

## 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 third quarter ended 30 September 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	
30.09.2017	30.09.2016	%	30.09.2017	30.09.2016	%		
		RM'000	RM'000		RM'000	RM'000	
Revenue		471,933	421,457	12.0%	1,344,472	1,288,403	4.4%
Cost of sales		(418,537)	(353,316)	18.5%	(1,176,749)	(1,090,829)	7.9%
Gross profit		53,396	68,141	(21.6%)	167,723	197,574	(15.1%)
Other income	19	2,937	2,187	34.3%	12,469	17,615	(29.2%)
Operating expenses		(35,304)	(8,813)	300.6%	(107,741)	(80,451)	33.9%
Finance costs		(7,192)	(5,307)	35.5%	(18,780)	(15,143)	24.0%
Profit Before Taxation	20	13,837	56,208	(75.4%)	53,671	119,595	(55.1%)
Taxation	22	(6,294)	(3,876)	62.4%	(17,129)	(14,942)	14.6%
<b>Profit for the period</b>		<b>7,543</b>	<b>52,332</b>	<b>(85.6%)</b>	<b>36,542</b>	<b>104,653</b>	<b>(65.1%)</b>
<b>Other comprehensive income, net of tax</b>							
Foreign currency translation differences for foreign operations		(4,926)	12,747	(138.6%)	(19,228)	(5,569)	245.3%
Cash flow hedge		343	-	100.0%	(1,563)	-	100.0%
<b>Other comprehensive income for the period, net of tax</b>		<b>(4,583)</b>	<b>12,747</b>	<b>(136.0%)</b>	<b>(20,791)</b>	<b>(5,569)</b>	<b>273.3%</b>
<b>Total comprehensive income for the period</b>		<b>2,960</b>	<b>65,079</b>	<b>(95.5%)</b>	<b>15,751</b>	<b>99,084</b>	<b>(84.1%)</b>
Profit attributable to:							
Owners of the company		9,494	50,841	(81.3%)	43,062	102,203	(57.9%)
Non-controlling interest		(1,951)	1,491	(230.9%)	(6,520)	2,450	(366.1%)
<b>Profit for the period</b>		<b>7,543</b>	<b>52,332</b>	<b>(85.6%)</b>	<b>36,542</b>	<b>104,653</b>	<b>(65.1%)</b>
Total comprehensive income attributable to:							
Owners of the company		5,957	61,765	(90.4%)	26,099	98,262	(73.4%)
Non-controlling interest		(2,997)	3,314	(190.4%)	(10,348)	822	(1358.9%)
<b>Total comprehensive income for the period</b>		<b>2,960</b>	<b>65,079</b>	<b>(95.5%)</b>	<b>15,751</b>	<b>99,084</b>	<b>(84.1%)</b>
Earnings per share attributable to owners of the company:							
Basic (sen)							
Continuing operations		<b>2.14</b>	<b>11.45</b>	<b>(81.3%)</b>	<b>9.69</b>	<b>23.01</b>	<b>(57.9%)</b>

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 September 2017**

	Note	As at 30.09.2017 RM'000 Unaudited	As at 31.12.2016 RM'000 Audited
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment		1,127,030	1,118,076
Land use rights		123,235	133,309
Investment properties		16,721	16,979
Intangible assets		1,318	664
Other assets		32,497	17,048
		<u>1,300,801</u>	<u>1,286,076</u>
<b>Current Assets</b>			
Inventories		516,455	457,475
Trade and other receivables		429,693	351,671
Other assets		39,462	10,907
Tax recoverable		17,584	15,422
Derivative financial instruments		5,683	7,824
Cash and bank balances and short term funds		205,038	142,626
		<u>1,213,915</u>	<u>985,925</u>
Non-current assets held for distribution		-	5,011
		<u>1,213,915</u>	<u>990,936</u>
<b>TOTAL ASSETS</b>		<u><u>2,514,716</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		35,614	52,577
Retained earnings	24	<u>1,283,375</u>	<u>1,258,080</u>
		<u>1,430,775</u>	<u>1,422,443</u>
<b>Non-Controlling Interest</b>			
<b>Total Equity</b>		<u>1,553,533</u>	<u>1,504,675</u>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation		46,531	43,249
Loans and borrowings	25	201,292	142,392
Deferred tax liabilities		28,723	28,849
Derivative financial instrument		3,389	8,136
		<u>279,935</u>	<u>222,626</u>
<b>Current Liabilities</b>			
Retirement benefit obligation		9,660	9,459
Provisions		14	67
Loans and borrowings	25	388,846	313,552
Trade and other payables		273,734	216,843
Tax payable		4,198	5,352
Derivative financial instrument		4,796	4,438
		<u>681,248</u>	<u>549,711</u>
<b>Total Liabilities</b>		<u>961,183</u>	<u>772,337</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><u>2,514,716</u></u>	<u><u>2,277,012</u></u>
Net assets per share attributable to owners of the Company (RM)			
		<u>3.22</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 third quarter ended 30 September 2017**

	Attributable to Owners of the Company						
	Non-distributable			Distributable		Non-Controlling Interest	Total Equity
	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	-	-	-	43,062	43,062	(6,520)	36,542
Currency translation differences	-	-	(15,400)	-	(15,400)	(3,828)	(19,228)
Cash flow hedge	-	-	(1,563)	-	(1,563)	-	(1,563)
Total comprehensive (loss)/ income for the period	-	-	(16,963)	43,062	26,099	(10,348)	15,751
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)
<b>At 30 September 2017</b>	<b>111,786</b>	<b>-</b>	<b>35,614</b>	<b>1,283,375</b>	<b>1,430,775</b>	<b>122,758</b>	<b>1,553,533</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	-	-	-	102,203	102,203	2,450	104,653
Currency translation differences	-	-	(3,941)	-	(3,941)	(1,628)	(5,569)
Total comprehensive (loss)/ income for the period	-	-	(3,941)	102,203	98,262	822	99,084
Dividends	-	-	-	(8,884)	(8,884)	-	(8,884)
<b>At 30 September 2016</b>	<b>111,042</b>	<b>744</b>	<b>34,030</b>	<b>1,238,633</b>	<b>1,384,449</b>	<b>81,232</b>	<b>1,465,681</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 third quarter ended 30 September 2017**

	<b>Current Year-To-Date 30.09.2017 RM'000 Unaudited</b>	<b>Preceding Year-To-Date 30.09.2016 RM'000 Unaudited</b>
<b>Net cash generated from operating activities</b>		
Receipts from customers	1,269,974	1,311,965
Payments to suppliers	(1,241,599)	(1,155,954)
	<hr/>	<hr/>
Cash (used in)/generated from operations	28,375	156,011
Interest paid	(18,780)	(15,143)
Income tax paid	(20,293)	(22,537)
	<hr/>	<hr/>
	(10,698)	118,331
<b>Net cash used in investing activities</b>		
Acquisition of property, plant and equipment	(100,249)	(126,096)
Acquisition of land use rights	-	(56,856)
Acquisition of intangible assets	(1,111)	(648)
Additional investment in a subsidiary	50,874	-
Proceeds from disposal of property, plant and equipment	-	503
Cash distribution received from non-current assets held for distribution	5,007	5,000
Net changes in short term funds	(33,883)	(42,198)
Income from other investment	344	188
Interest received	2,050	1,399
	<hr/>	<hr/>
	(76,968)	(218,708)
<b>Net cash generated from financing activities</b>		
Net proceeds from term loans, trade facilities and revolving credit	136,743	80,793
Dividends paid	(17,767)	(8,884)
	<hr/>	<hr/>
	118,976	71,909
Net increase/(decrease) in Cash and Cash Equivalents	31,310	(28,468)
Effect of Exchange Rate Changes	(2,781)	(1,385)
Cash and Cash Equivalents at 1 January	117,794	176,307
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 September	146,323	146,454
Cash and Cash Equivalents at 30 September comprised the following:		
Cash and bank balances	67,680	72,039
Deposits with licenced bank	78,643	74,415
Short-term funds	58,715	64,781
	<hr/>	<hr/>
Cash and bank balances and short term funds	205,038	211,235
Less: Short-term funds	(58,715)	(64,781)
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 September	146,323	146,454

**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 the 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

There were no dividends paid during the period under review.

## 9. Segmental Reporting

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

Cans Division	Cartons Division	Contract Manufacturing	Trading	Others	Total	Elimination	Consolidated
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

### REVENUE

External sales	644,318	396,966	60,737	241,767	684	1,344,472	-	1,344,472
Inter-segmental sales	267,789	5,436	18,448	189,530	1,674	482,877	(482,877)	-
<b>Total revenue</b>	<b>912,107</b>	<b>402,402</b>	<b>79,185</b>	<b>431,297</b>	<b>2,358</b>	<b>1,827,349</b>	<b>(482,877)</b>	<b>1,344,472</b>

### RESULTS

Segment results	75,624	(13,114)	2,170	12,027	(1,725)	74,982	(15,000)	59,982
Other income	14,270	6,705	215	976	120	22,286	(9,817)	12,469
	89,894	(6,409)	2,385	13,003	(1,605)	97,268	(24,817)	72,451
Finance costs	(14,688)	(6,899)	(624)	(457)	(712)	(23,380)	4,600	(18,780)
Profit before taxation								53,671
Taxation								(17,129)
Non-controlling interest								6,520
								43,062

### ASSETS AND LIABILITIES

Segment assets	2,167,586	577,804	89,902	258,393	91,840	3,185,525	(694,076)	2,491,449
Unallocated corporate assets	14,879	2,391	5,700	84	213	23,267	-	23,267
<b>Consolidated total assets</b>								<b>2,514,716</b>
Segment liabilities	643,620	297,339	64,000	138,256	71,102	1,214,317	(294,237)	920,080
Unallocated corporate liabilities	25,714	10,476	1,007	2,269	1,637	41,103	-	41,103
<b>Consolidated total liabilities</b>								<b>961,183</b>

### OTHER INFORMATION

Capital Expenditure	59,580	21,159	1,013	190	19,418	101,360	-	101,360
Depreciation and amortisation	44,959	16,042	2,521	23	1,795	65,340	-	65,340
Non-cash expenses other than depreciation	6,482	4,205	77	-	-	10,764	-	10,764

## 9. Segmental Reporting (Cont'd)

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

	<b>Cans Division</b>	<b>Cartons Division</b>	<b>Contract Manufacturing</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	682,722	363,395	46,105	195,423	758	1,288,403	-	1,288,403
Inter-segmental sales	201,282	3,822	11,909	139,606	1,042	357,661	(357,661)	-
<b>Total revenue</b>	<b>884,004</b>	<b>367,217</b>	<b>58,014</b>	<b>335,029</b>	<b>1,800</b>	<b>1,646,064</b>	<b>(357,661)</b>	<b>1,288,403</b>
<b>RESULTS</b>								
Segment results	96,979	4,335	904	9,571	906	112,695	4,428	117,123
Other income	25,880	5,669	643	301	187	32,680	(15,065)	17,615
	122,859	10,004	1,547	9,872	1,093	145,375	(10,637)	134,738
Finance costs	(13,781)	(5,841)	(321)	(91)	(747)	(20,781)	5,638	(15,143)
Profit before taxation								119,595
Taxation								(14,942)
Non-controlling interest								(2,450)
								102,203
<b>ASSETS AND LIABILITIES</b>								
Segment assets	1,965,715	454,898	68,045	206,533	88,490	2,783,681	(589,795)	2,193,886
Unallocated corporate assets	16,714	2,089	4,791	-	400	23,994	-	23,994
<b>Consolidated total assets</b>								<b>2,217,880</b>
Segment liabilities	608,573	263,015	47,446	140,318	71,753	1,131,105	(419,886)	711,219
Unallocated corporate liabilities	22,445	14,854	935	1,147	1,599	40,980	-	40,980
<b>Consolidated total liabilities</b>								<b>752,199</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	56,545	79,758	14,821	16	32,460	183,600	-	183,600
Depreciation and amortisation	37,064	12,888	2,198	5	583	52,738	-	52,738
Non-cash expenses other than depreciation	11,835	5,040	-	-	64	16,939	-	16,939

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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

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.

Save for the above, there were no changes to the Group's composition during the financial period under review.

## 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 September 2017 is as follows:

	<b>RM'000</b>
Approved and contracted for	<u>378,271</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 30.09.2017 RM'000</b>
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	12,507
	F & B Nutrition Sdn. Bhd. <sup>(ii)</sup>	12,815
	Canzo Sdn. Bhd. <sup>(iii)</sup>	15
Purchases of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	678
	Aluminium Company of Malaysia Berhad <sup>(iv)</sup>	2,057
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.

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

- (a) common directorship held by the directors 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

### *Third Quarter Ended 30 September 2017 ("Q3, 2017") versus Third Quarter Ended 30 September 2016 ("Q3, 2016")*

The Group recorded a total revenue of RM471.9 million in Q3, 2017, an increase from RM421.5 million in Q3, 2016. Gross profit dropped from RM68.1 million in Q3, 2016 to RM53.4 million due to escalating input costs especially the cost of tin plate, aluminium and paper rolls. The lower gross profit was also contributed by increased write-off and write down of inventories amounted to RM4.5 million in Q3, 2017 as compared to RM0.7 million in Q3, 2016.

The Group's overall profit before taxation was lower in Q3, 2017 at RM13.8 million compared to RM56.2 million in Q3, 2016. Apart from lower gross profit, the drop was contributed by unrealised loss on hedging instruments amounting to RM0.1 million and foreign currency exchange loss of RM3.5 million in Q3, 2017 as compared to an unrealised gain hedging instruments of RM2.8 million and foreign exchange gain of RM6.6 million in Q3, 2016.

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

The Cans Division generated a total operating revenue of RM304.3 million in Q3, 2017, an increase from RM286.4 million in Q3, 2016. The increase in revenue was attributable mainly to adjustment in selling price for aluminium cans to reflect higher cost of aluminium.

Profit before taxation of this division decreased by RM39.5 million in Q3, 2017 to RM12.1 million compared to RM51.6 million in Q3, 2016. The increase in cost of tin plate and aluminium by more than 15% as compared to Q3, 2016 was the main factor contributing to the drop in profit. In addition, this division registered an unrealised loss on hedging instruments and foreign currency exchange loss amounting to RM1.6 million and RM2.3 million respectively in Q3, 2017 as compared to an unrealised gain on hedging instruments and foreign currency exchange gains of RM2.8 million and RM4.0 million respectively in Q3, 2016.

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

Revenue from Cartons Division increased in Q3, 2017 to RM144.2 million from RM123.7 million in Q3, 2016. The increase in revenue was contributed by increase in demand from customers and sales registered in its plants in Hanoi and Senai.

However, due to the increase in paper cost by more than 20% as compared to Q3, 2016, this division recorded a loss before taxation of RM4.2 million in Q3, 2017 as compared to a profit before taxation of RM0.7 million in Q3, 2016.

#### **(iii) Contract Manufacturing Division**

Revenue from Contract Manufacturing Division in Q3, 2017 increased to RM37.8 million from RM17.6 million in Q3, 2016. Revenue from beverage manufacturing section has increased due to order secured from a new customer.

During the quarter under review, this division recorded a profit before taxation of RM2.7 million as compared to a loss before taxation of RM0.6 million in Q3, 2016 in tandem with the increase in revenue.

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

The revenue of Trading Division increased from RM135.1 million in Q3, 2016 to RM147.9 million in Q3, 2017 mainly due to the increase in trading activities. A profit before taxation of RM4.2 million was recorded in Q3, 2017 as compared to a profit before taxation of RM4.4 million in Q3, 2016.

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

### *Year-To-Date Ended 30 September 2017 ("YTD2017") versus Year-To-Date Ended 30 September 2016 ("YTD2016")*

The Group registered an increase in revenue of RM56.1 million, from RM1,288.4 million in YTD2016 to RM1,344.5 million in YTD2017. The increase in revenue was contributed by increase in demand from new and existing customer as well as adjustment in selling price to reflect higher material cost.

Despite increase in revenue, gross profit dropped by 15.1% from RM197.6 million in YTD2016 to RM167.7 million in YTD2017. This was attributable mainly to the escalating costs of tin plate, aluminium and paper rolls. In YTD2017, the Group also wrote off and wrote down value of inventories amounting to RM12.8 million as compared to a reversal of RM0.9 million registered in YTD2016.

In addition, the Group also recorded a lower unrealised gain on hedging instruments amounting to RM5.9 million in YTD2017 as compared to RM12.5 million in YTD2016 and higher finance cost due to increase in borrowings.

Consequently, the Group recorded a drop in profit before taxation from RM119.6 million in YTD2016 to RM53.7 million in YTD2017.

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

The Cans Division reported an increase in revenue of RM8.0 million, from RM884.0 million in YTD Q3, 2016 to RM892.0 million in YTD2017. The increase in revenue was mainly contributed by the selling price adjustments to reflect higher cost of tin plate and aluminium.

Profit before taxation declined by RM49.0 million from RM104.1 million in YTD2016 to RM55.1 million in YTD2017 as costs of tin plate and aluminium have increased by more than 15%. In addition, this division incurred an unrealised loss on derivative financial instruments of RM1.3 million in YTD2017 as compared to an unrealised gain on derivative financial instruments of RM8.1 million in YTD2016 and higher finance cost.

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

Revenue of Cartons Division improved from RM367.2 million in YTD2016 to RM402.4 million in YTD2017. The increase was contributed by marginal increase in demand from customers in Malaysia and Vietnam and the effect of the relative strengthening of Vietnam Dong ("VND") against Ringgit Malaysia ("RM").

However, as paper cost has increased by more than 20% as compared to YTD2016, profit margin has been compressed. In addition, pre-operating expenses incurred in Myanmar and higher marketing and finance cost has also contributed to lower profit. As a result, this division recorded a loss before taxation of RM13.3 million in YTD2017 as opposed to a profit before taxation of RM4.2 million in YTD2016.

#### **(iii) Contract Manufacturing Division**

Revenue of Contract Manufacturing Division increased from RM58.0 million in YTD2016 to RM79.2 million in YTD2017 due mainly to sales order secured from new customer in beverage manufacturing section.

Profit before taxation increased from RM1.2 million in YTD2016 to RM1.8 million in YTD2017 in tandem with the increase in revenue.

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

The revenue of Trading Division increased from RM335.0 million in YTD2016 to RM431.3 million in YTD2017 mainly due to the increase in trading activities. A profit before taxation of RM12.5 million was recorded in YTD2017 as compared to a profit before taxation of RM9.8 million in YTD2016.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 September 2017 ("Q3, 2017") Compared with Immediate Preceding Quarter Ended 30 June 2017 ("Q2, 2017")

	Current Quarter Ended 30.09.2017 RM'000	Immediate Preceding Quarter Ended 30.06.2017 RM'000	Changes %
Revenue	471,933	440,897	7.0%
Operating Profit	18,092	25,696	(29.6%)
Profit Before Interest and Tax	21,029	25,442	(17.3%)
Profit Before Taxation	13,837	18,941	
Profit After Taxation	<u>7,543</u>	<u>13,181</u>	(42.8%)
<b>Profit attributable to:</b>			
Owners of the company	<u>9,494</u>	<u>15,128</u>	(37.2%)

The Group recorded a revenue of RM471.9 million in Q3, 2017, a 7.0% improvement from RM440.9 million in Q2, 2017. Profit before taxation decreased from RM18.9 million in Q2, 2017 to RM13.8 million in Q3, 2017.

The lower profit in Q3, 2017 was due mainly to higher input cost of direct materials, operating and finance costs.

**(i) Cans Division**

Revenue in Cans Division increased from RM292.2 million in Q2, 2017 to RM304.3 million in Q3, 2017. The increase in revenue was contributed by the selling price adjustment due to higher costs of tin plate and aluminium.

Profit before taxation for Q3, 2017 was lower at RM12.1 million as compared to RM19.8 million in Q2, 2017 due mainly to higher costs of tin plate and aluminium and finance cost.

**(ii) Cartons Division**

Revenue of Cartons Division increased from RM135.3 million in Q2, 2017 to RM144.2 million in Q3, 2017 due to higher demand from customers, especially in Hanoi plant. A higher loss before taxation of RM4.2 million was posted in Q3, 2017 as compared to RM3.9 million in Q2, 2017 due mainly to higher paper cost and pre-operating cost incurred in Myanmar.

**(iii) Contract Manufacturing Division**

Revenue in Contract Manufacturing Division increased from RM20.0 million in Q2, 2017 to RM37.8 million in Q3, 2017 due sales to new customer during the quarter.

A profit before taxation of RM2.7 million was recorded as against a loss before taxation of RM1.3 million in Q2, 2017 in tandem with the increase in revenue.

**(iv) Trading Division**

The revenue of Trading Division decreased from RM153.6 million in Q2, 2017 to RM147.9 million in Q3, 2017 mainly due to the slight decrease in import activities. A profit before taxation of RM4.2 million was recorded as compared to profit of RM5.1 million in Q2, 2017 in tandem with the decrease in revenue.

## 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 costs of direct materials such as tin plate, aluminium and paper rolls; and
- (iii) Increase in production costs including labour cost.

Average cost of tin plate, aluminium and paper rolls used by the Group has each increased by more than 15% since the beginning of financial year and is expected to increase further.

The revision in minimum wage rate in Malaysia (since July 2016) and Vietnam (since January 2017) has compounded the cost burden 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, continuous effort has been taken 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 expand market overseas.

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. Subsidiaries in Myanmar is expected to incur losses in the remaining quarter of the year due to pre-operating cost incurred.

However, the Board is cautiously optimistic that the Group will remain profitable in the final quarter of 2017.

## 19. Other income

Included in other income are the following items:

	<b>Current Year Quarter Ended 30.09.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.09.2016 RM'000</b>	<b>Current Year-To-Date 30.09.2017 RM'000</b>	<b>Preceding Year-To-Date 30.09.2016 RM'000</b>
Gain on disposal of property, plant and equipment	(230)	(132)	(230)	(289)
Income distribution from short term funds	(148)	(100)	(345)	(188)
Interest income	(809)	(468)	(2,050)	(1,399)
Gain fair value adjustment on derivative instruments *	(1,187)	(2,718)	(5,119)	(12,475)
Realised foreign exchange gain	(28)	-	(2,529)	-
Rental income	(333)	(331)	(1,111)	(1,175)
Others	(202)	1,562	(1,085)	(2,089)
	<b>(2,937)</b>	<b>(2,187)</b>	<b>(12,469)</b>	<b>(17,615)</b>

\* 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 30.09.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.09.2016 RM'000</b>	<b>Current Year-To-Date 30.09.2017 RM'000</b>	<b>Preceding Year-To-Date 30.09.2016 RM'000</b>
Interest expense	7,192	5,307	18,780	15,143
Depreciation and amortisation	21,205	18,636	65,340	52,738
Write-off of property, plant and equipment	4	29	9	30
Net foreign exchange loss/(gain)	3,465	(6,627)	9,305	14,084
Net loss/(gain) on disposal of property, plant and equipment	264	(132)	278	(289)
Write-down/write-off/ (reversal of write-down) of inventories	4,484	710	12,827	(945)

**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 30.09.2017 RM'000</b>	<b>Preceding Year Quarter Ended 30.09.2016 RM'000</b>	<b>Current Year-To-Date 30.09.2017 RM'000</b>	<b>Preceding Year-To-Date 30.09.2016 RM'000</b>
Group				
Income Tax				
- current year	(6,596)	(8,234)	(17,623)	(18,649)
- prior year	262	1,576	355	1,576
Deferred taxation	40	2,782	139	2,131
	<u>(6,294)</u>	<u>(3,876)</u>	<u>(17,129)</u>	<u>(14,942)</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 30.09.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Total retained earnings of the Group:		
- Realised	1,332,100	1,308,973
- Unrealised	(41,907)	(37,632)
	<u>1,290,193</u>	<u>1,271,341</u>
Add: Consolidated adjustments	(6,818)	(13,261)
Total Group retained earnings as per Consolidated Accounts	<u>1,283,375</u>	<u>1,258,080</u>

## 25. Group Borrowings and Debt Securities

Total Group borrowings are as follows:

	<b>As at 30.09.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Current - unsecured		
- Trade facilities	233,037	203,031
- Revolving credit	100,238	69,420
- Term loans	55,571	41,101
	<b>388,846</b>	<b>313,552</b>
Non-current - unsecured		
- Term loans	201,292	142,392
	<b>590,138</b>	<b>455,944</b>

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

	<b>As at 30.09.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Current - unsecured		
- Trade facilities denominated in USD	40,094	33,444
- Trade facilities denominated in VND	63,941	47,412
- Term loan denominated in USD	1,437	1,910
- Term loan denominated in VND	883	936
Non-current - unsecured		
- Term loan denominated in USD	359	9,890
- Term loan denominated in VND	44,603	44,257
	<b>151,317</b>	<b>137,849</b>

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

	<b>As at 30.09.2017 RM'000</b>	<b>As at 31.12.2016 RM'000</b>
Term loans:		
- Fixed rates	3.50% - 4.60%	3.50% - 4.60%
- Floating rates	3.05% - 7.20%	2.45% - 7.12%
Trade facilities	1.70% - 6.50%	1.22% - 6.50%
Revolving credits	3.23% - 4.83%	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

No dividend has been declared for the financial period under review.

## 28. Earnings Per Share

	Current Year Quarter Ended 30.09.2017	Preceding Year Quarter Ended 30.09.2016	Current Year-To-Date 30.09.2017	Preceding Year-To-Date 30.09.2016
Profit attributable to owners of the company (RM '000)	9,494	50,841	43,062	102,203
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>	2.14	11.45	9.69	23.01

## 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 23 November 2017.

Batu Caves, Selangor Darul Ehsan  
23 November 2017