

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Revenue	12,645	14,803	12,645	14,803
Cost of sales	(9,875)	(11,647)	(9,875)	(11,647)
Gross profit	2,770	3,156	2,770	3,156
Other operating income	62	35	62	35
Administrative expenses	(1,820)	(1,271)	(1,820)	(1,271)
Selling and distribution expenses	(423)	(662)	(423)	(662)
Other operating expenses	-	-	-	-
Finance costs	(207)	(186)	(207)	(186)
Profit before taxation	382	1,072	382	1,072
Taxation	(20)	(51)	(20)	(51)
Profit after taxation ("PAT")	362	1,021	362	1,021
Other comprehensive (loss)/ income after tax:				
- Foreign exchange translation	(2,161)	(694)	(2,161)	(694)
Total comprehensive (loss)/ income	(1,799)	327	(1,799)	327
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	362	1,021	362	1,021
TOTAL COMPREHENSIVE (LOSS)/ INCOME ATTRIBUTABLE TO:				
- Owners of the company	(1,799)	327	(1,799)	327
Weighted average no. of ordinary shares ('000)	803,253	798,461	803,253	798,461
Earnings per share attributable to owners of the company (sen):				
- Basic	0.05	0.13	0.05	0.13
- Diluted	0.03	0.10	0.03	0.10

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 2017 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	(Unaudited) As at 31 March 2018 RM '000	(Audited) As at 31 December 2017 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	82,884	75,717
Intangible assets	17,355	17,686
	<u>100,239</u>	<u>93,403</u>
CURRENT ASSETS		
Inventories	27,951	27,543
Trade and other receivables	55,264	53,133
Cash and cash equivalents	13,927	10,052
	<u>97,142</u>	<u>90,728</u>
TOTAL ASSETS	<u>197,381</u>	<u>184,131</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	80,421	79,846
Reserves	41,178	42,551
TOTAL EQUITY	<u>121,599</u>	<u>122,397</u>
CURRENT LIABILITIES		
Trade and other payables	9,242	5,638
Amount due to director	636	394
Bank borrowings	26,609	27,138
Tax payable	464	473
	<u>36,951</u>	<u>33,643</u>
LONG TERM LIABILITIES		
Bank borrowings	34,608	27,866
Redeemable convertible notes	4,000	-
Deferred taxation	223	225
	<u>38,831</u>	<u>28,091</u>
TOTAL LIABILITIES	<u>75,782</u>	<u>61,734</u>
TOTAL EQUITY AND LIABILITIES	<u>197,381</u>	<u>184,131</u>
NET ASSETS PER SHARE (sen)	<u>15.12</u>	<u>15.33</u>

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 2017 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 (1st) QUARTER ENDED 31 MARCH 2018

	----- Non-Distributable -----					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 2018	79,846	4,381	(12,805)	1,227	6,835	42,914	122,398
Conversion of redeemable convertible notes	575	425	-	-	-	-	1,000
PAT	-	-	-	-	-	362	362
Foreign currency translation	-	-	-	-	(2,161)	-	(2,161)
Total comprehensive income	-	-	-	-	(2,161)	362	(1,799)
Balance as at 31 March 2018	80,421	4,806	(12,805)	1,227	4,674	43,276	121,599
Preceding year corresponding period ended 31 March 2017							
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

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 2017 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 2018**

	Current Year to date 31 March 2018 RM'000	Preceding Period to date 31 March 2017 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	382	1,072
Adjustments for:		
Depreciation of property, plant and equipment	455	311
Amortisation of intangible assets	164	164
Interest expenses	207	186
Operating profit before working capital changes:	1,208	1,733
Change in inventories	(408)	(564)
Change in trade and other receivables	(2,131)	(3,104)
Change in trade and other payables	3,847	4,185
CASH GENERATED FROM OPERATIONS	2,516	2,250
Interest paid	(207)	(186)
Tax paid	(24)	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	2,285	2,064
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,412)	(2,042)
Development expenditure	-	(173)
NET CASH USED IN INVESTING ACTIVITIES	(8,412)	(2,215)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of redeemable convertible notes	5,000	-
Net drawdown of bank borrowings	7,051	64
Withdrawal of fixed deposit pledged	79	37
NET CASH GENERATED FROM FINANCING ACTIVITIES	12,130	101
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	6,003	(50)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(1,788)	(569)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	1,861	6,853
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	6,076	6,234

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	Current Year to date 31 March 2018 RM'000	Preceding Period to date 31 March 2017 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	6,076	6,619
- Bank overdraft	-	(385)
- Fixed deposit placed with licensed banks	7,851	8,387
	<u>13,927</u>	<u>14,621</u>
Less: Fixed deposit pledged	<u>(7,851)</u>	<u>(8,387)</u>
	<u><u>6,076</u></u>	<u><u>6,234</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 2017 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2018

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 MARCH 2018

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 2017 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 – Amendments to MFRS 3 Business Combinations	1 January 2020
MFRS 6 – Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
MFRS 9 – Prepayment Features with Negative Compensation (Amendments to MFRS 9)	1 January 2019
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 11 – Amendments to MFRS 11 (Annual Improvements to MFRS Standards 2015–2017 Cycle)	1 January 2019
MFRS 14 – Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 16 – Leases	1 January 2019
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 112 – Amendments to MFRS 112 (Annual improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 119 – Amendments to MFRS 119 (Plan Amendment, Curtailment or Settlement)	1 January 2019
MFRS 123 – Amendments to MFRS 123 (Annual improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 128 – Long-term Interests in Associates and Joint Ventures (Amendments to MFRS 128)	1 January 2019
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 2017.

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 2017 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 ended 31 March 2018.

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

During the current financial quarter, Kanger issued a total of RM5,000,000 in nominal value of redeemable convertible notes (“**Notes**”).

In addition, on 24 January 2018, Kanger had issued a total of 5,750,431 new ordinary shares each in Kanger (“**Kanger Shares**”) arising from the conversion of RM1,000,000 in nominal value of Notes, at a conversion price of RM0.1739. The said shares were listed on the ACE Market of Bursa Securities on 26 January 2018.

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 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Horizontal and vertical bamboo flooring	852	12,357	852	12,357
Strand woven bamboo flooring	9,726	461	9,726	461
Bamboo furniture and other strand woven bamboo products	2,067	1,985	2,067	1,985
Total	<u>12,645</u>	<u>14,803</u>	<u>12,645</u>	<u>14,803</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
PRC	4,674	6,227	4,674	6,227
Export:				
- New Zealand	1,539	442	1,539	442
- Malaysia	1,233	2,488	1,233	2,488
- Croatia	1,101	-	1,101	-
- Spain	1,019	-	1,019	-
- Others*	3,079	5,646	3,079	5,646
	<u>12,645</u>	<u>14,803</u>	<u>12,645</u>	<u>14,803</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 2018 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>14,083</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 and Cumulative Quarter --		
	31 March 2018	31 March 2017	Variance
	RM '000	RM '000	(Amount/%) RM'000
Revenue	12,645	14,803	-2,158 / -14.6%
Gross profit	2,770	3,156	-386 / -12.2%
Profit before taxation	382	1,072	-690 / -64.4%
Profit after taxation	362	1,021	-659 / -64.5%

The decrease in revenue by 14.6% in the current financial quarter ended 31 March 2018 (“**Q1 2018**”) as compared to the corresponding quarter ended 31 March 2017 (“**Q1 2017**”) was mainly due to a decrease in the sales of horizontal and vertical bamboo flooring products by 93.1% as a result of sluggish demand for these products. However, this was partly offset by an increase in sales of strand woven bamboo flooring products by 201.0%. Gross profit margin increased to 21.9% in Q1 2018 as compared to 21.3% in Q1 2017 mainly due to increase in sale of higher margin products, i.e. strand woven bamboo products, in Q1 2018.

Profit before taxation and profit after taxation decreased by 64.4% and 64.5% respectively for Q1 2018 mainly due to the decrease in revenue, as well as 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 2018	31 December 2017	
	RM '000	RM '000	
Revenue	12,645	15,705	-3,060 / -19.5%
Gross profit	2,770	3,888	-1,118 / -28.8%
Profit before taxation	382	1,675	-1,293 / -77.2%
Profit after taxation	362	1,661	-1,299 / -78.2%

The Group recorded a decrease in revenue by RM3.06 million to RM12.65 million in Q1 2018 as compared to RM15.71 million in the preceding financial quarter ended 31 December 2017 (“**Q3 2017**”). 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.

Overall, profit before taxation and profit after taxation decreased by 77.2% and 78.2% respectively mainly due to the decrease in revenue, as well as expenses incurred in relation to the drawdown of redeemable convertible notes in Q1 2018.

B3. Prospects for the financial year ending 31 December 2018 (“FYE 2018”)

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. (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. The property under construction is expected to be completed within FYE 2018.

Premised on the above, the Board of Directors of Kanger (“**Board**”) is of the view that the Group will enjoy sustainable growth for FYE 2018.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Current tax expenses	20	51	20	51
Effective tax rate	5.2%	4.8%	5.2%	4.8%

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 2018 are as follows:

	As at 31 March 2018 RM '000	As at 31 March 2017 RM '000
Secured – Short term borrowings		
Bank overdraft	-	385
Term loans	13,523	14,140
Bills payables	13,086	13,657
Secured – Long term borrowings		
Term loans	34,608	5,784
Total borrowings	<u>61,217</u>	<u>33,966</u>

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

	As at 31 March 2018 RM '000	As at 31 March 2017 RM '000
Secured – Short term borrowings		
Ringgit Malaysia	-	385
Chinese Renminbi	61,217	33,581
Total borrowings	<u>61,217</u>	<u>33,966</u>

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: RM0.6158 as at 31 March 2018.

The borrowings increased by RM27.25 million or 80.2% as at 31 March 2018 as compared to 31 March 2017 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 2018 and the entire borrowings as at 31 March 2018 is subjected to floating interest rate.

No hedging are done on the borrowings on the Group as majority of 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 year ended ("FYE") 31 March 2018 (FYE 31 March 2017: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	362	1,021	362	1,021
Weighted average number of ordinary shares in issue ('000)	802,678	798,461	802,678	798,461
Basic earnings per share (sen)	0.05	0.13	0.05	0.13

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	362	1,021	362	1,021
Weighted average number of ordinary shares in issue ('000)	802,678	798,461	802,678	798,461
Assuming full exercise of warrants ('000)	1,041,613	1,037,396	1,041,613	1,037,396
Assuming full conversion of Notes already issued ('000)	1,441,613	1,037,396	1,441,613	1,037,396
Diluted earnings per share (sen)	0.03	0.10	0.03	0.10

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 2018 RM '000	31 March 2017 RM '000	31 March 2018 RM '000	31 March 2017 RM '000
Interest expenses	207	186	207	186
Depreciation	455	311	455	311
Amortisation of intangible assets	164	164	164	164

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 2018.

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 March 2018 into realised and unrealised profits is as follows:

	As at 31 March 2018 RM '000	As at 31 March 2017 RM '000
Total retained earnings of the Group:		
- Realised	43,276	35,635
- Unrealised	-	-
Total	<u>43,276</u>	<u>35,635</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>43,276</u></u>	<u><u>35,635</u></u>

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)
Company Secretary
Kuala Lumpur
28 May 2018