

## 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 first quarter ended 31 March 2018

(The figures have not been audited)

	Note	Current year Quarter ended 31.03.2018 RM'000 Unaudited	Preceding year Quarter ended 31.03.2017 RM'000 Unaudited	Changes %
Revenue		445,308	431,642	3.2%
Cost of sales		(398,318)	(378,511)	5.2%
Gross profit		<u>46,990</u>	<u>53,131</u>	(11.6%)
Other income	19	5,270	9,786	(46.1%)
Operating expenses		(34,376)	(36,938)	(6.9%)
Finance costs		(6,246)	(5,087)	22.8%
Profit Before Taxation	20	<u>11,638</u>	<u>20,892</u>	(44.3%)
Taxation	22	(3,067)	(5,075)	(39.6%)
<b>Profit for the period</b>		<u>8,571</u>	<u>15,817</u>	(45.8%)
<b>Other comprehensive loss, net of tax</b>				
Foreign currency translation differences for foreign operations		(20,180)	(4,990)	304.4%
Cash flow hedge		(63)	(148)	100.0%
<b>Other comprehensive loss for the period, net of tax</b>		<u>(20,243)</u>	<u>(5,138)</u>	294.0%
<b>Total comprehensive (loss)/income for the period</b>		<u>(11,672)</u>	<u>10,679</u>	(209.3%)
Profit/(Loss) attributable to:				
Owners of the company		11,271	18,440	(38.9%)
Non-controlling interest		(2,700)	(2,623)	2.9%
<b>Profit/(Loss) for the period</b>		<u>8,571</u>	<u>15,817</u>	(45.8%)
Total comprehensive (loss)/income attributable to:				
Owners of the company		(4,820)	14,415	(133.4%)
Non-controlling interest		(6,852)	(3,736)	83.4%
<b>Total comprehensive (loss)/income for the period</b>		<u>(11,672)</u>	<u>10,679</u>	(209.3%)
Earnings per share attributable to owners of the company:				
Basic (sen)				
Continuing operations		<u>2.54</u>	<u>4.15</u>	(38.8%)

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 2017 and the accompanying explanatory notes attached to the interim financial statements



**KIAN JOO CAN FACTORY BERHAD**  
(Incorporated in Malaysia)  
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**Condensed Consolidated Statement of Financial Position**  
**As at 31 March 2018**

	Note	As at 31.03.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
<b>ASSETS</b>			
<b>Non-Current Assets</b>			
Property, plant & equipment		1,224,954	1,166,548
Land use rights		114,253	119,200
Investment properties		16,549	16,635
Intangible assets		986	1,153
Deferred tax assets		10,864	10,864
Other assets		89,983	59,468
		<u>1,457,589</u>	<u>1,373,868</u>
<b>Current Assets</b>			
Inventories		531,675	517,194
Trade and other receivables		389,746	382,775
Other assets		18,928	16,460
Tax recoverable		21,359	19,702
Derivative financial instruments		3,777	6,069
Cash and bank balances and short term funds		161,873	168,800
		<u>1,127,358</u>	<u>1,111,000</u>
<b>TOTAL ASSETS</b>		<u>2,584,947</u>	<u>2,484,868</u>
<b>EQUITY AND LIABILITIES</b>			
Equity attributable to owners of the company			
Share capital		111,786	111,786
Other reserves		7,698	23,789
Retained earnings		1,341,542	1,330,271
		<u>1,461,026</u>	<u>1,465,846</u>
<b>Non-Controlling Interest</b>		<u>112,348</u>	<u>119,200</u>
<b>Total Equity</b>		<u>1,573,374</u>	<u>1,585,046</u>
<b>Non-Current Liabilities</b>			
Retirement benefit obligation		49,710	47,216
Loans and borrowings	24	242,251	195,516
Deferred tax liabilities		13,512	13,540
Derivative financial instrument		1,408	2,530
		<u>306,881</u>	<u>258,802</u>
<b>Current Liabilities</b>			
Retirement benefit obligation		9,101	10,237
Provisions		35	11
Loans and borrowings	24	424,883	377,769
Trade and other payables		263,179	245,873
Tax payable		4,311	3,829
Derivative financial instrument		3,183	3,301
		<u>704,692</u>	<u>641,020</u>
<b>Total Liabilities</b>		<u>1,011,573</u>	<u>899,822</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>2,584,947</u>	<u>2,484,868</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.29</u>	<u>3.30</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 2017 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 first quarter ended 31 March 2018**

	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	RM'000	
<b>At 1 January 2018</b>	111,786	-	23,789	1,330,271	1,465,846	119,200	1,585,046	
Profit/(loss) for the period	-	-	-	11,271	11,271	(2,700)	8,571	
Currency translation differences	-	-	(16,028)	-	(16,028)	(4,152)	(20,180)	
Cash flow hedge	-	-	(63)	-	(63)	-	(63)	
Total comprehensive (loss)/ income for the period	-	-	(16,091)	11,271	(4,820)	(6,852)	(11,672)	
<b>At 31 March 2018</b>	<b>111,786</b>	<b>-</b>	<b>7,698</b>	<b>1,341,542</b>	<b>1,461,026</b>	<b>112,348</b>	<b>1,573,374</b>	
<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/(Loss) for the year	-	-	-	18,440	18,440	(2,623)	15,817	
Currency translation differences	-	-	(3,877)	-	(3,877)	(1,113)	(4,990)	
Cash flow hedge	-	-	(148)	-	(148)	-	(148)	
Total comprehensive (loss)/ income for the period	-	-	(4,025)	18,440	14,415	(3,736)	10,679	
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874	
<b>At 31 March 2017</b>	<b>111,786</b>	<b>-</b>	<b>48,552</b>	<b>1,276,520</b>	<b>1,436,858</b>	<b>129,370</b>	<b>1,566,228</b>	

**Note a**

With the Companies Act 2016 ("CA 2016") 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 CA 2016, 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 CA 2016.

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 2017 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 first quarter ended 31 March 2018**

	<b>Current year Quarter ended 31.03.2018 RM'000 Unaudited</b>	<b>Preceding year Quarter ended 31.03.2017 RM'000 Unaudited</b>
<b>Net cash generated from operating activities</b>		
Receipts from customers	443,038	418,208
Payments to suppliers	(414,994)	(403,182)
	<hr/>	<hr/>
Cash generated from operations	28,044	15,026
Interest paid	(6,246)	(5,087)
Income tax paid	(4,093)	(7,038)
	<hr/>	<hr/>
	17,705	2,901
<b>Net cash (used in)/generated from investing activities</b>		
Acquisition of property, plant and equipment	(117,344)	(17,880)
Acquisition of land use rights	(2,066)	-
Acquisition of intangible assets	(37)	-
Issuance of shares by a subsidiary to non-controlling interests	-	50,874
Proceeds from disposal of property, plant and equipment	932	164
Cash distribution received from non-current assets held for distribution	-	5,007
Income distribution from short term funds	351	38
Net changes in short term funds	(6,215)	(16,489)
Interest received	219	255
	<hr/>	<hr/>
	(124,160)	21,969
<b>Net cash generated from financing activities</b>		
Net proceeds from term loans, trade facilities and revolving credit	96,283	52,969
	<hr/>	<hr/>
	96,283	52,969
Net (decrease)/increase in Cash and Cash Equivalents	(10,172)	77,839
Effect of Exchange Rate Changes	(2,970)	(825)
Cash and Cash Equivalents at 1 January	139,304	117,794
	<hr/>	<hr/>
Cash and Cash Equivalents at 31 March	126,162	194,808
Cash and Cash Equivalents at 31 March comprised the following:		
Cash and bank balances	98,555	55,284
Deposits with licenced bank	27,607	139,524
Short-term funds	35,711	41,321
	<hr/>	<hr/>
Cash and bank balances and short term funds	161,873	236,129
Less: Short-term funds	(35,711)	(41,321)
	<hr/>	<hr/>
Cash and Cash Equivalents at 31 March	126,162	194,808

The above Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 comply 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 2017. 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 2017.

## 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 2017.

### 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 2018:

- 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

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:

- 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 on 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 2017 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 financial period under review.

The interim single-tier dividend of 4 Sen per share, totalling RM17.767 million in respect of the financial year ended 31 December 2017, will be paid to shareholders on 29 June 2018.

## 9. Segmental Reporting

Segmental information for the quarter ended 31 March 2018 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	190,655	136,294	27,884	90,441	34	445,308	-	445,308
Inter-segmental sales	96,865	1,998	2,891	63,524	798	166,076	(166,076)	-
<b>Total revenue</b>	<b>287,520</b>	<b>138,292</b>	<b>30,775</b>	<b>153,965</b>	<b>832</b>	<b>611,384</b>	<b>(166,076)</b>	<b>445,308</b>
<b>RESULTS</b>								
Segment results	11,036	(5,319)	787	3,551	(1,176)	8,879	3,735	12,614
Other income	4,216	2,166	158	3,165	(102)	9,603	(4,333)	5,270
	15,252	(3,153)	945	6,716	(1,278)	18,482	(598)	17,884
Finance costs	(3,753)	(2,396)	(136)	(331)	(228)	(6,844)	598	(6,246)
<b>Profit before taxation</b>								<b>11,638</b>
Taxation								(3,067)
Non-controlling interest								2,700
								<b>11,271</b>
<b>ASSETS AND LIABILITIES</b>								
Segment assets	2,138,231	578,564	95,978	339,906	103,347	3,256,026	(707,079)	2,548,947
Unallocated corporate assets	23,193	2,596	10,041	-	170	36,000	-	36,000
<b>Consolidated total assets</b>								<b>2,584,947</b>
Segment liabilities	600,291	326,469	64,784	202,725	90,715	1,284,984	(295,822)	989,162
Unallocated corporate liabilities	11,252	5,344	681	3,264	1,870	22,411	-	22,411
<b>Consolidated total liabilities</b>								<b>1,011,573</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	31,838	41,741	5,163	5	40,700	119,447	-	119,447
Depreciation and amortisation	15,326	4,945	824	14	366	21,475	-	21,475
Non-cash expenses other than depreciation	5,477	1,318	328	1,082	705	8,910	-	8,910

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

Segmental information for the quarter ended 31 March 2017 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	223,331	121,536	13,367	73,158	250	431,642	-	431,642
Inter-segmental sales	72,137	1,333	8,008	56,592	558	138,628	(138,628)	-
<b>Total revenue</b>	<b>295,468</b>	<b>122,869</b>	<b>21,375</b>	<b>129,750</b>	<b>808</b>	<b>570,270</b>	<b>(138,628)</b>	<b>431,642</b>
<b>RESULTS</b>								
Segment results	16,001	(4,771)	621	3,077	(404)	14,524	1,669	16,193
Other income	11,326	1,777	30	205	(11)	13,327	(3,541)	9,786
	27,327	(2,994)	651	3,282	(415)	27,851	(1,872)	25,979
Finance costs	(4,072)	(2,253)	(217)	(101)	(239)	(6,882)	1,795	(5,087)
<b>Profit before taxation</b>								<b>20,892</b>
Taxation								(5,075)
Non-controlling interest								2,623
								<b>18,440</b>
<b>ASSETS AND LIABILITIES</b>								
Segment assets	2,068,438	559,557	64,284	205,650	94,020	2,991,949	(631,905)	2,360,044
Unallocated corporate assets	19,409	2,165	5,925	146	269	27,914	-	27,914
<b>Consolidated total assets</b>								<b>2,387,958</b>
Segment liabilities	670,641	260,288	44,088	132,141	75,158	1,182,316	(403,998)	778,318
Unallocated corporate liabilities	24,888	14,263	1,007	1,680	1,574	43,412	-	43,412
<b>Consolidated total liabilities</b>								<b>821,730</b>
<b>OTHER INFORMATION</b>								
Capital Expenditure	13,074	4,522	280	4	-	17,880	-	17,880
Depreciation and amortisation	15,234	5,277	835	4	194	21,544	-	21,544
Non-cash expenses other than depreciation	5,190	894	24	-	-	6,108	-	6,108

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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 in the composition of the Group 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 31 March 2018 is as follows:

	<b>RM'000</b>
Approved and contracted for	<u>255,728</u>

#### 15. Related Party Transactions

The Group has entered into the following related party transactions:

Nature of transaction	Identity of related parties	Current Year Quarter Ended 31.03.2018
		RM'000
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	4,231
	F & B Nutrition Sdn. Bhd. <sup>(ii)</sup>	5,376
	Grensing Pte. Ltd. <sup>(iii)</sup>	766
Purchases of trading inventories	Aik Joo Can Factory Sdn. Berhad <sup>(i)</sup>	817
	Aluminium Company of Malaysia Berhad <sup>(iv)</sup>	181

Parties (i), (ii) and (iii) are 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;
- (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

### *First Quarter Ended 31 March 2018 ("Q1, 2018") versus First Quarter Ended 31 March 2017 ("Q1, 2017")*

The Group recorded a total revenue of RM445.3 million in Q1, 2018, an increase from RM431.6 million in Q1, 2017. The increase in revenue was contributed by increase in sales in trading, carton and contract manufacturing divisions and upward adjustments of selling price to absorb the increase in cost of direct materials. This was partially off-set by unfavourable exchange rate in translating revenue denominated in Vietnam Dong ("VND").

Gross profit dropped marginally from RM53.1 million in Q1, 2017 to RM47.0 million in Q1, 2018. The drop was attributable to escalating cost of key materials such as tin plate, aluminium and paper rolls which were on the rising trend as compared to previous year corresponding quarter.

The Group's overall profit before taxation was lower in Q1, 2018 at RM11.6 million compared to RM20.9 million in Q1, 2017. Apart from the lower gross profit, this was attributable to a loss on fair value adjustment on financial instruments amounting to RM1.0 million in Q1, 2018 as compared to a gain of RM6.1 million recorded in Q1, 2017.

#### *(i) Cans Division*

The Cans Division generated a total operating revenue of RM287.6 million in Q1, 2018, a decrease from RM295.5 million in Q1, 2017. The decrease in revenue was attributable mainly to lower sales of aluminium cans products partially offset by the upward adjustment in selling price for aluminium cans to reflect higher cost of materials.

Profit before taxation of this Division decreased by RM11.7 million in Q1, 2018 to RM11.5 million compared to RM23.2 million in Q1, 2017. The increase in cost of tin plate and aluminium was the main contributing factor for the drop in profit. In addition, this Division registered a loss on fair value adjustment on financial instruments amounting to RM2.8 million in Q1, 2018 as compared to a gain of RM4.4 million recorded in Q1, 2017.

#### *(ii) Cartons Division*

Revenue from Cartons Division increased in Q1, 2018 to RM138.3 million from RM122.9 million in Q1, 2017. 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, especially in its plants in Vietnam.

Consequently, this Division recorded a loss before tax of RM5.5 million in the current quarter compared to a loss before tax of RM5.2 million in Q1, 2017.

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

Revenue from Contract Manufacturing Division in Q1, 2018 increased to RM30.8 million from RM21.4 million in Q1, 2017. The increase was attributable to the increase in export sales during the quarter.

During the quarter under review, this Division recorded a profit before taxation of RM0.8 million as compared to a profit before taxation of RM0.4 million in Q1, 2017 in tandem with the increase in revenue.

16. Operating Segments Review (Cont'd)

*First Quarter Ended 31 March 2018 ("Q1, 2018") versus First Quarter Ended 31 March 2017 ("Q1, 2017") (Cont'd)*

*(iv) Trading Division*

The revenue of Trading Division increased from RM129.8 million in Q1, 2017 to RM154.0 million in Q1, 2018 mainly due to the increase in trading activities. A profit before taxation of RM6.4 million was recorded in Q1, 2018 as compared to a profit before taxation of RM3.2 million in Q1, 2017.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 March 2018 ("Q1, 2018") Compared with Immediate Preceding Quarter Ended 31 December 2017 ("Q4, 2017")

	Current Quarter Ended 31.03.2018 RM'000	Immediate Preceding Quarter Ended 31.12.2017 RM'000	Changes %
Revenue	445,308	494,417	(9.9%)
Operating Profit	12,614	25,643	(50.8%)
Profit Before Interest and Taxation	17,884	29,955	(40.3%)
Profit Before Taxation	11,638	22,801	(49.0%)
Profit After Taxation	8,571	46,486	(81.6%)
<b>Profit attributable to:</b>			
Owners of the company	11,271	46,896	(76.0%)

The Group recorded a revenue of RM445.3 million in Q1, 2018, a 9.9% decrease from RM494.4 million in Q4, 2017. Profit before taxation decreased from RM22.8 million in Q4, 2017 to RM11.6 million in Q1, 2018.

The lower profit in Q1, 2018 was due mainly to decrease in demand for the Group's products especially after the festive season. This was partially offset by the upward adjustments of selling price to absorb the increase in cost of direct material.

*(i) Cans Division*

Revenue of Cans Division decreased from RM313.4 million in Q4, 2017 to RM287.5 million in Q1, 2018. The decrease in revenue was contributed by the decrease in sales after the festive season and partially offset by the adjustments in selling price for aluminium cans to reflect higher costs of aluminium.

Profit before taxation for Q1, 2018 was at RM11.5 million as compared to RM16.7 million in Q4, 2017 in tandem with the decrease in revenue. The drop was also attributable to a loss on fair value adjustment on financial instruments amounting to RM2.8 million in Q1, 2018 as compared to a gain of RM1.2 million recorded in Q4, 2017.

*(ii) Cartons Division*

Revenue of Cartons Division decreased from RM150.4 million in Q4, 2017 to RM138.3 million in Q1, 2018 due to decrease in sales after the festival season. A higher loss before taxation of RM5.5 million was posted in Q1, 2018 as compared to RM2.2 million in Q4, 2017 in tandem with the decrease in revenue.

*(iii) Contract Manufacturing Division*

Revenue in Contract Manufacturing Division decreased from RM43.0 million in Q4, 2017 to RM30.8 million in Q1, 2018 due mainly to decrease in export sales during the quarter under review.

A lower profit before taxation of RM0.8 million was recorded as against a higher profit before taxation of RM4.5 million in Q4, 2017 in tandem with the decrease in revenue.

**17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 March 2018 ("Q1, 2018") Compared with Immediate Preceding Quarter Ended 31 December 2017 ("Q4, 2017") (Cont'd)**

**(iv) Trading Division**

Revenue of Trading Division decreased from RM156.5 million in Q4, 2017 to RM154.0 million in Q1, 2018 mainly due to the decrease in trading activities. However, a higher profit before taxation of RM6.4 million was recorded as compared to a lower profit before taxation of RM4.8 million in Q4, 2017. In Q4, 2017, profit was lower due to rebate given to customers.

**18. Commentary on Prospects**

The key challenges faced by the Group in financial year 2018 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.

In addition, effective 1 January 2018, companies in Malaysia are required to absorb levy imposed on foreign workers. Previously, the cost was borne 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.

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.

Following the change in leadership in the Malaysian Government after the recent general election, the management will monitor closely changes in the Government policies, if any, which may impact its operations in Malaysia.

Construction of the Group's new plants in Myanmar are currently in progress and the said plants are 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 31.03.2018 RM'000	Preceding Year Quarter Ended 31.03.2017 RM'000
Net gain on disposal of property, plant and equipment	392	148
Income distribution from short term funds	351	38
Interest income	219	255
Gain fair value adjustment on derivative instruments *	1,801	6,142
Realised foreign exchange gain	1,357	1,789
Rental income	513	407
Others	637	1,007
	5,270	9,786

**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 31.03.2018 RM'000	Preceding Year Quarter Ended 31.03.2017 RM'000
Interest expense	6,246	5,087
Depreciation and amortisation	21,475	21,544
Impairment in respect of receivables	-	13
Write-off of property, plant and equipment	184	3
Net foreign exchange loss	1,651	1,546
Net write-down/write-off of inventories	537	4,157

**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 31.03.2018 RM'000	Preceding Year Quarter Ended 31.03.2017 RM'000
Group		
Income Tax		
- current year	(3,018)	(5,134)
- prior year	(87)	-
Deferred taxation	38	59
	<u>(3,067)</u>	<u>(5,075)</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.

**KIAN JOO CAN FACTORY BERHAD (003186-P)**  
**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET LISTING REQUIREMENTS OF BURSA**  
**MALAYSIA SECURITIES BERHAD**

**24. Group Borrowings and Debt Securities**

Total Group borrowings are as follows:

	<b>As at 31.03.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
Current - unsecured		
- Trade facilities	253,588	210,151
- Revolving credit	125,386	119,423
- Term loans	45,909	48,195
	<hr/> 424,883	<hr/> 377,769
Non-current - unsecured		
- Term loans	242,251	195,516
	<hr/> 667,134	<hr/> 573,285

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

	<b>As at 31.03.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
Current - unsecured		
- Trade facilities denominated in USD	36,709	38,509
- Trade facilities denominated in VND	87,938	93,975
- Term loan denominated in USD	985	1,382
- Term loan denominated in VND	6,701	5,313
Non-current - unsecured		
- Term loan denominated in USD	57,930	-
- Term loan denominated in VND	34,227	38,250
	<hr/> 224,490	<hr/> 177,429

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

	<b>As at 31.03.2018</b>	<b>As at 31.12.2017</b>
Term loans:		
- Fixed rates	2.83% - 4.60%	3.50% - 4.60%
- Floating rates	3.54% - 6.44%	3.18% - 6.44%
Trade facilities	2.05% - 6.41%	1.70% - 6.75%
Revolving credits	<hr/> 3.86% - 4.99%	<hr/> 3.56% - 4.98%

## 25. Derivative financial instruments

### (a) Disclosure of derivatives

As at 31 March 2018, 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 aluminium.

The fair value of the derivatives are determined by using mark-to-market values at the end of the reporting date and changes in the fair value are recognised in profit or loss.

Details of derivative financial instruments outstanding as at 31 March 2018 are set out below:

Type of derivative	Contract/ Notional amount RM'000	Fair value Assets/ (Liabilities) RM'000
<b>Hedging derivatives:</b>		
Cross currency interest rate swap contracts		
- Less than one year	3,101	(14)
- One year to three years	9,304	(44)
- More than three years	7,874	(30)
<b>Non-hedging derivatives:</b>		
Commodity contracts		
- Less than one year	67,737	3,095
Cross currency swap contract		
- Less than one year	8,993	(2,413)
- One year to three years	5,248	(1,408)
		<u>(814)</u>

There have been no changes since the end of the previous financial year ended 31 December 2017 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.

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

The fair value of financial instruments decreased by RM1.1 million, from fair value assets of RM0.2 million as at 31 December 2017 to fair value liabilities of RM0.8 million as at 31 March 2018, arising from:

- i. fair value loss on foreign exchange contracts, cross currency swap contract and cross currency interest rate swap contracts of RM3.9 million due to USD/RM exchange rate strengthening against the contracted rate;
- ii. fair value gain on commodity contracts of RM3.1 million because 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" or "Applicant").

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, on 3 May 2018, granted the Applicant leave to appeal to the Federal Court against the decision of the Court of Appeal dated 14 February 2017.

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

**27. Dividend**

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

**28. Earnings Per Share**

	<b>Current Year Quarter Ended 31.03.2018</b>	<b>Preceding Year Quarter Ended 31.03.2017</b>
Profit attributable to owners of the company (RM '000)	11,271	18,440
Weighted average number of ordinary shares	444,167,786	444,167,786
<b>Basic earnings per share (sen)</b>	<b>2.54</b>	<b>4.15</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 May 2018.

Batu Caves, Selangor Darul Ehsan  
24 May 2018