



KIAN JOO CAN FACTORY BERHAD

(Incorporated in Malaysia)

(Co. No. 003186-P)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the third quarter ended 30 September 2018

(The figures have not been audited)

	Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER		
		Current Year Quarter Ended 30.09.2018 RM'000	Preceding Year Quarter Ended 30.09.2017 RM'000	Changes %	Current Year-To-Date Ended 30.09.2018 RM'000	Preceding Year-To-Date Ended 30.09.2017 RM'000	Changes %
Revenue		463,567	471,933	(1.8)	1,337,712	1,344,472	(0.5)
Cost of sales		(423,025)	(418,537)	1.1	(1,206,280)	(1,176,749)	2.5
Gross profit		40,542	53,396	(24.1)	131,432	167,723	(21.6)
Other income	19	1,377	2,937	(53.1)	5,668	12,469	(54.5)
Operating expenses		(30,845)	(35,304)	(12.6)	(95,971)	(107,741)	(10.9)
Finance costs		(7,230)	(7,192)	0.5	(20,432)	(18,780)	8.8
Profit Before Taxation	20	3,844	13,837	(72.2)	20,697	53,671	(61.4)
Taxation	22	(168)	(6,294)	(97.3)	(4,565)	(17,129)	(73.3)
Profit for the period		3,676	7,543	(51.3)	16,132	36,542	(55.9)
Other comprehensive income/(loss), net of tax							
Foreign currency translation differences for foreign operations		6,567	(4,926)	(233.3)	2,353	(19,228)	(112.2)
Cash flow hedge		466	343	35.9	(144)	(1,563)	(90.8)
Other comprehensive income/(loss) for the period, net of tax		7,033	(4,583)	(253.5)	2,209	(20,791)	(110.6)
Total comprehensive income for the period		10,709	2,960	261.8	18,341	15,751	16.4
Profit attributable to:							
Owners of the company		3,138	9,494	(66.9)	19,065	43,062	(55.7)
Non-controlling interest		538	(1,951)	(127.6)	(2,933)	(6,520)	(55.0)
Profit for the period		3,676	7,543	(51.3)	16,132	36,542	(55.9)
Total comprehensive income/(loss) attributable to:							
Owners of the company		8,908	5,957	49.5	21,022	26,099	(19.5)
Non-controlling interest		1,801	(2,997)	(160.1)	(2,681)	(10,348)	(74.1)
Total comprehensive income for the period		10,709	2,960	261.8	18,341	15,751	16.4
Earnings per share attributable to owners of the company:							
Basic (sen)							
Continuing operations		0.71	2.14	-66.8	4.29	9.69	-55.7

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)
(Co. No. 003186-P)

Condensed Consolidated Statement of Financial Position
As at 30 September 2018

	Note	As at 30.09.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
ASSETS			
Non-Current Assets			
Property, plant & equipment		1,326,227	1,166,548
Land use rights		118,671	119,200
Investment properties		16,377	16,635
Intangible assets		835	1,153
Deferred tax assets		13,164	10,864
Other assets		105,014	59,468
		<u>1,580,288</u>	<u>1,373,868</u>
Current Assets			
Inventories		502,283	517,194
Trade and other receivables		391,027	382,775
Other assets		15,498	16,460
Tax recoverable		22,993	19,702
Derivative financial instruments	25	2,857	6,069
Cash and bank balances and short term funds		174,451	168,800
		<u>1,109,109</u>	<u>1,111,000</u>
TOTAL ASSETS		<u><u>2,689,397</u></u>	<u><u>2,484,868</u></u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		111,786	111,786
Other reserves		25,746	23,789
Retained earnings		1,331,569	1,330,271
		<u>1,469,101</u>	<u>1,465,846</u>
Non-Controlling Interest		<u>116,519</u>	<u>119,200</u>
Total Equity		<u><u>1,585,620</u></u>	<u><u>1,585,046</u></u>
Non-Current Liabilities			
Retirement benefit obligation		52,750	47,216
Loans and borrowings	24	376,883	195,516
Deferred tax liabilities		13,424	13,540
Derivative financial instruments	25	2,039	2,530
		<u>445,096</u>	<u>258,802</u>
Current Liabilities			
Retirement benefit obligation		9,101	10,237
Provisions		57	11
Loans and borrowings	24	408,478	377,769
Trade and other payables		236,683	245,873
Tax payable		2,752	3,829
Derivative financial instruments	25	1,610	3,301
		<u>658,681</u>	<u>641,020</u>
Total Liabilities		<u>1,103,777</u>	<u>899,822</u>
TOTAL EQUITY AND LIABILITIES		<u><u>2,689,397</u></u>	<u><u>2,484,868</u></u>
Net assets per share attributable to owners of the Company (RM)		<u>3.31</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 third quarter ended 30 September 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	-	-	-	19,065	19,065	(2,933)	16,132	
Currency translation differences	-	-	2,101	-	2,101	252	2,353	
Cash flow hedge	-	-	(144)	-	(144)	-	(144)	
Total comprehensive income/(loss) for the period	-	-	1,957	19,065	21,022	(2,681)	18,341	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 30 September 2018	111,786	-	25,746	1,331,569	1,469,101	116,519	1,585,620	
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	-	-	-	43,062	43,062	(6,520)	36,542	
Currency translation differences	-	-	(15,400)	-	(15,400)	(3,828)	(19,228)	
Cash flow hedge	-	-	(1,563)	-	(1,563)	-	(1,563)	
Total comprehensive (loss)/income for the period	-	-	(16,963)	43,062	26,099	(10,348)	15,751	
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 30 September 2017	111,786	-	35,614	1,283,375	1,430,775	122,758	1,553,533	

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

Condensed Consolidated Statement of Cash Flows
For the third quarter ended 30 September 2018

	Current Year-To-Date Ended 30.09.2018 RM'000 Unaudited	Preceding Year-To-Date Ended 30.09.2017 RM'000 Unaudited
Net cash generated from/(used in) operating activities		
Receipts from customers	1,333,081	1,269,974
Payments to suppliers	(1,170,833)	(1,241,599)
Cash generated from operations	162,248	28,375
Interest paid	(20,432)	(18,780)
Income tax paid	(11,386)	(20,293)
	130,430	(10,698)
Net cash used in investing activities		
Acquisition of property, plant and equipment	(325,314)	(100,249)
Acquisition of land use rights	(2,044)	-
Acquisition of intangible assets	(68)	(1,111)
Additional investment in a subsidiary	-	50,874
Proceeds from disposal of property, plant and equipment	1,587	-
Cash distribution received from non-current assets held for distribution	-	5,007
Income distribution from short term funds	1,206	344
Net changes in short term funds	(32,247)	(33,883)
Interest received	688	2,050
	(356,192)	(76,968)
Net cash generated from financing activities		
Net proceeds from term loans, trade facilities and revolving credit	203,802	136,743
Dividends paid	(17,767)	(17,767)
	186,035	118,976
Net (decrease)/increase in Cash and Cash Equivalents	(39,727)	31,310
Effect of Exchange Rate Changes	13,131	(2,781)
Cash and Cash Equivalents at 1 January	139,304	117,794
Cash and Cash Equivalents at 30 September	112,708	146,323
Cash and Cash Equivalents at 30 September comprised the following:		
Cash and bank balances	66,598	67,680
Deposits with licenced bank	46,110	78,643
Short-term funds	61,743	58,715
Cash and bank balances and short term funds	174,451	205,038
Less: Short-term funds	(61,743)	(58,715)
Cash and Cash Equivalents at 30 September	112,708	146,323

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 to MFRS 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 on the financial statements during the financial period under

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

An 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 September 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	575,346	450,196	54,090	257,516	564	1,337,712	-	1,337,712
Inter-segmental sales	271,644	4,566	5,155	172,699	1,933	455,997	(455,997)	-
Total revenue	846,990	454,762	59,245	430,215	2,497	1,793,709	(455,997)	1,337,712
RESULTS								
Segment results	36,794	(2,425)	(5,081)	8,654	(7,336)	30,606	4,855	35,461
Other income/(expense)	7,916	2,922	1,276	4,325	(3,625)	12,814	(7,146)	5,668
	44,710	497	(3,805)	12,979	(10,961)	43,420	(2,291)	41,129
Finance costs	(12,532)	(7,857)	(581)	(587)	(706)	(22,263)	1,831	(20,432)
Profit before taxation								20,697
Taxation								(4,565)
Non-controlling interest								2,933
								19,065
ASSETS AND LIABILITIES								
Segment assets	2,096,588	691,891	85,344	370,400	91,565	3,335,788	(685,405)	2,650,383
Unallocated corporate assets	23,673	4,482	10,585	-	274	39,014	-	39,014
Consolidated total assets								2,689,397
Segment liabilities	554,695	433,081	59,427	228,088	82,810	1,358,101	(274,149)	1,083,952
Unallocated corporate liabilities	10,612	4,678	806	1,872	1,857	19,825	-	19,825
Consolidated total liabilities								1,103,777
OTHER INFORMATION								
Capital Expenditure	69,265	87,887	31,923	5	138,346	327,426		327,426
Depreciation and amortisation	46,901	15,834	2,511	37	631	65,914	-	65,914
Non-cash expenses other than depreciation	8,018	1,546	99	1,324	4,212	15,199	-	15,199

9. Segmental Reporting (Cont'd)

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

	Cans Division	Cartons Division	Contract Manufacturing	Trading	Others	Total	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
REVENUE								
External sales	644,318	396,966	60,737	241,767	684	1,344,472	-	1,344,472
Inter-segmental sales	267,789	5,436	18,448	189,530	1,674	482,877	(482,877)	-
Total revenue	912,107	402,402	79,185	431,297	2,358	1,827,349	(482,877)	1,344,472
RESULTS								
Segment results	75,624	(13,114)	2,170	12,027	(1,725)	74,982	(15,000)	59,982
Other income	14,270	6,705	215	976	120	22,286	(9,817)	12,469
Finance costs	89,894	(6,409)	2,385	13,003	(1,605)	97,268	(24,817)	72,451
Profit before taxation	(14,688)	(6,899)	(624)	(457)	(712)	(23,380)	4,600	(18,780)
Taxation								53,671
Non-controlling interest								(17,129)
								6,520
								43,062
ASSETS AND LIABILITIES								
Segment assets	2,167,586	577,804	89,902	258,393	91,840	3,185,525	(694,076)	2,491,449
Unallocated corporate assets	14,879	2,391	5,700	84	213	23,267	-	23,267
Consolidated total assets								2,514,716
Segment liabilities	643,620	297,339	64,000	138,256	71,102	1,214,317	(294,237)	920,080
Unallocated corporate liabilities	25,714	10,476	1,007	2,269	1,637	41,103	-	41,103
Consolidated total liabilities								961,183
OTHER INFORMATION								
Capital Expenditure	59,580	21,159	1,013	190	19,418	101,360	-	101,360
Depreciation and amortisation	44,959	16,042	2,521	23	1,795	65,340	-	65,340
Non-cash expenses other than depreciation	6,482	4,205	77	-	-	10,764	-	10,764

[The rest of this page has been intentionally left blank]

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 September 2018 is as follows:

	RM'000
Approved and contracted for	141,931

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 30.09.2018 RM'000
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad ⁽ⁱ⁾	15,948
	F & B Nutrition Sdn. Bhd. ⁽ⁱⁱ⁾	23,290
	Gresing Pte. Ltd. ⁽ⁱⁱⁱ⁾	766
	Hinoki Beverages Sdn. Bhd. ⁽ⁱⁱⁱ⁾	140
Purchases of trading inventories	Aik Joo Can Factory Sdn. Berhad ⁽ⁱ⁾	2,016
	F & B Nutrition Sdn. Bhd. ⁽ⁱⁱ⁾	30
	Aluminium Company of Malaysia Berhad ^(iv)	1,197

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/or
- (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 are comparable to transactions entered into with third parties.

16. Operating Segments Review

Third Quarter Ended 30 September 2018 ("Q3, 2018") versus Third Quarter Ended 30 September 2017 ("Q3, 2017")

The Group recorded a total revenue of RM463.6 million in Q3, 2018, a decrease from RM471.9 million in Q3, 2017. The decrease in revenue was contributed by decrease in demand for tin and aluminium cans and contract manufacturing products. This was partially offset by upward adjustments of selling price to absorb the increase in cost of direct material. Gross profit declined from RM53.4 million in Q3, 2017 to RM40.5 million due to decrease in revenue and increased cost of tin plate, aluminium and paper rolls.

Consequently, profit before tax decreased from RM13.8 million in Q3, 2017 to RM3.8 million in Q3, 2018. During the quarter, the Group also incurred pre-operating loss in Myanmar amounting to approximately RM4.4 million.

(i) Cans Division

The Cans Division generated a total operating revenue of RM289.4 million in Q3, 2018, a decrease from RM304.3 million in Q3, 2017. The decrease in revenue was attributable mainly to decrease in sales of aluminium cans and tin cans in Vietnam due to slow demand from customers. 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 RM2.6 million from RM12.1 million in Q3, 2017 compared to RM9.5 million in Q3, 2018. Lower revenue and the increase in cost of tin plate and aluminium were the main contributing factors for the drop in profit.

(ii) Cartons Division

In Q3, 2018, the Cartons Division recorded a revenue of RM167.6 million, an increase of 16.2% from RM144.2 million in Q3, 2017. The increase in revenue was mainly contributed by an increase in sales volume and selling price. Selling price was adjusted higher to absorb the increase in paper cost.

Gross profit increased from RM9.1 million in Q3, 2017 to RM15.4 million in Q3, 2018 due to higher sales and higher selling prices in Malaysia and Vietnam.

With improvement in gross profit, the Division recorded a profit before taxation of RM1.0 million in the current quarter compared to a loss before taxation of RM4.2 million in Q3, 2017.

(iii) Contract Manufacturing Division

Revenue from Contract Manufacturing Division in Q3, 2018 decreased to RM10.8 million from RM37.8 million in Q3, 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 loss before taxation of RM3.3 million as compared to profit before taxation of RM2.7 million in Q3, 2017 in tandem with the decrease in revenue.

(iv) Trading Division

The revenue of Trading Division decreased slightly from RM147.9 million in Q3, 2017 to RM117.6 million in Q3, 2018. A profit before taxation of RM3.4 million was recorded in Q3, 2018 as compared to a profit before taxation of RM4.2 million in Q3, 2017.

16. Operating Segments Review (Cont'd)***Year-To-Date Ended 30 September 2018 ("YTD2018") versus Year-To-Date Ended 30 September 2017 ("YTD2017")***

The Group registered a decrease in revenue by RM6.8 million, from RM1,344.5 million in YTD2017 to RM1,337.7 million in YTD2018. The decrease in revenue was contributed by decrease in sales quantity for tin cans in Vietnam, aluminium cans and Contract Manufacturing Division. This was offset by the increase in sales from the Cartons Division.

Gross profit dropped by 21.6% from RM167.7 million in YTD2017 to RM131.4 million in YTD2018 due to changes in sales mix and lower revenue. The drop was also attributable to the escalating costs of tin plate, aluminium and paper rolls.

In addition, the Group also recorded a loss on derivative financial of RM0.9 million in YTD2018 as compared to gain on derivative financial instruments of RM3.8 million in YTD2017. Pre-operating expenses incurred in Myanmar amounting to RM9.4 million also contributed to the lower profit.

Consequently, the Group recorded a drop in profit before taxation from RM53.7 million in YTD2017 to RM8.7 million in YTD2018.

(i) Cans Division

The Cans Division reported a decrease in revenue of RM65.1 million, from RM912.1 million in YTD2017 to RM847.0 million in YTD2018. The decrease in revenue was mainly contributed by decrease in demand for tin cans in Vietnam and aluminium cans. This was offset by adjustments in selling price to absorb higher cost of tin plate and aluminium.

Profit before taxation declined by RM43.0 million from RM75.2 million in YTD2017 to RM32.2 million in YTD2018 due to higher costs of tin plate and aluminium. In addition, this Division incurred higher loss on derivative financial instruments from RM1.3 million in YTD2017 to RM3.1 million in YTD2018.

(ii) Cartons Division

In YTD2018, the Cartons Division's revenue was RM454.8 million, an increase from RM402.4 million recorded in YTD2017. Higher revenue in the current period was contributed by increased sales volume in Malaysia and Vietnam, and comparatively higher average selling prices, which was adjusted to reflect higher paper cost.

As a result of the increase in revenue, gross profit improved to RM34.4 million in YTD2018 from RM27.8 million in YTD2017. The Division recorded a loss before taxation of RM7.4 million in YTD2018 compared to a loss before taxation of RM13.3 million in YTD2017. Apart from the improvement in gross profit, this reduction in loss before taxation was a result of lower general and administration expenses incurred by the Division in the current period.

(iii) Contract Manufacturing Division

Revenue of Contract Manufacturing Division decreased from RM79.2 million in YTD2017 to RM59.2 million in YTD2018 due mainly to decrease in export sales in beverage manufacturing section.

A loss before taxation of RM4.4 million was reported in YTD2018 as opposed to a profit before taxation of RM1.8 million in YTD2017. This was attributable to lower sales.

(iv) Trading Division

The revenue of Trading Division marginally decreased from RM431.3 million in YTD2017 to RM430.2 million in YTD2018. A profit before taxation of RM12.4 million was recorded in YTD2018 as compared to a profit before taxation of RM12.5 million in YTD2017.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 September 2018 ("Q3, 2018") Compared with Immediate Preceding Quarter Ended 30 June 2018 ("Q2, 2018")

	Q3,2018 RM'000	Q2,2018 RM'000	Changes %
Revenue	463,567	428,837	8.1
Operating Profit	9,697	13,150	(26.3)
Profit Before Interest and Taxation	11,074	12,171	(9.0)
Profit Before Taxation	3,844	5,215	(26.3)
Profit After Taxation	3,676	3,885	(5.4)
Profit attributable to:			
Owners of the company	3,138	4,656	(32.6)

The Group recorded a revenue of RM463.6 million in Q3, 2018, a 8.1% increase from RM428.8 million in Q2, 2018. However, profit before taxation decreased from RM5.2 million in Q2, 2018 to RM3.8 million in Q3, 2018.

The profit before taxation for Q3, 2018 has been impacted by a derivative financial instruments loss of RM1.2 million compared to a derivative financial instruments gain of RM1.3 million in Q2, 2018 and higher finance cost. This was partially offset by lower foreign currency exchange loss from RM4.6 million in Q2,2018 to RM1.2 million in Q3,2018.

(i) Cans Division

Revenue of Cans Division increased from RM270.1 million in Q2, 2018 to RM289.4 million in Q3, 2018. The increase in revenue was contributed by higher sales for aluminium can and upward adjustments in selling price for cans to reflect higher costs of material.

Profit before taxation for Q3, 2018 was at RM9.5 million as compared to RM11.2 million in Q2, 2018. This division registered an unrealised gain on hedging instruments of from RM1.4 million in Q2, 2018 as compared to an unrealised loss on hedging instruments of RM1.6 million in Q3, 2018.

(ii) Cartons Division

The Cartons Division's net revenue increased to RM167.6 million from RM148.8 million in the immediate preceding quarter. The improvement in revenue was mainly due to increased sales volume in Q3, 2018 in Malaysia and Vietnam.

Gross profit increased from RM11.3 million in the immediate preceding quarter to RM15.4 million in Q3, 2018, as a result of higher sales tonnage and improved margins contributed by higher selling prices. Consequently, the Division recorded a profit before taxation of RM1.0 million as compared to a loss before taxation of RM2.8 million in Q2, 2018.

(iii) Contract Manufacturing Division

Revenue in Contract Manufacturing Division decreased from RM17.7 million in Q2, 2018 to RM10.8 million in Q3, 2018. The decrease was attributable to decrease in export sales by beverage manufacturing section during the quarter.

A loss before taxation of RM3.3 million was recorded as against a loss before taxation of RM1.9 million in Q2, 2018 in tandem with the decrease in revenue.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 30 September 2018 ("Q3, 2018") Compared with Immediate Preceding Quarter Ended 30 June 2018 ("Q2, 2018") (Cont'd)

(iv) Trading Division

The revenue of Trading Division decreased from RM158.6 million in Q2, 2018 to RM117.6 million in Q3, 2018. A profit before taxation of RM3.4 million was recorded as compared to profit before taxation of RM2.6 million in Q2, 2018. The improvement due mainly to lower foreign currency exchange loss from RM1.6 million in Q2, 2018 to RM0.3 million in Q3, 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) Volatility in foreign currency exchange rate
- (iii) Escalating costs of direct materials such as tin plate, aluminium and paper rolls; and
- (iv) Increase in production costs including labour cost.

In the recently announced budget, the Malaysian Government proposed to increase minimum wage by 10%, from RM1,000 to RM1,100 per month. The Vietnam's National Wage Council had also announced an increase in Vietnam minimum wage by 5.3% in 2019. These may add additional cost pressure to the Group.

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 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.

Barring unforeseen circumstances, the Board of Directors expects the results to improve in the final quarter of 2018.

19. Other income

Included in other income are the following items:

	Current Year Quarter Ended 30.09.2018 RM'000	Preceding Year Quarter Ended 30.09.2017 RM'000	Current Year-To-Date Ended 30.09.2018 RM'000	Preceding Year-To-Date Ended 30.09.2017 RM'000
Net gain on disposal of property, plant and equipment	425	230	1,047	230
Income distribution from short term funds	438	148	1,206	345
Interest income	245	809	688	2,050
Gain fair value adjustment on derivative instruments *	-	1,187	-	5,119
Realised foreign exchange gain	-	28	-	2,529
Rental income	457	333	1,452	1,111
Others	(188)	202	1,275	1,085
	1,377	2,937	5,668	12,469

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 30.09.2018 RM'000	Preceding Year Quarter Ended 30.09.2017 RM'000	Current Year-To-Date Ended 30.09.2018 RM'000	Preceding Year-To-Date Ended 30.09.2017 RM'000
Interest expense	7,230	7,192	20,432	18,780
Depreciation and amortisation	21,963	21,205	65,914	65,340
Write-off of property, plant and equipment	127	4	315	9
Net loss/(gain) fair value adjustment on derivative instruments	1,225	(1,187)	887	(5,119)
Net foreign exchange loss	1,194	3,465	7,439	9,305
Net write-down/write-off of inventories	8,609	4,484	11,661	12,827

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 30.09.2018 RM'000	Preceding Year Quarter Ended 30.09.2017 RM'000	Current Year-To-Date Ended 30.09.2018 RM'000	Preceding Year-To-Date Ended 30.09.2017 RM'000
Group				
Income Tax				
- current year	(968)	(6,596)	(6,816)	(17,623)
- prior year	-	262	(87)	355
Deferred taxation	800	40	2,338	139
	(168)	(6,294)	(4,565)	(17,129)

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 30.09.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities	218,031	210,151
- Revolving credit	147,123	119,423
- Term loans	43,324	48,195
	<u>408,478</u>	<u>377,769</u>
Non-current - unsecured		
- Term loans	376,883	195,516
	<u>785,361</u>	<u>573,285</u>

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

	As at 30.09.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities denominated in USD	7,163	38,509
- Trade facilities denominated in VND	97,331	93,975
- Term loan denominated in USD	352	1,382
- Term loan denominated in VND	5,718	5,313
- Revolving credit denominated in USD	20,723	20,323
Non-current - unsecured		
- Term loan denominated in USD	200,594	-
- Term loan denominated in VND	33,655	38,250
	<u>365,536</u>	<u>197,752</u>

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

	As at 30.09.2018	As at 31.12.2017
Term loans:		
- Fixed rates	3.50% - 4.60%	3.50% - 4.60%
- Floating rates	3.32% - 6.44%	3.18% - 6.44%
Trade facilities	2.75% - 6.41%	1.70% - 6.75%
Revolving credits	4.09% - 4.99%	3.56% - 4.98%

25. Derivative financial instruments

(a) Disclosure of derivatives

As at 30 September 2018, the Group had:

- (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.

25. Derivative financial instruments (Cont'd)

(a) Disclosure of derivatives (Cont'd)

Details of derivative financial instruments outstanding as at 30 September 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		27	
- One (1) year to three (3) years	9,304			84
- More than three (3) years	6,323			57
Non-hedging derivatives:				
Commodity contracts				
- Less than one (1) year	55,909	2,835		
Cross currency swap contract				
- Less than one (1) year	7,308		1,583	
- One (1) year to three (3) years	4,263			1,898
Foreign exchange contracts				
- Less than one (1) year	1,592	22		
		2,857	1,610	2,039

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 RM6.0 million from derivative financial assets of RM0.2 million as at 31 December 2017 to derivative financial liabilities of RM5.8 million as at 30 September 2018 arising from:

- (i) fair value loss on foreign exchange contracts, cross currency swap contract and cross currency interest rate swap contracts of RM2.0 million due to USD/RM exchange rate weakening against the contracted rate;
- (ii) fair value gain on foreign exchange contracts of RM22,000 million due to USD/RM exchange rate weakening against the contracted rate; and
- (iii) fair value loss on commodity contracts of RM3.1 million due to aluminium market price being lower 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 above matter which was fixed for hearing by the Federal Court on 9 October 2018, was re-scheduled to 4 February 2019.

The Federal Court had subsequently re-scheduled the hearing to 12 March 2019.

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 30.09.2018	Preceding Year Quarter Ended 30.09.2017	Current Year-To-Date Ended 30.09.2018	Preceding Year-To-Date Ended 30.09.2017
Profit attributable to owners of the company (RM '000)	3,138	9,494	19,065	43,062
Weighted average number of ordinary shares	444,167,786	444,167,786	444,167,786	444,167,786
Basic earnings per share (sen)	0.71	2.14	4.29	9.69

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors passed on 23 November 2018.

Batu Caves, Selangor Darul Ehsan
23 November 2018