

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Revenue	23,036	21,598	68,790	66,316
Cost of sales	<u>(18,557)</u>	<u>(16,165)</u>	<u>(52,997)</u>	<u>(53,160)</u>
Gross profit	4,479	5,433	15,793	13,156
Other operating income	455	6,089	1,101	6,767
Administrative expenses	(2,065)	(1,654)	(7,351)	(6,427)
Selling and distribution expenses	(692)	(449)	(2,624)	(1,539)
Other operating expenses	-	(1)	(21)	(1)
Finance costs	<u>(433)</u>	<u>(336)</u>	<u>(860)</u>	<u>(868)</u>
Profit before taxation	1,744	9,082	6,038	11,088
Taxation	(653)	(473)	(965)	(1,336)
Profit after taxation ("PAT")	<u>1,091</u>	<u>8,609</u>	<u>5,073</u>	<u>9,752</u>
Other comprehensive income after tax:				
- Foreign exchange translation	<u>3,891</u>	<u>(2,518)</u>	<u>(1,298)</u>	<u>9,832</u>
Total comprehensive income	<u>4,982</u>	<u>6,091</u>	<u>3,775</u>	<u>19,584</u>
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	<u>1,091</u>	<u>8,609</u>	<u>5,073</u>	<u>9,752</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	<u>4,982</u>	<u>6,091</u>	<u>3,775</u>	<u>19,584</u>
Weighted average no. of ordinary shares ('000)	798,461	593,903	737,288	546,552
Earnings per share attributable to owners of the company (sen):				
- Basic	0.14	1.45	0.69	1.78
- Diluted	0.11	1.02	0.52	1.16

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 2015 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	(Unaudited) As at 31 December 2016 RM '000	(Audited) As at 31 December 2015 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	44,365	33,192
Intangible assets	17,871	16,338
	62,236	49,530
CURRENT ASSETS		
Inventories	30,087	30,780
Trade and other receivables	55,271	29,242
Tax recoverable	273	-
Cash and cash equivalents	16,004	28,487
	101,635	88,509
TOTAL ASSETS	163,871	138,039
EQUITY AND LIABILITIES		
EQUITY		
Share capital	79,846	60,442
Reserves	40,755	36,116
TOTAL EQUITY	120,601	96,558
CURRENT LIABILITIES		
Trade and other payables	8,159	7,975
Amount owing to a director	-	753
Bank borrowings	28,226	30,611
Tax payable	1,075	1,374
	37,460	40,713
LONG TERM LIABILITIES		
Bank borrowings	5,810	-
Redeemable convertible notes	-	720
Deferred taxation	-	48
	5,810	768
TOTAL LIABILITIES	43,270	41,481
TOTAL EQUITY AND LIABILITIES	163,871	138,039
NET ASSETS PER SHARE (sen)	15.10	15.98

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 2015 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016

	----- Non-Distributable -----					Equity component of Redeemable Convertible Notes RM '000	Distributable	
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000		Retained Earnings RM '000	Total Equity RM '000
Balance as at 1 January 2016	60,442	3,385	(12,805)	788	14,481	132	30,135	96,558
Conversion of redeemable convertible notes	19,404	996	-	-	-	(132)	-	20,268
PAT	-	-	-	-	-	-	5,073	5,073
Foreign currency translation	-	-	-	-	(1,298)	-	-	(1,298)
Total comprehensive income	-	-	-	-	(1,298)	-	5,073	3,775
Balance as at 31 December 2016	79,846	4,381	(12,805)	788	13,183	-	35,208	120,601
Preceding year corresponding period ended 31 December 2015								
Balance as at 1 January 2015	51,600	2,302	(12,805)	788	4,649	-	20,383	66,917
Exercise of warrants	1,907	-	-	-	-	-	-	1,907
Conversion of redeemable convertible notes	6,935	1,165	-	-	-	-	-	8,100
Share issuance expenses	-	(82)	-	-	-	-	-	(82)
Issuance of redeemable convertible notes	-	-	-	-	-	132	-	132
PAT	-	-	-	-	-	-	9,752	9,752
Foreign currency translation	-	-	-	-	9,832	-	-	9,832
Total comprehensive income	-	-	-	-	9,832	-	9,752	19,584
Balance as at 31 December 2015	60,442	3,385	(12,805)	788	14,481	132	30,135	96,558

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 2015 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016**

	Current Year to date 31 December 2016 RM'000	Preceding Year to date 31 December 2015 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	6,038	11,088
Adjustments for:		
Depreciation of property, plant and equipment	1,234	1,251
Amortisation of intangible assets	812	-
Interest expenses	860	868
Interest income	(5)	(301)
Gain on disposal of property, plant and equipment	-	(3)
Operating profit before working capital changes:	8,939	12,903
Change in inventories	692	(1,724)
Change in trade and other receivables	(26,029)	(10,393)
Change in trade and other payables	(569)	6,487
CASH (USED IN)/ GENERATED FROM OPERATIONS	(16,967)	7,273
Interest paid	(860)	(868)
Interest received	5	301
Income tax paid	(1,454)	(1,229)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(19,276)	5,477
CASH FLOWS FOR INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	-	3
Purchase of property, plant and equipment	(12,811)	(7,662)
Development expenditure	(2,646)	(9,537)
NET CASH USED IN INVESTING ACTIVITIES	(15,457)	(17,196)
CASH FLOWS FOR FINANCING ACTIVITIES		
Net drawdown of bank borrowings	5,238	901
Withdrawal/(Placement) of fixed deposit pledged	2,832	(2,191)
Drawdown of redeemable convertible notes	19,500	9,000
Proceeds from issuance of shares	-	1,907
Share issue expenses	-	(82)
NET CASH GENERATED FROM FINANCING ACTIVITIES	27,570	9,535
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,163)	(2,184)
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(1,019)	9,089
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	15,389	8,484
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	7,207	15,389

KANGER INTERNATIONAL BERHAD
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	Current Year to date 31 December 2016 RM'000	Preceding Year to date 31 December 2015 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	7,580	17,231
- Bank overdraft	(373)	(1,842)
- Fixed deposit placed with licensed banks	8,424	11,256
	<u>15,631</u>	<u>26,645</u>
Less: Fixed deposit pledged	<u>(8,424)</u>	<u>(11,256)</u>
	<u><u>7,207</u></u>	<u><u>15,389</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 2015 and the accompanying explanatory notes attached to this interim financial report.*

QUARTERLY REPORT FOR THE FOURTH (4th) QUARTER ENDED 31 DECEMBER 2016

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

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 2015 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 1 – Amendments to MFRS 1 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 2 – Classification and Measurement of Share-based Payment Transactions (Amendments to MFRS 2)	1 January 2018
MFRS 9 – Financial Instruments (IFRS 9 as issued by IASB in July 2014)	1 January 2018
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 12 – Amendments to MFRS 12 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 15 – Revenue From Contracts with Customers	1 January 2018
MFRS 16 – Leases	1 January 2019
MFRS 107 – Disclosure Initiative (Amendments to MFRS 107)	1 January 2017
MFRS 112 – Recognition of Deferred Tax Assets For Unrealised Losses (Amendments to MFRS 112)	1 January 2017
MFRS 128 – Amendments to MFRS 128 (Annual improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
MFRS 140 – Transfers of Investment Property (Amendments to MFRS 140)	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 2015.

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 2015 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 save for the long Chinese New Year holidays in the People's Republic of China ("PRC") in the financial quarter ended 31 March 2016.

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 and equity securities in the current financial quarter.

A7. Segmental information

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Horizontal and vertical bamboo flooring	21,451	20,523	61,442	48,293
Strand woven bamboo flooring	1,206	918	1,562	3,591
Bamboo furniture and other strand woven bamboo products	379	157	5,786	14,432
Total	<u>23,036</u>	<u>21,598</u>	<u>68,790</u>	<u>66,316</u>

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
PRC	3,709	3,240	20,576	25,435
Canada	4,293	-	16,579	-
Malaysia	6,006	470	7,035	1,390
New Zealand	1,189	-	6,047	519
Mexico	3,312	-	4,224	-
Hong Kong	-	8,414	-	9,982
Brazil	-	3,511	2,684	4,978
Others*	4,527	5,963	11,645	24,012
	<u>23,036</u>	<u>21,598</u>	<u>68,790</u>	<u>66,316</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.

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 31 December 2016 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	<u>49,031</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.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Revenue	23,036	21,598	68,790	66,316
Profit before taxation	1,744	9,082	6,038	11,088

For the current financial quarter ended 31 December 2016 (“**Q4 2016**”), the Group recorded revenue of RM23.04 million and profit before taxation of RM1.74 million. Gross profit margin and profit before taxation margin stood at 19.4% and 7.6% respectively for Q4 2016.

The increase in revenue in Q4 2016 as compared to the corresponding quarter ended 31 December 2015 (“**Q4 2015**”) by 6.7% was mainly due to an increase in sales of horizontal and vertical bamboo flooring products to the overseas market during the quarter.

For Q4 2016, profit before taxation decreased by RM7.34 million from RM9.08 million in Q4 2015 to RM1.74 million in Q4 2016 mainly due to the recognition of unrealised foreign exchange gain of RM5.1 million recognised in Q4 2015, as well as an increase in administrative expenses in Q4 2016 as a result of recognition of amortisation of intangible assets of RM0.33 million.

For the financial year ended 31 December 2016 (“**FYE 2016**”), the Group recorded revenue of RM68.79 million and profit before taxation of RM6.04 million. Gross profit margin and profit before taxation margin stood at 23.0% and 8.8% respectively for FYE 2016.

The increase in revenue for FYE 2016 as compared to the corresponding year ended 31 December 2015 (“**FYE 2015**”) by 3.7% was mainly due to the pick-up in export sales due to the Group’s increased effort in marketing its products to the overseas market.

Overall, profit before taxation decreased by RM5.05 million or 45.5% in FYE 2016 as compared to FYE 2015 mainly due to the recognition of unrealised foreign exchange gain of RM5.1 million recognised in Q4 2015. However, the Group managed to increase in gross profit margin from 19.8% in FYE 2015 to 23.0% in FYE 2016 mainly due to the increase in sales of in higher margin products.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance RM '000
	31 December 2016 RM '000	30 September 2016 RM '000	
Revenue	23,036	13,886	9,150
Profit before taxation	1,744	2,235	(491)

The Group recorded an increase in revenue by RM9.15 million to RM23.04 million in Q4 2016 as compared to RM13.89 million in the preceding financial quarter ended 30 September 2016. This increase in revenue was mainly due to the increase in the sales to the overseas market by RM9.97 million in Q4 2016 as a result of the Group’s effort to promote its products overseas.

Despite the increase in revenue, the Group's profit before taxation decreased by RM0.49 million to RM1.74 million in Q4 2016 as compared to RM2.23 million in the preceding financial quarter ended 30 September 2016 mainly due to a decrease in gross margin of products sold from 27.8% to 19.4% in Q4 2016.

B3. Prospects for the financial year ending 31 December 2017 ("FYE 2017")

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. 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. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio. *(Source: Independent Market Research Report prepared by Protégé Associate Sdn Bhd, China's 13th Five Year Plan and China Wood Flooring Industry Report, 2014-2018).*

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 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.

Premised on the above, the Board of Directors of Kanger ("**Board**") is of the view that the Group will enjoy sustainable growth for FYE 2017.

B4. Profit forecast

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

B5. Taxation

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Current tax expenses	1,178	569	1,490	1,432
Overprovision in prior year	(525)	(96)	(525)	(96)
Total tax expenses	653	473	965	1,336
 Effective tax rate	 <u>67.5%</u>	 <u>6.3%</u>	 <u>24.6%</u>	 <u>12.9%</u>

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%.

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 31 December 2016 are as follows:

	RM '000
Secured – Short term borrowings	
Bank overdraft	373
Term loans	14,136
Bills payables	13,717
Secured – Long term borrowings	
Term loans	5,810
Total borrowings	<u>34,036</u>

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

	RM '000
Secured – Short term borrowings	
Ringgit Malaysia	373
Chinese Renminbi	33,663
Total borrowings	<u>34,036</u>

Note:

- (1) The Group's borrowings in Renminbi ("**RMB**") are translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.6455 as at 31 December 2016.

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 FYE 31 December 2016 (FYE 31 December 2015: Nil).

B10. Earnings per share

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,091	8,609	5,073	9,752
Weighted average number of ordinary shares in issue ('000)	798,461	593,903	737,288	546,552
Basic earnings per share (sen)	0.14	1.45	0.69	1.78

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Profit attributable to ordinary equity holders of the company (RM '000)	1,091	8,609	5,073	9,752
Weighted average number of ordinary shares in issue ('000)	798,461	593,903	737,288	546,552
Assuming full exercise of warrants ('000)	1,037,396	832,838	976,223	830,487
Assuming full conversion of Notes already issued ('000)	1,037,396	841,838	976,223	839,487
Diluted earnings per share (sen)	0.11	1.02	0.52	1.16

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 December 2016 RM '000	31 December 2015 RM '000	31 December 2016 RM '000	31 December 2015 RM '000
Interest expenses	433	331	860	868
Depreciation	263	417	1,234	1,251
Amortisation of intangible assets	334	-	812	-
Interest income	(4)	(51)	(5)	(301)
Gain on disposal of property, plant and equipment	-	(3)	-	(3)
Net realised gain on foreign exchange	(290)	-	(290)	-

There were no other income, provision for and write off of receivables and inventories, impairment of assets, gain or loss on derivatives and exceptional items for the current quarter and for FYE 31 December 2016.

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 December 2016 into realised and unrealised profits is as follows:

	As at 31 December 2016 RM '000	As at 31 December 2015 RM '000
Total retained earnings of the Group:		
- Realised	35,208	30,087
- Unrealised	-	48
Total	<u>35,208</u>	<u>30,135</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u><u>35,208</u></u>	<u><u>30,135</u></u>

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)
Company Secretary
Kuala Lumpur
28 February 2017