017;
- (ii) In the event that STK is granted leave to appeal to the Federal Court under the above paragraph, further orders be granted that STK be given two (2) weeks from the date of the Order to file and serve the Notice of Appeal to the Federal Court;
- (iii) That the costs of the Application be costs in the cause; and
- (iv) Such further or any other reliefs be granted as the Federal Court shall deem fit and proper.

On 3 August 2017, the Federal Court has fixed the Leave Application for hearing on 30 November 2017.

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

## 27. Dividend

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

## 28. Earnings Per Share

	Current Year Quarter Ended 30.06.2017	Preceding Year Quarter Ended 30.06.2016	Current Year-To-Date 30.06.2017	Preceding Year-To-Date 30.06.2016
Profit attributable to owners of the company (RM '000)	15,128	39,494	33,568	51,362
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>	<b>3.41</b>	<b>8.89</b>	<b>7.56</b>	<b>11.56</b>

## 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 passed on 24 August 2017.

Batu Caves, Selangor Darul Ehsan  
24 August 2017