

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2020 RM '000	30 September 2019 RM '000	30 September 2020 RM '000	30 September 2019 RM '000
Revenue	4,845	9,606	28,321	49,356
Cost of sales	(3,872)	(7,084)	(22,283)	(37,951)
Gross profit	973	2,522	6,038	11,405
Other operating income	470	13	533	13
Administrative expenses	(5,557)	(1,888)	(13,597)	(4,515)
Selling and distribution expenses	(432)	(446)	(1,244)	(1,570)
Other operating expenses	(1)	(8)	(40)	(135)
Finance costs	(355)	(859)	(1,015)	(1,334)
(Loss)/Profit before taxation	(4,902)	(666)	(9,325)	3,864
Taxation	-	(1)	-	95
(Loss after taxation) ("LAT")/Profit after taxation ("PAT")	(4,902)	(667)	(9,325)	3,959
Other comprehensive in (loss)/income: <i>Items that maybe reclassified subsequently to profit or loss</i>				
- Foreign exchange translation	(964)	(2,779)	4,284	(1,561)
Total comprehensive (loss)/income	(5,866)	(3,446)	(5,041)	2,398
(LAT)/PAT ATTRIBUTABLE TO:				
- Owners of the company	(4,727)	(649)	(8,812)	3,985
- Non-controlling interest	(175)	(18)	(513)	(26)
TOTAL COMPREHENSIVE (LOSS)/INCOME ATTRIBUTABLE TO:				
- Owners of the company	(6,049)	(3,428)	(4,468)	2,424
- Non-controlling interest	183	(18)	(573)	(26)
Weighted average no. of ordinary shares ('000)	1,443,367	893,738	1,443,367	893,738
(Loss)/Earnings per share attributable to owners of the Company (sen):				
- Basic	(0.33)	(0.07)	(0.61)	0.45
- Diluted	N/A	N/A	N/A	0.30

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

Note:

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 30 SEPTEMBER 2020

	(Unaudited) As at 30 September 2020 RM '000	(Audited) As at 31 December 2019 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	144,374	103,025
Right-of-use assets	2,567	3,225
Intangible assets	14,399	16,267
	161,340	122,517
CURRENT ASSETS		
Inventories	19,865	17,272
Trade and other receivables	90,849	89,143
Current tax assets	202	8
Cash and cash equivalents	32,524	10,264
	143,440	116,687
TOTAL ASSETS	304,780	239,204
EQUITY AND LIABILITIES		
EQUITY		
Share capital	159,878	104,326
Reserves	37,696	38,703
Redeemable convertible notes	-	591
SHAREHOLDERS' EQUITY	197,574	143,620
Non-controlling interests	15,708	9,484
TOTAL EQUITY	213,282	153,104
CURRENT LIABILITIES		
Trade and other payables	29,051	21,259
Amount due to director	1,482	970
Bank borrowings	18,785	17,476
Lease liabilities	122	117
Current tax liabilities	104	86
	49,544	39,908
NON-CURRENT LIABILITIES		
Bank borrowings	39,133	33,436
Lease liabilities	2,600	3,234
Redeemable convertible notes	-	9,123
Deferred taxation	221	399
	41,954	46,192
TOTAL LIABILITIES	91,498	86,100
TOTAL EQUITY AND LIABILITIES	304,780	239,204
NET ASSETS PER SHARE (sen)	10.78	13.13

KANGER INTERNATIONAL BERHAD
(1014793-D)

Note:

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.

KANGER INTERNATIONAL BERHAD
(1014793-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020

	----- Attributable to Owners of the Company -----									Total Equity RM '000
	----- Non-distributable -----					Distributable				
	Share Capital RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Share Option Reserve RM '000	Redeemable Convertible Notes RM'000	Retained Earnings RM '000	Shareholders' Equity RM '000	Non- controlling Interests 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	50,900	-	-	-	-	(591)	-	50,309	-	50,309
Issuance of shares granted under SIS	4,652	-	-	-	(2,052)	-	-	2,600	-	2,600
Non-controlling interests acquired in subsidiary companies	-	-	-	-	-	-	-	-	6,797	6,797
Share options granted under SIS	-	-	-	-	5,513	-	-	5,513	-	5,513
LAT	-	-	-	-	-	-	(8,812)	(8,812)	(513)	(9,325)
Foreign currency translation	-	-	-	4,344	-	-	-	4,344	(60)	4,284
Total comprehensive income/(loss)	-	-	-	4,344	-	-	(8,812)	(4,468)	(573)	(5,041)
Balance as at 30 September 2020	159,878	(12,805)	1,227	6,625	3,461	-	39,188	197,574	15,708	213,282
Preceding year corresponding period ended 30 September 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/(LAT)	-	-	-	-	-	-	3,985	3,985	(26)	3,959
Foreign currency translation	-	-	-	(1,561)	-	-	-	(1,561)	-	(1,561)
Total comprehensive (loss)/income	-	-	-	(1,561)	-	-	3,985	2,424	(26)	2,398
Balance as at 30 September 2019	92,327	(12,805)	1,227	2,356	-	211	45,185	128,501	6,404	134,905

Note:

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 SECOND (3rd) QUARTER ENDED 30 SEPTEMBER 2020**

	Current period to date 30 September 2020 RM'000	Preceding period to date 30 September 2019 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(9,325)	3,864
Adjustments for:		
Depreciation of property, plant and equipment	1,190	868
Depreciation of right-of-use assets	587	-
Amortisation of intangible assets	566	564
Interest expenses	1,015	1,334
Share-based payment	5,513	
Operating (loss)/profit before working capital changes:	(454)	6,630
Change in inventories	(627)	1,632
Change in trade and other receivables	(1,705)	8,970
Change in trade and other payables	8,304	3,910
CASH GENERATED FROM OPERATIONS	5,518	21,142
Interest paid	(1,015)	(1,334)
Tax paid	(200)	-
Tax refunded	-	(17)
NET CASH GENERATED FROM OPERATING ACTIVITIES	4,303	19,791
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(35,794)	(14,893)
Additions to development expenditure	(15)	(46)
Proceeds from issuance of shares to non-controlling interests	6,797	-
Proceeds from issuance of shares from SIS	2,600	-
NET CASH USED IN INVESTING ACTIVITIES	(26,412)	(14,939)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of redeemable convertible notes	41,000	9,500
Net drawdown of bank borrowings	3,618	473
Placement of fixed deposit pledged as security	1,175	-
NET CASH GENERATED FROM FINANCING ACTIVITIES	45,793	9,973
NET INCREASE IN CASH AND CASH EQUIVALENTS	23,684	14,825
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(248)	(565)
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	32,158	17,516

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (3rd) QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	Current period to date 30 September 2020 RM'000	Preceding period to date 30 September 2019 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	32,158	17,516
- Fixed deposit placed with licensed banks	<u>366</u>	<u>7,672</u>
	32,524	25,188
Less: Fixed deposit pledged as security	<u>(366)</u>	<u>(7,672)</u>
	<u>32,158</u>	<u>17,516</u>

Note:

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2020

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 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 3: Reference to Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced
Amendments to MFRS 16: Covid-19 – Related Rent Concessions	
MFRS 17 – Insurance Contracts	1 January 2023
Amendments to MFRS 17 – Insurance Contracts	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-Current	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	

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 Group 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 30 September 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

There were no issuance, cancellation, repurchase, resale and repayment of debt or 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 ----	
	30 September 2020 RM '000	30 September 2019 RM '000	30 September 2020 RM '000	30 September 2019 RM '000
Horizontal and vertical bamboo and wood flooring	2,635	999	12,566	12,372
Strand woven bamboo flooring	685	8,521	14,076	36,715
Bamboo furniture and other strand woven bamboo products	1,525	86	1,679	269
Total	<u>4,845</u>	<u>9,606</u>	<u>28,321</u>	<u>49,356</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	30 September 2020 RM '000	30 September 2019 RM '000	30 September 2020 RM '000	30 September 2019 RM '000
PRC	3,078	2,608	8,960	17,482
Export:				
- Malaysia	-	1,176	-	11,059
- New Zealand	16	2,060	8,174	9,328
- Mexico	1,459	945	5,623	4,329
- USA	3	335	1,538	560
- Bangladesh	3	-	1,422	-
- Korea	2	898	1,288	898
- United Arab Emirates	-	1,087	-	2,957
- Others*	284	497	1,316	2,743
	<u>4,845</u>	<u>9,606</u>	<u>28,321</u>	<u>49,356</u>

* Includes countries in Europe, Asia, North America and Africa.

No other segmental information such as segment assets and liabilities are presented as the Group's assets and liabilities are managed on group wide basis and are not allocated to any of the operating segments.

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 30 September 2020 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>16,466</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/%)
	30 September 2020	30 September 2019	
	RM '000	RM '000	
Revenue	4,845	9,606	(4,761) / -49%
Gross profit	973	2,522	(1,549) / -61%
Loss before taxation	(4,902)	(666)	(4,236) / >100%
LAT	(4,902)	(667)	(4,235) / >100%

	---- Cumulative Quarter ----		Variance (Amount RM'000/%)
	30 September 2020	30 September 2019	
	RM '000	RM '000	
Revenue	28,321	49,356	(21,035) / -43%
Gross profit	6,038	11,405	(5,367) / -47%
(Loss)/Profit before taxation	(9,325)	3,864	(13,189) / >-100%
(LAT)/PAT	(9,325)	3,959	(13,284) / >-100%

Individual Quarter

Revenue dropped by RM4.8 million or 50% in the current financial quarter ended 30 September 2020 ("Q3 2020") as compared to the corresponding quarter ended 30 September 2019 ("Q3 2019") mainly due to:-

- (a) minimal business operations were allowed in many countries as a result of government-mandated lock downs due to the novel coronavirus or COVID-19 outbreak which has turned into a global pandemic hence less revenue was generated, although some of the countries have slowly resumed business activities; 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.

The gross profit margin marginally decreased from 21% as recorded in Q3 2020 as compared to 23% in Q3 2019 mainly due to the decrease in sale of strand woven bamboo flooring which generally commands higher gross profit margin.

Overall, the Group recorded loss before taxation of RM4.9 million in Q3 2020 as compared to loss before taxation of RM0.67 million in Q3 2019 mainly due to insufficient revenue generated to defray the expenses, in particular the sale of strand woven bamboo flooring was largely affected by the relocation of our bamboo processing and manufacturing operations from Ganzhou, PRC to Jingzhou, PRC. Furthermore, the Group also incurred some non-recurring expenses in particular the professional and administrative expenses incurred during the process of issuing the RCN of RM1.3 million and the share based payment of RM0.4 million in Q3 2020.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance (Amount RM'000/%)
	30 September 2020 RM '000	30 June 2020 RM '000	
Revenue	4,845	12,219	(7,374) / -60%
Gross profit	973	2,571	(1,598) / -62%
Loss before taxation	(4,902)	(50)	(4,852) / >100%
LAT	(4,902)	(38)	(4,864) / >100%

The Group recorded a decrease in revenue by RM7.4 million to RM4.8 million in Q2 2020 as compared to RM12.2 million in the preceding financial quarter ended 30 June 2020 ("Q2 2020"). The decrease in revenue was mainly attributable to the decrease in sales within PRC and to other countries as well as the absence in sales to New Zealand, USA and Korea in Q3 2020, although mitigated by the increase in sales to Mexico. Sales to PRC decrease by RM0.3 million from RM3.4 million in Q2 2020 to RM3.1 million in Q3 2020 and sales to other countries decrease by RM0.2 million from RM0.5 million in Q2 2020 to RM0.3 million in Q3 2020. Total revenue generated by New Zealand, USA and Korea amounted to RM6.5 million in the previous quarter of Q2 2020. The increase in sales to Mexico was RM0.2 million from RM1.3 million in Q2 2020 to RM1.5 million in Q3 2020.

Overall, the Group recorded loss before taxation of RM4.9 million in Q3 2020 as compared to loss before taxation of RM50,000 in Q2 2020. The increase in loss before taxation in Q3 2020 was mainly due to lower revenue generated which was insufficient to defray the operating expenses of the Group. The lower revenue was caused by:-

- (a) minimal business operations were allowed in many countries as a result of government-mandated lock downs due to the novel coronavirus or COVID-19 outbreak which has turned into a global pandemic, although some of the countries have slowly resumed business activities;
- (b) relocation of our bamboo processing and manufacturing operations from Ganzhou, PRC to Jingzhou, PRC which is still ongoing; and
- (c) some non-recurring expenses in particular the professional and administrative expenses incurred during the process of issuing the RCN of RM1.3 million and the share based payment of RM0.4 million in Q3 2020.

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

PRC'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 PRC'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), PRC 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.

The Group has identified the following main strategies to continue to grow its businesses:-

- (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 raw material costs, as the new plant is surrounded by an estimated 18,200 metric tonnes standing stock of ready-to-harvest raw bamboo (translating to an estimated 435,000 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 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 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 ---	
	30 September 2020 RM '000	30 September 2019 RM '000	30 September 2020 RM '000	30 September 2019 RM '000
Current tax expenses	-	1	-	(95)
Effective tax rate	-	N/A – (1)	-	N/A – (2)

N/A:

- (1) As the Group's recorded loss before taxation in Q3 2019, the presentation of effective tax rate is not meaningful.
- (2) One of the Group's subsidiary namely Ganzhou Kanger Industrial Co., Ltd. ("**Ganzhou**") has obtained a refund on tax over paid in respect of the previous financial year.

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, 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) Redeemable Convertible Notes ("**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.

During the current quarter, the Company issued two (2) tranches of the RCN as follows:-

- (a) a total of RM33 million worth of the RCN, which was subsequently converted into 458,333,333 ordinary shares by the RCN holder during the quarter at conversion price of RM0.072 per ordinary share; and
- (b) a total of RM8 million worth of the RCN, which was subsequently converted into 98,765,432 ordinary shares by the RCN holder during the quarter at conversion price of RM0.081 per ordinary share.

The funds raised were used to settle the expenses incurred for the issuance of RCN amounting to RM1.3 million and RM26.5 million was incurred in the course of the construction of the commercial buildings with the remaining balance, which was also earmarked to fund the construction of the commercial buildings, was kept in the bank as at 30 September.

b) Share Issuance Scheme (“**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.

During the current quarter, 40 million of ordinary shares were subscribed and exercised at exercise price of RM0.065 per ordinary share which resulted from the proceeds from the issuance of shares under the SIS of RM2.6 million.

B7. Borrowings

The Group’s borrowings as at 30 September 2020 are as follows:

	As at 30 September 2020 RM '000	As at 30 September 2019 RM '000
Secured – Short term borrowings		
Term loans	18,785	14,594
Bills payables	-	12,493
Secured – Long term borrowings		
Term loans	39,133	33,510
Total borrowings	<u>57,918</u>	<u>60,597</u>

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

	As at 30 September 2020 RM '000	As at 30 September 2019 RM '000
Secured – Short term and long term borrowings		
Chinese Renminbi	57,918	60,597
Total borrowings	<u>57,918</u>	<u>60,597</u>

Note:

*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: RM0.6105 as at 30 September 2020.*

The borrowings decreased by RM2.7 million or 4% as at 30 September 2020 as compared to 30 September 2019 mainly due to the repayment of Bills Payable. At the same time, the Group has also obtained new term loan facility to part finance the construction of the new plant in Jingzhou.

The weighted average effective interest rates of the Group’s borrowings ranged from 4% to 9% as at 30 September 2020 and the entire borrowings as at 30 September 2020 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 30 September 2020 (Financial period ended 30 September 2019: Nil).

B10. (Loss)/Earnings per share

The Group's basic (loss)/earnings per share is calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
(LAT)/PAT attributable to Shareholders of the Company (RM '000)	(4,727)	(649)	(8,812)	3,985
Weighted average number of ordinary shares in issue ('000)	1,443,367	893,738	1,443,367	893,738
Basic (loss)/earnings per share (sen)	<u>(0.33)</u>	<u>(0.07)</u>	<u>(0.61)</u>	<u>0.45</u>

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
(LAT)/PAT attributable to Shareholders of the Company (RM '000)	(4,727)	(649)	(8,812)	3,985
Weighted average number of ordinary shares in issue ('000)	1,443,367	893,738	1,443,367	893,738
Assuming full exercise of warrants ('000)	- ⁽¹⁾	1,132,377	- ⁽¹⁾	1,132,377
Assuming full conversion of Notes already issued ('000) ⁽²⁾	-	-	-	-
Assuming full exercise of SIS ('000)	1,533,367	- ⁽³⁾	1,533,367	- ⁽³⁾
Diluted earnings per share (sen)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>0.35</u>

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

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

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2020 RM '000	30 September 2019 RM '000	30 September 2020 RM '000	30 September 2019 RM '000
Interest expenses	355	859	1,015	1,334
Depreciation	383	120	1,777	868
Amortisation of intangible assets	189	186	566	564

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 financial year ending 31 December 2020.

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)

Company Secretary
Kuala Lumpur
30 November 2020