

KANGER INTERNATIONAL BERHAD – SUMMARY OF Q2'2020 RESULTS & STATUS UPDATE

Kuala Lumpur, 19 August 2020

Bursa Malaysia's ACE Market-listed **KANGER International Berhad** ("Kanger", "the Group" or "the Company") announced its second quarter ("1QFY20") financial results today for the period ended 30 June 2020.

The Group's 2QFY20 revenue stood at RM12.2 million, a decline of 43.7% year-on-year ("YoY") from RM21.7 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 China, as well as almost all countries globally due to the Novel Coronavirus ("Covid-19") pandemic. China, where the Group's principal operations are based currently, imposed strict restrictions on inter-province travel and non-essential businesses were barred from operating for a period of time.

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 also lower at 21.0% in 2QFY20, as compared to 23.8% in the 2QFY19.

However compared to the immediate preceding quarter, revenue increased by RM1.0 million or 8.5%, reflecting a gradual resumption of business activities after the lockdowns. Should the virus situation continue to improve, the Group will soon be able to undertake promotional activities in order to further boost sales. At the moment, we believe there is some degree of pent-up demand for flooring products, which will benefit the Company as property development and construction activities pick up their pace once again.

Overall, despite pandemic-related disruptions, the Group still managed to remain slightly profitable during 2QFY20, after taking into account minority interests, with profit attributable to ordinary shareholders of RM0.2 million.

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 2QFY20 quarterly report, as well as in the Key Status Updates below.

KEY STATUS UPDATES

New Bamboo Plant and R&D Centre in Jingzhou, PRC

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 currently finishing installation and carrying out testing of the specified machinery and equipment into the 3 completed factory buildings. We are cautiously optimistic about being on target for trial production to be carried out in September 2020, with full production sometime in October 2020.

Long-Lasting Antimicrobial Coating Solutions Business

On 1 July 2020 Kanger announced the signing of a Joint Venture Collaboration Agreement (for international markets) and a Subdistributorship Appointment Agreement (for Malaysian market) with Stoika Sdn Bhd. Please click the following link to see the relevant announcement and Media Release:

<https://bit.ly/3h7T7sL>

The joint venture company, Viridis Global Sdn Bhd, was subsequently incorporated on 3 August 2020 with the Group holding a 51% equity interest. Since the signing of the above agreements, we have made presentations to a number of prospective customers, which include government-owned agencies

and entities, as well as private businesses. At the same time, we are also increasing the number of our appointed agents in order to widen our marketing reach. We believe there is a reasonably good chance of securing a few sizeable contracts before the end of 2020.

Medical Examination Gloves Business

Kanger received a formal expression of interest (EOI) letter dated 9 August 2020 from Constellation Holdings Ltd, Dubai ("CHL"). CHL is an appointed procurement agency for the Ministry of Health & Prevention of the United Arab Emirates. Besides the above Ministry, it also supplies medical and personal protective equipment to agencies in other countries in the Middle Eastern region and the United Kingdom.

The EOI expressed CHL's keen interest in collaborating with Kanger for the establishment of a medical examination gloves manufacturing operations in Malaysia, in order to secure a steady, long-term supply of gloves.

On 13 August 2020, the parties signed a Heads of Agreement ("HOA") for CHL to acquire a 49% stake in Kanger's newly-incorporated subsidiary, Kanger Glove Manufacturing Sdn Bhd ("Kanger Glove"). The parties intend to use this company as the vehicle to enter the medical gloves manufacturing business. The default plan will be to acquire a 5-acre piece of land located in Ijok, Selangor, build a new factory and install 8 production lines at a total estimated cost of approximately RM77 million. The investment cost is to be contributed in proportion with each party's equity stake in Kanger Glove.

Although the total investment amount may seem sizeable, the parties intend to proceed cautiously on this venture. New lines will only be installed in a gradual manner when there are no indications of industry-wide oversupply and the parties are confident the additional production can be absorbed. In this respect, the partnership with CHL is expected to offer a distinct advantage as Kanger Glove will be able to secure medium-to-long term offtakes on a substantial proportion of its future production.

We are reasonably confident that this partnership will result in the establishment of another important long-term income stream for the Group.

-- End of Results Summary & Status Update --

Please follow this hyperlink for the previous Q1'2020 Quarterly Results Summary & Status Update: <https://bit.ly/2Fu8H3X>

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 distributor of "CLASSEN" brand high-end flooring products from Germany in China. In 2015, Kanger obtained its shareholders' approval to diversify into property 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.

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