



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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the second quarter ended 30 June 2018
(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	Year-To-Date	
30.06.2018	30.06.2017	%	30.06.2018	30.06.2017	%		
		RM'000	RM'000		RM'000	RM'000	
Revenue		428,837	440,897	-2.7	874,145	872,539	0.2
Cost of sales		(384,937)	(379,701)	1.4	(783,255)	(758,212)	3.3
Gross profit		43,900	61,196	-28.3	90,890	114,327	-20.5
Other (expenses)/income	19	(979)	(254)	285.4	4,291	9,532	-55.0
Operating expenses		(30,750)	(35,500)	-13.4	(65,126)	(72,437)	-10.1
Finance costs		(6,956)	(6,501)	7.0	(13,202)	(11,588)	13.9
Profit Before Taxation	20	5,215	18,941	-72.5	16,853	39,834	-57.7
Taxation	22	(1,330)	(5,760)	-76.9	(4,397)	(10,835)	-59.4
Profit for the period		3,885	13,181	-70.5	12,456	28,999	-57.0
Other comprehensive income/(loss), net of tax							
Foreign currency translation differences for foreign operations		15,966	(9,312)	-271.5	(4,214)	(14,302)	-70.5
Cash flow hedge		(547)	(1,758)	-68.9	(610)	(1,906)	-68.0
Other comprehensive income/(loss) for the period, net of tax		15,419	(11,070)	-239.3	(4,824)	(16,208)	-70.2
Total comprehensive income for the period		19,304	2,111	814.4	7,632	12,791	-40.3
Profit/(Loss) attributable to:							
Owners of the company		4,656	15,128	-69.2	15,927	33,568	-52.6
Non-controlling interest		(771)	(1,947)	-60.4	(3,471)	(4,569)	-24.0
Profit for the period		3,885	13,181	-70.5	12,456	28,999	-57.0
Total comprehensive income/(loss) attributable to:							
Owners of the company		16,934	5,727	195.7	12,114	20,142	-39.9
Non-controlling interest		2,370	(3,616)	-165.5	(4,482)	(7,351)	-39.0
Total comprehensive income for the period		19,304	2,111	814.4	7,632	12,791	-40.3
Earnings per share attributable to owners of the company:							
Basic (sen)							
Continuing operations		1.05	3.41	-69.2	3.59	7.56	-52.5

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
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(Co. No. 003186-P)

Condensed Consolidated Statement of Financial Position
As at 30 June 2018

		As at 30.06.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
ASSETS			
Non-Current Assets			
Property, plant & equipment		1,293,664	1,166,548
Land use rights		117,709	119,200
Investment properties		16,463	16,635
Intangible assets		914	1,153
Deferred tax assets		12,281	10,864
Other assets		99,343	59,468
		<u>1,540,374</u>	<u>1,373,868</u>
Current Assets			
Inventories		523,075	517,194
Trade and other receivables		384,609	382,775
Other assets		7,062	16,460
Tax recoverable		21,494	19,702
Derivative financial instruments	25	5,631	6,069
Cash and bank balances and short term funds		157,900	168,800
		<u>1,099,771</u>	<u>1,111,000</u>
TOTAL ASSETS		<u>2,640,145</u>	<u>2,484,868</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		111,786	111,786
Other reserves		19,976	23,789
Retained earnings		1,328,431	1,330,271
		<u>1,460,193</u>	<u>1,465,846</u>
Non-Controlling Interest		<u>114,718</u>	<u>119,200</u>
Total Equity		<u>1,574,911</u>	<u>1,585,046</u>
Non-Current Liabilities			
Retirement benefit obligation		51,123	47,216
Loans and borrowings	24	330,144	195,516
Deferred tax liabilities		13,382	13,540
Derivative financial instrument	25	2,651	2,530
		<u>397,300</u>	<u>258,802</u>
Current Liabilities			
Retirement benefit obligation		9,101	10,237
Provisions		36	11
Loans and borrowings	24	411,526	377,769
Trade and other payables		241,734	245,873
Tax payable		3,673	3,829
Derivative financial instrument	25	1,864	3,301
		<u>667,934</u>	<u>641,020</u>
Total Liabilities		<u>1,065,234</u>	<u>899,822</u>
TOTAL EQUITY AND LIABILITIES		<u>2,640,145</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 second quarter ended 30 June 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	
At 1 January 2018	111,786	-	23,789	1,330,271	1,465,846	119,200	1,585,046	
Profit/(loss) for the period	-	-	-	15,927	15,927	(3,471)	12,456	
Currency translation differences	-	-	(3,203)	-	(3,203)	(1,011)	(4,214)	
Cash flow hedge	-	-	(610)	-	(610)	-	(610)	
Total comprehensive (loss)/ income for the period	-	-	(3,813)	15,927	12,114	(4,482)	7,632	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 30 June 2018	111,786	-	19,976	1,328,431	1,460,193	114,718	1,574,911	
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/(Loss) for the year	-	-	-	33,568	33,568	(4,569)	28,999	
Currency translation differences	-	-	(11,520)	-	(11,520)	(2,782)	(14,302)	
Cash flow hedge	-	-	(1,906)	-	(1,906)	-	(1,906)	
Total comprehensive (loss)/ income for the period	-	-	(13,426)	33,568	20,142	(7,351)	12,791	
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 30 June 2017	111,786	-	39,151	1,273,881	1,424,818	125,755	1,550,573	

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 second quarter ended 30 June 2018

	Current Year-To-Date Ended 30.06.2018 RM'000 Unaudited	Preceding Year-To-Date Ended 30.06.2017 RM'000 Unaudited
Net cash generated from operating activities		
Receipts from customers	876,675	873,944
Payments to suppliers	(776,721)	(821,517)
	<hr/>	<hr/>
Cash generated from operations	99,954	52,427
Interest paid	(13,202)	(11,588)
Income tax paid	(7,888)	(14,013)
	<hr/>	<hr/>
	78,864	26,826
Net cash used in investing activities		
Acquisition of property, plant and equipment	(242,571)	(55,180)
Acquisition of land use rights	(2,066)	-
Acquisition of intangible assets	(68)	(1,123)
Additional investment in a subsidiary	-	50,874
Proceeds from disposal of property, plant and equipment	985	307
Cash distribution received from non-current assets held for distribution	-	5,007
Income distribution from short term funds	768	197
Net changes in short term funds	(5,260)	(2,481)
Interest received	443	1,241
	<hr/>	<hr/>
	(247,769)	(1,158)
Net cash generated from financing activities		
Net proceeds from term loans, trade facilities and revolving credit	164,789	102,700
Dividends paid	(17,767)	(17,767)
	<hr/>	<hr/>
	147,022	84,933
Net (decrease)/increase in Cash and Cash Equivalents	(21,883)	110,601
Effect of Exchange Rate Changes	5,723	(3,477)
Cash and Cash Equivalents at 1 January	139,304	117,794
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 June	123,144	224,918
Cash and Cash Equivalents at 30 June comprised the following:		
Cash and bank balances	93,507	81,568
Deposits with licenced bank	29,637	143,350
Short-term funds	34,756	27,116
	<hr/>	<hr/>
Cash and bank balances and short term funds	157,900	252,034
Less: Short-term funds	(34,756)	(27,116)
	<hr/>	<hr/>
Cash and Cash Equivalents at 30 June	123,144	224,918

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 which are 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 the above MFRSs and IC 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 MFRS, Amendments and IC Interpretation 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

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

9. Segmental Reporting

Segmental information for the financial period ended 30 June 2018 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	359,346	283,750	44,389	186,131	529	874,145	-	874,145
Inter-segmental sales	198,270	3,370	4,100	126,446	1,135	333,321	(333,321)	-
Total revenue	557,616	287,120	48,489	312,577	1,664	1,207,466	(333,321)	874,145
RESULTS								
Segment results	25,239	(5,602)	(1,313)	6,208	(1,851)	22,681	3,083	25,764
Other income	5,593	2,814	577	3,606	(3,213)	9,377	(5,086)	4,291
	30,832	(2,788)	(736)	9,814	(5,064)	32,058	(2,003)	30,055
Finance costs	(8,112)	(5,608)	(347)	(850)	172	(14,745)	1,543	(13,202)
Profit before taxation								16,853
Taxation								(4,397)
Non-controlling interest								3,471
								15,927
ASSETS AND LIABILITIES								
Segment assets	2,070,506	652,050	85,615	352,899	101,813	3,262,883	(662,144)	2,600,739
Unallocated corporate assets	25,395	4,045	9,745	-	221	39,406	-	39,406
Consolidated total assets								2,640,145
Segment liabilities	539,767	396,300	56,354	212,358	89,775	1,294,554	(250,887)	1,043,667
Unallocated corporate liabilities	10,912	5,181	980	2,633	1,861	21,567	-	21,567
Consolidated total liabilities								1,065,234
OTHER INFORMATION								
Capital Expenditure	50,979	71,774	11,888	5	110,059	244,705		244,705
Depreciation and amortisation	30,921	10,598	1,653	27	752	43,951	-	43,951
Non-cash expenses other than depreciation	10,413	874	199	2,069	2,689	16,244	-	16,244

9. Segmental Reporting (Cont'd)

Segmental information for the financial period ended 30 June 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	434,148	255,394	26,474	156,016	507	872,539	-	872,539
Inter-segmental sales	153,563	2,763	14,950	127,378	1,115	299,769	(299,769)	-
Total revenue	587,711	258,157	41,424	283,394	1,622	1,172,308	(299,769)	872,539
RESULTS								
Segment results	35,721	(9,053)	(1,297)	7,840	(1,481)	31,730	10,160	41,890
Other income	16,693	4,451	787	696	507	23,134	(13,602)	9,532
	52,414	(4,602)	(510)	8,536	(974)	54,864	(3,442)	51,422
Finance costs	(9,370)	(4,519)	(388)	(275)	(478)	(15,030)	3,442	(11,588)
Profit before taxation								39,834
Taxation								(10,835)
Non-controlling interest								4,569
								33,568
ASSETS AND LIABILITIES								
Segment assets	2,096,985	573,731	68,259	226,002	96,407	3,061,384	(637,668)	2,423,716
Unallocated corporate assets	15,880	2,278	5,976	239	207	24,580	-	24,580
Consolidated total assets								2,448,296
Segment liabilities	700,382	284,672	50,140	149,037	80,555	1,264,786	(409,762)	855,024
Unallocated corporate liabilities	25,575	12,204	1,451	1,853	1,616	42,699	-	42,699
Consolidated total liabilities								897,723
OTHER INFORMATION								
Capital Expenditure	33,004	15,111	672	83	6,310	55,180	-	55,180
Depreciation and amortisation	30,011	11,000	1,675	12	1,437	44,135	-	44,135
Non-cash expenses other than depreciation	4,192	-	103	-	-	4,295	-	4,295

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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 30 June 2018 is as follows:

	RM'000
Approved and contracted for	211,974

15. Related Party Transactions

The Group has entered into the following related party transactions:

Nature of transaction	Identity of related parties	Current Year-To-Date Ended <u>30.06.2018</u> RM'000
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad ⁽ⁱ⁾	11,959
	F & B Nutrition Sdn. Bhd. ⁽ⁱⁱ⁾	15,187
	Grensing Pte. Ltd. ⁽ⁱⁱⁱ⁾	766
Purchases of trading inventories	Aik Joo Can Factory Sdn. Berhad ⁽ⁱ⁾	1,479
	F & B Nutrition Sdn. Bhd. ⁽ⁱⁱ⁾	30
	Aluminium Company of Malaysia Berhad ^(iv)	898

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

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

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

16. Operating Segments Review

Second Quarter Ended 30 June 2018 ("Q2, 2018") versus Second Quarter Ended 30 June 2017 ("Q2, 2017")

The Group recorded a total revenue of RM428.8 million in Q2, 2018, a decrease from RM440.9 million in Q2, 2017. The decrease in revenue was contributed by decrease in demand for some of the Group's products and offset by upward adjustments of selling price to absorb the increase in cost of direct material. Gross profit declined from RM61.2 million in Q2, 2017 to RM43.9 million due to decrease in revenue and increased cost of tin plate, aluminium and paper rolls.

Consequently, profit before tax decreased from RM18.9 million in Q2, 2017 to RM5.2 million in Q2, 2018. During the quarter, the Group incurred pre-operating loss in Myanmar amounting to approximately RM3.4 million.

(i) Cans Division

The Cans Division generated a total operating revenue of RM270.1 million in Q2, 2018, a decrease from RM292.2 million in Q2, 2017. The decrease in revenue was attributable mainly to decrease in sales of aluminium cans and sales of tin cans in Vietnam due to weak market demand. This was partially offset by adjustments in selling price for aluminium cans and tin cans to absorb higher cost of materials.

Profit before taxation of this Division decreased by RM8.6 million from RM19.8 million in Q2, 2017 compared to RM11.2 million in Q2, 2018. The increase in cost of tin plate and aluminium were the main contributing factor for the drop in profit.

(ii) Cartons Division

Revenue from Cartons Division increased in Q2, 2018 to RM148.8 million from RM135.3 million in Q2, 2017. The increase in revenue was mainly contributed by increase in sales tonnage in Malaysia and Vietnam and upward adjustments in average selling price to partially absorb the increase in paper cost.

Gross profit increased from RM10.2 million in Q2, 2017 to RM11.3 million in Q2, 2018 due to the relative stabilisation of paper costs in Malaysia whilst the paper cost in Vietnam continued to rise.

With improvement in gross profit, the Group recorded a smaller loss before taxation of RM2.8 million in the current quarter compared to a loss before taxation of RM3.9 million in Q2, 2017.

(iii) Contract Manufacturing Division

Revenue from Contract Manufacturing Division in Q2, 2018 decreased to RM17.7 million from RM20.0 million in Q2, 2017. The decrease was attributable to lower export sales by beverage manufacturing section during the quarter under review.

During the quarter under review, this Division recorded a higher loss before taxation of RM1.9 million as compared to RM1.3 million in Q2, 2017 in tandem with the decrease in revenue.

16. Operating Segments Review (Cont'd)***Second Quarter Ended 30 June 2018 ("Q2, 2018") versus Second Quarter Ended 30 June 2017 ("Q2, 2017") (Cont'd)******(iv) Trading Division***

The revenue of Trading Division increased slightly from RM153.6 million in Q2, 2017 to RM158.6 million in Q2, 2018. A profit before taxation of RM2.6 million was recorded in Q2, 2018 as compared to a profit before taxation of RM5.1 million in Q2, 2017.

Year-To-Date Ended 30 June 2018 ("YTD 2018") versus Year-To-Date Ended 30 June 2017 ("YTD 2017")

The Group registered a marginal increase in revenue by RM1.6 million, from RM872.5 million in YTD2017 to RM874.1 million in YTD2018. The increase in revenue was contributed by adjustment in selling price to reflect higher material cost, offset by decrease in sales quantity especially in can division.

Despite increase in revenue, gross profit dropped by 20.5% from RM114.3 million in YTD2017 to RM90.9 million in YTD2018. This was attributable mainly to the escalating costs of tin plate, aluminium and paper rolls.

In addition, the Group also recorded a loss on derivative financial amounting to RM0.3 million in YTD2018 as compared to gain on derivative financial instruments amounting to RM3.9 million in YTD2017. Pre-operating expenses incurred in Myanmar also contributed to the lower profit.

Consequently, the Group recorded a drop in profit before taxation from RM39.9 million in YTD2017 to RM16.9 million in YTD2018.

(i) Cans Division

The Cans Division reported a decrease in revenue of RM30.1 million, from RM587.7 million in YTD2017 to RM557.6 million in YTD2018. The decrease in revenue was mainly contributed by decrease in demand in Vietnam for tin can and for aluminium can. This was offset by adjustments in selling price to absorb higher cost of tin plate and aluminium.

Profit before taxation declined by RM20.3 million from RM43.0 million in YTD2017 to RM22.7 million in YTD2018 due to higher costs of tin plate and aluminium. In addition, this Division incurred a loss on derivative financial instruments of RM1.4 million in YTD2018 as compared to a gain on derivative financial instruments of RM0.3 million in YTD2017.

(ii) Cartons Division

Revenue of Cartons Division improved from RM258.2 million in YTD2017 to RM287.1 million in YTD2018. Higher revenue was contributed by higher sales tonnage and upward adjustments in selling price in Malaysia and Vietnam.

However, as a result of the increase in cost of paper materials, profit margin had been compressed. In addition, pre-operating expenses incurred in Myanmar and higher marketing and finance cost also contributed to lower profit. As a result, this Division recorded a loss before taxation of RM8.4 million in YTD2018 as opposed to RM9.1 million in YTD2017.

(iii) Contract Manufacturing Division

Revenue of Contract Manufacturing Division increased from RM41.4 million in YTD2017 to RM48.5 million in YTD2018 due mainly to higher sales beverage and milk powder manufacturing section.

Loss before taxation increased from RM0.9 million in YTD2017 to RM1.1 million in YTD2018 due to higher cost of packaging material.

16. Operating Segments Review (Cont'd)

Year-To-Date Ended 30 June 2018 ("YTD 2018") versus Year-To-Date Ended 30 June 2017 ("YTD 2017") (Cont'd)

(iv) Trading Division

The revenue of Trading Division increased from RM283.4 million in YTD2017 to RM312.6 million in YTD2018. A profit before taxation of RM9.0 million was recorded in YTD2018 as compared to a profit before taxation of RM8.3 million in YTD2017.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 June 2018 ("Q2, 2018") Compared with Immediate Preceding Quarter Ended 31 March 2018 ("Q1, 2018")

	Q2,2018 RM'000	Q2,2017 RM'000	Changes %
Revenue	428,837	445,308	(3.7)
Operating Profit	13,150	12,614	4.2
Profit Before Interest and Tax	12,171	17,884	(31.9)
Profit Before Taxation	5,215	11,638	(55.2)
Profit After Taxation	3,885	8,571	(54.7)
Profit attributable to:			
Owners of the company	4,656	11,271	(58.7)

The Group recorded a revenue of RM428.8 million in Q2, 2018, a 3.7% declined from RM445.3 million in Q1, 2018. Profit before taxation decreased from RM11.6 million in Q1, 2018 to RM5.2 million in Q2, 2018.

The profit before taxation for Q2, 2018 has been impacted by a foreign currency exchange loss of RM4.6 million compared to RM1.6 million in Q1, 2018 and higher finance cost. This was offset by a derivative financial instruments gain of RM1.3 million compared to a derivative financial instruments loss of RM1.0 million in Q1, 2018.

(i) Cans Division

Revenue of Cans Division decreased from RM287.5 million in Q1, 2018 to RM270.1 million in Q2, 2018. The decrease in revenue was contributed by decrease in sales of aluminium cans and offset by adjustments in selling price for cans to reflect higher costs of material.

Profit before taxation for Q2, 2018 was at RM11.2 million as compared to RM11.5 million in Q1, 2018.

(ii) Cartons Division

Revenue of Cartons Division increased from RM138.3 million in Q1, 2018 to RM148.8 million in Q2, 2018 due to higher sales in Vietnam. Adjustment in selling price also contributed to higher revenue recorded in the current quarter. A lower loss before taxation of RM2.8 million was posted in Q2, 2018 as compared to RM5.5 million in Q1, 2018 due mainly to adjustment in selling price.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 June 2018 ("Q2, 2018") Compared with Immediate Preceding Quarter Ended 31 March 2018 ("Q1, 2018") (Cont'd)

(iii) Contract Manufacturing Division

Revenue in Contract Manufacturing Division decreased from RM30.8 million in Q1, 2018 to RM17.7 million in Q2, 2018. The decrease was attributable to decrease in export sales by beverage manufacturing section during the quarter.

A loss before taxation of RM1.9 million was recorded as against a profit before taxation of RM0.8 million in Q1, 2018 in tandem with the decrease in revenue.

(iv) Trading Division

The revenue of Trading Division increased from RM154.0 million in Q1, 2018 to RM158.6 million in Q2, 2018. A profit before taxation of RM2.6 million was recorded as compared to profit before taxation of RM6.4 million in Q1, 2018.

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.

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.

The anticipated change in the tax regime following the proposed abolishment of Goods and Services Tax Act, 2014 and the proposed reintroduction of Sales and Services Tax Act is not expected to have major affect on the operations of the Group.

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 30.06.2018 RM'000	Preceding Year Quarter Ended 30.06.2017 RM'000	Current Year-To-Date Ended 30.06.2018 RM'000	Preceding Year-To-Date Ended 30.06.2017 RM'000
Net gain/(loss) on disposal of property, plant and equipment	230	(148)	622	-
Income distribution from short term funds	417	159	768	197
Interest income	224	986	443	1,241
(Loss)/Gain fair value adjustment on derivative instruments *	-	(2,210)	-	3,932
Realised foreign exchange (loss)/gain	(1,357)	712	-	2,501
Rental income	482	371	995	778
Others	(975)	(124)	1,463	883
	<u>(979)</u>	<u>(254)</u>	<u>4,291</u>	<u>9,532</u>

* 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 30.06.2018 RM'000	Preceding Year Quarter Ended 30.06.2017 RM'000	Current Year-To-Date Ended 30.06.2018 RM'000	Preceding Year-To-Date Ended 30.06.2017 RM'000
Interest expense	6,956	6,501	13,202	11,588
Depreciation and amortisation	22,476	22,591	43,951	44,135
Impairment in respect of receivables	-	-	-	13
Write-off of property, plant and equipment	4	2	188	5
Net (gain)/loss fair value adjustment on derivative instruments	(1,327)	2,210	(338)	(3,932)
Net foreign exchange loss	4,594	4,294	6,245	5,840
Net write-down/write-off of inventories	2,515	4,186	3,052	8,343

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 30.06.2018 RM'000	Preceding Year Quarter Ended 30.06.2017 RM'000	Current Year-To-Date Ended 30.06.2018 RM'000	Preceding Year-To-Date Ended 30.06.2017 RM'000
Group				
Income Tax				
- current year	(2,830)	(5,893)	(5,848)	(11,027)
- prior year	-	93	(87)	93
Deferred taxation	1,500	40	1,538	99
	(1,330)	(5,760)	(4,397)	(10,835)

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 30.06.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities	219,989	210,151
- Revolving credit	146,618	119,423
- Term loans	44,919	48,195
	411,526	377,769
Non-current - unsecured		
- Term loans	330,144	195,516
	741,670	573,285

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

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities denominated in USD	5,928	38,509
- Trade facilities denominated in VND	92,755	93,975
- Term loan denominated in USD	687	1,382
- Term loan denominated in VND	6,979	5,313
- Revolving credit denominated in USD	20,218	20,323
Non-current - unsecured		
- Term loan denominated in USD	147,992	-
- Term loan denominated in VND	33,485	38,250
	308,044	197,752

All the Group's borrowings were unsecured.

24. Group Borrowings and Debt Securities (Cont'd)

The interest rates for the borrowings are as follows:

	As at 30.06.2018	As at 31.12.2017
Term loans:		
- Fixed rates	3.51% - 4.60%	3.50% - 4.60%
- Floating rates	3.33% - 6.44%	3.18% - 6.44%
Trade facilities	2.75% - 6.41%	1.70% - 6.75%
Revolving credits	3.98% - 4.99%	3.56% - 4.98%

25. Derivative financial instruments

(a) Disclosure of derivatives

As at 30 June 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 30 June 2018 are set out below:

Type of derivative	Contract/ Notional amount RM'000	Assets RM'000	Fair value	
			Current liabilities RM'000	Non-current liabilities RM'000
Hedging derivatives:				
Cross currency interest rate swap contracts				
- Less than one (1) year	3,101		101	
- One (1) year to three (3) years	9,304			303
- More than three (3) years	7,098			232
Non-hedging derivatives:				
Commodity contracts				
- Less than one (1) year	59,093	5,599		
Cross currency swap contract				
- Less than one (1) year	7,574		1,763	
- One (1) year to three (3) years	4,418			2,116
Foreign exchange contracts				
- Less than one (1) year	1,312	32		
		5,631	1,864	2,651

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.

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 RM4.1 million, from derivative financial assets of RM0.2 million as at 31 December 2017 to derivative financial liabilities of RM3.9 million as at 30 June 2018 arising from:

- i. fair value loss on foreign exchange contracts, cross currency swap contract and cross currency interest rate swap contracts of RM4.5 million due to USD/RM exchange rate strengthening against the contracted rate;
- ii. fair value gain on foreign exchange contracts of RM32,000 million due to USD/RM exchange rate weakening against the contracted rate; and
- iii. fair value gain on commodity contracts of RM0.6 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.

26. Material Litigations (Cont'd)

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

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.

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 13 July 2018, the Federal Court has fixed the hearing of the above matter on 9 October 2018.

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

27. Dividend

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

28. Earnings Per Share

	Current Year Quarter Ended 30.06.2018	Preceding Year Quarter Ended 30.06.2017	Current Year-To-Date Ended 30.06.2018	Preceding Year-To-Date Ended 30.06.2017
Profit attributable to owners of the company (RM '000)	4,656	15,128	15,927	33,568
Weighted average number of ordinary shares	444,167,786	444,167,786	444,167,786	444,167,786
Basic earnings per share (sen)	1.05	3.41	3.59	7.56

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 21 August 2018.

Batu Caves, Selangor Darul Ehsan
21 August 2018