

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2017**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Revenue	14,803	13,308	14,803	13,308
Cost of sales	(11,647)	(10,125)	(11,647)	(10,125)
Gross profit	3,156	3,183	3,156	3,183
Other operating income	35	-	35	-
Administrative expenses	(1,271)	(1,227)	(1,271)	(1,227)
Selling and distribution expenses	(662)	(575)	(662)	(575)
Other operating expenses	-	(21)	-	(21)
Finance costs	(186)	(213)	(186)	(213)
Profit before taxation	1,072	1,147	1,072	1,147
Taxation	(51)	(247)	(51)	(247)
Profit after taxation ("PAT")	1,021	900	1,021	900
Other comprehensive income after tax:				
- Foreign exchange translation	(694)	(6,984)	(694)	(6,984)
Total comprehensive income/ (loss)	327	(6,084)	327	(6,084)
<b>PROFIT ATTRIBUTABLE TO:</b>				
- Owners of the company	1,021	900	1,021	900
<b>TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:</b>				
- Owners of the company	327	(6,084)	327	(6,084)
Weighted average no. of ordinary shares ('000)	798,461	604,419	798,461	604,419
Earnings per share attributable to owners of the company (sen):				
- Basic	0.13	0.15	0.13	0.15
- Diluted	0.10	0.11	0.10	0.11

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 2016 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 MARCH 2017**

	(Unaudited) As at 31 March 2017 RM '000	(Audited) As at 31 December 2016 RM '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	46,335	44,804
Intangible assets	17,808	17,871
	64,143	62,675
<b>CURRENT ASSETS</b>		
Inventories	30,652	30,087
Trade and other receivables	58,375	55,271
Tax recoverable	221	273
Cash and cash equivalents	15,006	15,650
	104,254	101,281
<b>TOTAL ASSETS</b>	<b>168,397</b>	<b>163,956</b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	79,846	79,846
Reserves	41,898	41,571
<b>TOTAL EQUITY</b>	<b>121,744</b>	<b>121,417</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	12,354	8,170
Bank borrowings	28,182	28,226
Tax payable	100	100
	40,636	36,496
<b>LONG TERM LIABILITIES</b>		
Bank borrowings	5,784	5,810
Deferred taxation	233	233
	6,017	6,043
<b>TOTAL LIABILITIES</b>	<b>46,653</b>	<b>42,539</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>168,397</b>	<b>163,956</b>
<b>NET ASSETS PER SHARE (sen)</b>	15.25	15.21

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 2016 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2017

	----- Non-Distributable -----					Equity Component of Redeemable Convertible Notes RM '000	Distributable		Total Equity RM '000
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000		Retained Earnings RM '000		
Balance as at 1 January 2017	79,846	4,381	(12,805)	1,226	13,155	-	35,614	121,417	
PAT	-	-	-	-	-	-	1,021	1,021	
Foreign currency translation	-	-	-	-	(694)	-	-	(694)	
Total comprehensive income	-	-	-	-	(694)	-	1,021	327	
Balance as at 31 March 2017	79,846	4,381	(12,805)	1,226	12,461	-	36,635	121,744	

**Preceding year corresponding period ended 31 March 2016**

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

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 2016 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2017**

	Current Year to date 31 March 2017 RM'000	Preceding Period to date 31 March 2016 RM'000
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Profit before taxation	1,072	1,147
Adjustments for:		
Depreciation of property, plant and equipment	311	364
Amortisation of intangible assets	164	161
Interest expenses	186	213
Operating profit before working capital changes:	1,733	1,885
Change in inventories	(564)	3,229
Change in trade and other receivables	(3,104)	(4,587)
Change in trade and other payables	4,185	1,118
<b>CASH GENERATED FROM OPERATIONS</b>	2,250	1,645
Interest paid	(186)	(213)
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	2,064	1,432
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(2,042)	(99)
Development expenditure	(173)	(533)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	(2,215)	(632)
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Net drawdown/ (repayment) of bank borrowings	64	(3,718)
Withdrawal/ (Placement) of fixed deposit pledged	37	454
<b>NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES</b>	101	(3,264)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(50)	(2,464)
<b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	(569)	(5,057)
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	6,853	17,231
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	6,234	9,710

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	<b>Current Year to date 31 March 2017 RM'000</b>	<b>Preceding Period to date 31 March 2016 RM'000</b>
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	6,619	10,720
- Bank overdraft	(385)	(1,010)
- Fixed deposit placed with licensed banks	8,387	10,802
	<u>14,621</u>	<u>20,512</u>
Less: Fixed deposit pledged	<u>(8,387)</u>	<u>(10,802)</u>
	<u><u>6,234</u></u>	<u><u>9,710</u></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 2016 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST (1<sup>st</sup>) QUARTER ENDED 31 MARCH 2017

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2017

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 2016 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:

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective dates for financial period beginning on and after</b>
MFRS 1 – Amendments to MFRS 1 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
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	To be announced
MFRS 12 – Amendments to MFRS 12 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 15 – Revenue From Contracts with Customers	1 January 2018
MFRS 16 – Leases	1 January 2019
MFRS 128 – Amendments to MFRS 128 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 140 – Transfers of Investment Property (Amendments to MFRS 140)	1 January 2018

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 2016.

**A2. Auditors' report on preceding annual financial statements**

The auditors' report on the audited consolidated financial statements of the Company for the FYE 31 December 2016 was 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.

**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 in the current financial quarter.

**A7. Segmental information**

The Group's revenue is derived from three (3) products, as follows:

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Horizontal and vertical bamboo flooring	12,357	9,545	12,357	9,545
Strand woven bamboo flooring	461	137	461	137
Bamboo furniture and other strand woven bamboo products	1,985	3,626	1,985	3,626
Total	<u>14,803</u>	<u>13,308</u>	<u>14,803</u>	<u>13,308</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2017 RM '000	31 March 2016 RM'000	31 March 2017 RM '000	31 March 2016 RM '000
PRC	6,227	4,382	6,227	4,382
Export:				
- Malaysia	2,488	-	2,488	-
- Brazil	1,267	2,684	1,267	2,684
- United Arab Emirates	1,074	-	1,074	-
- Mexico	1,021	-	1,021	-
- Canada	556	5,351	556	5,351
- Others*	2,170	891	2,170	891
	<u>14,803</u>	<u>13,308</u>	<u>14,803</u>	<u>13,308</u>

\* 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.

**A8. 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.

**A9. Capital commitments**

The capital commitments of the Group as at 31 March 2017 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>48,818</u>

**A10. Changes in the composition of the Group**

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

**A11. Contingent liabilities and contingent assets**

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

**A12. Material events subsequent to the end of the quarter**

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

**A13. 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	31 March	31 March	31 March
	2017	2016	2017	2016
	RM '000	RM '000	RM '000	RM '000
Revenue	14,803	13,308	14,803	13,308
Profit before taxation	1,072	1,147	1,072	1,147

For the current financial quarter ended 31 March 2017 (“Q1 2017”), the Group recorded revenue of RM14.80 million and profit before taxation of RM1.07 million. Gross profit margin and profit before taxation margin stood at 21.3% and 7.2% respectively for Q1 2017.

The increase in revenue in Q1 2017 as compared to the corresponding quarter ended 31 March 2016 (“Q1 2016”) by 11.2% was mainly due to an increase in sales of horizontal and vertical bamboo flooring products to the domestic PRC market in Q1 2017.

For Q1 2017, profit before taxation decreased by RM0.08 million from RM1.15 million in Q1 2016 to RM1.07 million in Q1 2017 mainly due to the reduction of gross profit margin from 23.9% in Q1 2016 to 21.3% in Q1 2017 as a result of higher sales in horizontal and vertical bamboo flooring products which generally command lower gross profit margin.

**B2. Comparison with immediate preceding quarter’s results**

	Quarter ended		Variance
	31 March 2017	31 December 2016	
	RM'000	RM '000	RM '000
Revenue	14,803	23,036	(8,233)
Profit before taxation	1,072	1,407	(335)

The Group recorded a decrease in revenue by RM8.23 million to RM14.80 million in Q1 2017 as compared to RM23.04 million in the preceding financial quarter ended 31 December 2016. 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 the previous years.

The Group’s profit before taxation decreased by RM0.34 million to RM1.07 million in Q1 2017 as compared to RM1.41 million in the preceding financial quarter ended 31 December 2016 mainly due to the decrease in revenue.

**B3. Prospects for the financial year ending 31 December 2017 (“FYE 2017”)**

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 China’s property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. Under its 13<sup>th</sup> Five-Year Plan (2016-2020), China aims to double its 2010 GDP and the 2010 per capita income of both urban and rural residents by 2020 and will focus more on green and low-carbon industries. This is envisaged 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. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio. *(Source: Independent Market Research Report prepared by Protégé Associate Sdn Bhd, China’s 13<sup>th</sup> Five Year Plan and China Wood Flooring Industry Report, 2014-2018).*

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 FYE 2017.

**B4. Profit forecast**

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

**B5. Taxation**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Current tax expenses	51	247	51	247
Effective tax rate	4.8%	21.5%	4.8%	21.5%

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%. In addition, Kanger Trading (HK) Co. Limited currently enjoys 0% tax rate in Hong Kong as it is an export company and derives its income overseas.

**B6. Status of corporate proposals**

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

**B7. Borrowings**

The Group's borrowings as at 31 March 2017 are as follows:

	RM '000
<b>Secured – Short term borrowings</b>	
Bank overdraft	385
Term loans	14,140
Bills payables	13,657
<b>Secured – Long term borrowings</b>	
Term loans	5,784
<b>Total borrowings</b>	33,966

The currency exposure profile of the Group's borrowings is as follows:

	RM '000
<b>Secured – Short term borrowings</b>	
Ringgit Malaysia	385
Chinese Renminbi	33,581
<b>Total borrowings</b>	33,966

Note:

- (1) The Group's borrowings in Renminbi ("**RMB**") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6427 as at 31 March 2017.

**B8. Material litigation**

As at the 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 financial period ended (“FPE”) 31 March 2017 (FPE 31 March 2016: Nil).

**B10. Earnings per share**

The Group’s basic earnings per share is calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,021	900	1,021	900
Weighted average number of ordinary shares in issue ('000)	798,461	604,419	798,461	604,419
Basic earnings per share (sen)	0.13	0.15	0.13	0.15

The Group's diluted earnings per share is calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,021	900	1,021	900
Weighted average number of ordinary shares in issue ('000)	798,461	604,419	798,461	604,419
Assuming full exercise of warrants ('000)	1,037,396	843,355	1,037,396	843,355
Assuming full conversion of Notes already issued ('000)	1,037,396	852,355	1,037,396	852,355
Diluted earnings per share (sen)	0.10	0.11	0.10	0.11

**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 2017 RM '000	31 March 2016 RM '000	31 March 2017 RM '000	31 March 2016 RM '000
Interest expenses	186	213	186	213
Depreciation	311	364	311	364
Amortisation of intangible assets	164	161	164	161

There were no other income, interest income, provision for and write off of receivables and inventories, impairment of assets, gain or loss on disposal of property, plant and equipment, gain or loss on derivatives, gain or loss on foreign exchange and exceptional items for the current quarter ended 31 March 2017.

**B12. Disclosure of realised and unrealised profits**

The breakdown of the retained earnings of the Group as at 31 March 2017 into realised and unrealised profits is as follows:

	<b>As at 31 March 2017 RM '000</b>	<b>As at 31 March 2016 RM '000</b>
Total retained earnings of the Group:		
- Realised	36,635	31,035
- Unrealised	-	-
Total	<u>36,635</u>	<u>31,035</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>35,635</u></u>	<u><u>31,035</u></u>

By Order of the Board

**WONG YUET CHYN (MAICSA 7047163)**  
Company Secretary  
Kuala Lumpur  
26 May 2017