

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2017 RM '000	30 June 2016 RM '000	30 June 2017 RM '000	30 June 2016 RM '000
Revenue	19,144	18,560	33,947	31,868
Cost of sales	(15,086)	(14,294)	(26,733)	(24,419)
Gross profit	4,058	4,266	7,214	7,449
Other operating income	-	62	35	62
Administrative expenses	(1,501)	(2,668)	(2,772)	(3,895)
Selling and distribution expenses	(541)	(671)	(1,203)	(1,246)
Other operating expenses	-	(5)	-	(26)
Finance costs	(209)	(72)	(395)	(285)
Profit before taxation	1,807	912	2,879	2,059
Taxation	(121)	(26)	(172)	(273)
Profit after taxation ("PAT")	1,686	886	2,707	1,786
Other comprehensive income after tax:				
- Foreign exchange translation	(2,544)	(282)	(3,238)	(7,266)
Total comprehensive (loss)/ income	(858)	604	(531)	(5,480)
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	1,686	886	2,707	1,786
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:				
- Owners of the company	(858)	604	(531)	(5,480)
Weighted average no. of ordinary shares ('000)	798,461	746,466	798,461	675,443
Earnings per share attributable to owners of the company (sen):				
- Basic	0.21	0.12	0.34	0.26
- Diluted	0.16	0.09	0.26	0.20

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 30 JUNE 2017**

	(Unaudited) As at 30 June 2017 RM '000	(Audited) As at 31 December 2016 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	56,615	44,804
Intangible assets	18,447	17,871
	75,062	62,675
CURRENT ASSETS		
Inventories	30,082	30,087
Trade and other receivables	50,403	55,271
Tax recoverable	-	273
Cash and cash equivalents	15,419	15,650
	95,904	101,281
TOTAL ASSETS	170,966	163,956
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,846	79,846
Reserves	41,040	41,571
TOTAL EQUITY	120,886	121,417
CURRENT LIABILITIES		
Trade and other payables	16,134	8,170
Bank borrowings	27,738	28,226
Tax payable	279	100
	44,151	36,496
LONG TERM LIABILITIES		
Bank borrowings	5,700	5,810
Deferred taxation	229	233
	5,929	6,043
TOTAL LIABILITIES	50,080	42,539
TOTAL EQUITY AND LIABILITIES	170,966	163,956
NET ASSETS PER SHARE (sen)	15.14	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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2017

	----- 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 2017	79,846	4,381	(12,805)	1,226	13,155	-	35,614	121,417
PAT	-	-	-	-	-	-	2,707	2,707
Foreign currency translation	-	-	-	-	(3,238)	-	-	(3,238)
Total comprehensive loss	-	-	-	-	(3,238)	-	2,707	(531)
Balance as at 30 June 2017	79,846	4,381	(12,805)	1,226	9,917	-	38,321	120,886
Preceding year corresponding period ended 30 June 2016								
Balance as at 1 January 2016	60,442	3,385	(12,805)	788	14,481	132	30,135	96,558
Conversion of redeemable convertible notes	19,404	996	-	-	-	(132)	-	20,268
PAT	-	-	-	-	-	-	1,786	1,786
Foreign currency translation	-	-	-	-	(7,266)	-	-	(7,266)
Total comprehensive loss	-	-	-	-	(7,266)	-	1,786	(5,480)
Balance as at 30 June 2016	79,846	4,381	(12,805)	788	7,215	-	31,921	111,346

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 SECOND (2nd) QUARTER ENDED 30 JUNE 2017**

	Current Period to date 30 June 2017 RM'000	Preceding Period to date 30 June 2016 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	2,879	2,059
Adjustments for:		
Depreciation of property, plant and equipment	573	698
Amortisation of intangible assets	323	318
Interest expenses	395	285
Interest income	-	(1)
Operating profit before working capital changes:	4,170	3,359
Change in inventories	5	(1,421)
Change in trade and other receivables	4,990	(16,260)
Change in trade and other payables	8,119	(6,616)
CASH USED IN OPERATIONS	17,284	(20,938)
Interest paid	(395)	(285)
Interest received	-	1
Income tax paid	-	(1,056)
NET CASH GENERATED FROM/ (USED IN) OPERATING ACTIVITIES	16,889	(22,278)
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(13,182)	(1,013)
Development expenditure	(1,210)	(1,368)
NET CASH USED IN INVESTING ACTIVITIES	(14,392)	(2,381)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown of bank borrowings	38	4,574
Withdrawal of fixed deposit pledged	534	811
Drawdown of redeemable convertible notes	-	19,500
NET CASH GENERATED FROM FINANCING ACTIVITIES	572	24,885
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,069	226
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(2,767)	(5,443)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	6,853	17,231
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	7,155	12,014

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	Current Period to date 30 June 2017 RM'000	Preceding Period to date 30 June 2016 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	7,155	12,014
- Fixed deposit placed with licensed banks	8,264	10,445
	<u>15,419</u>	<u>22,459</u>
Less: Fixed deposit pledged	<u>(8,264)</u>	<u>(10,445)</u>
	<u><u>7,155</u></u>	<u><u>12,014</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 SECOND (2nd) QUARTER ENDED 30 JUNE 2017

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
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 financial quarter ended 31 March 2017.

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 ----	
	30 June 2017 RM '000	30 June 2016 RM '000	30 June 2017 RM '000	30 June 2016 RM '000
Horizontal and vertical bamboo flooring	14,002	16,729	26,359	26,274
Strand woven bamboo flooring	1,292	169	1,753	306
Bamboo furniture and other strand woven bamboo products	3,850	1,662	5,835	5,288
Total	<u>19,144</u>	<u>18,560</u>	<u>33,947</u>	<u>31,868</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	30 June 2017	30 June 2016 RM '000	30 June 2017	30 June 2016 RM '000
PRC	7,385	7,955	13,662	12,337
Export:				
- Hong Kong	11,395	-	11,395	-
- Malaysia	364	-	2,852	-
- Brazil	-	-	1,267	2,684
- United Arab Emirates	-	-	1,074	-
- Mexico	-	1,947	1,021	1,947
- Others*	-	8,658	1,618	14,900
	<u>19,144</u>	<u>18,560</u>	<u>33,947</u>	<u>31,868</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 30 June 2017 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>48,104</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 ----	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM '000	RM '000	RM '000	RM '000
Revenue	19,144	18,560	33,947	31,868
Profit before taxation	1,807	912	2,879	2,059

For the current financial quarter ended 30 June 2017 (“**Q2 2017**”), the Group recorded revenue of RM19.14 million and profit before taxation of RM1.81 million. Gross profit margin and profit before taxation margin stood at 21.2% and 9.4% respectively for Q2 2017.

The increase in revenue in Q2 2017 as compared to the corresponding quarter ended 30 June 2016 (“**Q2 2016**”) by 3.1% was mainly due to an increase in sales of strand woven bamboo flooring and related products to the domestic PRC market in Q2 2017.

For Q2 2017, profit before taxation increased by RM0.90 million from RM0.91 million in Q2 2016 to RM1.81 million in Q2 2017 mainly due to arranger fees incurred in Q2 2016 for the drawdown and conversion of redeemable convertible notes, while there were no conversion of redeemable convertible notes in Q2 2017.

For the financial period ended 30 June 2017 (“**FPE June 2017**”), the Group recorded revenue of RM33.95 million and profit before taxation of RM2.88 million. Gross profit margin and profit before taxation margin stood at 21.3% and 8.5% respectively for FPE June 2016.

The increase in revenue for FPE June 2017 as compared to the corresponding period ended 30 June 2016 (“**FPE June 2016**”) by 6.5% was mainly due to the pick-up in domestic PRC sales due to the Group’s increased effort in marketing its products to the domestic PRC market.

Overall, profit before taxation increased by RM0.82 million or 39.8% in FPE June 2017 as compared to FPE June 2016 mainly due to the savings in arranger fees incurred in Q2 2016 for the drawdown and conversion of redeemable convertible notes.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance RM '000
	30 June 2017 RM'000	31 March 2017 RM'000	
Revenue	19,144	14,803	4,341
Profit before taxation	1,807	1,072	735

The Group recorded an increase in revenue by RM4.34 million to RM19.14 million in Q2 2017 as compared to RM14.80 million in the preceding financial quarter ended 31 March 2017. This increase in revenue was mainly due to the long Chinese New Year holidays in the PRC during the preceding financial quarter, which is consistent with the sales trend in previous years.

The Group’s profit before taxation also increased by RM0.74 million to RM1.81 million in Q2 2017 as compared to RM1.07 million in the preceding financial quarter ended 31 March 2017 mainly due to the increase 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 13th 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 13th 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 ---	
	30 June 2017 RM '000	30 June 2016 RM '000	30 June 2017 RM '000	30 June 2016 RM '000
Current tax expenses	121	26	172	273
Effective tax rate	6.7%	2.9%	6.0%	13.3%

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 30 June 2017 are as follows:

	RM '000
Secured – Short term borrowings	
Bank overdraft	374
Term loans	13,906
Bills payables	13,458
Secured – Long term borrowings	
Term loans	5,700
Total borrowings	33,438

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

	RM '000
Secured – Short term borrowings	
Ringgit Malaysia	374
Chinese Renminbi	33,064
Total borrowings	33,438

Note:

- (1) The Group's borrowings in Renminbi ("**RMB**") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6333 as at 30 June 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”) 30 June 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 ---	
	30 June 2017 RM '000	30 June 2016 RM '000	30 June 2017 RM '000	30 June 2016 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,686	886	2,707	1,786
Weighted average number of ordinary shares in issue ('000)	798,461	746,466	798,461	675,443
Basic earnings per share (sen)	0.21	0.12	0.34	0.26

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM '000	RM '000	RM '000	RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,686	886	2,707	1,786
Weighted average number of ordinary shares in issue ('000)	798,461	746,466	798,461	675,443
Assuming full exercise of warrants ('000)	1,037,396	985,401	1,037,396	914,378
Assuming full conversion of Notes already issued ('000)	1,037,396	985,401	1,037,396	914,378
Diluted earnings per share (sen)	0.16	0.09	0.26	0.20

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 ---	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM '000	RM '000	RM '000	RM '000
Interest expenses	209	72	395	285
Depreciation	262	334	573	698
Amortisation of intangible assets	159	157	323	318
Interest income	-	(1)	-	(1)

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 30 June 2017.

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 June 2017 into realised and unrealised profits is as follows:

	As at 30 June 2017 RM '000	As at 30 June 2016 RM '000
Total retained earnings of the Group:		
- Realised	38,321	31,921
- Unrealised	-	-
Total	<u>38,321</u>	<u>31,921</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>38,321</u></u>	<u><u>31,921</u></u>

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)
Company Secretary
Kuala Lumpur
28 August 2017