

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2016**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Revenue	13,308	10,902	13,308	10,902
Cost of sales	(10,125)	(9,126)	(10,125)	(9,126)
Gross profit	3,183	1,776	3,183	1,776
Other operating income	-	293	-	293
Administrative expenses	(1,227)	(1,008)	(1,227)	(1,008)
Selling and distribution expenses	(575)	(280)	(575)	(280)
Other operating expenses	(21)	-	(21)	-
Finance costs	(213)	(216)	(213)	(216)
Profit before taxation	1,147	565	1,147	565
Taxation	(247)	(174)	(247)	(174)
Profit after taxation ("PAT")	900	391	900	391
Other comprehensive income after tax:				
- Foreign exchange translation	(6,984)	3,132	(6,984)	3,132
Total comprehensive (loss)/ income	(6,084)	3,523	(6,084)	3,523
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	900	391	900	391
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:				
- Owners of the company	(6,084)	3,523	(6,084)	3,523
Weighted average no. of ordinary shares ('000)	604,419	516,000	604,419	516,000
Earnings per share attributable to owners of the company (sen):				
- Basic	0.15	0.08	0.15	0.08
- Diluted	0.11	N/A	0.11	N/A

Notes:

N/A Not applicable

(1) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Kanger International Berhad ("**Kanger**" or the "**Company**") for the financial year ended ("**FYE**") 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	(Unaudited) As at 31 March 2016 RM '000	(Audited) As at 31 December 2015 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	29,826	33,192
Intangible assets	15,304	16,338
	45,130	49,530
CURRENT ASSETS		
Inventories	27,551	30,780
Trade and other receivables	33,828	29,242
Cash and cash equivalents	21,522	28,487
	82,901	88,509
TOTAL ASSETS	128,031	138,039
EQUITY AND LIABILITIES		
EQUITY		
Share capital	60,442	60,442
Reserves	30,032	36,116
TOTAL EQUITY	90,474	96,558
CURRENT LIABILITIES		
Trade and other payables	9,458	7,975
Amount owing to a director	289	753
Bank borrowings	25,466	30,611
Tax payable	1,576	1,374
	36,789	40,713
LONG TERM LIABILITIES		
Redeemable convertible notes	720	720
Deferred taxation	48	48
	768	768
TOTAL LIABILITIES	37,557	41,481
TOTAL EQUITY AND LIABILITIES	128,031	138,039
NET ASSETS PER SHARE (sen)	14.97	15.98

Note:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2016

	----- Non-Distributable -----					Equity component of Redeemable Convertible Notes RM '000	Distributable	
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000		Retained Earnings RM '000	Total Equity RM '000
Balance as at 1 January 2016	60,442	3,385	(12,805)	788	14,481	132	30,135	96,558
PAT	-	-	-	-	-	-	900	900
Foreign currency translation	-	-	-	-	(6,984)	-	-	(6,984)
Total comprehensive loss	-	-	-	-	(6,984)	-	900	(6,084)
Balance as at 31 March 2016	60,442	3,385	(12,805)	788	7,497	132	31,035	90,474
Preceding year corresponding period ended 31 March 2015								
Balance as at 1 January 2015	51,600	2,302	(12,805)	788	4,649	-	20,383	66,917
PAT	-	-	-	-	-	-	391	391
Foreign currency translation	-	-	-	-	3,132	-	-	3,132
Total comprehensive income	-	-	-	-	3,132	-	391	3,523
Balance as at 31 March 2015	51,600	2,302	(12,805)	788	7,781	-	20,774	70,440

Note:

- (1) The Unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2016**

	Current Year to date 31 March 2016 RM'000	Preceding Year to date 31 March 2015 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	1,147	565
Adjustments for:		
Depreciation of property, plant and equipment	364	347
Amortisation of intangible assets	161	-
Interest expenses	213	216
Operating profit before working capital changes:	1,885	1,128
Change in inventories	3,229	(33)
Change in trade and other receivables	(4,587)	(1,812)
Change in trade and other payables	1,118	365
CASH GENERATED FROM/ (USED IN) OPERATIONS	1,645	(352)
Interest paid	(213)	(216)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	1,432	(568)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(99)	(1,880)
Development expenditure	(533)	-
NET CASH USED IN INVESTING ACTIVITIES	(632)	(1,880)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of bank borrowings	624	5,110
Withdrawal/ (Placement) of fixed deposit pledged	454	(9,606)
Repayment of bank borrowings	(3,332)	-
NET CASH USED IN FINANCING ACTIVITIES	(2,254)	(4,496)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,454)	(6,944)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(5,057)	2,893
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	17,231	17,550
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	10,720	13,499

KANGER INTERNATIONAL BERHAD
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	Current Year to date 31 March 2016 RM'000	Preceding Year to date 31 March 2015 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	10,720	13,499
- Fixed deposit placed with licensed banks	10,802	9,606
	<u>21,522</u>	<u>23,105</u>
Less: Fixed deposit pledged	<u>(10,802)</u>	<u>(9,606)</u>
	<u>10,720</u>	<u>13,499</u>

Note:

(1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2016

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2016

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) 134: Interim Financial Reporting, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

The interim financial statements should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2015 and the accompanying explanatory notes attached to this interim financial report.

Kanger and its subsidiaries (“**Group**”) have not applied the following standards, amendments and interpretations under the MFRS framework that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
MFRS 15 – Revenue From Contracts with Customers	1 January 2018
MFRS 16 – Leases	1 January 2019
MFRS 107 – Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 – Recognition of Deferred Tax Assets For Unrealised Losses (Amendments to MFRS 112)	1 January 2017

The Group intends to adopt the above MFRSs, IC Interpretation as well as amendments to MFRSs when they become effective.

The adoption of the above standards and interpretations will not have any material impact on the financial position and performance of the Group. The accounting policies and methods of computation adopted by the Group in these unaudited condensed interim financial statements are consistent with those adopted in the Audited Financial Statements of Kanger for the FYE 31 December 2015.

A2. Auditors’ report of preceding annual financial statements

The auditors’ reports on the preceding audited financial statements of the Company and its subsidiaries were not subject to any qualification.

A3. Seasonal or cyclical factors

The principal business of the Group was not significantly affected by seasonal or cyclical factors save for long Chinese New Year holidays in the People’s Republic of China (“**PRC**”) in the current financial quarter.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial year-to-date.

A5. Material changes in estimates

Not applicable as there were no estimates reported in the prior financial years.

A6. Debt and equity securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial quarter.

A7. Dividends

There were no dividends paid or declared for the current financial quarter and financial year-to-date.

A8. Segmental information

The Group's revenue is derived from four (4) products as follows:

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Horizontal and vertical bamboo flooring	9,545	5,728	9,545	5,728
Strand woven bamboo flooring	137	1,231	137	1,231
Bamboo furniture	3,168	-	3,168	-
Other strand woven bamboo products	458	3,943	458	3,943
Total	13,308	10,902	13,308	10,902

The Group's revenue based on geographical location of customers is as follows:

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
PRC	4,382	7,173	4,382	7,173
Export:				
- Canada	5,351	-	5,351	-
- Brazil	2,684	-	2,684	-
- Iran	432	1,212	432	1,212
- Others*	459	2,517	459	2,517
	13,308	10,902	13,308	10,902

* Includes countries in Europe, Asia and South America.

No other segmental information such as segment assets, liabilities and results are presented as the Group is principally engaged in one industry, that is, the bamboo industry in the PRC.

A9. Valuation of property, plant and equipment

The Group has not carried out any valuation of its property, plant and equipment in the current financial quarter.

A10. Capital commitments

The capital commitments of the Group as at 31 March 2016 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	72,072
- Machineries	1,643
	<u>73,715</u>

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

A12. Contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual reporting period date up to the date of this report.

A13. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter and financial year-to-date that have not been reflected in this interim financial report.

A14. Related party transactions

There were no related party transactions entered into with related parties during the current financial quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Revenue	13,308	10,902	13,308	10,902
Profit before taxation	1,147	565	1,147	565

For the current financial quarter ended 31 March 2016 (“Q1 2016”), the Group recorded revenue of RM13.31 million and profit before taxation of RM1.15 million. Gross profit margin and profit before taxation margin stood at 23.9% and 8.6% respectively for Q1 2016.

The increase in revenue in Q1 2016 as compared to the corresponding quarter ended 31 March 2015 (“Q1 2015”) by 22.1% was mainly due to an increase in export sales following an increase in demand for the Group’s new product segment, i.e. bamboo furniture as well as horizontal and vertical bamboo flooring products from overseas customers. The Group’s export sales increased to RM8.93 million in Q1 2016 as compared to RM3.73 million in Q1 2015.

For Q1 2016, profit before taxation increased by RM0.58 million from RM0.57 million in Q1 2015 to RM1.15 million in Q1 2016 mainly due to increase in revenue and sales of products, i.e. bamboo furniture with higher gross margin.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance RM '000
	31 March 2016 RM '000	31 December 2015 RM '000	
Revenue	13,308	21,598	(8,290)
Profit before taxation	1,147	9,082	(7,935)

The Group recorded a decrease in revenue by RM8.29 million to RM13.31 million in Q1 2016 as compared to RM21.60 million in the preceding financial quarter ended 31 December 2015. This decrease in revenue was mainly due to the long Chinese New Year holidays in the PRC during the current financial quarter, which is consistent with the sales trend in previous years.

The Group’s profit before taxation decreased by RM7.94 million to RM1.15 million in Q1 2016 as compared to RM9.08 million in the preceding financial quarter ended 31 December 2015 mainly due to the decrease in revenue in Q1 2016 and net unrealised gain on foreign exchange of RM5.1 million recorded in the preceding financial quarter ended 31 December 2015 as a result of currency differences on inter-company balances.

B3. Prospects for the financial year ending 31 December 2016 (“FYE 2016”)

China’s strong economic growth has led to increasingly affluent consumers who now have the purchasing power as well as the willingness to pay to enhance individual lifestyles for greater comfort and pleasure. The modernisation and urbanisation of the country has also caused a growth in the China’s property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. China’s initiative of development of its western region and the construction of 36 million affordable houses as stated in its 12th Five-Year Plan (2011 – 2015) is envisaged to uphold performance of the construction industry which is expected to positively affect the bamboo flooring market. The bamboo flooring market in China is valued at RMB3.37 billion in 2012 and is expected to grow at a compound annual growth rate of 8.4 percent for the year 2012 to 2017 to RMB5.04 billion in 2017. (Source: Independent Market Research Report prepared by Protégé Associate Sdn Bhd).

In line with the bright outlook of the bamboo industry, the Group has identified the following main strategies to continue to grow its businesses:-

- (a) Expansion of the Group’s flooring products with the launching of new series of bamboo flooring products;
- (b) Enhancing the Group’s flooring products to focus more on ‘green’ strand woven products;
- (c) Expansion of the Group’s product portfolio to include bamboo furniture marketed under the ‘KAR-ACE’ brand;
- (d) Expansion of the Group’s presence by increasing the number of appointed dealers and number of sales and marketing channels; and
- (e) Diversification of the Group’s principal activities to include property investment and management which will provide the Group with additional income and cash flows.

Premised on the above, the Board of Directors of Kanger (“**Board**”) is of the view that the Group will enjoy sustainable growth for the financial year ending 2016.

B4. Profit forecast

The Group has not issued any profit forecast in any public documents.

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Current tax expenses	247	174	247	174
Effective tax rate	21.5%	30.8%	21.5%	30.8%

The PRC income tax is computed in accordance with the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for the current financial quarter and financial year-to-date, except for the Group’s subsidiary, Ganzhou Kanger Industrial Co., Ltd, which currently enjoys a preferential tax rate of 15%.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There is no corporate proposal announced but not completed as at the date of this report.

(ii) Utilisation of proceeds

The Company was listed on the ACE Market of Bursa Securities on 23 December 2013. The status of utilisation of the gross proceeds of RM20 million from the public issue by the Group as at 31 March 2016 is as follows:

Purpose	Intended timeframe for utilisation (from date of listing)	Intended utilisation as per Prospectus RM '000	Variation approved on 20 November 2015 RM '000	Actual utilisation to-date RM '000	Deviation		Balance after variation RM '000
					RM '000	%	
i) Capital expenditure	Within 12 months	1,000	-	1,000	-	-	-
ii) Research and development expenditure	Within 24 months	2,000	(2,000) ⁽ⁱ⁾	-	-	-	-
iii) Repayment of bank borrowings	Within 12 months	5,500	-	5,500	-	-	-
iv) Working capital	Within 30 months	8,200	2,000 ⁽ⁱ⁾	10,309	109 ⁽ⁱⁱⁱ⁾	1.3	-
v) Estimated listing expenses	Within 3 months	3,300	-	3,191	(109) ⁽ⁱⁱ⁾	(3.3)	-
Total gross IPO proceeds		20,000		20,000			

Notes:

- (i) The Board had announced on 20 November 2015 that it had approved a variation and extension of timeframe for the utilisation of remaining IPO proceeds amounting to RM2,000,000.
- (ii) The excess amount budgeted for has been utilised for working capital purposes.

B7. Borrowings

The Group's borrowings as at 31 March 2016 are as follows:

	RM '000
Secured	
Short term revolving loan	500
Bank overdraft	1,010
Term loans	7,689
Bills payables	15,547
Unsecured	
Redeemable convertible notes	720
Total borrowings	<u>25,466</u>

Currency exposure profile of borrowings is as follows:

	RM '000
Secured	
Ringgit Malaysia	1,510
Chinese Renminbi	23,236
Unsecured	
Ringgit Malaysia	720
Total borrowings	<u>25,466</u>

Note:

(1) *The Group's borrowings in Renminbi ("RMB") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6006 as at 31 March 2016.*

B8. Material litigation

As at date of this report, there is no litigation or arbitration which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. Dividends

There were no dividends paid or declared for the current financial quarter.

B10. Earnings per share

The earnings per share are calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	900	391	900	391
Weighted average number of ordinary shares in issue ('000)	604,419	516,000	604,419	516,000
Basic earnings per share (sen)	0.15	0.08	0.15	0.08
Diluted earnings per share (sen)	0.11	N/A	0.11	N/A

Diluted earnings per share is calculated based on the assumption that all outstanding warrants and redeemable convertible notes were exercised and/or converted.

B11. Disclosure on selected expense/income items as required by the Listing Requirements

Included in the profit before taxation are the following expense/(income) items:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2016 RM '000	31 March 2015 RM '000	31 March 2016 RM '000	31 March 2015 RM '000
Interest expenses	213	216	213	216
Depreciation	364	347	364	347
Amortisation of intangible assets	161	-	161	-

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 March 2016 into realised and unrealised profits is as follows:

	As at 31 March 2016 RM '000	As at 31 March 2015 RM '000
Total retained earnings of the Group:		
- Realised	31,035	20,774
- Unrealised	-	-
Total	<u>31,035</u>	<u>20,774</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>31,035</u></u>	<u><u>20,774</u></u>

By Order of the Board

WONG KEO ROU (MAICSA 7021435)
Company Secretary
Kuala Lumpur
30 May 2016