

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2019**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2019 RM '000	30 June 2018 RM '000	30 June 2019 RM '000	30 June 2018 RM '000
Revenue	21,710	18,888	39,750	31,533
Cost of sales	<u>(16,536)</u>	<u>(15,089)</u>	<u>(30,867)</u>	<u>(24,964)</u>
Gross profit	5,174	3,799	8,883	6,569
Other operating income	-	-	-	62
Administrative expenses	(1,240)	(1,307)	(2,627)	(3,127)
Selling and distribution expenses	(537)	(469)	(1,124)	(892)
Other operating expenses	(127)	-	(127)	-
Finance costs	<u>(139)</u>	<u>(180)</u>	<u>(475)</u>	<u>(387)</u>
Profit before taxation	3,131	1,843	4,530	2,225
Taxation	125	(16)	96	(36)
Profit after taxation ("PAT")	<u>3,256</u>	<u>1,827</u>	<u>4,626</u>	<u>2,189</u>
Other comprehensive income/(loss):				
- Foreign exchange translation	<u>326</u>	<u>140</u>	<u>1,218</u>	<u>(2,021)</u>
Total comprehensive income	<u>3,582</u>	<u>1,967</u>	<u>5,844</u>	<u>168</u>
PAT/(LOSS AFTER TAXATION) ATTRIBUTABLE TO:				
- Owners of the company	3,264	1,827	4,634	2,189
- Non-controlling interest	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
- Owners of the company	3,590	1,967	5,852	168
- Non-controlling interest	<u>(8)</u>	<u>-</u>	<u>(8)</u>	<u>-</u>
Weighted average no. of ordinary shares ('000)	893,442	808,145	893,442	805,458
Earnings per share attributable to owners of the Company (sen):				
- Basic	0.36	0.23	0.52	0.27
- Diluted	0.29	0.17	0.41	0.21

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 2018 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	(Unaudited) As at 30 June 2019 RM '000	(Audited) As at 31 December 2018 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	100,364	86,234
Intangible assets	17,219	17,515
	117,583	103,749
CURRENT ASSETS		
Inventories	18,567	19,816
Trade and other receivables	63,406	69,946
Tax recoverable	64	89
Cash and cash equivalents	12,798	10,917
	94,835	100,768
TOTAL ASSETS	212,418	204,517
EQUITY AND LIABILITIES		
EQUITY		
Share capital	92,327	92,227
Reserves	39,391	33,539
Redeemable convertible notes	211	218
SHAREHOLDERS' EQUITY	131,929	125,984
Non-controlling interests	6,422	6,430
TOTAL EQUITY	138,351	132,414
CURRENT LIABILITIES		
Trade and other payables	7,773	6,873
Amount due to director	629	588
Bank borrowings	28,287	27,167
Tax payable	123	224
	36,812	34,852
LONG TERM LIABILITIES		
Bank borrowings	34,348	34,251
Redeemable convertible notes	2,622	2,713
Deferred taxation	285	287
	37,255	37,251
TOTAL LIABILITIES	74,067	72,103
TOTAL EQUITY AND LIABILITIES	212,418	204,517
NET ASSETS PER SHARE (sen)	14.77	15.00

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 2018 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 SECOND (2nd) QUARTER ENDED 30 JUNE 2019

	----- Attributable to Owners of the Company -----								
	----- Non-Distributable -----					Distributable			
	Share Capital RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Redeemable Convertible Notes RM'000	Retained Earnings RM '000	Shareholders' Equity RM '000	Non- Controlling Interests RM '000	Total Equity RM '000
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	-	-	-	-	-	4,634	4,634	(8)	4,626
Foreign currency translation	-	-	-	1,218	-	-	1,218	-	1,218
Total comprehensive income/(loss)	-	-	-	1,218	-	4,634	5,852	(8)	5,844
Balance as at 30 June 2019	92,327	(12,805)	1,227	5,135	211	45,834	131,929	6,422	138,351
Preceding year corresponding period ended 30 June 2018									
Balance as at 1 January 2018	84,227	(12,805)	1,227	6,835	-	42,914	122,398	-	122,398
Conversion of redeemable convertible notes	3,000	-	-	-	-	-	3,000	-	3,000
PAT	-	-	-	-	-	2,189	2,189	-	2,189
Foreign currency translation	-	-	-	(2,021)	-	-	(2,021)	-	(2,021)
Total comprehensive (loss)/income	-	-	-	(2,021)	-	2,189	168	-	168
Balance as at 30 June 2018	87,227	(12,805)	1,227	4,814	-	45,103	125,566	-	125,566

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 2018 and the accompanying explanatory notes attached to this interim financial report.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2019**

	Current Year to date 30 June 2019 RM'000	Preceding Period to date 30 June 2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	4,530	2,225
Adjustments for:		
Depreciation of property, plant and equipment	748	882
Amortisation of intangible assets	378	327
Interest expenses	475	387
Operating profit before working capital changes:	6,131	3,821
Change in inventories	1,249	(1,285)
Change in trade and other receivables	6,540	(7,936)
Change in trade and other payables	940	11,697
CASH GENERATED FROM OPERATIONS	14,860	6,297
Interest paid	(475)	(387)
Tax paid	-	(404)
Tax refunded	19	-
NET CASH GENERATED FROM OPERATING ACTIVITIES	14,404	5,506
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(14,867)	(10,871)
Development expenditure	(33)	-
NET CASH USED IN INVESTING ACTIVITIES	(14,900)	(10,871)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of redeemable convertible notes	-	5,000
Net drawdown of bank borrowings	1,889	7,967
Placement of fixed deposit pledged	-	(367)
NET CASH GENERATED FROM FINANCING ACTIVITIES	1,889	12,600
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,393	7,235
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	285	(1,312)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	3,256	1,861
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	4,934	7,784

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	Current Year to date 30 June 2019 RM'000	Preceding Period to date 30 June 2018 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	4,934	7,784
- Fixed deposit placed with licensed banks	<u>7,864</u>	<u>8,484</u>
	12,798	16,268
Less: Fixed deposit pledged	<u>(7,864)</u>	<u>(8,484)</u>
	<u><u>4,934</u></u>	<u><u>7,784</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 2018 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2019

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2019

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 2018 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 – Definition of a Business (Amendments to MFRS 3)	1 January 2020
MFRS 6 – Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
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 14 – Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
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 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 2018.

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 2018 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 June 2019.

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 June 2019 RM '000	30 June 2018 RM '000	30 June 2019 RM '000	30 June 2018 RM '000
Horizontal and vertical bamboo and wood flooring	6,182	10,684	11,373	20,410
Strand woven bamboo flooring	15,439	4,044	28,194	4,896
Bamboo furniture and other strand woven bamboo products	89	4,160	183	6,227
Total	<u>21,710</u>	<u>18,888</u>	<u>39,750</u>	<u>31,533</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	30 June 2019	30 June 2018	30 June 2019	30 June 2018
	RM '000	RM '000	RM '000	RM '000
PRC	6,542	6,496	14,874	11,170
Export:				
- Malaysia	4,294	4,441	9,883	5,674
- New Zealand	4,221	2,658	7,268	4,197
- India	-	2,229	-	2,229
- Israel	-	1,794	-	1,794
- Others*	6,653	1,270	7,725	6,469
	<u>21,710</u>	<u>18,888</u>	<u>39,750</u>	<u>31,533</u>

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

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.

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 June 2019 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>22,890</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 ----			
	30 June 2019	30 June 2018	Variance
	RM '000	RM '000	(Amount/%)
			RM'000
Revenue	21,710	18,888	2,822 / 14.9%
Gross profit	5,174	3,799	1,375 / 36.2%
Profit before taxation	3,131	1,843	1,288 / 69.9%
PAT	3,256	1,827	1,429 / 78.2%

---- Cumulative Quarter ----			
	30 June 2019	30 June 2018	Variance
	RM '000	RM '000	(Amount/%)
			RM'000
Revenue	39,750	31,533	8,217 / 26.1%
Gross profit	8,883	6,569	2,314 / 35.2%
Profit before taxation	4,530	2,225	2,305 / > 100.0%
PAT	4,626	2,189	2,437 / > 100.0%

Individual Quarter

Revenue increased by RM2.82 million or 15% in the current financial quarter ended 30 June 2019 ("Q2 2019") as compared to the corresponding quarter ended 30 June 2018 ("Q2 2018") mainly due to increase in sales to Malaysia by RM4.21 million as well as the sales to domestic PRC market by RM3.70 million as a result of increased marketing efforts.

Gross profit margin recorded in Q2 2019 was 24% as compared to 20% in Q2 2018 mainly due to the increase in sale of strand woven bamboo flooring which generally command higher gross profit margin.

Overall, the Group recorded an increase in profit before taxation of RM1.29 million in Q2 2019 as compared to Q2 2018 mainly due to improve gross profit margin especially from the sale of strand woven bamboo flooring.

B2. Comparison with immediate preceding quarter's results

Quarter ended			
	30 June 2019	31 March 2019	Variance
	RM '000	RM '000	(Amount/%)
			RM'000
Revenue	21,710	18,040	3,670 / 20.3%
Gross profit	5,174	3,709	1,465 / 39.5%
Profit before taxation	3,131	1,399	1,732 / >100%
PAT	3,256	1,370	1,886 / >100%

The Group recorded an increase in revenue by RM3.67 million to RM21.71 million in Q2 2019 as compared to RM18.04 million in Q1 2019. The increase in revenue was mainly due to the increase in sale of strand woven bamboo flooring in Q2 2019.

Overall, the Group recorded profit before taxation of RM3.13 million in Q2 2019 as compared to profit before taxation of RM1.40 million in Q1 2019 mainly due to increase in sale of strand woven bamboo flooring which command better gross profit margin.

B3. Prospects for the financial year ending 31 December 2019 (“FYE 2019”)

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.

In line with the 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 2019.

Premised on the above, the Board is cautiously optimistic on the prospects of the Group for FYE 2019.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2019 RM '000	30 June 2018 RM '000	30 June 2019 RM '000	30 June 2018 RM '000
Current tax expenses	(125)	16	(96)	36
Effective tax rate	N/A	0.87%	N/A	1.62%

N/A: One of the Group’s subsidiary, 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

There is no corporate proposal announced but not completed as at the date of this report.

B7. Borrowings

The Group's borrowings as at 30 June 2019 are as follows:

	As at 30 June 2019 RM '000	As at 30 June 2018 RM '000
Secured – Short term borrowings		
Term loans	15,482	13,407
Bills payables	12,805	12,973
Secured – Long term borrowings		
Term loans	34,348	35,409
Total borrowings	62,635	61,789

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

	As at 30 June 2019 RM '000	As at 30 June 2018 RM '000
Secured – Short term and long term borrowings		
Chinese Renminbi	62,635	61,789
Total borrowings	62,635	61,789

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: RM0.6026 as at 28 June 2019.*

The borrowings increased by RM0.85 million or 1.4% as at 30 June 2019 as compared to 30 June 2018 mainly due to the drawdown of term loan by Ganzhou for the construction of a commercial building in Ganzhou, Jiangxi Province, PRC.

The weighted average interest rate of the Group's borrowings is 7.6% as at 30 June 2019 and the entire borrowings as at 30 June 2019 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 June 2019 (Financial period ended 30 June 2018: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2019 RM '000	30 June 2018 RM '000	30 June 2019 RM '000	30 June 2018 RM '000
PAT attributable to ordinary equity holders of the Company (RM '000)	3,264	1,827	4,634	2,189
Weighted average number of ordinary shares in issue ('000)	893,442	808,145	893,442	805,458
Basic earnings per share (sen)	0.36	0.23	0.52	0.27

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2019 RM '000	30 June 2018 RM '000	30 June 2019 RM '000	30 June 2018 RM '000
PAT attributable to ordinary equity holders of the Company (RM '000)	3,264	1,827	4,634	2,189
Weighted average number of ordinary shares in issue ('000)	893,442	808,145	893,442	805,458
Assuming full exercise of warrants ('000)	1,132,377	1,047,080	1,132,377	1,044,393
Assuming full conversion of Notes already issued ('000)	-	1,071,772	-	1,069,085
Diluted earnings per share (sen)	0.29	0.17	0.41	0.21

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

Included in the profit before taxation are the following expense items:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM '000	RM '000	RM '000	RM '000
Interest expenses	139	180	475	387
Depreciation	551	437	748	882
Amortisation of intangible assets	231	163	378	327

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 2019.

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)

Company Secretary

Kuala Lumpur

27 August 2019