KJCF KIAN JOO GROUP

# 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 quarter and year ended 31 December 2017

(The figures have not been audited)

| | Note | INDIVIDUAL QUARTER Current Year Quarter Ended 31.12.2017 RM'000 Unaudited | Preceding Year Quarter Ended 31.12.2016 RM'000 Unaudited | Changes % | CUMULATIVE QUARTER Financial Year Ended 31.12.2017 RM'000 Unaudited | Financial Year Ended 31.12.2016 RM'000 Audited | Changes % |
|---|---|---|---|---|---|---|---|
| Revenue | | 494,417 | 429,311 | 15.2% | 1,838,889 | 1,717,714 | 7.1% |
| Cost of sales | | (435,641) | (371,624) | 17.2% | (1,612,390) | (1,462,453) | 10.3% |
| Gross profit | | 58,776 | 57,687 | 1.9% | 226,499 | 255,261 | (11.3%) |
| Other income | 19 | 4,312 | 12,230 | (64.7%) | 16,781 | 29,845 | (43.8%) |
| Operating expenses | | (33,133) | (27,753) | 19.4% | (140,874) | (108,204) | 30.2% |
| Finance costs | | (7,154) | (5,959) | 20.1% | (25,934) | (21,102) | 22.9% |
| Profit Before Taxation | 20 | 22,801 | 36,205 | (37.0%) | 76,472 | 155,800 | (50.9%) |
| Taxation | 22 | 23,685 | (12,954) | (282.8%) | 6,556 | (27,896) | (123.5%) |
| **Profit for the period** | | 46,486 | 23,251 | 99.9% | 83,028 | 127,904 | (35.1%) |
| **Other comprehensive income, net of tax** | | | | | | | |
| Foreign currency translation differences for foreign operations | | (14,725) | 20,919 | (170.4%) | (33,953) | 15,350 | (321.2%) |
| Re-measurement of net defined benefit liability | | - | (6,962) | (100.0%) | - | (6,962) | (100.0%) |
| Cash flow hedge | | (248) | 1,785 | 100.0% | (1,811) | 1,785 | 100.0% |
| **Other comprehensive income for the period, net of tax** | | (14,973) | 15,742 | (195.1%) | (35,764) | 10,173 | (451.6%) |
| **Total comprehensive income for the period** | | 31,513 | 38,993 | (19.2%) | 47,264 | 138,077 | (65.8%) |
| Profit attributable to: | | | | | | | |
| Owners of the company | | 46,896 | 26,408 | 77.6% | 89,958 | 128,611 | (30.1%) |
| Non-controlling interest | | (410) | (3,157) | (87.0%) | (6,930) | (707) | 880.2% |
| **Profit for the period** | | 46,486 | 23,251 | 99.9% | 83,028 | 127,904 | (35.1%) |
| Total comprehensive income attributable to: | | | | | | | |
| Owners of the company | | 35,071 | 37,993 | (7.7%) | 61,170 | 136,255 | (55.1%) |
| Non-controlling interest | | (3,558) | 1,000 | (455.8%) | (13,906) | 1,822 | (863.2%) |
| **Total comprehensive income for the period** | | 31,513 | 38,993 | (19.2%) | 47,264 | 138,077 | (65.8%) |
| Earnings per share attributable to owners of the company: | | | | | | | |
| Basic (sen) | | | | | | | |
| Continuing operations | | **10.56** | **5.95** | 77.5% | **20.25** | **28.96** | (30.1%) |

**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 GROUP

# KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. No. 003186-P)

**Condensed Consolidated Statement of Financial Position**
**As at 31 December 2017**

| | Note | As at 31.12.2017 RM'000 Unaudited | As at 31.12.2016 RM'000 Audited |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-Current Assets** | | | |
| Property, plant & equipment | | 1,166,548 | 1,118,076 |
| Land use rights | | 119,200 | 133,309 |
| Investment properties | | 16,635 | 16,979 |
| Intangible assets | | 1,153 | 664 |
| Deferred tax assets | | 10,864 | - |
| Other assets | | 59,468 | 17,048 |
| | | 1,373,868 | 1,286,076 |
| **Current Assets** | | | |
| Inventories | | 517,194 | 457,475 |
| Trade and other receivables | | 382,775 | 351,671 |
| Other assets | | 16,460 | 10,907 |
| Tax recoverable | | 19,702 | 15,422 |
| Derivative financial instruments | | 6,069 | 7,824 |
| Cash and bank balances and short term funds | | 168,800 | 142,626 |
| | | 1,111,000 | 985,925 |
| Non-current assets held for distribution | | - | 5,011 |
| | | 1,111,000 | 990,936 |
| **TOTAL ASSETS** | | 2,484,868 | 2,277,012 |
| **EQUITY AND LIABILITIES** | | | |
| Equity attributable to owners of the company | | | |
| Share capital | | 111,786 | 111,042 |
| Share premium | | - | 744 |
| Other reserves | | 23,789 | 52,577 |
| Retained earnings | 24 | 1,330,271 | 1,258,080 |
| | | 1,465,846 | 1,422,443 |
| **Non-Controlling Interest** | | 119,200 | 82,232 |
| **Total Equity** | | 1,585,046 | 1,504,675 |
| **Non-Current Liabilities** | | | |
| Retirement benefit obligation | | 47,216 | 43,249 |
| Loans and borrowings | 25 | 195,516 | 142,392 |
| Deferred tax liabilities | | 13,540 | 28,849 |
| Derivative financial instrument | | 2,530 | 8,136 |
| | | 258,802 | 222,626 |
| **Current Liabilities** | | | |
| Retirement benefit obligation | | 10,237 | 9,459 |
| Provisions | | 11 | 67 |
| Loans and borrowings | 25 | 377,769 | 313,552 |
| Trade and other payables | | 245,873 | 216,843 |
| Tax payable | | 3,829 | 5,352 |
| Derivative financial instrument | | 3,301 | 4,438 |
| | | 641,020 | 549,711 |
| **Total Liabilities** | | 899,822 | 772,337 |
| **TOTAL EQUITY AND LIABILITIES** | | 2,484,868 | 2,277,012 |
| Net assets per share attributable to owners of the Company (RM) | | 3.30 | 3.20 |

**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 year ended 31 December 2017**

| | Attributable to Owners of the Company | | | | | | |
|---|---|---|---|---|---|---|---|
| | Non-distributable | | | Distributable | | | |
| | Share Capital | Share Premium | Other Reserve | Retained Earnings | Total | Non-Controlling Interest | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 1 January 2017** | 111,042 | 744 | 52,577 | 1,258,080 | 1,422,443 | 82,232 | 1,504,675 |
| Adjustments for effects of Companies Act 2016 (**Note a**) | 744 | (744) | - | - | - | - | - |
| Profit for the period | - | - | - | 89,958 | 89,958 | (6,930) | 83,028 |
| Currency translation differences | - | - | (26,977) | - | (26,977) | (6,976) | (33,953) |
| Cash flow hedge | - | - | (1,811) | - | (1,811) | - | (1,811) |
| Total comprehensive (loss)/ income for the period | - | - | (28,788) | 89,958 | 61,170 | (13,906) | 47,264 |
| Changes in ownership interests in a subsidiary | - | - | - | - | - | 50,874 | 50,874 |
| Dividends | - | - | - | (17,767) | (17,767) | - | (17,767) |
| **At 31 December 2017** | 111,786 | - | 23,789 | 1,330,271 | 1,465,846 | 119,200 | 1,585,046 |
| | | | | | | | |
| **At 1 January 2016** | 111,042 | 744 | 37,971 | 1,145,314 | 1,295,071 | 80,410 | 1,375,481 |
| Profit for the year | - | - | - | 128,611 | 128,611 | (707) | 127,904 |
| Currency translation differences | - | - | 12,821 | - | 12,821 | 2,529 | 15,350 |
| Re-measurement of net defined benefit liability | - | - | - | (6,962) | (6,962) | - | (6,962) |
| Cash flow hedge | - | - | 1,785 | - | 1,785 | - | 1,785 |
| Total comprehensive income for the period | - | - | 14,606 | 121,649 | 136,255 | 1,822 | 138,077 |
| Dividends | - | - | - | (8,883) | (8,883) | - | (8,883) |
| **At 31 December 2016** | 111,042 | 744 | 52,577 | 1,258,080 | 1,422,443 | 82,232 | 1,504,675 |

**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
(Incorporated in Malaysia)
(Co. No. 003186-P)

**Condensed Consolidated Statement of Cash Flows**
**For the year ended 31 December 2017**

| | Financial Year Ended 31.12.2017 RM'000 Unaudited | Financial Year Ended 31.12.2016 RM'000 Audited |
|---|---|---|
| **Net cash generated from operating activities** | | |
| Receipts from customers | 1,810,013 | 1,762,587 |
| Payments to suppliers | (1,716,371) | (1,516,585) |
| Cash generated from operations | 93,642 | 246,002 |
| Interest paid | (25,934) | (21,102) |
| Income tax paid | (24,964) | (28,289) |
| | 42,744 | 196,611 |
| **Net cash used in investing activities** | | |
| Acquisition of property, plant and equipment | (172,108) | (275,874) |
| Acquisition of land use rights | (906) | (61,574) |
| Acquisition of investment properties | - | (1) |
| Acquisition of intangible assets | (1,114) | (674) |
| Issuance of shares by a subsidiary to non-controlling interests | 50,874 | - |
| Proceeds from disposal of property, plant and equipment | 899 | 548 |
| Cash distribution received from non-current assets held for distribution | 5,007 | 5,000 |
| Income distribution from short term funds | 1,048 | 841 |
| Net changes in short term funds | (4,664) | (7,099) |
| Interest received | 2,506 | 1,900 |
| | (118,458) | (336,933) |
| **Net cash generated from financing activities** | | |
| Net proceeds from term loans, trade facilities and revolving credit | 117,050 | 78,084 |
| Dividends paid | (17,767) | (8,883) |
| | 99,283 | 69,201 |
| Net increase/(decrease) in Cash and Cash Equivalents | 23,569 | (71,121) |
| Effect of Exchange Rate Changes | (2,059) | 7,758 |
| Cash and Cash Equivalents at 1 January | 117,794 | 181,157 |
| Cash and Cash Equivalents at 31 December | 139,304 | 117,794 |
| Cash and Cash Equivalents at 31 December comprised the following: | | |
| Cash and bank balances | 130,514 | 66,510 |
| Deposits with licenced bank | 8,790 | 51,284 |
| Short-term funds | 29,496 | 24,832 |
| Cash and bank balances and short term funds | 168,800 | 142,626 |
| Less: Short-term funds | (29,496) | (24,832) |
| Cash and Cash Equivalents at 31 December | 139,304 | 117,794 |

**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 thes 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
IC Interpretation 23 Uncertainty over Income Tax Treatments
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9 Prepayment Features with Negative Compensation
Amendments to MFRS 3 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 11 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 112 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
Amendments to MFRS 123 Annual Improvements to MFRS Standards 2015 - 2017 Cycle
MFRS 17 Insurance Contracts
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 year 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 year 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 current quarter and financial year under reveiw.

**8. Dividends Paid**

On 30 June 2017, the Company paid a first and final single-tier dividend of 4 Sen per share on the 444,167,786 ordinary shares in issued, totalling to RM17.767 million in respect of the financial year ended 31 December 2016.

**9. Segmental Reporting**

Segmental information for the year ended 31 December 2017 are as follows:

| | Cans Division RM'000 | Cartons Division RM'000 | Contract Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Total RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | |
| External sales | 853,561 | 544,580 | 94,933 | 345,098 | 717 | 1,838,889 | - | 1,838,889 |
| Inter-segmental sales | 379,908 | 8,172 | 27,235 | 242,656 | 2,312 | 660,283 | (660,283) | - |
| Total revenue | 1,233,469 | 552,752 | 122,168 | 587,754 | 3,029 | 2,499,172 | (660,283) | 1,838,889 |
| **RESULTS** | | | | | | | | |
| Segment results | 101,621 | (15,104) | 6,685 | 14,771 | (1,119) | 106,854 | (21,229) | 85,625 |
| Other income | 17,432 | 9,137 | 381 | 3,111 | (1,215) | 28,846 | (12,065) | 16,781 |
| | 119,053 | (5,967) | 7,066 | 17,882 | (2,334) | 135,700 | (33,294) | 102,406 |
| Finance costs | (19,103) | (9,525) | (795) | (645) | (943) | (31,011) | 5,077 | (25,934) |
| Profit before taxation | | | | | | | | 76,472 |
| Taxation | | | | | | | | 6,556 |
| Non-controlling interest | | | | | | | | 6,930 |
| | | | | | | | | 89,958 |
| **ASSETS AND LIABILITIES** | | | | | | | | |
| Segment assets | 2,121,286 | 603,599 | 101,174 | 278,291 | 88,306 | 3,192,656 | (744,423) | 2,448,233 |
| Unallocated corporate assets | 24,303 | 2,596 | 9,602 | - | 134 | 36,635 | - | 36,635 |
| Consolidated total assets | | | | | | | | 2,484,868 |
| Segment liabilities | 589,272 | 334,392 | 70,763 | 144,264 | 71,101 | 1,209,792 | (333,167) | 876,625 |
| Unallocated corporate liabilities | 10,987 | 7,234 | 681 | 2,417 | 1,878 | 23,197 | - | 23,197 |
| Consolidated total liabilities | | | | | | | | 899,822 |
| **OTHER INFORMATION** | | | | | | | | |
| Capital Expenditure | 102,206 | 30,726 | 14,112 | 190 | 26,894 | 174,128 | - | 174,128 |
| Depreciation and amortisation | 59,964 | 20,267 | 3,388 | 37 | 2,135 | 85,791 | - | 85,791 |
| Non-cash expenses other than depreciation | 9,593 | 7,084 | 924 | - | - | 17,601 | - | 17,601 |

**9. Segmental Reporting (Cont'd)**

Segmental information for the year ended 31 December 2016 are as follows:

| | Cans Division RM'000 | Cartons Division RM'000 | Contract Manufacturing RM'000 | Trading RM'000 | Others RM'000 | Total RM'000 | Elimination RM'000 | Consolidated RM'000 |
|---|---|---|---|---|---|---|---|---|
| **REVENUE** | | | | | | | | |
| External sales | 893,558 | 495,924 | 63,391 | 263,832 | 1,009 | 1,717,714 | - | 1,717,714 |
| Inter-segmental sales | 272,296 | 4,788 | 15,508 | 221,833 | 1,595 | 516,020 | (516,020) | - |
| Total revenue | 1,165,854 | 500,712 | 78,899 | 485,665 | 2,604 | 2,233,734 | (516,020) | 1,717,714 |
| **RESULTS** | | | | | | | | |
| Segment results | 118,856 | 4,842 | 1,325 | 14,131 | 1,891 | 141,045 | 6,012 | 147,057 |
| Other income | 43,706 | 3,969 | 467 | 506 | (20) | 48,628 | (18,783) | 29,845 |
| | 162,562 | 8,811 | 1,792 | 14,637 | 1,871 | 189,673 | (12,771) | 176,902 |
| Finance costs | (18,664) | (8,281) | (530) | (238) | (1,009) | (28,722) | 7,620 | (21,102) |
| Profit before taxation | | | | | | | | 155,800 |
| Taxation | | | | | | | | (27,896) |
| Non-controlling interest | | | | | | | | 707 |
| | | | | | | | | 128,611 |
| **ASSETS AND LIABILITIES** | | | | | | | | |
| Segment assets | 2,013,477 | 482,267 | 72,742 | 204,785 | 95,637 | 2,868,908 | (615,143) | 2,253,765 |
| Unallocated corporate assets | 15,372 | 2,089 | 5,564 | - | 221 | 23,246 | - | 23,246 |
| Consolidated total assets | | | | | | | | 2,277,011 |
| Segment liabilities | 622,856 | 285,587 | 52,471 | 133,996 | 75,895 | 1,170,805 | (445,240) | 725,565 |
| Unallocated corporate liabilities | 25,700 | 16,725 | 1,007 | 1,740 | 1,600 | 46,772 | - | 46,772 |
| Consolidated total liabilities | | | | | | | | 772,337 |
| **OTHER INFORMATION** | | | | | | | | |
| Capital Expenditure | 194,093 | 92,539 | 16,198 | 20 | 35,273 | 338,123 | - | 338,123 |
| Depreciation and amortisation | 51,217 | 19,459 | 3,028 | 8 | 799 | 74,511 | - | 74,511 |
| Non-cash expenses other than depreciation | 1,129 | 28 | - | - | - | 1,157 | - | 1,157 |

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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 year 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 year 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 in the composition of the Group during the financial year 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 31 December 2017 is as follows:

| | RM'000 |
|---|---|
| Approved and contracted for | 344,230 |

## 15. Related Party Transactions

The Group has entered into the following related party transactions:

| Nature of transaction | Identity of related parties | Financial Year Ended 31.12.2017 RM'000 |
|---|---|---|
| Sales of trading inventories | Aik Joo Can Factory Sdn. Berhad (i) | 19,602 |
| | F & B Nutrition Sdn. Bhd. (ii) | 17,658 |
| | Canzo Sdn. Bhd. (iii) | 17 |
| Purchases of trading inventories | Aik Joo Can Factory Sdn. Berhad (i) | 767 |
| | Aluminium Company of Malaysia Berhad (iv) | 2,273 |
| Purchases of machinery and equipment | Aik Joo Can Factory Sdn. Berhad (i) | 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

***Fourth Quarter Ended 31 December 2017 ("Q4, 2017") versus Fourth Quarter Ended 31 December 2016 ("Q4, 2016")***

The Group recorded a total revenue of RM494.4 million in Q4, 2017, an increase from RM429.3 million in Q4, 2016. The increase in revenue was contributed by increase in demand for the Group's products and upward adjustments of selling price to absorb the increase in cost of direct material. Gross profit improved marginally from RM57.7 million in Q4 , 2016 to RM58.8 million due to increase in revenue.

Gross profit margin decreased slightly due to higher material cost and adjustments in inventories. The Group wrote-off/wrote down value of inventories amounting to RM7.9 million in Q4, 2017 as compared to reversal of write-off/write down of inventories amounting to RM2.8 million in Q4, 2016.

The Group's overall profit before taxation was lower in Q4, 2017 at RM22.8 million compared to RM36.2 million in Q4, 2016, despite slight improvement in gross profit. This was attributable to unrealised loss on foreign exchange amounted to RM5.3 million as compared to unrealised gain of RM4.4 million in Q4, 2016.

***(i) Cans Division***

The Cans Division generated a total operating revenue of RM313.4 million in Q4, 2017, an increase from RM281.9 million in Q4, 2016. The increase in revenue was attributable mainly to increase in demand and adjustment in selling price for aluminium cans to reflect higher cost of materials.

Profit before taxation of this Division decreased by RM18.0 million in Q4, 2017 to RM16.7 million compared to RM34.7 million in Q4, 2016. The increase in cost of tin plate and aluminium by more than 15% as compared to Q4, 2016 was the main contributing factor for the drop in profit. In addition, this Division registered a foreign currency exchange loss amounting to RM3.1 million in Q4, 2017 as compared to a foreign currency exchange gain of RM5.1 million in Q4, 2016.

The decline in profit was however, offset by a higher unrealised gain on hedging instruments and lower general and administration expenses.

***(ii) Cartons Division***

Revenue from Cartons Division increased in Q4, 2017 to RM150.4 million from RM133.5 million in Q4, 2016. The increase in revenue was mainly contributed by upward adjustments in average selling price to partially absorb the increase in paper cost.

This Division recorded a lower gross profit due to the margin compression attributable to rising paper cost. Cost of medium paper and testliners, being the main raw material of the this Division had rose more than 30% compared to prices in Q4, 2016.

Despite the drop in gross profit, the Group recorded a smaller loss before tax of RM2.2 million in the current quarter compared to a loss before tax of RM3.6 million in Q4, 2016. This was due mainly to reduction in general and administration expenses following cost cutting measures undertaken by the Division.

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

Revenue from Contract Manufacturing Division in Q4, 2017 increased to RM42.9 million from RM20.9 million in Q4, 2016. The increase was attributable to a new major customer secured by beverage manufacturing section during the year.

During the quarter under review, this Division recorded a profit before taxation of RM4.5 million as compared to a smaller profit before taxation of RM36,000 in Q4, 2016 in tandem with the increase in revenue.

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

***Fourth Quarter Ended 31 December 2017 ("Q4, 2017") versus Fourth Quarter Ended 31 December 2016 ("Q4, 2016") (Cont'd)***

***(iv) Trading Division***

The revenue of Trading Division increased from RM150.6 million in Q4, 2016 to RM156.5 million in Q4, 2017 mainly due to the increase in trading activities. A profit before taxation of RM4.8 million was recorded in Q4, 2017 as compared to a profit before taxation of RM4.6 million in Q4, 2016.

***Financial Year Ended 31 December 2017 ("FYE2017") versus Financial Year Ended 31 December 2016 ("FYE2016")***

The Group registered an increase in revenue of RM121.2 million, from RM1,717.7 million in FYE2016 to RM1,838.9 million in FYE2017. The increase in revenue was contributed by increase in demand from new and existing customers as well as adjustment in selling price to reflect higher material cost.

Despite increase in revenue, gross profit dropped by 7.1% from RM255.3 million in FYE2016 to RM226.5 million in FYE2017. This was attributable mainly to the escalating costs of tin plate, aluminium and paper rolls. In FYE2017, the Group also wrote off and wrote down value of inventories amounting to RM20.7 million as compared to RM1.1 million registered in FYE2016.

In addition, the Group also recorded a lower unrealised gain on hedging instruments amounting to RM6.8 million in FYE2017 as compared to RM11.4 million in FYE2016. Finance cost had also increased due to increase in borrowings. Pre-operating expenses incurred in Myanmar also contributed to the lower profit.

Consequently, the Group recorded a drop in profit before taxation from RM155.8 million in FYE2016 to RM76.5 million in FYE2017.

***(i) Cans Division***

The Cans Division reported an increase in revenue of RM39.4 million, from RM1,165.9 million in FYE2017 to RM1,205.3 million in FYE2017. The increase in revenue was mainly contributed by increase in demand and adjustments in selling price to absorb higher cost of tin plate and aluminium.

Profit before taxation declined by RM66.9 million from RM138.7 million in FYE2016 to RM71.8 million in FYE2017 as costs of tin plate and aluminium had increased by more than 15% on average. Finance cost had increased due to increase in borrowing. In addition, this Division incurred an unrealised loss on derivative financial instruments of RM154,000 in FYE2017 as compared to an unrealised gain on derivative financial instruments of RM8.8 million in FYE2016.

***(ii) Cartons Division***

Revenue of Cartons Division improved from RM500.7 million in FYE2016 to RM552.8 million in FYE2017. Higher revenue was contributed by upward adjustments in selling price in Malaysia and Vietnam, and favourable exchange rate in translating sales denominated in Vietnam Dong.

However, as cost of main paper materials had increased by more than 20% as compared to FYE2016, profit margin had been compressed. In addition, pre-operating expenses incurred in Myanmar and higher marketing and finance cost had also contributed to lower profit. As a result, this Division recorded a loss before taxation of RM15.5 million in FYE2017 as opposed to a profit before taxation of RM0.5 million in FYE2016.

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

Revenue of Contract Manufacturing Division increased from RM78.9 million in FYE2016 to RM122.2 million in FYE2017 due mainly to sales order secured from new customer in beverage manufacturing section.

Profit before taxation increased from RM1.3 million in FYE2016 to RM6.3 million in FYE2017 in tandem with the increase in revenue.

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

***(iv) Trading Division***

The revenue of Trading Division increased from RM485.7 million in FYE2016 to RM587.8 million in FYE2017 mainly due to the increase in trading activities. A profit before taxation of RM17.2 million was recorded in FYE2017 as compared to a profit before taxation of RM14.4 million in FYE2016.

**17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 December 2017 ("Q4, 2017") Compared with Immediate Preceding Quarter Ended 30 September 2017 ("Q3, 2017")**

| | Current Quarter Ended 31.12.2017 RM'000 | Immediate Preceding Quarter Ended 30.09.2017 RM'000 | Changes % |
|---|---|---|---|
| Revenue | 494,417 | 471,933 | 4.8% |
| Operating Profit | 25,643 | 18,092 | 41.7% |
| Profit Before Interest and Tax | 29,955 | 21,029 | 42.4% |
| Profit Before Taxation | 22,801 | 13,837 | |
| Profit After Taxation | 46,486 | 7,543 | 516.3% |
| **Profit attributable to:** | | | |
| Owners of the company | 46,896 | 9,494 | 394.0% |

The Group recorded a revenue of RM494.4 million in Q4, 2017, a 4.8% improvement from RM471.9 million in Q3, 2017. Profit before taxation increased from RM13.8 million in Q3, 2017 to RM22.8 million in Q4, 2017.

The higher profit in Q4, 2017 was due mainly to higher sales, adjustment in selling price, better management of costs and increased production efficiency.

***(i) Cans Division***

Revenue of Cans Division increased from RM304.3 million in Q3, 2017 to RM313.4 million in Q4, 2017. The increase in revenue was contributed by increase in sales and adjustments in selling price for aluminium cans to reflect higher costs of aluminium.

Profit before taxation for Q4, 2017 was at RM16.7 million as compared to RM12.1 million in Q3, 2017 due mainly to cost cutting efforts and partially offset by higher costs of tin plate and aluminium and finance cost.

***(ii) Cartons Division***

Revenue of Cartons Division increased from RM144.2 million in Q3, 2017 to RM150.4 million in Q4, 2017 due to higher demand from customers. Adjustment in selling price also contributed to higher revenue recorded in the current quarter. A lower loss before taxation of RM2.2 million was posted in Q4, 2017 as compared to RM4.2 million in Q3, 2017 due mainly to adjustment in selling price and improvement in cost management.

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

Revenue in Contract Manufacturing Division increased from RM37.8 million in Q3, 2017 to RM43.0 million in Q4, 2017 due mainly to increase in demand from customers during the quarter.

A profit before taxation of RM4.5 million was recorded as against a profit before taxation of RM2.7 million in Q3, 2017 in tandem with the increase in revenue.

**17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 December 2017 ("Q4, 2017") Compared with Immediate Preceding Quarter Ended 30 September 2017 ("Q3, 2017") (Cont'd)**

***(iv) Trading Division***

The revenue of Trading Division increased from RM147.9 million in Q3, 2017 to RM156.5 million in Q4, 2017 mainly due to the increase in trading activities. A profit before taxation of RM4.8 million was recorded as compared to profit of RM4.2 million in Q3, 2017 in tandem with the increase in revenue.

**18. Commentary on Prospects**

The key challenges faced by the Group in financial year 2017 included:

(i) Weak sentiment in consumer market in Malaysia which had 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.

These challenges will continue to affect the Group's performance in financial year 2018.

Effective from 1 January 2018, companies in Malaysia are required to absorb levy imposed on foreign workers. Previously, the cost was borned by the workers. This, together with Employment Insurance System introduced on 1 January 2018 will further increase the labour cost.

The Vietnam National Wages Council had also announced a further increase in minimum wage in Vietnam of approximately 6.1%-7.0% which took effect from 1 January 2018.

The recent increase in interest rate by Bank Negara Malaysia will have an impact on the Group's borrowing costs.

Faced by these cost pressures, the management will continue to review its selling price to key customers whilst stepping up its efforts to bring down its operating costs in 2018. The Group will also continue to upgrade its production equipment to improve efficiency. Emphasis is also placed on growing the business operations of subsidiaries in foreign countries and to expand market overseas.

Construction of the Group's new plant in Myanmar is currently in progress and the said plant is expected to commence operations in the second half of 2018. However, pre-operating cost will continue to be incurred.

**19. Other income**

Included in other income are the following items:

| | **Current Year Quarter Ended 31.12.2017 RM'000** | **Preceding Year Quarter Ended 31.12.2016 RM'000** | **Financial Year Ended 31.12.2017 RM'000** | **Financial Year Ended 31.12.2016 RM'000** |
|---|---|---|---|---|
| Gain on disposal of property, plant and equipment | 84 | 53 | 314 | 342 |
| Income distribution from short term funds | 703 | 653 | 1,048 | 841 |
| Interest income | 2,506 | 501 | 2,506 | 1,900 |
| Gain fair value adjustment on derivative instruments * | 1,833 | (1,091) | 6,952 | 11,384 |
| Realised foreign exchange gain | 632 | - | 3,161 | - |
| Rental income | 348 | 522 | 1,459 | 1,697 |
| Reversal of impairment loss on property, plant and equipment | - | 8,000 | - | 8,000 |
| Others | (1,794) | 3,592 | 1,341 | 5,681 |
| | 4,312 | 12,230 | 16,781 | 29,845 |

## 19. Other income (Cont'd)

* 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:

| | Current Year Quarter Ended 31.12.2017 RM'000 | Preceding Year Quarter Ended 31.12.2016 RM'000 | Financial Year Ended 31.12.2017 RM'000 | Financial Year Ended 31.12.2016 RM'000 |
|---|---|---|---|---|
| Interest expense | 7,154 | 5,959 | 25,934 | 21,102 |
| Depreciation and amortisation | 20,451 | 21,773 | 85,791 | 74,511 |
| Impairment in respect of receivables | 1,101 | 1,169 | 1,101 | 1,169 |
| Write-off of property, plant and equipment | 17 | 23 | 26 | 53 |
| Net foreign exchange loss/(gain) | 6,146 | (5,030) | 15,451 | 9,054 |
| Net loss/(gain) on disposal of property, plant and equipment | (168) | (53) | 110 | (342) |
| Write-down/write-off/ (reversal of write-down) of inventories | 7,910 | 2,004 | 20,737 | 1,059 |

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

No profit forecast or guarantee was issued by the Group.

## 22. Taxation

| | Current Year Quarter Ended 31.12.2017 RM'000 | Preceding Year Quarter Ended 31.12.2016 RM'000 | Financial Year Ended 31.12.2017 RM'000 | Financial Year Ended 31.12.2016 RM'000 |
|---|---|---|---|---|
| Group | | | | |
| Income Tax | | | | |
| - current year | (2,210) | (8,690) | (19,833) | (27,339) |
| - prior year | (160) | (1,199) | 195 | 377 |
| Deferred taxation | 26,055 | (3,065) | 26,194 | (934) |
| | 23,685 | (12,954) | 6,556 | (27,896) |

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. Group Borrowings and Debt Securities

Total Group borrowings are as follows:

| | As at 31.12.2017 RM'000 | As at 31.12.2016 RM'000 |
|---|---|---|
| Current - unsecured | | |
| - Trade facilities | 210,151 | 203,031 |
| - Revolving credit | 119,423 | 69,420 |
| - Term loans | 48,195 | 41,101 |
| | 377,769 | 313,552 |
| Non-current - unsecured | | |
| - Term loans | 195,516 | 142,392 |
| | 573,285 | 455,944 |

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

| | As at 31.12.2017 RM'000 | As at 31.12.2016 RM'000 |
|---|---|---|
| Current - unsecured | | |
| - Trade facilities denominated in USD | 38,509 | 33,444 |
| - Trade facilities denominated in VND | 93,975 | 47,412 |
| - Term loan denominated in USD | 1,382 | 1,910 |
| - Term loan denominated in VND | 5,313 | 936 |
| Non-current - unsecured | | |
| - Term loan denominated in USD | - | 9,890 |
| - Term loan denominated in VND | 38,250 | 44,257 |
| | 177,429 | 137,849 |

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

| | As at 31.12.2017 RM'000 | As at 31.12.2016 RM'000 |
|---|---|---|
| Term loans: | | |
| - Fixed rates | 3.50% - 4.60% | 3.50% - 4.60% |
| - Floating rates | 3.18% - 6.44% | 2.45% - 7.12% |
| Trade facilities | 1.70% - 6.75% | 1.22% - 6.50% |
| Revolving credits | 3.56% - 4.98% | 2.76% - 4.69% |

## 25. Derivative financial instruments

(a) Disclosure of derivatives

Details of derivative financial instruments outstanding as at 31 December 2017 are set out below:

| **Type of derivative** | **Contract/ Notional amount RM'000** | **Fair value Assets/ (Liabilities) RM'000** |
|---|---|---|
| **Hedging derivatives:** | | |
| Cross currency interest rate swap contracts | | |
| - Less than one year | 3,101 | (4) |
| - One year to three years | 9,304 | (12) |
| - More than three years | 8,649 | (9) |
| | | |
| **Non-hedging derivatives:** | | |
| Commodity contracts | | |
| - Less than one year | 77,166 | 5,885 |
| | | |
| Foreign exchange contracts: | | |
| - Less than one year | 736 | (55) |
| | | |
| Cross currency swap contract | | |
| - Less than one year | 8,994 | (3,037) |
| - One year to three years | 7,495 | (2,530) |
| | | 238 |

For the financial year ended 31 December 2017, the Group:

i. entered into forward foreign exchange contracts to hedge against USD/RM exchange rate fluctuations on certain payable balances and forecast transactions; and

ii. entered into commodity contracts to hedge pricing risk of alumunium.

In the previous financial year, the Group entered into two (2) cross currency interest rate swap contracts with a financial institution. Cross currency interest rate swaps have been entered into in order to operationally hedge floating monthly interest payments on borrowings that would mature on September 2024. The fair value of cross currency interest rate swaps is based on broker quotes.

In the financial year ended 2012, the Group obtained a term loan denominated in RM from a financial institution, with whom the Group entered into a USD/RM cross currency swap contract. The term loan was subsequently converted into USD and extended to its subsidiary in Vietnam. The Group shall repay the loan in RM at a predetermined USD/RM conversion rate as per the cross-currency swap contract. The subsidiary shall repay the loan in USD to the Group.

There have been no changes since the end of the previous financial year ended 31 December 2016 in respect of the following:

i. the market risk, credit risk and liquidity risk associated with the derivatives;
ii. the cash requirements of the derivatives;
iii. the policies in place for mitigating or controlling the risks associated with the derivatives; and
iv. the related accounting policies.

**25. Derivative financial instruments (Cont'd)**

(b) Disclosure of gains/losses arising from fair value changes of financial instruments

The fair value of financial instruments decreased by RM4.6 million, from RM4.8 million as at 31 December 2016 to RM0.2 million as at 31 December 2017, arising from:

i. fair value loss on foreign exchange contracts, cross currency swap contract and cross currency interest rate swap contracts of RM5.7 million due to USD/RM exchange rate strengthening against the contracted rate; and

ii. fair value gain on commodity contracts of RM5.9 million due to aluminium market price is higher than the contracted price.

**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.

The Federal Court had on 30 November 2017, fixed the Leave Application for hearing on 14 March 2018.

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

## 27. Dividend

The Board has declared an interim single-tier dividend of 4 Sen per share, totalling RM17.767 million for the financial year ended 31 December 2017 to be paid on a date to be determined later.

## 28. Earnings Per Share

| | Current Year Quarter Ended 31.12.2017 | Preceding Year Quarter Ended 31.12.2016 | Financial Year Ended 31.12.2017 | Financial Year Ended 31.12.2016 |
|---|---|---|---|---|
| Profit attributable to owners of the company (RM '000) | 46,896 | 26,408 | 89,958 | 128,611 |
| Weighted average number of ordinary shares | 444,167,786 | 444,167,786 | 444,167,786 | 444,167,786 |
| **Basic earnings per share (sen)** | 10.56 | 5.95 | 20.25 | 28.96 |

## 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 22 February 2018.

Batu Caves, Selangor Darul Ehsan
22 February 2018