

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2015**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
Revenue	18,961	13,163	29,863	25,876
Cost of sales	(16,084)	(10,914)	(25,210)	(20,713)
Gross profit	2,877	2,249	4,653	5,163
Other operating income	145	1,279	438	1,285
Administrative expenses	(2,151)	(652)	(3,159)	(1,434)
Selling and distribution expenses	(406)	(232)	(686)	(473)
Finance costs	(82)	(28)	(298)	(196)
Profit before taxation	383	2,616	948	4,345
Taxation	(374)	(465)	(548)	(785)
Profit after taxation ("PAT")	9	2,151	400	3,560
Other comprehensive income after tax:				
- Foreign exchange translation	969	(476)	4,101	(1,858)
Total comprehensive income	978	1,675	4,501	1,702
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	9	2,151	400	3,560
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	978	1,675	4,501	1,702
Weighted average no. of ordinary shares ('000)	531,122	430,000	523,603	430,000
Earnings per share attributable to owners of the company (sen):				
- Basic	0.002	0.50	0.08	0.83
- Diluted	0.001	N/A	0.05	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 30 JUNE 2015**

	(Unaudited) As at 30 June 2015 RM '000	(Audited) As at 31 December 2014 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	30,671	22,845
Intangible assets	6,357	6,010
	<u>37,028</u>	<u>28,855</u>
CURRENT ASSETS		
Inventories	28,984	29,056
Trade and other receivables	26,483	18,848
Cash and cash equivalents	21,998	17,550
	<u>77,465</u>	<u>65,454</u>
TOTAL ASSETS	<u>114,493</u>	<u>94,309</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	54,371	51,600
Reserves	21,313	15,317
TOTAL EQUITY	<u>75,684</u>	<u>66,917</u>
CURRENT LIABILITIES		
Trade and other payables	3,607	1,887
Amount owing to a director	313	354
Bank borrowings	31,308	24,078
Tax payable	1,182	1,073
	<u>36,410</u>	<u>27,392</u>
LONG TERM LIABILITY		
Redeemable convertible notes	2,399	-
TOTAL LIABILITIES	<u>38,809</u>	<u>27,392</u>
TOTAL EQUITY AND LIABILITIES	<u>114,493</u>	<u>94,309</u>
NET ASSETS PER SHARE (sen)	<u>13.92</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 SECOND (2nd) QUARTER ENDED 30 JUNE 2015**

	----- Non-Distributable -----					Distributable		
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Equity component of Redeemable Convertible Notes RM '000	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
Conversion of warrants	1,907	-	-	-	-	-	-	1,907
Conversion of redeemable convertible notes	864	1,136	-	-	-	-	-	2,000
Share issue expenses	-	(82)	-	-	-	-	-	(82)
Drawdown of redeemable convertible notes						441		441
PAT	-	-	-	-	-	-	400	400
Foreign currency translation	-	-	-	-	4,101	-	-	4,101
Total comprehensive income	-	-	-	-	-	-	400	4,501
Balance as at 30 June 2015	54,371	3,356	(12,805)	788	8,750	441	20,783	75,684
Preceding year corresponding period ended 30 June 2014								
Balance as at 1 January 2014	43,000	11,000	(12,805)	788	2,734	-	13,364	58,081
PAT	-	-	-	-	-	-	3,560	3,560
Foreign currency translation	-	-	-	-	(1,858)	-	-	(1,858)
Total comprehensive income	-	-	-	-	(1,858)	-	3,560	1,702
Balance as at 30 June 2014	43,000	11,000	(12,805)	788	876	-	16,924	59,783

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 2014 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 2015**

	Current Year period to date 30 June 2015 RM'000	Preceding Year corresponding period to date 30 June 2014 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	948	4,345
Adjustments for:		
Depreciation of property, plant and equipment	609	484
Interest expenses	298	196
Interest income	-	(9)
Operating profit before working capital changes:	<u>1,855</u>	<u>5,016</u>
Change in inventories	72	590
Change in trade and other receivables	(7,635)	(9,356)
Change in trade and other payables	<u>1,910</u>	<u>(843)</u>
CASH USED IN OPERATIONS	(3,798)	(4,593)
Interest paid	(298)	(196)
Interest received	-	9
Income tax paid	<u>(908)</u>	<u>(1,119)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(5,004)</u>	<u>(5,899)</u>
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,514)	(711)
Development expenditure	-	<u>(4,656)</u>
NET CASH USED IN INVESTING ACTIVITIES	<u>(6,514)</u>	<u>(5,367)</u>
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of bank borrowings	5,480	5,176
Repayment of bank borrowings	-	(10,481)
Drawdown of redeemable convertible notes	3,000	-
Proceeds from issuance of shares	3,907	-
Share issue expenses	(82)	-
NET CASH GENERATED FROM/ (USED IN) FINANCING ACTIVITIES	<u>12,305</u>	<u>(5,305)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	787	(16,571)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	3,662	(1,861)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>17,549</u>	<u>37,040</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>21,998</u></u>	<u><u>18,608</u></u>

KANGER INTERNATIONAL BERHAD
(1014793-D)

	Current Year period to date 30 June 2015 RM'000	Preceding Year corresponding period to date 30 June 2014 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	12,231	11,340
- Fixed deposit placed with licensed banks	9,767	7,268
	<u>21,998</u>	<u>18,608</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 SECOND (2nd) QUARTER ENDED 30 JUNE 2015

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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”) (“Listing Requirements”).

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 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 financial quarter ended 31 March 2015.

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

During the current financial quarter, Kanger issued a total of RM5,000,000 nominal value of redeemable convertible notes.

In addition, during the current financial quarter, Kanger issued a total of 27,707,641 new ordinary shares of RM0.10 each arising from the conversion of 19,064,600 warrants at an exercise price of RM0.10 and conversion of RM2,000,000 nominal value of redeemable convertible notes at a conversion price of RM0.2314.

Save as disclosed above, 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 ----	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
Horizontal and vertical bamboo flooring	10,183	8,112	15,911	18,966
Strand woven bamboo flooring	1,017	1,497	2,248	3,332
Other strand woven bamboo products	7,761	3,554	11,704	3,578
Total	<u>18,961</u>	<u>13,163</u>	<u>29,863</u>	<u>25,876</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
PRC	9,296	6,318	16,469	10,030
Export:				
- United States of America	2,478	-	3,361	-
- Hong Kong	1,415	294	1,415	294
- Iran	368	4,162	1,580	5,976
- United Arab Emirates	1,065	-	1,065	-
- Russia	1,022	-	1,022	2,809
- Turkmenistan	-	50	-	2,462
- Others*	3,317	2,339	4,951	4,305
	<u>18,961</u>	<u>13,163</u>	<u>29,863</u>	<u>25,876</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 capital commitments of the Group as at 30 June 2015 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	14,793

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 ----	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM '000	RM '000	RM '000	RM '000
Revenue	18,961	13,163	29,863	25,876
Profit before taxation	383	2,616	948	4,345

For the current financial quarter ended 30 June 2015 (“**Q2 2015**”), the Group recorded revenue of RM18.96 million and profit before taxation of RM0.38 million. Gross profit margin and profit before taxation margin stood at 15.2% and 2.0% respectively for Q2 2015.

For the financial period ended 30 June 2015 (“**FPE June 2015**”), the Group recorded revenue of RM29.86 million and profit before taxation of RM0.95 million. Gross profit margin and profit before taxation margin stood at 15.6% and 3.2% respectively for FPE June 2015.

The increase in revenue in Q2 2015 as compared to the corresponding quarter ended 30 June 2014 (“**Q2 2014**”) by 44.0% was mainly due to an increase in export sales arising from an increase in demand for the Group’s products from overseas customers. The Group recorded export sales of RM9.67 million in Q2 2015 as compared to RM6.85 million in Q2 2014. In addition, the Group also recorded an increase in sales in the PRC market mainly due to introduction of new products, i.e. bamboo tabletop, which generated revenue of RM1.78 million.

The increase in revenue for FPE June 2015 as compared to the corresponding period ended 30 June 2014 (“**FPE June 2014**”) by 15.4% was mainly due to the pick-up in export sales in Q2 2015 and the sales from bamboo tabletop.

For Q2 2015, profit before taxation decreased by 85.4% from RM2.62 million in Q2 2014 to RM0.38 million in Q2 2015 mainly due to arranger and professional fees incurred in Q2 2015 for the corporate exercises undertaken by Kanger amounted to approximately RM1.8 million.

Overall, profit before tax decreased by RM3.40 million or 78.2% in FPE June 2015 as compared to FPE June 2014 mainly due to arranger and professional fees incurred for the corporate exercises undertaken by Kanger, as well as lower gross profit margin resulting from higher sales of bamboo by-products of RM7.76 million which command lower margin as compared to the Group’s other products.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance RM '000
	30 June 2015 RM '000	31 March 2015 RM '000	
Revenue	18,961	10,902	8,059
Profit before taxation	383	565	(182)

The Group recorded an increase in revenue by RM8.06 million to RM18.96 million in Q2 2015 as compared to RM10.90 million in the preceding financial quarter ended 31 March 2015. This increase in revenue was mainly due to the long Chinese New Year holidays in the PRC during the preceding financial quarter, which is consistent with the sales trend in the previous years.

Despite the increase in revenue, the Group's profit before taxation decreased by RM0.18 million to RM0.38 million in Q2 2015 as compared to RM0.57 million in the preceding financial quarter ended 31 March 2015 mainly due to arranger and professional fees incurred in Q2 2015 for the corporate exercises undertaken by Kanger.

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 additional income and cash flows.

Premised on the above, the Board of Directors of Kanger ("**Board**") is of the view that the Group will enjoy sustainable growth for the financial year ending 2015.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
Current tax expenses	374	465	548	785
Effective tax rate	97.7%	17.8%	57.8%	18.1%

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 97.6% 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

There is no corporate proposal 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 30 June 2015 is as follows:

Purpose	Estimated timeframe for utilisation (from date of listing)	Proposed utilisation RM '000	Actual utilisation RM '000	Deviation		Balance 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 has been utilised for working capital purposes.

B7. Borrowings

The Group's borrowings as at 30 June 2015 are as follows:

	RM '000
Secured	
Short term revolving loan	3,000
Bank overdraft	1,833
Term loans	11,729
Bills payables	14,746
Unsecured	
Redeemable convertible notes	2,399
Total borrowings	<u>33,707</u>

Currency exposure profile of borrowings is as follows:

	RM '000
Secured	
Ringgit Malaysia	4,833
Chinese Renminbi	26,475
Unsecured	
Ringgit Malaysia	2,399
Total borrowings	<u>33,707</u>

Note:

(1) *The Group's borrowings in Renminbi ("RMB") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6072 as at 30 June 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 earnings per share are calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	9	2,151	400	3,560
Weighted average number of ordinary shares in issue ('000)	531,122	430,000	523,603	430,000
Basic earnings per share (sen)	0.002	0.50	0.08	0.83
Diluted earnings per share (sen)	0.001	N/A	0.05	N/A

Diluted earnings per share is calculated based on the assumption that all outstanding warrants and redeemable convertible notes were exercised and converted.

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 ---	
	30 June 2015 RM '000	30 June 2014 RM '000	30 June 2015 RM '000	30 June 2014 RM '000
Interest income	-	(3)	-	(9)
Interest expenses	82	28	298	196
Depreciation	262	240	609	484

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 June 2015 into realised and unrealised profits is as follows:

	As at 30 June 2015 RM '000	As at 30 June 2014 RM '000
Total retained earnings of the Group:		
- Realised	20,783	16,924
- Unrealised	-	-
Total	<u>20,783</u>	<u>16,924</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>20,783</u></u>	<u><u>16,924</u></u>

By Order of the Board

WONG KEO ROU (MAICSA 7021435)
Company Secretary
Kuala Lumpur
25 August 2015