

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2020

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2020 RM '000	30 June 2019 RM '000	30 June 2020 RM '000	30 June 2019 RM '000
Revenue	12,219	21,710	23,476	39,750
Cost of sales	(9,648)	(16,536)	(18,411)	(30,867)
Gross profit	2,571	5,174	5,065	8,883
Other operating income	60	-	63	-
Administrative expenses	(1,822)	(1,240)	(8,040)	(2,627)
Selling and distribution expenses	(404)	(537)	(812)	(1,124)
Other operating expenses	(30)	(127)	(39)	(127)
Finance costs	(425)	(139)	(660)	(475)
(Loss)/Profit before taxation	(50)	3,131	(4,423)	4,530
Taxation	12	125	-	96
(Loss after taxation) ("LAT")/Profit after taxation ("PAT")	(38)	3,256	(4,423)	4,626
Other comprehensive income:				
- Foreign exchange translation	2,193	326	5,248	1,218
Total comprehensive income	2,155	3,582	825	5,844
PAT/(LAT) ATTRIBUTABLE TO:				
- Owners of the company	208	3,264	(4,085)	4,634
- Non-controlling interest	(246)	(8)	(338)	(8)
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
- Owners of the company	2,573	3,590	1,581	5,852
- Non-controlling interest	(418)	(8)	(756)	(8)
Weighted average no. of ordinary shares ('000)	1,231,767	893,442	1,231,767	893,442
Earnings/(Loss) per share attributable to owners of the Company (sen):				
- Basic	0.02	0.36	(0.33)	0.52
- Diluted	0.02	0.29	N/A	0.41

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	(Unaudited) As at 30 June 2020 RM '000	(Audited) As at 31 December 2019 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	113,772	103,025
Right-of-use assets	2,742	3,225
Intangible assets	16,422	16,267
	<u>132,936</u>	<u>122,517</u>
CURRENT ASSETS		
Inventories	16,520	17,272
Trade and other receivables	70,755	89,143
Current tax assets	143	8
Cash and cash equivalents	3,388	10,264
	<u>90,806</u>	<u>116,687</u>
TOTAL ASSETS	<u>223,742</u>	<u>239,204</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	114,226	104,326
Reserves	44,995	38,703
Redeemable convertible notes	-	591
SHAREHOLDERS' EQUITY	<u>159,221</u>	<u>143,620</u>
Non-controlling interests	12,128	9,484
TOTAL EQUITY	<u>171,349</u>	<u>153,104</u>
CURRENT LIABILITIES		
Trade and other payables	15,999	21,259
Amount due to director	2,343	970
Bank borrowings	16,212	17,476
Lease liabilities	121	117
Current tax liabilities	97	86
	<u>34,772</u>	<u>39,908</u>
LONG TERM LIABILITIES		
Bank borrowings	38,880	33,436
Lease liabilities	2,778	3,234
Redeemable convertible notes	-	9,123
Deferred tax liabilities	219	399
	<u>41,877</u>	<u>46,192</u>
TOTAL LIABILITIES	<u>76,649</u>	<u>86,100</u>
TOTAL EQUITY AND LIABILITIES	<u>223,742</u>	<u>204,517</u>
NET ASSETS PER SHARE (sen)	<u>12.93</u>	<u>15.26</u>

KANGER INTERNATIONAL BERHAD
(1014793-D)

Note:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2020

	----- 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	Share Option 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 2020	104,326	(12,805)	1,227	2,281	-	591	48,000	143,620	9,484	153,104
Conversion of redeemable convertible notes	9,900	-	-	-	-	(591)	-	9,309	-	9,309
Non-controlling interests acquired in subsidiary companies	-	-	-	-	-	-	-	-	3,400	3,400
Share options granted under SIS	-	-	-	-	5,129	-	-	5,129	-	5,129
LAT	-	-	-	-	-	-	(4,085)	(4,085)	(338)	(4,423)
Foreign currency translation	-	-	-	5,248	-	-	-	5,248	(418)	4,830
Total comprehensive income/(loss)	-	-	-	5,248	-	-	(4,085)	1,163	(756)	407
Balance as at 30 June 2020	114,226	(12,805)	1,227	7,529	5,129	-	43,915	159,221	12,128	171,349
Preceding year corresponding period ended 30 June 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)	-	-	-	-	-	-	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

Note:

- (1) The Unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2020**

	Current Year to date 30 June 2020 RM'000	Preceding Period to date 30 June 2019 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
(Loss)/Profit before taxation	(4,423)	4,530
Adjustments for:		
Depreciation of property, plant and equipment	809	748
Amortisation of intangible assets	377	378
Amortisation of rights-of-use assets	585	-
Interest expenses	660	475
Share based payment expenses	5,129	-
Operating profit before working capital changes:	3,137	6,131
Change in inventories	752	1,249
Change in trade and other receivables	(5,287)	6,540
Change in trade and other payables	(3,887)	940
CASH (USED IN)/FROM OPERATIONS	(5,285)	14,860
Interest paid	(660)	(475)
Tax paid	(141)	-
Tax refunded	-	19
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	(6,086)	14,404
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(8,390)	(14,867)
Development expenditure	(15)	(33)
Proceeds from issuance of shares to non- controlling interest	3,400	-
NET CASH USED IN INVESTING ACTIVITIES	(5,005)	(14,900)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown of bank borrowings	1,252	1,889
Withdrawal of fixed deposit pledged	1,360	-
NET CASH FROM FINANCING ACTIVITIES	2,612	1,889
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,479)	1,393
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	2,963	285
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	8,722	3,256
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	3,206	4,934

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	Current Year to date 30 June 2020 RM'000	Preceding Period to date 30 June 2019 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	3,206	4,934
- Fixed deposit placed with licensed banks	<u>182</u>	<u>7,864</u>
	3,388	12,798
Less: Fixed deposit pledged	<u>(182)</u>	<u>(7,864)</u>
	<u><u>3,206</u></u>	<u><u>4,934</u></u>

Note:

- (1) *The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2019 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE SECOND (2nd) QUARTER ENDED 30 JUNE 2020

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
Amendments to MFRS 3 – Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 16 – Covid-19 – Related Rent Concessions	1 June 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 17 – Insurance	1 January 2021
Amendments to MFRS 101 - Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 116 – Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendment to MFRS 137 – Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022

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

The adoption of the above standards will not have any material impact on the financial position and performance of the Group. The accounting policies and methods of computation adopted by the Group in these unaudited condensed interim financial statements are consistent with those adopted in the Audited Financial Statements of Kanger for the FYE 31 December 2019.

A2. Auditors' report on preceding annual financial statements

The auditors' report on the audited consolidated financial statements of the Company for the FYE 31 December 2019 was not subject to any qualification.

A3. Seasonal or cyclical factors

The principal business of the Group was not significantly affected by seasonal or cyclical factors in the current financial quarter ended 30 June 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 June 2020 RM '000	30 June 2019 RM '000	30 June 2020 RM '000	30 June 2019 RM '000
Horizontal and vertical bamboo flooring	4,275	3,528	9,931	8,719
Strand woven bamboo flooring	7,876	18,093	13,391	30,848
Bamboo furniture and other strand woven bamboo products	68	89	154	183
Total	<u>12,219</u>	<u>21,710</u>	<u>23,476</u>	<u>39,750</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM '000	RM '000	RM '000	RM '000
PRC	3,382	6,542	5,882	14,874
Export:				
- Malaysia	-	4,294	-	9,883
- New Zealand	3,725	4,221	8,158	7,268
- Mexico	1,292	3,384	4,164	3,384
- Bangladesh	-	-	1,419	-
- USA	1,535	336	1,535	336
- Korea	1,286	-	1,286	-
- Others*	999	2,933	1,032	7,725
	<u>12,219</u>	<u>21,710</u>	<u>23,476</u>	<u>39,750</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 2020 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>16,446</u>

A10. Changes in the composition of the Group

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

A11. Contingent liabilities and contingent assets

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

A12. Material events subsequent to the end of the quarter

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

A13. Related party transactions

There were no related party transactions entered into with related parties during the current financial quarter and financial year-to-date.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

---- Individual Quarter ----			
	30 June 2020	30 June 2019	Variance
	RM '000	RM '000	(Amount/%)
			RM'000
Revenue	12,219	21,710	(9,491) / -43.7%
Gross profit	2,571	5,174	(2,603) / -50.3%
(Loss)/Profit before taxation	(50)	3,131	(3,181) / > -100.0%
(LAT)/PAT	(38)	3,256	(3,294) / > -100.0%

---- Cumulative Quarter ----			
	30 June 2020	30 June 2019	Variance
	RM '000	RM '000	(Amount/%)
			RM'000
Revenue	23,476	39,750	(16,274) / -40.9%
Gross profit	5,065	8,883	(3,815) / -42.9%
(Loss)/Profit before taxation	(4,423)	4,530	(8,953) / > -100.0%
(LAT)/PAT	(4,423)	4,626	(9,049) / > -100.0%

Individual Quarter

Revenue decreased by RM9.5 million or 44% in the current financial quarter ended 30 June 2020 ("Q2 2020") as compared to the corresponding quarter ended 30 June 2019 ("Q2 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, 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.

Gross profit margin recorded in Q2 2020 was 21.0% as compared to 23.8% in Q2 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 RM50,000 in Q2 2020 mainly due to the recognition of share based payments of RM0.39 million arising from share options granted to the directors of the Company. If this amount were to be excluded, the Group would have been slightly profitable for the current financial quarter, despite the negative effects of the COVID-19 outbreak.

Applicable accounting standards require the Group to amortise the imputed fair value of share options to its profit or loss statement over the vesting period of the options, irrespective of whether the options are eventually exercised in the future. It should be highlighted that the entire amount of RM0.39 million is **NON-CASH** in nature and is correspondingly captured under a Share Option Reserve account. Depending on future exercise of these share options, the Company may actually receive cash for the portions exercised and the Share Option Reserve will eventually be reversed either into Share Capital (increasing it) or into Retained Earnings (which can be distributed as dividends).

Despite COVID-19 related disruptions, after taking into account minority interests, the Group managed to remain slightly profitable with profit attributable to ordinary shareholders of RM0.2

million. Total comprehensive income attributable to owners of the Company amounted to RM2.6 million for Q2 2020 after accounting for foreign currency differences.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance (Amount/%) RM'000
	30 June 2020 RM '000	31 March 2020 RM '000	
Revenue	12,219	11,257	962 / 8.5%
Gross profit	2,571	2,494	77 / 3.09%
Loss before taxation	(50)	(4,373)	4,323 / 98.9%
LAT	(38)	(4,385)	4,347 / 99.1%

The Group recorded an increase in revenue by RM1.0 million to RM12.2 million in Q2 2020 as compared to RM11.3 million in the preceding financial quarter ended 31 March 2020 ("Q1 2020"). The increase in revenue was mainly attributable to the increase in sales to USA and Korea of RM2.7 million in Q2 2020 as compared to RM0.3 million in the previous quarter of Q1 2020. The increase however was mitigated by the absence of sales to Bangladesh in Q2 2020 where the Group recorded sales of RM1.4 million in the previous quarter of Q1 2020.

Overall, the Group recorded loss before taxation of RM50,000 in Q2 2020 as compared to loss before taxation of RM4.4 million in Q1 2020. The improvement achieved in narrowing the loss before taxation in Q2 2020 was mainly due to:-

- (a) the reduction in the recognition of share based payments of RM0.4 million in Q2 2020 as compared to RM4.74 million recognised in Q1 2020 as a result of share options granted to the directors of the Company, which is non-cash in nature; and
- (b) slightly higher revenue was generated due to gradual resumption of economic activities after government imposed lockdowns were eased in the PRC and other countries between Q1 2020 and Q2 2020.

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

China's strong economic growth has led to increasingly affluent consumers who now have the purchasing power as well as the willingness to pay to enhance individual lifestyles for greater comfort and pleasure. The modernisation and urbanisation of the country has also caused a growth in China's property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. Under its 13th Five-Year Plan (2016-2020), China aims to double its 2010 GDP and the 2010 per capita income of both urban and rural residents by 2020 and will focus more on green and low-carbon industries. This is envisaged to positively affect the bamboo flooring market. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio.

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 June 2020 RM '000	30 June 2019 RM '000	30 June 2020 RM '000	30 June 2019 RM '000
Current tax expenses	<u>(12)</u>	<u>(125)</u>	<u>-</u>	<u>(96)</u>
Effective tax rate	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

N/A: As the Group does not incur any tax expense, the effective tax rate is not applicable.

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.

However no RCN was issued during the current financial quarter.

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. However, no share options have been exercised by the directors as at the end of the financial quarter.

B7. Borrowings

The Group's borrowings as at 30 June 2020 are as follows:

	As at 30 June 2020 RM '000	As at 30 June 2019 RM '000
Secured – Short term borrowings		
Term loans	16,212	15,482
Bills payables	-	12,805
Secured – Long term borrowings		
Term loans	38,880	34,348
Total borrowings	<u>55,092</u>	<u>62,635</u>

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

	As at 30 June 2020 RM '000	As at 30 June 2019 RM '000
Secured – Short term and long term borrowings		
Chinese Renminbi	55,092	62,635
Total borrowings	55,092	62,635

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: RM0.6056 as at 30 June 2020.

The borrowings decreased by RM7.5 million or 12.0% as at 30 June 2020 as compared to 30 June 2019 mainly due to the repayment of Bills Payable.

The weighted average interest rates of the Group's borrowings range from 3.99% to 9.00% as at 30 June 2020 and the entire borrowings as at 30 June 2020 is subjected to floating interest rates.

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 2020 (Financial period ended 30 June 2019: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2020 RM '000	30 June 2019 RM '000	30 June 2020 RM '000	30 June 2019 RM '000
PAT/(LAT) attributable to ordinary equity holders of the Company (RM '000)	208	3,264	(4,085)	4,634
Weighted average number of ordinary shares in issue ('000)	1,231,767	893,442	1,231,767	893,442
Basic earnings/(loss) per share (sen)	0.02	0.36	(0.33)	0.52

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June	30 June	30 June	30 June
	2020	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000
PAT/(LAT) attributable to ordinary equity holders of the Company (RM '000)	208	3,264	(4,085)	4,634
Weighted average number of ordinary shares in issue ('000)	1,231,767	893,442	1,231,767	893,442
Assuming full exercise of warrants ('000)	- ⁽¹⁾	1,132,377	- ⁽¹⁾	1,132,377
Assuming full conversion of Notes already issued ('000) ⁽²⁾	-	-	-	-
Assuming full exercise of SIS ('000)	1,361,767	- ⁽³⁾	1,361,767	- ⁽³⁾
Diluted earnings per share (sen)	0.02	0.29	N/A	0.41

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

Notes:

- ⁽¹⁾ : The effect on the conversion of warrants has not been included for the period ended 30 June 2020 as the warrants has expired as at the date of this interim financial report.
- ⁽²⁾ : The effect of the conversion has not been included as the conversion price varies based on the floating conversion price ("FCP") prior to the conversion. The methodology for FCP was stated in the Circular to shareholders of the Company dated 21 August 2019.
- ⁽³⁾ : Not applicable for the period ended 30 June 2019.

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
	2020	2019	2020	2019
	RM '000	RM '000	RM '000	RM '000
Interest expenses	425	336	660	475
Depreciation	551	551	809	748
Amortisation of intangible assets	190	231	377	378
Depreciation of rights-of-use assets	392	-	585	-
Share based payments	387	-	5,129	-

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
19 August 2020