

KANGER INTERNATIONAL BERHAD – SUMMARY OF Q1'2020 RESULTS & STATUS UPDATE

Kuala Lumpur, 30 June 2020

Bursa Malaysia's ACE Market-listed **KANGER International Berhad** ("Kanger", "the Group" or "the Company") announced its first quarter ("1QFY20") financial results today for the period ended 31 March 2020.

The Group's 1QFY20 revenue stood at RM11.3 million, a decline of 38% year-on-year ("YoY") from RM18.0 million in the previous year corresponding quarter ("1QFY19"). This was mainly attributed to the temporary disruption of business activities which started in end January 2020 as a result of government-mandated lock downs in almost all countries globally due to the Novel Coronavirus ("Covid-19") pandemic. Furthermore, as the relocation of the Group's bamboo processing and manufacturing operations from Ganzhou to Jingzhou, China is still ongoing, less revenue was contributed from the subsidiary in Ganzhou.

Gross profit margin was fairly consistent at 22% in 1QFY20, as compared to 21% in the 1QFY19.

During the quarter, the Group made a one-off charge of RM4.74 million in relation to share options granted to directors of the Company. As a result, the Group recorded a loss after tax and non-controlling interest ("net loss") of RM4.38 million for 1QFY20. Without this, the Group would not have incurred a net loss in the quarter under review and would have been slightly profitable, despite the impact of the Covid-19 restrictions. This is testimony to the efficacy of the cost cutting and performance improvement measures which the management quickly put in place from the beginning of 2020.

While the operating environment is expected to be challenging due to the unprecedented uncertainties arising from the Covid-19 pandemic and the resulting lock down periods in different nations, the Group is focused on

carrying out a few key business strategies to enhance its income resiliency. These strategies are discussed in the Notes to the 1QFY20 quarterly report.

It should be highlighted that the entire one-off charge of RM4.74 million is non-cash in nature and is correspondingly captured under a newly created Share Option Reserve. Depending on the future exercise of these share options, the Group might receive cash for the portions exercised and the entire Share Option Reserve will eventually be reversed either into Share Capital (increasing it) or into Retained Earnings (which can be distributed as dividends).

Notable Achievements

Over the 3 months ended 30 March 2020:

1. We continued to expand our distribution reach by supporting the scale-up of our dealers' store network. 12 new dealer stores were opened in Q1'20. The Group's dealer network currently has a total of 119 sales outlets (end-Q4'2019: 107 outlets). This strategy of maintaining focus on dealer networks ensures maximum reach while keeping the Group's own capital expenditure and overheads low. The continued growth of our dealer network augurs well for the Group's future performance as it will be a significant contributing factor in our sales and marketing effort once our new Jingzhou manufacturing plant officially commences operations in the second half of 2020 and we start to ramp up production of our own bamboo products again.
2. We intensified efforts in adopting and building out a comprehensive omni-channel marketing strategy designed to cover all points of contact with existing and potential new customers. The Group is cooperating closely with its dealers in implementing effective Online-to-Offline (O2O) marketing and delivery channels. The online platforms include JD.com, Alibaba's Taobao and various mini-programs offered by social media networks like WeChat.

3. The Group fully leased out its newly completed commercial properties in Ganzhou with a total net lettable area of 683,777 sq ft, comprising a 19-storey hotel and a 6-storey building specifically outfitted as a one-stop "Auto-City". The initial rental income is approximately RM11.1 million per annum, with scheduled rent increases (for details, refer to Bursa Malaysia announcement dated 9 March, 2020).
4. Whilst the relocation of the Group's bamboo processing and manufacturing operations is still ongoing, the above rental income will be a stable contributor towards the Group's financial performance in the current financial year ending 31 December 2020.

Commentary from Deputy Chairman & MD, Mr. Leng Xingmin

The imposition of Covid-19 related government restrictions on business operations and the movement of goods and services has resulted in delays to the original planned operational date for our new high-tech bamboo processing and manufacturing plant in Jingzhou. We are still in the process of installing the specified machinery and equipment into the 3 completed factory buildings, whilst the administrative and staff accommodation buildings are nearing completion.

On the subject of new strategic businesses, we are excited about the collaboration with a licensed Approved Permit holder in Malaysia for the export of river sand and other minerals to China and Hong Kong, where there is substantial demand due to ongoing large-scale construction and land reclamation projects. (Refer to Bursa Malaysia announcement dated 24 June, 2020). With an established track record of operating in China over the past 15 years, we have an extensive network of business relationships with numerous companies, especially those in the construction sector. This partnership is an important first step towards building another long-term income stream for the Group.

-- End of Results Summary & Status Update --

Please follow this hyperlink for the previous Q4'2019 Quarterly Results Summary & Status Update: <http://lnnk.in/@Q4FY2019DecStatusUpdate>

About Kanger International Berhad (Bursa Stock Code: 0170)

Listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") since 2013, Kanger International Berhad ("Kanger") together with its subsidiaries, "the Group") is principally involved in the manufacturing and trading of bamboo flooring, bamboo furniture, hardwood and laminated flooring, as well as related products. It is the exclusive distributor of "CLASSEN" brand high-end flooring products from Germany in the whole of China. In 2015, Kanger obtained its shareholders' approval to diversify into property development, investment and management. The Group currently derives around half of its revenues from foreign exports, including to America, Asia, Europe, the Middle East and Africa.

For Enquiries & Clarifications on this Summary & Status Update, Kindly Contact:

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