



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 fourth quarter and year ended 31 December 2018

(The figures have not been audited)

Note	INDIVIDUAL QUARTER			CUMULATIVE QUARTER			
	Current Year	Preceding Year	Changes	Financial	Financial	Changes	
	Quarter Ended	Quarter Ended		Year Ended	Year Ended		
	31.12.2018	31.12.2017	%	31.12.2018	31.12.2017		
RM'000	RM'000		RM'000	RM'000			
	Unaudited	Unaudited		Unaudited	Audited		
	489,114	494,417	(1.1)	1,826,826	1,838,889	(0.7)	
	(439,755)	(435,641)	0.9	(1,646,035)	(1,612,390)	2.1	
	<u>49,359</u>	<u>58,776</u>	(16.0)	<u>180,791</u>	<u>226,499</u>	(20.2)	
Revenue							
Cost of sales							
Gross profit							
Other income	19	7,148	4,312	65.8	12,816	16,781	(23.6)
Operating expenses		(43,046)	(33,133)	29.9	(139,017)	(140,874)	(1.3)
Finance costs		(9,783)	(7,154)	36.7	(30,215)	(25,934)	16.5
Profit Before Taxation	20	<u>3,678</u>	<u>22,801</u>	(83.9)	<u>24,375</u>	<u>76,472</u>	(68.1)
Taxation	22	(9,366)	23,685	(139.5)	(13,931)	6,556	(312.5)
(Loss)/Profit for the period		<u>(5,688)</u>	<u>46,486</u>	(112.2)	<u>10,444</u>	<u>83,028</u>	(87.4)
Other comprehensive income/(loss), net of tax							
Foreign currency translation differences for foreign operations		984	(14,725)	(106.7)	3,337	(33,953)	(109.8)
Cash flow hedge		(8,846)	(248)	3,466.9	(8,990)	(1,811)	396.4
Other comprehensive loss for the period, net of tax		<u>(7,862)</u>	<u>(14,973)</u>	(47.5)	<u>(5,653)</u>	<u>(35,764)</u>	(84.2)
Total comprehensive (loss)/income for the period		<u>(13,550)</u>	<u>31,513</u>	(143.0)	<u>4,791</u>	<u>47,264</u>	(89.9)
(Loss)/Profit attributable to:							
Owners of the company		(1,808)	46,896	(103.9)	17,257	89,958	(80.8)
Non-controlling interest		(3,880)	(410)	846.3	(6,813)	(6,930)	(1.7)
(Loss)/Profit for the period		<u>(5,688)</u>	<u>46,486</u>	(112.2)	<u>10,444</u>	<u>83,028</u>	(87.4)
Total comprehensive (loss)/income attributable to:							
Owners of the company		(9,750)	35,071	(127.8)	11,272	61,170	(81.6)
Non-controlling interest		(3,800)	(3,558)	6.8	(6,481)	(13,906)	(53.4)
Total comprehensive (loss)/income for the period		<u>(13,550)</u>	<u>31,513</u>	(143.0)	<u>4,791</u>	<u>47,264</u>	(89.9)
(Loss)/Earnings per share attributable to owners of the company:							
Basic (sen)							
Continuing operations		<u>(0.41)</u>	<u>10.56</u>	-103.9	<u>3.89</u>	<u>20.25</u>	-80.8

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)
(Co. No. 003186-P)

Condensed Consolidated Statement of Financial Position
As at 31 December 2018

		As at 31.12.2018 RM'000 Unaudited	As at 31.12.2017 RM'000 Audited
ASSETS			
Non-Current Assets			
Property, plant & equipment		1,464,553	1,166,548
Land use rights		119,357	119,200
Investment properties		16,291	16,635
Intangible assets		790	1,153
Deferred tax assets		10,864	10,864
Other assets		4,519	59,468
		<u>1,616,374</u>	<u>1,373,868</u>
Current Assets			
Inventories		517,770	517,194
Trade and other receivables		416,106	382,775
Other assets		8,388	16,460
Tax recoverable		18,260	19,702
Derivative financial instruments	25	54	6,069
Cash and bank balances and short term funds		157,780	168,800
		<u>1,118,358</u>	<u>1,111,000</u>
TOTAL ASSETS		<u>2,734,732</u>	<u>2,484,868</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the company			
Share capital		111,786	111,786
Other reserves		17,804	23,789
Retained earnings		1,328,476	1,330,271
		<u>1,458,066</u>	<u>1,465,846</u>
Non-Controlling Interest		<u>112,719</u>	<u>119,200</u>
Total Equity		<u>1,570,785</u>	<u>1,585,046</u>
Non-Current Liabilities			
Retirement benefit obligation		50,116	47,216
Loans and borrowings	24	388,303	195,516
Deferred tax liabilities		13,278	13,540
Derivative financial instruments	25	1,973	2,530
		<u>453,670</u>	<u>258,802</u>
Current Liabilities			
Retirement benefit obligation		11,479	10,237
Provisions		3	11
Loans and borrowings	24	413,106	377,769
Trade and other payables		272,839	245,873
Tax payable		3,073	3,829
Derivative financial instruments	25	9,777	3,301
		<u>710,277</u>	<u>641,020</u>
Total Liabilities		<u>1,163,947</u>	<u>899,822</u>
TOTAL EQUITY AND LIABILITIES		<u>2,734,732</u>	<u>2,484,868</u>
Net assets per share attributable to owners of the Company (RM)		<u>3.28</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
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(Co. No. 003186-P)

Condensed Consolidated Statement of Changes in Equity
For the year ended 31 December 2018

	Attributable to Owners of the Company						Non-Controlling Interest	Total Equity
	Non-distributable			Distributable				
	Share Capital	Share Premium	Other Reserve	Retained Earnings	Total			
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	
Adjustments on initial application of: MFRS 9 (Note a)	-	-	-	(1,285)	(1,285)	-	(1,285)	
Profit/(loss) for the financial year	-	-	-	17,257	17,257	(6,813)	10,444	
Currency translation differences	-	-	3,005	-	3,005	332	3,337	
Cash flow hedge	-	-	(8,990)	-	(8,990)	-	(8,990)	
Total comprehensive (loss)/ income for the financial year	-	-	(5,985)	17,257	11,272	(6,481)	4,791	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 31 December 2018	111,786	-	17,804	1,328,476	1,458,066	112,719	1,570,785	
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 b)	744	(744)	-	-	-	-	-	
Profit/(Loss) for the financial year	-	-	-	89,958	89,958	(6,930)	83,028	
Currency translation differences	-	-	(26,977)	-	(26,977)	(6,976)	(33,953)	
Cash flow hedge	-	-	(1,811)	-	(1,811)	-	(1,811)	
Total comprehensive (loss)/ income for the financial year	-	-	(28,788)	89,958	61,170	(13,906)	47,264	
Changes in ownership interests in a subsidiary	-	-	-	-	-	50,874	50,874	
Dividends	-	-	-	(17,767)	(17,767)	-	(17,767)	
At 31 December 2017	111,786	-	23,789	1,330,271	1,465,846	119,200	1,585,046	

Note a

The adoption of MFRS 9 Financial Instruments has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 Financial Instruments: Recognition and Measurement with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

The Company applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Company has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 on opening receivables have been recognised directly in retained earnings.

Note b

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 year ended 31 December 2018

	Financial Year Ended 31.12.2018 RM'000 Unaudited	Financial Year Ended 31.12.2017 RM'000 Audited
Net cash generated from operating activities		
Receipts from customers	1,800,849	1,818,355
Payments to suppliers	(1,558,575)	(1,682,359)
	<hr/>	<hr/>
Cash generated from operations	242,274	135,996
Interest paid	(30,214)	(25,934)
Income tax paid	(13,551)	(24,965)
	<hr/>	<hr/>
	198,509	85,097
Net cash used in investing activities		
Acquisition of property, plant and equipment	(416,822)	(214,527)
Acquisition of land use rights	(2,096)	(906)
Acquisition of intangible assets	(102)	(1,114)
Issuance of shares by a subsidiary to non-controlling interests	-	50,874
Proceeds from disposal of property, plant and equipment	1,796	899
Cash distribution received from non-current assets held for distribution	-	5,073
Income distribution from short term funds	1,683	1,048
Net changes in short term funds	(5,393)	(4,664)
Interest received	942	2,506
	<hr/>	<hr/>
	(419,992)	(160,811)
Net cash generated from financing activities		
Net proceeds from term loans, trade facilities and revolving credit	206,000	117,050
Dividends paid	(17,767)	(17,767)
	<hr/>	<hr/>
	188,233	99,283
Net (decrease)/increase in Cash and Cash Equivalents	(33,250)	23,569
Effect of Exchange Rate Changes	16,837	(2,059)
Cash and Cash Equivalents at 1 January	139,304	117,794
	<hr/>	<hr/>
Cash and Cash Equivalents at 31 December	122,891	139,304
Cash and Cash Equivalents at 31 December comprised the following:		
Cash and bank balances	99,098	130,514
Deposits with licenced bank	23,793	8,790
Short-term funds	34,889	29,496
	<hr/>	<hr/>
Cash and bank balances and short term funds	157,780	168,800
Less: Short-term funds	(34,889)	(29,496)
	<hr/>	<hr/>
Cash and Cash Equivalents at 31 December	122,891	139,304

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 standards and interpretation did not have any material effect on the financial performance or position of the Group except for MFRS 9 Financial Instrument. The effect of adopting MFRS 9 is disclosed in Note a in the Condensed Consolidated Statement of Changes in Equity.

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 year 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 year under review.

7. Issuance, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuance, cancellation, repurchases, resale and repayments of debt and equity securities during the financial year 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 year ended 31 December 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	849,313	621,633	72,535	282,746	599	1,826,826	-	1,826,826
Inter-segmental sales	304,353	5,730	7,069	234,636	2,730	554,518	(554,518)	-
Total revenue	1,153,666	627,363	79,604	517,382	3,329	2,381,344	(554,518)	1,826,826
RESULTS								
Segment results	32,769	(6,276)	(4,070)	10,676	(932)	32,167	9,607	41,774
Other income/(expense)	17,009	4,092	1,891	6,418	210	29,620	(16,804)	12,816
	49,778	(2,184)	(2,179)	17,094	(722)	61,787	(7,197)	54,590
Finance costs	(23,061)	(11,227)	(823)	(884)	(955)	(36,950)	6,735	(30,215)
Profit before taxation								24,375
Taxation								(13,931)
Non-controlling interest								6,813
								17,257
ASSETS AND LIABILITIES								
Segment assets	2,306,313	700,427	85,720	329,887	86,840	3,509,187	(803,633)	2,705,554
Unallocated corporate assets	16,743	2,596	9,507	109	223	29,178	-	29,178
Consolidated total assets								2,734,732
Segment liabilities	677,789	448,429	58,492	183,440	69,437	1,437,587	(301,741)	1,135,846
Unallocated corporate liabilities	17,440	4,423	550	3,613	2,075	28,101	-	28,101
Consolidated total liabilities								1,163,947
OTHER INFORMATION								
Capital Expenditure	227,128	135,323	56,640	5	-	419,096	(76)	419,020
Depreciation and amortisation	64,271	22,102	3,947	43	804	91,167	-	91,167
Non-cash expenses other than depreciation	9,484	3,836	253	1,444	2,329	17,346	-	17,346

9. Segmental Reporting (Cont'd)

Segmental information for the financial year ended 31 December 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	853,561	544,580	94,933	345,098	717	1,838,889	-	1,838,889
Inter-segmental sales	379,908	8,172	27,235	242,656	2,312	660,283	(660,283)	-
Total revenue	1,233,469	552,752	122,168	587,754	3,029	2,499,172	(660,283)	1,838,889
RESULTS								
Segment results	101,621	(15,104)	6,685	14,771	(1,119)	106,854	(21,229)	85,625
Other income	17,432	9,137	381	3,111	(1,215)	28,846	(12,065)	16,781
	119,053	(5,967)	7,066	17,882	(2,334)	135,700	(33,294)	102,406
Finance costs	(19,103)	(9,525)	(795)	(645)	(943)	(31,011)	5,077	(25,934)
Profit before taxation								76,472
Taxation								6,556
Non-controlling interest								6,930
								89,958
ASSETS AND LIABILITIES								
Segment assets	2,121,286	603,599	101,174	278,291	88,306	3,192,656	(744,423)	2,448,233
Unallocated corporate assets	24,303	2,596	9,602	-	134	36,635	-	36,635
Consolidated total assets								2,484,868
Segment liabilities	589,272	334,392	70,763	144,264	71,098	1,209,789	(333,167)	876,622
Unallocated corporate liabilities	10,987	7,234	681	2,417	1,881	23,200	-	23,200
Consolidated total liabilities								899,822
OTHER INFORMATION								
Capital Expenditure	102,206	30,726	14,112	190	69,313	216,547	-	216,547
Depreciation and amortisation	59,964	20,267	3,388	37	2,135	85,791	-	85,791
Non-cash expenses other than depreciation	9,593	7,084	924	-	-	17,601	-	17,601

10. Valuation of Property, Plant and Equipment

The Group did not carry out any revaluation exercise for accounting purposes during the financial year under review.

11. Material Events Subsequent to the End of the Interim Period

On 14 February 2019, the Board of Directors of the Company ("Board") announced that:

- (i) the Company had on 14 February 2019 received a notice of conditional mandatory take-over offer ("Notice") from AmInvestment Bank Berhad on behalf of Can-One International Sdn Bhd ("Offeror") to acquire all the remaining ordinary shares in the Company ("Shares") not already owned by the Offeror amounting to 295,870,286 Shares ("Offer Shares(s)"), representing approximately 66.61% of the total voting shares in the Company, at a cash offer price of RM3.10 per Offer Share ("Offer"); and
- (ii) UOB Kay Hian Securities (M) Sdn Bhd has been appointed to act as the Independent Adviser to advise the non-interested Directors and the holders of the Offer Shares in respect of the fairness and reasonableness of the Offer.

A notification of the receipt of the Notice regarding the Offer and the Notice were despatched to the Company's shareholders on 19 February 2019.

Save for the above, there were no material events subsequent to the end of the financial year under review up to the date of this announcement that are not disclosed in the quarterly financial statements.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial year under review.

13. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or contingent assets since the end of the previous financial year.

14. Capital Commitments

The amount of capital commitments as at 31 December 2018 is as follows:

	RM'000
Approved and contracted for	<u>35,069</u>

15. Related Party Transactions

The Group has entered into the following related party transactions:

Nature of transaction	Identity of related parties	Financial Year Ended 31.12.2018
		<u>RM'000</u>
Sales of trading inventories	Aik Joo Can Factory Sdn. Berhad ⁽ⁱ⁾	21,333
	F & B Nutrition Sdn. Bhd. ⁽ⁱⁱ⁾	31,393
	Grensing 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 ("ALCOM") ^(iv)	1,914

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. Yeoh Jin Hoe is a substantial shareholder of Kian Joo Can Factory Berhad and Can-One Berhad.

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. Yeoh Jin Hoe is a substantial shareholder of Kian Joo Can Factory Berhad and Alcom Group Berhad, the holding company of ALCOM.

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

Fourth Quarter Ended 31 December 2018 ("Q4, 2018") versus Fourth Quarter Ended 31 December 2017 ("Q4, 2017")

The Group recorded a total revenue of RM489.1 million in Q4, 2018, a marginal decrease from RM494.4 million in Q4, 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 RM58.8 million in Q4, 2017 to RM49.4 million due to decrease in revenue and increased cost of tin plate and aluminium.

During the quarter, the Group also incurred pre-operating loss in Myanmar amounting to approximately RM8.4 million. Consequently, profit before taxation decreased from RM22.8 million in Q4, 2017 to RM4.1 million in Q4, 2018.

(i) Cans Division

The Cans Division generated a total operating revenue of RM306.7 million in Q4, 2018, a decrease from RM313.4 million in Q4, 2017. The decrease in revenue was attributable mainly to decrease in sales of aluminium cans and tin cans in Vietnam due to lower 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 RM13.7 million from RM16.7 million in Q4, 2017 compared to RM3.0 million in Q4, 2018. Lower revenue and the increase in cost of tin plate and aluminium were the main contributing factors for the drop in profit. In addition, the Division recorded RM5.5 million in pre-operating expenses in its Myanmar plant, and higher derivative financial losses in Q4, 2018.

(ii) Cartons Division

In Q4, 2018, the Cartons Division recorded a revenue of RM172.6 million, an increase of 14.9% from RM150.4 million in Q4, 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 RM11.7 million in Q4, 2017 to RM12.7 million in Q4, 2018 due to higher sales and higher selling prices in Malaysia and Vietnam.

During the quarter, the Division also incurred pre-operating loss in Myanmar amounting to approximately RM2.9 million. Consequently, despite the higher gross profit, the Division recorded a higher loss before taxation of RM6.1 million in the current quarter compared to a loss before taxation of RM2.2 million in Q4, 2017.

(iii) Contract Manufacturing Division

Revenue from Contract Manufacturing Division in Q4, 2018 decreased to RM20.4 million from RM43.0 million in Q4, 2017. The decrease was attributable to lower export sales by beverage manufacturing section during the quarter.

This Division recorded a profit before taxation of RM1.6 million compared to RM4.7 million in Q4, 2017 in tandem with the decrease in revenue.

(iv) Trading Division

Revenue of Trading Division decreased from RM156.5 million in Q4, 2017 to RM87.2 million in Q4, 2018. A profit before taxation of RM3.8 million was recorded in Q4, 2018 as compared to a profit before taxation of RM4.8 million in Q4, 2017.

16. Operating Segments Review (Cont'd)***Financial Year Ended 31 December 2018 ("FYE2018") versus Financial Year Ended 31 December 2017 ("FYE2017")***

The Group registered a decrease in revenue by RM11.6 million, from RM1,838.9 million in FYE2017 to RM1,826.8 million in FYE2018. The decrease in revenue was contributed by decrease in sales quantity for tin cans in Vietnam, aluminium cans, Contract Manufacturing and Trading division. This was offset by the increase in sales from the Cartons Division.

Gross profit dropped by 20.2% from RM226.5 million in FYE2017 to RM180.8 million in FYE2018 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 RM2.9 million in FYE2018 as compared to a gain on derivative financial instruments of RM6.8 million in FYE2017. Pre-operating expenses incurred in Myanmar amounting to RM20.0 million also contributed to the lower profit.

Consequently, the Group recorded a drop in profit before taxation from RM76.5 million in FYE2017 to RM24.4 million in FYE2018.

(i) Cans Division

The Cans Division reported a decrease in revenue of RM79.8 million, from RM1,233.5 million in FYE2017 to RM1,153.7 million in FYE2018. 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 RM73.3 million from RM100.0 million in FYE2017 to RM26.7 million in FYE2018 due to higher costs of tin plate and aluminium. In addition, this Division incurred higher loss on derivative financial instruments from RM0.2 million in FYE2017 to RM5.9 million in FYE2018. Pre-operating expenses incurred in Myanmar amounting to RM14.0 million also contributed to the lower profit.

(ii) Cartons Division

In FYE 2018, the Division's revenue is RM627.4 million, an increase from RM552.8 million recorded for FYE 2017. Higher revenue in the current financial year is contributed by increased sales volume in both Malaysia and Vietnam operations, and a comparatively higher average selling prices, which was adjusted to reflect higher paper costs.

As a result of the increase in revenue, gross profit improved to RM46.6 million in FYE2018, from RM39.5 million in FYE2017. The Division recorded a lower loss before taxation of RM13.4 million in FYE2018 compared to a loss before taxation of RM15.5 million in FYE2017, after taking into consideration the pre-operating loss of RM5.9 million incurred in the new plant in Myanmar.

(iii) Contract Manufacturing Division

Revenue of Contract Manufacturing Division decreased from RM122.2 million in FYE2017 to RM79.6 million in FYE2018 due mainly to decrease in export sales in beverage manufacturing section.

A loss before taxation of RM3.0 million was reported in FYE2018 from a profit before taxation of RM6.3 million in FYE2017. This was attributable to lower sales.

(iv) Trading Division

The revenue of Trading Division marginally decreased from RM587.8 million in FYE2017 to RM517.4 million in FYE2018. A profit before taxation of RM16.2 million was recorded in FYE2018 as compared to a profit before taxation of RM17.2 million in FYE2017.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 December 2018 ("Q4, 2018") Compared with Immediate Preceding Quarter Ended 30 September 2018 ("Q3, 2018")

	Q4,2018 RM'000	Q3,2018 RM'000	Changes %
Revenue	489,114	463,567	5.5
Operating Profit	6,313	9,697	(34.9)
Profit Before Interest and Taxation	13,461	11,074	21.6
Profit Before Taxation	3,678	3,844	(4.3)
(Loss)/Profit After Taxation	<u>(5,688)</u>	<u>3,676</u>	(254.7)
(Loss)/Profit attributable to:			
Owners of the company	<u>(1,808)</u>	<u>3,138</u>	(157.6)

The Group recorded a revenue of RM489.1 million in Q4, 2018, a 5.5% increase from RM463.6 million in Q3, 2018. Consequently, the Group recorded an increase in profit before taxation from RM3.8 million in Q3, 2018 to RM3.7 million in Q4, 2018.

(i) Cans Division

Revenue of Cans Division increased from RM289.4 million in Q3, 2018 to RM306.7 million in Q4, 2018. The increase in revenue was contributed by higher sales for general cans and aluminium cans and upward adjustments in selling price for cans to reflect higher costs of material.

Profit before taxation for Q4, 2018 was at RM3.0 million as compared to RM9.5 million in Q3, 2018. This division registered an unrealised loss on hedging instruments from RM1.6 million in Q3, 2018 to RM2.8 million in Q4, 2018. In addition, the Division recorded RM5.5 million in pre-operating loss in its Myanmar plant.

(ii) Cartons Division

Cartons Division's net revenue increased to RM172.6 million from RM167.6 million in the immediate preceding quarter. The improvement in revenue was mainly due to increased sales volume in Q4, 2018 in Malaysia and Vietnam.

Gross profit decreased from RM15.4 million in the immediate preceding quarter to RM12.7 million in Q4, 2018, due to higher manufacturing expenses in Malaysia and Vietnam.

The Division recorded RM1.3 million in pre-operating loss in its Myanmar plant, and higher unrealised foreign exchange losses in Q4, 2018. The Division recorded a loss before taxation of RM6.1 million, compared to a profit before taxation of RM1.0 million in Q3, 2018.

(iii) Contract Manufacturing Division

Revenue in Contract Manufacturing Division increased from RM10.8 million in Q3, 2018 to RM20.4 million in Q4, 2018. The increase was attributable to increase in export sales by beverage manufacturing section during the quarter.

A profit before taxation of RM1.4 million was recorded as opposed to a loss before taxation of RM3.3 million in Q3, 2018 in tandem with the increase in revenue.

17. Material Change in Performance of Operating Segments of Current Quarter Ended 31 December 2018 ("Q4, 2018") Compared with Immediate Preceding Quarter Ended 30 September 2018 ("Q3, 2018") (Cont'd)

(iv) Trading Division

The revenue of Trading Division decreased from RM117.6 million in Q3, 2018 to RM87.2 million in Q4, 2018. A profit before taxation of RM3.8 million was recorded as compared to profit before taxation of RM3.4 million in Q3, 2018. The improvement due mainly to lower foreign currency exchange loss from RM0.3 million in Q3, 2018 to RM0.1 million in Q4, 2018.

18. Commentary on Prospects

The key challenges faced by the Group 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 rates;
- (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 the 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 will add additional cost pressure to the Group.

Faced by these cost pressures, the management will continue to review its selling prices to key customers whilst stepping up its efforts to bring down its operating costs. 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.

The new plants in Myanmar will commence operation in the first quarter of 2019. Since this is a greenfield project, the Group can only anticipate positive contribution from these plants in 4 to 5 years upon their commencement of operation.

Barring unforeseen circumstances, the Board expects the results of the Group to improve in 2019.

19. Other income

Included in other income are the following items:

	Current Year Quarter Ended 31.12.2018 RM'000	Preceding Year Quarter Ended 31.12.2017 RM'000	Current Year Ended 31.12.2018 RM'000	Preceding Year Ended 31.12.2017 RM'000
Net gain on disposal of property, plant and equipment	122	84	1,169	314
Income distribution from short term funds	477	703	1,683	1,048
Interest income	254	2,506	942	2,506
Gain fair value adjustment on derivative instruments *	-	1,833	-	6,952
Realised foreign exchange gain	-	632	-	3,161
Rental income	465	348	1,917	1,459
Reversal of impairment loss on receivables	3,089	-	3,089	-
Others	2,741	(1,794)	4,016	1,341
	7,148	4,312	12,816	16,781

19. Other income (Cont'd)

* The Group enters into derivative financial instruments to hedge the following exposures:

- (i) Pricing risk of aluminium;
- (ii) Foreign currency exchange risks of monetary assets; and
- (iii) Foreign currency exchange risks and interest rate risk arising from long term borrowings in foreign currency incurred by the Group.

20. Profit Before Taxation

Included in profit before taxation are the following items:

	Current Year Quarter Ended 31.12.2018 RM'000	Preceding Year Quarter Ended 31.12.2017 RM'000	Current Year Ended 31.12.2018 RM'000	Preceding Year Ended 31.12.2017 RM'000
Interest expense	9,783	7,154	30,215	25,934
Depreciation and amortisation	25,253	20,451	91,167	85,791
(Reversal)/allowance of impairment loss on receivables	(1,491)	1,101	(1,491)	1,101
Write-off of property, plant and equipment	89	17	404	26
Net loss/(gain) fair value adjustment on derivative instruments	2,056	(1,679)	2,943	(6,798)
Net foreign exchange loss	1,363	6,146	8,802	15,451
Net write-down/write-off of inventories	(13,824)	7,910	(2,163)	20,737

21. Variance from Forecast Profit and shortfall in Profit Guarantee

No profit forecast or guarantee was issued by the Group.

22. Taxation

	Current Year Quarter Ended 31.12.2018 RM'000	Preceding Year Quarter Ended 31.12.2017 RM'000	Current Year Ended 31.12.2018 RM'000	Preceding Year Ended 31.12.2017 RM'000
Group				
Income Tax				
- current year	(8,055)	(2,182)	(14,871)	(19,805)
- prior year	765	(167)	678	188
Deferred taxation	(2,076)	26,034	262	26,173
	(9,366)	23,685	(13,931)	6,556

The effective tax rate for the financial period under review was higher than the statutory tax rate due to despite of subsidiaries' tax losses in absence of group relief.

23. Status of Corporate Proposal

There were no corporate proposals announced as at the date of issue of this quarterly report.

24. Group Borrowings and Debt Securities

Total Group borrowings are as follows:

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities	255,534	210,151
- Revolving credit	93,128	119,423
- Term loans	64,444	48,195
	413,106	377,769
Non-current - unsecured		
- Term loans	388,303	195,516
	801,409	573,285

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

	As at 31.12.2018 RM'000	As at 31.12.2017 RM'000
Current - unsecured		
- Trade facilities denominated in USD	4,317	38,509
- Trade facilities denominated in VND	107,410	93,975
- Term loan denominated in USD	12,229	1,382
- Term loan denominated in VND	8,783	5,313
- Revolving credit denominated in USD	20,728	20,323
Non-current - unsecured		
- Term loan denominated in USD	215,773	-
- Term loan denominated in VND	27,979	38,250
	397,219	197,752

All the Group's borrowings were unsecured.

The interest rates for the borrowings are as follows:

	As at 31.12.2018	As at 31.12.2017
Term loans:		
- Fixed rates	3.50% - 4.60%	3.50% - 4.60%
- Floating rates	3.64% - 7.80%	3.18% - 6.44%
Trade facilities	3.09% - 6.66%	1.70% - 6.75%
Revolving credits	4.34% - 5.00%	3.56% - 4.98%

25. Derivative financial instruments
(a) Disclosure of derivatives

As at 31 December 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;
- (ii) entered into commodity contracts to hedge pricing risk of aluminium; and
- (iii) entered into an interest rate swap contract with a financial institution to hedge the interest rate exposure in respect of a long term loan denominated in USD.

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.

KIAN JOO CAN FACTORY BERHAD (003186-P)
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25. Derivative financial instruments (Cont'd)

(a) Disclosure of derivatives (Cont'd)

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

Type of derivative	Contract/ Notional amount RM'000	Fair value		
		Assets RM'000	Current liabilities RM'000	Non-current liabilities RM'000
Hedging derivatives:				
Cross currency interest rate swap contracts				
- Less than one (1) year	3,101	54	9	
- One (1) year to three (3) years	9,304			28
- More than three (3) years	5,548			19
Commodity contracts				
- Less than one (1) year	85,235		6,495	
Interest swap contract				
- Less than one (1) year	68,279		593	
- One (1) year to three (3) years	204,837			1,777
- More than three (3) years	17,069			149
Non-hedging derivatives:				
Cross currency swap contract				
- Less than one (1) year	7,495		2,675	
Foreign exchange contracts				
- Less than one (1) year	804		5	
		54	9,777	1,973

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 RM11.9 million from derivative financial assets of RM0.2 million as at 31 December 2017 to derivative financial liabilities of RM11.7 million as at 31 December 2018 arising from:

- (i) fair value gain on foreign exchange contracts, cross currency swap contract and cross currency interest rate swap contracts of RM2.9 million due to USD/RM exchange rate weakening against the contracted rate;
- (ii) fair value gain on foreign exchange contracts of RM25,000 due to USD/RM exchange rate weakening against the contracted rate;
- (iii) fair value loss on commodity contracts of RM6.5 million due to aluminium market price being lower than the contracted price; and
- (iii) fair value loss on interest rate swap contract of RM2.5 million due to interest rate being lower than the contracted rate.

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.

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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. (Loss)/Earnings Per Share

	Current Year Quarter Ended 31.12.2018 RM'000	Preceding Year Quarter Ended 31.12.2017 RM'000	Current Year Ended 31.12.2018 RM'000	Preceding Year Ended 31.12.2017 RM'000
(Loss)/Profit attributable to owners of the company (RM '000)	(1,808)	46,896	17,257	89,958
Weighted average number of ordinary shares	444,167,786	444,167,786	444,167,786	444,167,786
Basic (loss)/earnings per share (sen)	(0.41)	10.56	3.89	20.25

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 26 February 2019.

Batu Caves, Selangor Darul Ehsan
26 February 2019