

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2015**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
Revenue	10,902	12,713	10,902	12,713
Cost of sales	(9,126)	(9,799)	(9,126)	(9,799)
Gross profit	1,776	2,914	1,776	2,914
Other operating income	293	6	293	6
Administrative expenses	(1,008)	(782)	(1,008)	(782)
Selling and distribution expenses	(280)	(241)	(280)	(241)
Finance costs	(216)	(168)	(216)	(168)
Profit before taxation	565	1,729	565	1,729
Taxation	(174)	(320)	(174)	(320)
Profit after taxation ("PAT")	391	1,409	391	1,409
Other comprehensive income after tax:				
- Foreign exchange translation	3,132	(1,382)	3,132	(1,382)
Total comprehensive income	3,523	27	3,523	27
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	391	1,409	391	1,409
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	3,523	27	3,523	27
Weighted average no. of ordinary shares ('000)	516,000	430,000	516,000	430,000
Earnings per share attributable to owners of the company (sen):				
- Basic	0.08	0.33	0.08	0.33
- Diluted	N/A	N/A	N/A	N/A

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 2014 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2015**

	(Unaudited) As at 31 March 2015 RM '000	(Audited) As at 31 December 2014 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	25,772	22,845
Intangible assets	6,278	6,010
	<u>32,050</u>	<u>28,855</u>
CURRENT ASSETS		
Inventories	29,089	29,056
Trade and other receivables	20,661	18,848
Cash and cash equivalents	23,105	17,550
	<u>72,855</u>	<u>65,454</u>
TOTAL ASSETS	<u>104,905</u>	<u>94,309</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	51,600	51,600
Reserves	18,840	15,317
TOTAL EQUITY	<u>70,440</u>	<u>66,917</u>
CURRENT LIABILITIES		
Trade and other payables	1,991	1,887
Amount owing to a director	387	354
Bank borrowings	30,539	24,078
Tax payable	1,548	1,073
	<u>34,465</u>	<u>27,392</u>
TOTAL LIABILITIES	<u>34,465</u>	<u>27,392</u>
TOTAL EQUITY AND LIABILITIES	<u>104,905</u>	<u>94,309</u>
NET ASSETS PER SHARE (sen)	<u>13.65</u>	<u>12.97</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 2014 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2015**

	Share Capital RM '000	Share Premium RM '000	Non-Distributable Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Distributable Retained Earnings RM '000	Total Equity RM '000
Balance as at 1 January 2015	51,600	2,302	(12,805)	788	4,649	20,383	66,917
PAT	-	-	-	-	-	391	391
Foreign currency translation	-	-	-	-	3,132	-	3,132
Total comprehensive income	-	-	-	-	3,132	391	3,523
Balance as at 31 March 2015	51,600	2,302	(12,805)	788	7,781	20,774	70,440
As at preceding year corresponding quarter ended 31 March 2014							
Balance as at 1 January 2014	43,000	11,000	(12,805)	788	2,734	13,364	58,081
PAT	-	-	-	-	-	1,409	1,409
Foreign currency translation	-	-	-	-	(1,382)	-	(1,382)
Total comprehensive income	-	-	-	-	(1,382)	1,409	27
Balance as at 31 March 2014	43,000	11,000	(12,805)	788	1,352	14,773	58,108

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 2013 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 2015**

	Current Year period to date 31 March 2015 RM'000	Preceding Year corresponding period to date 31 March 2014 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	565	1,729
Adjustments for:		
Depreciation of property, plant and equipment	347	244
Interest expenses	216	168
Interest income	-	(6)
Operating profit before working capital changes:	<u>1,128</u>	<u>2,135</u>
Change in inventories	(33)	208
Change in trade and other receivables	(1,812)	(12,014)
Change in trade and other payables	<u>365</u>	<u>(1,000)</u>
CASH USED IN OPERATIONS	(352)	(10,671)
Interest paid	(216)	(168)
Interest received	-	6
Income tax paid	-	(66)
NET CASH USED IN OPERATING ACTIVITIES	<u>(568)</u>	<u>(10,899)</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	<u>(1,880)</u>	<u>(136)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(1,880)</u>	<u>(136)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of bank borrowings	5,110	-
Repayment of bank borrowings	-	(3,708)
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	<u>5,110</u>	<u>(3,708)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	2,662	(14,743)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	2,893	(1,703)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>17,550</u>	<u>37,040</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>23,105</u></u>	<u><u>20,594</u></u>

KANGER INTERNATIONAL BERHAD
(1014793-D)

	Current Year period to date 31 March 2015 RM'000	Preceding Year corresponding period to date 31 March 2014 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	13,499	12,882
- Fixed deposit placed with licensed banks	9,606	7,712
	<u>23,105</u>	<u>20,594</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 2014 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FIRST (1st) QUARTER ENDED 31 MARCH 2015

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2015

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”).

The interim financial statements should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2014 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 (“MASB”) 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 14 – Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141 – Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 127 – Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate of Joint Venture	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 – Investment Entities: Applying the Consolidation Exception	1 January 2016
Amendments to MFRS 101 – Disclosure Initiatives	1 January 2016
Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 – Revenue from Contract with Customers	1 January 2017
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018

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 2014.

A2. Auditors’ report of preceding annual financial statements

The auditors’ reports on the preceding audited financial statements of the Company and its subsidiaries were 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.

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 and financial year-to-date.

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 and equity securities for the current financial quarter.

A7. Dividends

There were no dividends paid or declared for the current financial quarter and financial year-to-date.

A8. Segmental information

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
Horizontal and vertical bamboo flooring	5,728	10,854	5,728	10,854
Strand woven bamboo flooring	1,231	1,835	1,231	1,835
Other strand woven bamboo products	3,943	24	3,943	24
Total	<u>10,902</u>	<u>12,713</u>	<u>10,902</u>	<u>12,713</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
PRC	7,173	3,712	7,173	3,712
Export:				
- Russia	-	2,809	-	2,809
- Turkmenistan	-	2,412	-	2,412
- Iran	1,212	1,815	1,212	1,815
- Turkey	-	914	-	914
- Romania	-	302	-	302
- United States of America	874	-	874	-
- Kenya	672	-	672	-
- Others*	971	749	971	749
	<u>10,902</u>	<u>12,713</u>	<u>10,902</u>	<u>12,713</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.

A9. 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.

A10. Capital commitments

The Group does not have any capital commitment as at 31 March 2015.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter.

A12. Contingent liabilities and contingent assets

There were no changes in contingent liabilities or contingent assets since the last annual reporting period date up to the date of this report.

A13. Material events subsequent to the end of the quarter

There were no material events subsequent to the end of the current quarter and financial year-to-date that have not been reflected in this interim financial report.

A14. Related party transactions

There were no related party transactions entered into with related parties during the current financial quarter.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 March	31 March	31 March	31 March
	2015	2014	2015	2014
	RM '000	RM '000	RM '000	RM '000
Revenue	10,902	12,713	10,902	12,713
Profit before taxation	565	1,729	565	1,729

For the current financial quarter ended 31 March 2015 (“**Q1 2015**”), the Group recorded revenue of RM10.90 million and profit before taxation of RM0.57 million. Gross profit margin and profit before taxation margin stood at 16.3% and 5.2% respectively for Q1 2015.

The decrease in revenue in Q1 2015 as compared to the corresponding quarter ended 31 March 2014 (“**Q1 2014**”) by 14.2% was mainly due to a reduction in export sales, as a result of a decrease in demand for the Group’s horizontal and vertical bamboo flooring products from overseas customers in Q1 2015 amidst a global economic slowdown. However, the reduction in export sales was partially mitigated by an increase in sales in the PRC by 93% as compared to Q1 2014 mainly as a result of the Group’s efforts in expanding sales through appointment of new dealers and expansion of products range.

For Q1 2015, profit before taxation decreased by 67.3% from RM1.73 million in Q1 2014 to RM0.57 million in Q1 2015 mainly due to a decrease in revenue and reduction in gross profit margin. The reduction in gross profit margin was mainly due to higher sales of bamboo by-products of approximately RM3.92 million which command lower gross profit margin as compared to the Group’s other products. There were minimal sales of bamboo by-products in Q1 2014 as there was no demand for such products.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance
	31 March 2015	31 December 2014	
	RM '000	RM '000	RM '000
Revenue	10,902	19,676	(8,774)
Profit before taxation	565	1,816	(1,251)

The Group recorded a decrease in revenue by RM8.77 million to RM10.90 million in Q1 2015 as compared to RM19.67 million in the preceding financial quarter ended 31 December 2014. 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.

The Group’s profit before taxation also decreased by RM1.25 million to RM0.57 million in Q1 2015 as compared to RM1.82 million in the preceding financial quarter ended 31 December 2014 mainly due to the decrease in revenue and expenses incurred for its corporate proposals as detailed in Section B3 below.

B3. Prospects for the financial year ending 31 December 2015 (“FYE 2015”)

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 the China’s property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. China’s initiative of development of its western region and the construction of 36 million affordable houses as stated in its 12th Five-Year Plan (2011 – 2015) is envisaged to uphold performance of the construction industry which is expected to positively affect the bamboo flooring market. The bamboo flooring market in China is valued at RMB3.37 billion in 2012 and is expected to grow at a compound annual growth rate of 8.4 percent for the year 2012 to 2017 to RMB5.04 billion in 2017. (Source: Independent Market Research Report prepared by Protégé Associate Sdn Bhd).

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 to be marketed under ‘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 stable income and cash flows.

Premised on the above, the Board of Directors of Kanger (“**Board**”) is of the view that the Group will enjoy positive growth for the FYE 2015.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
Current tax expenses	174	320	174	320
Effective tax rate	30.8%	18.5%	30.8%	18.5%

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%.

The effective tax rate of 30.8% for the current financial quarter was mainly due to the losses incurred by the Company in the current financial quarter (as a result of administrative expenses) which are not eligible for tax deductions.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

Diversification and Redeemable Convertible Notes

On 2 January 2015, Kenanga Investment Bank Berhad (“**Kenanga IB**”) had, on behalf of the Board, announced that the Company proposed to undertake the following:-

- (i) Diversification of principal activities of the Group to include property investment and management (“**Proposed Diversification**”); and
- (ii) Issuance of redeemable convertible notes programme comprising redeemable convertible commercial papers and/or redeemable convertible medium term notes (“**Notes**”) with an aggregate principal amount of up to RM100.0 million (“**Proposed Notes Issue**”).

Subsequently, on 7 April 2015, the Company announced that the Proposed Diversification and Proposed Notes Issue has been approved by the shareholders at an Extraordinary General Meeting held on even date.

On 15 April 2015, Kenanga IB had, on behalf of the Board, announced that the first sub-tranche of tranche 1 Notes has been drawn down following fulfilment of all conditions precedent to the closing of the first sub-tranche of tranche 1 Notes under the subscription agreement pursuant to the Proposed Notes Issue.

Warrants

On 29 January 2015, TA Securities Holdings Berhad had, on behalf of the Board, announced that the Company proposed to undertake a free warrants issue of 258,000,000 warrants on the basis of one (1) warrant for every two (2) existing ordinary shares of RM0.10 each in Kanger (“**Proposed Free Warrants Issue**”) held by the shareholders of Kanger whose names appear in the Record of Depositors at an entitlement date to be determined later.

On 20 April 2015, TA Securities had, on behalf of the Board, announced that the Proposed Free Warrants Issue had been completed on even date following the listing of and quotation for the 258,000,000 Warrants on the ACE Market of Bursa Securities.

Save as disclosed above, there are no other corporate proposals announced but not completed as at the date of this report.

(ii) Utilisation of proceeds

The Company was listed on the ACE Market of Bursa Securities on 23 December 2013. The status of utilisation of the gross proceeds of RM20 million from the public issue by the Group as at 31 March 2015 is as follows:

Purpose	Estimated timeframe for utilisation (from date of listing)	Proposed utilisation	Actual utilisation	Deviation		Balance
		RM '000	RM '000	RM '000	%	
i) Capital expenditure	Within 12 months	1,000	1,000	-	-	-
ii) Research and development expenditure	Within 24 months	2,000	-	-	-	2,000
iii) Repayment of bank borrowings	Within 12 months	5,500	5,500	-	-	-
iv) Working capital	Within 24 months	8,200	8,309	109 ⁽¹⁾	1.3	-
v) Estimated listing expenses	Within 3 months	3,300	3,191	(109) ⁽¹⁾	(3.3)	-
Total gross proceeds		20,000	18,000			

Note:

(i) The excess amount budgeted for will be utilised for working capital purposes.

B7. Borrowings

The Group's borrowings as at 31 March 2015 are as follows:

	RM '000
Secured	
Short term revolving loan	2,500
Bank overdraft	1,998
Term loans	11,539
Bills payables	14,502
Total bank borrowings	30,539

Currency exposure profile of borrowings is as follows:

	RM '000
Secured	
Ringgit Malaysia	4,498
Chinese Renminbi	26,041
Total bank borrowings	30,539

Note:

(1) The Group's borrowings in Renminbi ("**RMB**") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.5973 as at 31 March 2015.

B8. Material litigation

As at 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 current financial quarter.

B10. Earnings per share

The basic earnings per share are calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	391	1,409	391	1,409
Weighted average number of ordinary shares in issue ('000)	516,000	430,000	516,000	430,000
Basic earnings per share (sen)	0.08	0.33	0.08	0.33

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 2015 RM '000	31 March 2014 RM '000	31 March 2015 RM '000	31 March 2014 RM '000
Interest income	-	(6)	-	(6)
Interest expenses	216	168	216	168
Depreciation	347	319	347	319

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 March 2015 into realised and unrealised profits is as follows:

	As at 31 March 2015 RM '000	As at 31 March 2014 RM '000
Total retained earnings of the Group:		
- Realised	20,774	14,773
- Unrealised	-	-
Total	<u>20,774</u>	<u>14,773</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>20,774</u></u>	<u><u>14,773</u></u>

By Order of the Board

WONG KEO ROU (MAICSA 7021435)
Company Secretary
Kuala Lumpur
28 May 2015