

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2020**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2020 RM '000	31 March 2019 RM '000	31 March 2020 RM '000	31 March 2019 RM '000
Revenue	11,257	18,040	11,257	18,040
Cost of sales	(8,763)	(14,331)	(8,763)	(14,331)
Gross profit	2,494	3,709	2,494	3,709
Other operating income	3	-	3	-
Administrative expenses	(6,218)	(1,387)	(6,218)	(1,387)
Selling and distribution expenses	(408)	(587)	(408)	(587)
Other operating expenses	(9)	-	(9)	-
Finance costs	(235)	(336)	(235)	(336)
(Loss)/Profit before taxation	(4,373)	1,399	(4,373)	1,399
Taxation	(12)	(29)	(12)	(29)
(Loss)/Profit after taxation ("LAT")/("PAT")	(4,385)	1,370	(4,385)	1,370
Other comprehensive income after tax:				
- Foreign exchange translation	3,055	892	3,055	892
Total comprehensive income	1,012	2,262	1,012	2,262
(LOSS)/PROFIT ATTRIBUTABLE TO:				
- Owners of the company	(4,293)	1,370	(4,293)	1,370
- Non-controlling interests	(92)	-	(92)	-
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
- Owners of the company	1,888	2,262	1,888	1,155
- Non-controlling interests	(876)	-	(876)	-
Weighted average no. of ordinary shares ('000)	1,231,767	893,442	1,231,767	893,442
(Loss)/Earnings per share attributable to owners of the company (sen):				
- Basic	(0.35)	0.15	(0.35)	0.15
- Diluted	N/A	0.12	N/A	0.12

Notes:

N/A: The effect is not shown as this is anti-dilutive.

(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 2019 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2020**

	(Unaudited) As at 31 March 2020 RM '000	(Audited) As at 31 December 2019 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	110,036	103,025
Right-of-use assets	3,140	3,225
Intangible assets	16,638	16,267
	<u>129,814</u>	<u>122,517</u>
CURRENT ASSETS		
Inventories	17,607	17,272
Trade and other receivables	79,830	89,143
Current tax assets	83	8
Cash and cash equivalents	5,565	10,264
	<u>103,085</u>	<u>116,687</u>
TOTAL ASSETS	<u>232,899</u>	<u>239,204</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	114,226	104,326
Reserves	42,991	38,703
Redeemable convertible notes	-	591
SHAREHOLDERS' EQUITY	<u>157,217</u>	<u>143,620</u>
Non-controlling interests	10,516	9,484
TOTAL EQUITY	<u>167,733</u>	<u>153,104</u>
CURRENT LIABILITIES		
Trade and other payables	960	21,259
Amount due to director	2,355	970
Bank borrowings	17,902	17,476
Lease liabilities	121	117
Current tax liabilities	94	86
	<u>21,432</u>	<u>39,908</u>
LONG TERM LIABILITIES		
Bank borrowings	40,359	33,436
Lease liabilities	3,155	3,234
Redeemable convertible notes	-	9,123
Deferred tax liabilities	220	399
	<u>43,734</u>	<u>46,192</u>
TOTAL LIABILITIES	<u>65,166</u>	<u>86,100</u>
TOTAL EQUITY AND LIABILITIES	<u>232,899</u>	<u>204,517</u>
NET ASSETS PER SHARE (sen)	<u>12.77</u>	<u>15.26</u>

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(201201030306) (1014793-D)

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 2019 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 31MARCH 2020

	----- Non-Distributable -----					Distributable				
	Share	Merger	Revaluation	Translation	Share	Redeemable	Retained	Shareholders	Non-	Total
	Capital RM '000	Reserve RM '000	Reserve RM '000	Reserve RM '000	Option 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 2020	104,326	(12,805)	1,227	2,281	-	591	48,000	143,620	9,484	153,104
Conversion of redeemable convertible notes	9,900	-	-	-	-	(591)	-	9,309	-	9,309
Non-controlling interests acquired in subsidiary companies	-	-	-	-	-	-	-	-	1,908	1,908
Share options granted under SIS	-	-	-	-	4,742	-	-	4,742	-	4,742
LAT	-	-	-	-	-	-	(4,293)	(4,293)	(92)	(4,385)
Foreign currency translation	-	-	-	3,839	-	-	-	3,839	(784)	3,055
Total comprehensive income	-	-	-	3,839	-	-	(4,293)	(454)	(876)	1,330
Balance as at 31 March 2020	114,226	(12,805)	1,227	6,120	4,742	-	43,707	157,217	10,516	167,733
Preceding year corresponding year ended 31 March 2019										
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 income	-	-	-	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

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 2019 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 2020**

	Current Year to date 31 March 2020 RM'000	Preceding Period to date 31 March 2019 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(4,373)	1,399
Adjustments for:		
Depreciation of property, plant and equipment	427	551
Depreciation of rights-of-use assets	194	-
Amortisation of intangible assets	187	231
Share based payments	4,742	-
Interest expenses	235	336
Operating profit before working capital changes:	1,412	2,517
Change in inventories	(335)	445
Change in trade and other receivables	9,313	191
Change in trade and other payables	(18,914)	1,008
CASH (USED IN)/GENERATED FROM OPERATIONS	(8,524)	4,161
Interest paid	(235)	(336)
Tax paid	(93)	(5)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES	(8,852)	3,820
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(4,048)	(1,859)
Development expenditures	(8)	(60)
Proceeds from issuance of shares to non-controlling interest	1,908	-
NET CASH USED IN INVESTING ACTIVITIES	(2,148)	(1,919)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown of bank borrowings	4,248	1,878
Placement of fixed deposit pledged	(235)	(182)
NET CASH GENERATED FROM FINANCING ACTIVITIES	4,013	1,696
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(6,987)	3,597
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	2,053	181
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	8,722	3,256
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	3,788	7,034

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	Current Year to date 31 March 2020 RM'000	Preceding Period to date 31 March 2019 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	1,777	7,034
- Fixed deposit placed with licensed banks	3,788	7,939
	<u>5,565</u>	<u>14,973</u>
Less: Fixed deposit pledged	<u>(1,777)</u>	<u>(7,939)</u>
	<u><u>3,788</u></u>	<u><u>7,034</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 2019 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST(1st) QUARTER ENDED 31MARCH 2020

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31MARCH 2020

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 2019 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 (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
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 17 – Insurance	1 January 2021

The Group intends to adopt the above MFRSs as well as amendments to MFRSs when they become effective.

The adoption of the above standards 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 2019.

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 2019 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 2020.

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,

- (i) the redeemable convertible notes (“**RCN**”) holders of the Company have converted RM9.90 million worth of RCN into 141.43 million ordinary shares of the Company (“**Kanger Shares**”); and
- (ii) the Company has also undertake a corporate exercise to establish the share issuance scheme (“**SIS**”) for the directors and eligible employees of the Group, which was approved by the shareholders of the Company on the Extraordinary General Meeting on 24 December 2019.

The Company had on 13 January 2020 and 20 February 2020 granted 90 million and 40 million of shares options respectively to some of its directors under the SIS. However, no shares options have been exercised by the directors as at the end of the financial quarter.

A7. Segmental information

The Group’s revenue is derived from three (3) products, as follows:

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31March 2020 RM’000	31March 2019 RM’000	31March 2020 RM ’000	31March 2019 RM’000
Horizontal and vertical bamboo flooring	5,656	5,191	5,656	5,191
Strand woven bamboo flooring	5,515	12,755	5,515	12,755
Bamboo furniture and other strand woven bamboo products	86	94	86	94
Total	11,257	18,040	11,257	18,040

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2020 RM '000	31 March 2019 RM '000	31 March 2020 RM '000	31 March 2019 RM '000
The People's Republic of China ("PRC")	2,500	8,332	2,500	8,332
Export:				
- Malaysia	-	5,589	-	5,589
- New Zealand	4,433	3,047	4,433	3,047
- Mexico	2,872	-	2,872	-
- Bangladesh	1,452	-	1,452	-
- Others*	-	1,072	-	1,072
	<u>11,257</u>	<u>18,040</u>	<u>11,257</u>	<u>18,040</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 2020 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>16,446</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
	31March 2020	31March 2019	(Amount/%)
	RM'000	RM'000	RM'000
Revenue	11,257	18,040	(6,783) / (37.6%)
Gross profit	2,494	3,709	(1,215) / (32.8%)
(Loss)/Profit before taxation	(4,373)	1,399	(5,772) / >(100.0%)
LAT/PAT	(4,385)	1,370	(5,755) / >(100.0%)

Individual Quarter

Revenue decreased by RM6.78 million or 38% in the current financial quarter ended 31March 2020 (“**Q1 2020**”) as compared to the corresponding quarter ended 31March 2019 (“**Q1 2019**”). The decrease in revenue was mainly attributed to:-

- (a) No business operations were allowed since the end of January 2020 until the conclusion of the current financial quarter as a result of government-mandated lock downs in daily activities faced by almost all the countries in the world due to the novel coronavirus or COVID-19 outbreak which has turned into a global pandemic; and
- (b) Relocation of our bamboo processing and manufacturing operations from Ganzhou, PRC to Jingzhou, PRC is still ongoing hence lesser revenue was contributed from the subsidiary in Ganzhou.

Gross profit margin recorded in Q1 2020 was fairly consistent at 22% as compared to 21% in Q1 2019.

Overall, the Group recorded loss before taxation of RM4.37 million in Q1 2020 as compared to profit before tax of RM1.40 million in Q1 2019 mainly due to the recognition of share based payments of RM4.74 million as a result of share options granted to the directors of the Company. If this amount were to be excluded, the Group would have been slightly profitable for the current financial quarter, despite the negative effects of the COVID-19 outbreak.

Applicable accounting standards require the Group to charge the imputed fair value of share options to its profit or loss in the quarter the options are granted and accepted, irrespective of whether the options are eventually exercised in the future. It should be highlighted that the entire amount of RM4.74 million is **NON-CASH** in nature and is correspondingly captured under a newly-created Share Option Reserve. Depending on future exercise of these share options, the Company may actually 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).

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance (Amount/%) RM'000
	31 March 2020 RM '000	31 December 2019 RM '000	
	Revenue	11,257	
Gross profit	2,494	2,531	(37) / Negligible
(Loss)/Profit before taxation	(4,373)	5,198	(9,571) / >(100.0%)
LAT/PAT	(4,385)	5,269	(9,654) / >(100.0%)

The Group recorded a decrease in revenue by RM4.44 million to RM11.26 million in Q1 2020 as compared to RM15.69 million in the preceding financial quarter ended 31 December 2019 ("Q4 2019"). The decrease in revenue was mainly attributable to:-

- (a) No business operations were allowed since the end of January 2020 until conclusion of the current financial quarter as a result of government mandated lock downs in daily activities faced by almost all the countries in the world due to the novel coronavirus or COVID-19 outbreak which has turned into a global pandemic; and
- (b) Relocation of our bamboo processing and manufacturing operations from Ganzhou to Jingzhou were still ongoing hence lesser revenue was contributed from the subsidiary in Ganzhou.

Overall, the Group recorded loss before taxation of RM4.37 million in Q1 2020 as compared to profit before taxation of RM5.20 million in Q4 2019. The decrease in the profit before taxation was mainly due to:-

- (a) the recognition of share based payments of RM4.74 million as a result of share options granted to the directors of the Company, which is non-cash in nature;
- (b) lesser revenue was generated to defray the administrative expenses and fixed overheads of the Group due to the lockdowns; and
- (c) In the preceding financial quarter, cash incentive amounting to RM5.2 million was earned and received from the local authority in Jingzhou, as part of an agreed comprehensive package of incentives tied to the Group's high-technology bamboo processing plant and R&D centre project in Jingzhou. The Group did not claim any incentives in the current financial quarter.

B3. Prospects for the financial year ending 31 December 2020 ("FYE 2020")

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.

Notwithstanding the above, the COVID-19 pandemic situation is a major factor that can affect the potential growth of our sales and marketing in FYE 2020, due to government policies restricting business operations and the movement of goods and services. The impact of this can be seen from the reduced revenue recorded by the Group for the current financial quarter. It is the management's fervent hope that the situation will improve and there will be no widespread reimposition of operational and movement restrictions in the remaining quarters of

FYE 2020. In the meantime, we will continue to strengthen the Group with implementation of the following strategies:

- (a) Expansion into new bamboo concession and processing plant in Jingzhou, the PRC which is currently under construction and targeted to be completed and to start operations in the third quarter of FYE 2020, in order to better manage the raw material cost as the new plant is surrounded by estimated 18,200 metric tonnes standing stock of ready-to-harvest raw bamboo (translating to an estimated 435,00 square metres of bamboo flooring). This will be a steady source of raw material supply and key factor in the re-upscaling of our own bamboo products segment. The expansion in Jingzhou will allow the Group to focus not only on manufacturing of bamboo products but also processing of bamboo related foodstuff and bamboo eco-tourism in the near future;
- (b) Expansion of the Group's flooring products with the launching of new series of bamboo flooring products;
- (c) Enhancing the Group's flooring products to focus more on 'green' strand woven products;
- (d) Expansion of the Group's product portfolio to include bamboo furniture marketed under the 'KAR-ACE' brand;
- (e) Expansion into wood flooring products by promoting Classen's products in the PRC through the collaboration with Classen International GmbH as the Group is the exclusive distributor for Classen's products in the PRC. The COVID-19 pandemic and related lockdowns has had a significant impact on general business activity and there is always a risk of second and additional waves occurring in the future. As a result, the Group is currently in discussions with Classen on reducing the scope of the exclusivity from China-wide to perhaps focus on Guangdong province or the southern region where our main and sales offices are. The reason for this is to avoid incurring potential penalties in the future for not meeting minimum sales targets should the pandemic turn into a longer term problem.
- (f) Expansion of the Group's presence by increasing the number of appointed dealers in its sales network and number of sales and marketing channels, for both its own and third party products;
- (g) Identifying candidates to be the Group's master agents/distributors in countries such as Malaysia, Australia and New Zealand;
- (h) Intensifying efforts in the adoption and building out of a comprehensive omni-channel marketing strategy which is designed to cover all points of contact with existing and potential new customers. The Group is also 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; and
- (i) Diversification of the Group's principal activities to include property leasing business which will provide the Group with additional income and cash flows. During the current financial quarter, the Group has fully leased out its newly completed commercial properties 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).

Premised on the above, the Board is cautiously optimistic on the prospects of the Group for FYE 2020.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Current tax expenses (RM'000)	<u>12</u>	<u>29</u>	<u>12</u>	<u>29</u>
Effective tax rate (%)	<u>N/A</u>	<u>2.07</u>	<u>N/A</u>	<u>2.07</u>

N/A: As the Group recorded loss before tax, the analysis of effective tax rate is not meaningful.

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

a) RCN

On 6 September 2019, the shareholders of the Company have approved the issuance of up to 1,585,000,000 new Kanger Shares based on the minimum conversion price of RM0.04 on the remaining RCN of RM60.5 million at the Extraordinary General Meeting.

However no RCN was issued during the current financial quarter.

b) SIS

On 24 December 2019, the Company has undertaken a corporate exercise to establish the SIS for the directors and eligible employees of the Group, which was approved by the shareholders of the Company on the Extraordinary General Meeting.

The Company had on 13 January 2020 and 20 February 2020 granted 90 million and 40 million share options respectively to some of its directors under the SIS. However, no share options have been exercised by the directors as at the end of the financial quarter.

B7. Borrowings

The Group's borrowings as at 31 March 2020 are as follows:

	As at 31 March 2020 RM '000	As at 31 March 2019 RM '000
Secured – Short term borrowings		
Term loans	16,307	16,284
Bills payables	1,595	12,926
Secured – Long term borrowings		
Term loans	40,359	34,673
Total borrowings	58,261	63,883

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

	As at 31 March 2020 RM'000	As at 31 March 2019 RM'000
Chinese Renminbi	58,261	63,883
Total borrowings	58,261	63,883

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 CNY1: RM0.6069 as at 31 March 2020.*

The borrowings decreased by RM5.62 million or 8.80% as at 31 March 2020 as compared to 31 March 2019 mainly due to the repayments of bill payables by Ganzhou Kanger Industrial Co., Ltd.

The weighted average effective interest rates of the Group's borrowings ranged from 3.99% to 9.00% as at 31 March 2020 and the entire borrowings as at 31 March 2020 is subjected to floating interest rate.

No hedging is 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 2020 (Financial period ended 31 March 2019: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
(Loss)/Profit attributable to ordinary equity holders of the Company (RM '000)	(4,293)	1,370	(4,293)	1,370
Weighted average number of ordinary shares in issue ('000)	1,231,767	893,442	1,231,767	893,442
Basic (loss)/earnings per share (sen)	(0.35)	0.15	(0.35)	0.15

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2020	31 March 2018	31 March 2020	31 March 2018
(Loss)/Profit attributable to ordinary equity holders of the company (RM '000)	(4,293)	1,370	(4,293)	1,370
Weighted average number of ordinary shares in issue ('000)	1,231,767	893,442	1,231,767	893,442
Assuming full exercise of warrants ('000) ⁽¹⁾	1,231,767	1,132,761	1,231,767	1,132,761
Assuming full conversion of RCNs already issued ('000) ⁽²⁾	1,231,767	1,132,761	1,231,767	1,132,761
Assuming full exercise of SIS ('000)	1,341,767	1,132,761 ⁽³⁾	1,341,767	1,132,761 ⁽³⁾
Diluted earnings per share (sen)	N/A	0.12	N/A	0.12

N/A: The effect is not shown as this is anti-dilutive.

Notes:

⁽¹⁾ : The effect on the conversion of warrants has not been included for the period ended 31 March 2020 as the warrants has expired as at the date of this interim financial report.

⁽²⁾ : The effect of the conversion has not been included as the conversion price varies based on the floating conversion price ("FCP") prior to the conversion. The methodology for FCP was stated in the Circular to shareholders of the Company dated 21 August 2019.

⁽³⁾ : Not applicable for the period ended 31 March 2019.

B11. Disclosure on selected expense/income items as required by the Listing Requirements

Included in the (loss)/profit before taxation are the following expense/(income) items:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31March 2020 RM'000	31March 2019 RM'000	31March 2020 RM'000	31March 2019 RM'000
Interest expenses	235	336	235	336
Depreciation of property, plant and equipment	427	551	427	551
Depreciation of rights-of- use assets	194	-	194	-
Amortisation of intangible assets	187	231	187	231

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 Q1 2020.

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)
Company Secretary
Kuala Lumpur
30 June 2020