

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2019 RM '000	31 March 2018 RM '000	31 March 2019 RM '000	31 March 2018 RM '000
Revenue	18,040	12,645	18,040	12,645
Cost of sales	(14,331)	(9,875)	(14,331)	(9,875)
Gross profit	3,709	2,770	3,709	2,770
Other operating income	-	62	-	62
Administrative expenses	(1,387)	(1,820)	(1,387)	(1,820)
Selling and distribution expenses	(587)	(423)	(587)	(423)
Other operating expenses	-	-	-	-
Finance costs	(336)	(207)	(336)	(207)
Profit before taxation	1,399	382	1,399	382
Taxation	(29)	(20)	(29)	(20)
Profit after taxation ("PAT")	1,370	362	1,370	362
Other comprehensive income/ (loss) after tax:				
- Foreign exchange translation	892	(2,161)	892	(2,161)
Total comprehensive income/ (loss)	2,262	(1,799)	2,262	(1,799)
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	1,370	362	1,370	362
TOTAL COMPREHENSIVE INCOME/ (LOSS) ATTRIBUTABLE TO:				
- Owners of the company	2,262	(1,799)	1,155	(1,799)
Weighted average no. of ordinary shares ('000)	893,442	803,253	893,442	803,253
Earnings per share attributable to owners of the company (sen):				
- Basic	0.15	0.05	0.15	0.05
- Diluted	0.11	0.03	0.11	0.03

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 2018 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	(Unaudited) As at 31 March 2019 RM '000	(Audited) As at 31 December 2018 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	88,604	86,234
Intangible assets	17,553	17,515
	106,157	103,749
CURRENT ASSETS		
Inventories	19,371	19,816
Trade and other receivables	69,754	69,946
Tax recoverable	64	89
Cash and cash equivalents	14,973	10,917
	104,162	100,768
TOTAL ASSETS	210,319	204,517
EQUITY AND LIABILITIES		
EQUITY		
Share capital	92,327	92,227
Reserves	35,801	33,539
Redeemable convertible notes	211	218
SHAREHOLDERS' EQUITY	128,339	125,984
Non-controlling interests	6,430	6,430
TOTAL EQUITY	134,769	132,414
CURRENT LIABILITIES		
Trade and other payables	7,093	6,873
Amount due to director	1,377	588
Bank borrowings	29,210	27,167
Tax payable	288	224
	37,968	34,852
LONG TERM LIABILITIES		
Bank borrowings	34,673	34,251
Redeemable convertible notes	2,622	2,713
Deferred taxation	287	287
	37,582	37,251
TOTAL LIABILITIES	75,550	72,103
TOTAL EQUITY AND LIABILITIES	210,319	204,517
NET ASSETS PER SHARE (sen)	14.36	14.13

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 2018 and the accompanying explanatory notes attached to this interim financial report.

KANGER INTERNATIONAL BERHAD
(1014793-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

	----- Non-Distributable -----					Distributable			
	Share	Merger	Revaluation	Translation	Redeemable	Retained	Shareholders	Non-	Total
	Capital RM '000	Reserve RM '000	Reserve RM '000	Reserve RM '000	Convertible Notes RM'000	Earnings RM '000	Equity RM '000	Controlling Interests RM '000	Equity RM '000
Balance as at 1 January 2019	92,227	(12,805)	1,227	3,917	218	41,200	125,984	6,430	132,414
Conversion of redeemable convertible notes	100	-	-	-	(7)	-	93	-	93
PAT	-	-	-	-	-	1,370	1,370	-	1,370
Foreign currency translation	-	-	-	892	-	-	892	-	892
Total comprehensive loss	-	-	-	892	-	1,370	2,262	-	2,262
Balance as at 31 March 2019	92,327	(12,805)	1,227	4,809	211	42,570	128,339	6,430	134,769
Preceding year corresponding year ended 31 March 2018									
Balance as at 1 January 2018	79,846	4,381	(12,805)	1,227	6,835	42,914	122,398	-	122,398
Conversion of redeemable convertible notes	575	425	-	-	-	-	1,000	-	1,000
PAT	-	-	-	-	-	362	362	-	362
Foreign currency translation	-	-	-	-	(2,161)	-	(2,161)	-	(2,161)
Total comprehensive income	-	-	-	-	(2,161)	362	(1,799)	-	(1,799)
Balance as at 31 March 2018	80,421	4,806	(12,805)	1,227	4,674	43,276	121,599	-	121,599

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 2018 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 2019**

	Current Year to date 31 March 2019 RM'000	Preceding Period to date 31 March 2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	1,399	382
Adjustments for:		
Depreciation of property, plant and equipment	551	455
Amortisation of intangible assets	231	164
Interest expenses	336	207
Operating profit before working capital changes:	2,517	1,208
Change in inventories	445	(408)
Change in trade and other receivables	191	(2,131)
Change in trade and other payables	1,008	3,847
CASH GENERATED FROM OPERATIONS	4,161	2,516
Interest paid	(336)	(207)
Tax paid	(5)	(24)
NET CASH GENERATED FROM OPERATING ACTIVITIES	3,820	2,285
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,859)	(8,412)
Development expenditure	(60)	-
NET CASH USED IN INVESTING ACTIVITIES	(1,919)	(8,412)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of redeemable convertible notes	-	5,000
Net drawdown of bank borrowings	1,878	7,051
Placement of fixed deposit pledged	(182)	79
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,696	12,130
NET INCREASE IN CASH AND CASH EQUIVALENTS	3,597	6,003
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	181	(1,788)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	3,256	1,861
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	7,034	6,076

KANGER INTERNATIONAL BERHAD
(1014793-D)

	Current Year to date 31 March 2019 RM'000	Preceding Period to date 31 March 2018 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	7,034	6,076
- Fixed deposit placed with licensed banks	7,939	7,851
	<u>14,973</u>	<u>13,927</u>
Less: Fixed deposit pledged	<u>(7,939)</u>	<u>(7,851)</u>
	<u>7,034</u>	<u>6,076</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 2018 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2019

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2019

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 2018 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 2 – Amendments to MFRS 2 Share based Payment	1 January 2020
MFRS 3 – Amendments to MFRS 3 (Annual improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 3 – Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 6 – Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
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 14 – Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 17 – Insurance	1 January 2021
MFRS 101 – Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
MFRS 108 – Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 134 – Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
MFRS 137 – Amendment to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
MFRS 138 – Amendment to MFRS 138 Intangible Assets	1 January 2020

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 2018.

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 2018 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 in the current financial quarter ended 31 March 2019.

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

Kanger had, during the current financial quarter, issued a total of 2,469,135 new ordinary shares in Kanger arising from the conversion of RM100,000 in nominal value of redeemable convertible notes ("**Notes**") at a conversion price of RM0.0405, which were listed on the ACE Market of Bursa Securities on 16 January 2019.

Save as disclosed above, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for 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	31 March	31 March	31 March
	2019	2018	2019	2018
	RM '000	RM '000	RM '000	RM '000
Horizontal and vertical bamboo flooring	5,191	852	5,191	852
Strand woven bamboo flooring	12,755	9,726	12,755	9,726
Bamboo furniture and other strand woven bamboo products	94	2,067	94	2,067
Total	<u>18,040</u>	<u>12,645</u>	<u>18,040</u>	<u>12,645</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2019 RM '000	31 March 2018 RM '000	31 March 2019 RM '000	31 March 2018 RM '000
PRC	8,332	4,674	8,332	4,674
Export:				
- Malaysia	5,589	1,233	5,589	1,233
- New Zealand	3,047	1,539	3,047	1,539
- Croatia	-	1,101	-	1,101
- Spain	-	1,019	-	1,019
- Others*	1,072	3,079	1,072	3,079
	<u>18,040</u>	<u>12,645</u>	<u>18,040</u>	<u>12,645</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 2019 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>14,209</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 and financial year-to-date.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

	---- Individual Quarter ----		Variance (Amount/%) RM'000
	31 March 2019 RM '000	31 March 2018 RM '000	
Revenue	18,040	12,645	5,394 / 42.7%
Gross profit	3,709	2,770	939 / 33.9%
Profit before taxation	1,399	382	1,017 / >100.0%
Profit after taxation	1,370	362	1,008 / >100.0%

Individual Quarter

Revenue increased by RM5.93 million or 42.7% in the current financial quarter ended 31 March 2019 (“**Q1 2019**”) as compared to the corresponding quarter ended 31 March 2018 (“**Q1 2018**”) mainly due to increase in sales to the domestic PRC market by RM3.66 million as a result of increased marketing efforts.

Gross profit margin recorded in Q1 2019 was 20.6% as compared to 21.9% in Q1 2018 mainly due to the increase in sale of horizontal and vertical bamboo flooring which generally command lower gross profit margin.

Overall, the Group recorded an increase in profit before taxation of RM1.02 million in Q1 2019 as compared to Q1 2018 mainly due to increase in revenue and expenses incurred in relation to the drawdown of redeemable convertible notes in Q1 2018.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance (Amount/%) RM'000
	31 March 2019 RM '000	31 December 2018 RM '000	
Revenue	18,040	15,704	2,336 / 14.9%
Gross profit/ (loss)	3,709	(1,076)	4,785 / >100%
Profit/ (Loss) before taxation	1,399	(4,750)	6,149 / >100%
Profit/ (Loss) after taxation	1,370	(4,542)	5,912 / >100%

The Group recorded an increase in revenue by RM2.34 million to RM18.04 million in Q1 2019 as compared to RM15.70 million in the preceding financial quarter ended 31 December 2018 (“**Q4 2018**”). The increase in revenue was mainly due to the increase in sale of horizontal and vertical bamboo flooring in Q1 2019.

Overall, the Group recorded profit before taxation of RM1.40 million in Q1 2019 as compared to loss before taxation of RM4.75 million in Q4 2018 mainly due to increase in revenue, the temporary shutdown of the Group’s plant in Yanshan as well as property, plant and equipment written off of Yanshan factory of RM1.01 million in Q4 2018.

B3. Prospects for the financial year ending 31 December 2019 (“FYE 2019”)

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. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio.

In line with the 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. The property under construction is expected to be completed within FYE 2018.

Premised on the above, the Board is cautiously optimistic on the prospects of the Group for FYE 2019.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2019 RM '000	31 March 2018 RM '000	31 March 2019 RM '000	31 March 2018 RM '000
Current tax expenses	29	20	29	20
Effective tax rate	2.07%	5.24%	2.07%	5.24%

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 2019 are as follows:

	As at 31 March 2019 RM '000	As at 31 March 2018 RM '000
Secured – Short term borrowings		
Term loans	16,284	13,523
Bills payables	12,926	13,086
Secured – Long term borrowings		
Term loans	34,673	34,608
Total borrowings	63,883	61,217

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

	As at 31 March 2019 RM '000	As at 31 March 2018 RM '000
Secured – Short term borrowings		
Chinese Renminbi	63,883	61,217
Total borrowings	63,883	61,217

Note:

(1) *The Group's borrowings in Renminbi ("RMB") are not hedged to Ringgit Malaysia and are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6083 as at 31 March 2019.*

The borrowings increased by RM2.67 million or 4.4% as at 31 March 2019 as compared to 31 March 2018 mainly due to the drawdown of term loan by Ganzhou Kanger Industrial Co., Ltd for the construction of a commercial building in Ganzhou, Jiangxi Province, PRC.

The weighted average interest rate of the Group's borrowings is 6.38% as at 31 March 2019 and the entire borrowings as at 31 March 2019 is subjected to floating interest rate.

No hedging are done on the borrowings on the Group as all the borrowings are from the PRC and are used to finance the Group's operations in the PRC.

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 31 March 2019 (Financial period ended 31 March 2018: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2019 RM '000	31 March 2018 RM '000	31 March 2019 RM '000	31 March 2018 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,370	362	1,370	362
Weighted average number of ordinary shares in issue ('000)	893,442	803,253	893,442	803,253
Basic earnings per share (sen)	0.15	0.05	0.15	0.05

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2019 RM '000	31 March 2018 RM '000	31 March 2019 RM '000	31 March 2018 RM '000
(Loss)/ Profit attributable to ordinary equity holders of the company (RM '000)	1,370	362	1,370	362
Weighted average number of ordinary shares in issue ('000)	893,442	803,253	893,442	803,253
Assuming full exercise of warrants ('000)	1,132,761	1,037,396	1,132,761	1,037,396
Assuming full conversion of Notes already issued ('000)	1,205,261	1,037,396	1,205,261	1,037,396
Diluted (loss)/ earnings per share (sen)	0.11	0.03	0.11	0.03

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	31 March	31 March	31 March
	2019	2018	2019	2018
	RM '000	RM '000	RM '000	RM '000
Interest expenses	336	207	336	207
Depreciation	551	455	551	455
Amortisation of intangible assets	231	164	231	164

There were no other income, provision for and write off of receivables and inventories, 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 FYE ended 31 December 2018.

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)

Company Secretary

Kuala Lumpur

31 May 2019