

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
Continuing Operations				
Revenue	15,692	15,704	65,048	57,130
Cost of sales	<u>(13,161)</u>	<u>(16,780)</u>	<u>(51,112)</u>	<u>(44,937)</u>
Gross profit/(loss)	2,531	(1,076)	13,936	12,193
Other operating income	6,288	505	6,301	567
Administrative expenses	(3,303)	(2,998)	(7,817)	(6,437)
Selling and distribution expenses	93	(870)	(1,477)	(1,863)
Other operating expenses	135	(3)	-	(6)
Finance costs	<u>(546)</u>	<u>(308)</u>	<u>(1,880)</u>	<u>(769)</u>
Profit/(Loss) before taxation	5,198	(4,750)	9,063	3,685
Taxation	<u>71</u>	<u>208</u>	<u>166</u>	<u>123</u>
Profit after taxation ("PAT")/(Loss after taxation) ("LAT") from continuing operations	5,269	(4,542)	9,229	3,808
Discontinued Operation				
LAT from discontinued operation	-	-	-	(5,521)
Profit/(Loss) for the financial year	<u>5,269</u>	<u>(4,542)</u>	<u>9,229</u>	<u>(1,713)</u>
Other comprehensive (loss)/income:				
<i>Items that maybe reclassified subsequently to profit or loss</i>				
- Foreign exchange translation	<u>(284)</u>	<u>1,037</u>	<u>(1,845)</u>	<u>(2,919)</u>
Total comprehensive income/(loss)	<u>4,985</u>	<u>(3,505)</u>	<u>7,384</u>	<u>(4,632)</u>
PAT/(LAT) ATTRIBUTABLE TO:				
- Owners of the Company				
Continuing operations	2,704	(4,542)	6,690	3,808
Discontinued operation	-	-	-	(5,521)
- Non-controlling interest				
Continuing operations	2,565	-	2,539	-
Discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:				
- Owners of the Company				
Continuing operations	2,420	(3,505)	4,845	1,009
Discontinued operation	-	-	-	(5,641)
- Non-controlling interest				
Continuing operations	2,565	-	2,539	-
Discontinued operation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Weighted average no. of ordinary shares ('000)	942,505	890,789	942,505	839,843

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	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
Earnings/(Loss) per share attributable to owners of the Company (sen):				
- Basic				
Continuing operations	0.29	(0.51)	0.71	0.45
Discontinued operation	-	-	-	(0.66)
- Diluted				
Continuing operations	0.23	N/A	0.57	0.35
Discontinued operation	-	-	-	N/A

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

Note:

The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements of Kanger International Berhad (“Kanger” or the “Company”) for the financial year ended (“FYE”) 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	(Unaudited) As at 31 December 2019 RM '000	(Audited) As at 31 December 2018 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	102,861	86,234
Right-of-use assets	3,225	-
Intangible assets	16,267	17,515
	<u>122,353</u>	<u>103,749</u>
CURRENT ASSETS		
Inventories	17,272	19,816
Trade and other receivables	88,812	69,946
Tax recoverable	8	89
Cash and cash equivalents	10,479	10,917
	<u>116,571</u>	<u>100,768</u>
TOTAL ASSETS	<u>238,924</u>	<u>204,517</u>
EQUITY AND LIABILITIES		
EQUITY		
Share capital	104,327	92,227
Reserves	38,337	33,539
Redeemable convertible notes	591	218
SHAREHOLDERS' EQUITY	<u>143,255</u>	<u>125,984</u>
Non-controlling interests	9,697	6,430
TOTAL EQUITY	<u>152,952</u>	<u>132,414</u>
CURRENT LIABILITIES		
Trade and other payables	19,860	6,873
Amount due to directors	970	588
Leased liabilities	117	-
Bank borrowings	15,579	27,167
Tax payable	86	224
	<u>36,612</u>	<u>34,852</u>
NON-CURRENT LIABILITIES		
Bank borrowings	36,606	34,251
Redeemable convertible notes	9,122	2,713
Leased liabilities	3,233	-
Deferred taxation	399	287
	<u>49,360</u>	<u>37,251</u>
TOTAL LIABILITIES	<u>85,972</u>	<u>72,103</u>
TOTAL EQUITY AND LIABILITIES	<u>238,924</u>	<u>204,517</u>
NET ASSETS PER SHARE (sen)	<u>15.20</u>	<u>15.00</u>

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Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019

	Attributable to Owners of the Company								
	Non-distributable					Distributable		Non-controlling Interests RM '000	Total Equity RM '000
	Share Capital RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Redeemable Convertible Notes RM'000	Retained Earnings RM '000	Shareholders' Equity RM '000		
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	12,100	-	-	-	-	-	12,100	-	12,100
Drawdown of redeemable convertible notes	-	-	-	-	373	-	373	-	373
Increase in share capital of a subsidiary	-	-	-	-	-	-	-	728	728
Effect of adopting MFRS 16 Leases	-	-	-	-	-	(47)	(47)	-	(47)
PAT	-	-	-	-	-	6,690	6,690	2,539	9,229
Foreign currency translation	-	-	-	(1,845)	-	-	(1,845)	-	(1,845)
Total comprehensive (loss)/income	-	-	-	(1,845)	-	6,690	4,845	2,539	7,384
Balance as at 31 December 2019	104,327	(12,805)	1,227	2,072	591	47,843	143,255	9,697	152,952

Preceding year corresponding period ended 31 December 2018

Balance as at 1 January 2018	84,227	(12,805)	1,227	6,836	-	42,913	122,398	-	122,398
Conversion of redeemable convertible notes	8,000	-	-	-	-	-	8,000	-	8,000
Drawdown of redeemable convertible notes	-	-	-	-	218	-	218	-	218
Incorporation of new subsidiaries	-	-	-	-	-	-	-	6,430	6,430
LAT	-	-	-	-	-	(1,713)	(1,713)	-	(1,713)
Foreign currency translation	-	-	-	(2,919)	-	-	(2,919)	-	(2,919)
Total comprehensive loss	-	-	-	(2,919)	-	(1,713)	(4,632)	-	(4,632)
Balance as at 31 December 2018	92,227	(12,805)	1,227	3,917	218	41,200	125,984	6,430	132,414

Note:

The Unaudited Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019**

	Current period to date 31 December 2019 RM'000	Preceding period to date 31 December 2018 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit/(Loss) before taxation		
Continuing operations	9,063	3,684
Discontinued operation	-	(5,510)
Adjustments for:		
Amortisation of intangible assets	915	924
Amortisation of right-of-use assets	1,293	-
Bad debts written off	-	126
Depreciation of property, plant and equipment	1,297	1,657
Interest expenses	2,197	934
Property, plant and equipment written off	-	1,102
Interest income	-	(132)
Operating profit before working capital changes:	14,765	2,785
Change in inventories	2,544	7,726
Change in trade and other receivables	(18,866)	(16,939)
Change in trade and other payables	13,3684	1,430
CASH GENERATED FROM/(USED IN) OPERATIONS	11,811	(4,998)
Tax paid	(226)	(212)
Tax refunded	826	-
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES	12,411	(5,210)
CASH FLOWS FOR INVESTING ACTIVITIES		
Acquisitions of intangible assets	(56)	(1,314)
Purchase of property, plant and equipment	(19,839)	(15,841)
Proceeds from issuance of shares to non- controlling interest	728	6,430
Interest received	-	132
NET CASH USED IN INVESTING ACTIVITIES	(19,167)	(10,593)
CASH FLOWS FOR FINANCING ACTIVITIES		
Drawdown of redeemable convertible notes	18,510	11,000
Net (repayment)/drawdown of bank borrowings	(7,964)	8,649
Repayment of leased liabilities	(1,521)	-
Withdrawal of fixed deposits	6,119	-
Interest paid	(1,880)	(934)
NET CASH GENERATED FROM FINANCING ACTIVITIES	13,264	18,715

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	Current period to date 31 December 2019 RM'000	Preceding period to date 31 December 2018 RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	6,508	2,912
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(827)	(1,517)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	<u>3,256</u>	<u>1,861</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	<u><u>8,937</u></u>	<u><u>3,256</u></u>
 Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	8,937	3,256
- Fixed deposit placed with licensed banks	<u>1,542</u>	<u>7,661</u>
	10,479	10,917
 Less: Fixed deposit pledged	<u>(1,542)</u>	<u>(7,661)</u>
	<u><u>8,937</u></u>	<u><u>3,256</u></u>

Note:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

QUARTERLY REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting, Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing Requirements”).

The interim financial statements should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

Kanger and its subsidiaries (“Group”) have not applied the following standards, amendments and interpretations under the MFRS framework that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the Group:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
Amendments to MFRS 2 Share based Payment	1 January 2020
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 6 Exploration for and Evaluation of Mineral Resources	1 January 2020
Amendment to MFRS 14 Regulatory Deferral Accounts	1 January 2020
MFRS 17 – Insurance	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendment to MFRS 138 Intangible Assets	1 January 2020
Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

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

The adoption of the above standards and interpretations will not have any material impact on the financial position and performance of the Group. The accounting policies and methods of computation adopted by the Group in these unaudited condensed interim financial statements are consistent with those adopted in the Audited Financial Statements of Kanger for the FYE 31 December 2018.

A2. Auditors' report on preceding annual financial statements

The auditors' report on the audited consolidated financial statements of the Company for the FYE 31 December 2018 was not subject to any qualification.

A3. Seasonal or cyclical factors

The principal business of the Group was not significantly affected by seasonal or cyclical factors in the current financial quarter ended 31 December 2019.

A4. Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter.

A5. Material changes in estimates

Not applicable as there were no estimates reported in the prior financial year.

A6. Debt and equity securities

During the current financial quarter,

- (i) the redeemable convertible notes ("**RCN**") holders of the Company have converted RM12 million worth of RCN into 200 million ordinary shares of the Company ("**Kanger Shares**");
- (ii) the Company has further issued four (4) tranches of RCN totalling RM9.5 million of which these RCNs have yet to be converted into the Kanger Shares as at the end of the current financial quarter; and
- (iii) the Company has also undertake a corporate exercise to establish the share issuance scheme for the directors and eligible employees of the Group, which was approved by the shareholders of the Company on the Extraordinary General Meeting on 24 December 2019. However, no shares options have been granted to the directors and the eligible employees of the Group as at the end of the financial quarter.

A7. Segmental information

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
Horizontal and vertical bamboo and wood flooring	4,290	722	16,662	26,364
Strand woven bamboo flooring	11,330	14,371	48,045	23,763
Bamboo furniture and other strand woven bamboo products	72	611	341	7,003
Total	15,692	15,704	65,048	57,130

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

	---- Individual Quarter ----		---- Cumulative Quarter ----	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
PRC	7,537	13,798	25,019	28,613
Export:				
- Malaysia	-	942	11,004	8,407
- New Zealand	1,631	253	10,959	7,016
- Mexico	3,026	-	7,355	1,769
- United Arab Emirates	-	-	2,942	2,856
- Others*	3,498	711	7,769	7,519
	<u>15,692</u>	<u>15,704</u>	<u>65,048</u>	<u>57,130</u>

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

No other segmental information such as segment assets and liabilities are presented as the Group's assets and liabilities are managed on group wide basis and are not allocated to any of the operating segments.

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 2019 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 ----		Variance (Amount/%) RM'000
	31 December 2019 RM '000	31 December 2018 RM '000	
	Revenue	15,692	
Gross profit/(loss)	2,531	(1,076)	3,607 / > 100.0%
Profit/(Loss) before taxation	5,198	(4,750)	9,884 / >100.0%
PAT/(LAT)	5,269	(4,542)	9,811 / >100.0%

	---- Cumulative Quarter ----		Variance (Amount/%) RM'000
	31 December 2019 RM '000	31 December 2018 RM '000	
	Revenue	65,048	
Gross profit	13,936	12,193	1,743 / 14.3%
Profit before taxation	9,063	3,685	5,378 / > 100.0%
PAT/(LAT)	9,229	(1,713)	10,942 / > 100.0%

Individual Quarter

There was marginal decrease in the revenue by RM12,000 in the current financial quarter ended 31 December 2019 (“**Q4 2019**”) as compared to the corresponding quarter ended 31 December 2018 (“**Q4 2018**”). Due to the unstable political conditions in Hong Kong, the revenue generated by a subsidiary in Hong Kong namely Kanger Trading (HK) Co. Ltd. (“**Kanger HK**”) has been affected and has yet to recover since the beginning of the previous quarter ended 30 September 2019 (“**Q3 2019**”) as compared to the revenue generated in the first two (2) financial quarters ended 31 March 2019 and 30 June 2019 respectively. The decrease in revenue from Kanger HK was however mitigated by the increase in revenue from Shenzhen Kanger Holding Co., Ltd. (“**Kanger Shenzhen**”) and Ganzhou Kanger Industrial Co. Ltd. (“**Kanger Ganzhou**”) as a result a series of sales/promotion events in the People’s Republic of China (“**PRC**”) such as the National Day promotion, Double Eleven (11.11) sales campaign and the year-end sales campaign.

The gross profit margin recorded in Q4 2019 was 16.1% as compared to the gross loss position in Q4 2018 mainly due to the shutdown of the Group’s plant in Yanshan following directives issued by the local authorities in the PRC to industrial plants so as to cut emissions that would affect air quality in Q4 2018.

Overall, the Group recorded profit before taxation of RM5.2 million in Q4 2019 as compared to loss before taxation of RM4.8 million in Q4 2018 mainly due to the recognition of a cash incentive of RM5.2 million received from the local authority of Jingzhou for the Group’s continuing effort to invest, develop, promote as well asset up a high-technology integrated bamboo processing plant and R&D centre in Jingzhou, which will also bring job opportunities to local residents in Jingzhou. This cash payment from the local authority is part of an agreed and comprehensive package of incentives that are tied to various development and performance measures meant to spur economic growth and employment. As the Group continues to build up and equip the Jingzhou centre and operate its business, we expect to earn out more components of the incentives package in the future.

The profit before taxation position of the Group was also boosted by the absence of a previous one-off charge for property, plant and equipment written off in Yanshan (County) Kanger Bamboo Industry Co. Ltd. of RM1 million in Q4 2018.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance (Amount/%) RM'000
	31 December 2019 RM '000	30 September 2019 RM '000	
Revenue	15,692	9,606	6,086 / 63.3%
Gross profit	2,531	2,522	9 / 0.4%
Profit/(Loss) before taxation	5,198	(666)	5,864 / > 100.0%
PAT/(LAT)	5,269	(667)	5,936 / > 100.0%

The Group recorded increase in revenue by RM6.1 million to RM15.7 million in Q4 2019 as compared to RM9.6 million in Q3 2019. The increase in revenue was mainly attributable to the increase in revenue generated by Kanger Shenzhen and Kanger Ganzhou. The increase in revenue of Kanger Shenzhen was mainly attributable to the increase in the sale of Classen products. The overall increase in revenue in both Kanger Shenzhen and Kanger Ganzhou was also attributable to a series of sales/promotion events in the PRC such as the National Day promotion, Double Eleven (11.11) sales campaign and the year-end sales campaign.

Overall, the Group recorded profit before taxation of RM5.2 million in Q4 2019 as compared to loss before taxation of RM0.7 million in Q3 2019 mainly due to the recognition of a cash incentive amounting to RM5.2 million paid by the local authority of Jingzhou for the Group's effort to invest, develop, promote as well as set up a high-technology integrated bamboo processing plant and R&D centre in Jingzhou, which will also bring job opportunities to the residents in Jingzhou. Please refer to note B1 for an explanation of the incentives package.

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

PRC'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 PRC'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), PRC aims to double its 2010 GDP and the 2010 per capita income of both urban and rural residents by 2020 and will focus more on green and low-carbon industries. This is envisaged to positively affect the bamboo flooring market. In addition, bamboo flooring products are increasingly welcomed by the consumer due to merits like environmental friendliness and high price-to-performance ratio.

In line with the outlook of the bamboo industry, the Group has identified the following main strategies to continue to grow its businesses:-

- (a) Expansion into new bamboo 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 the raw material cost as the new processing plant is surrounded by approximately 2,500ha of matured bamboo that are ready to be harvested in stages. 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 PRC through the collaboration with Classen International GMBH as the Group is the exclusive distributor for Classen’s products in PRC;
- (f) Expansion of the Group’s presence by increasing the number of appointed dealers and number of sales and marketing channels, for both the products portfolio under KAR-ACE and Classen; and
- (g) Diversification of the Group’s principal activities to include property leasing business which will provide the Group with additional income and cash flows. The commercial properties under construction which are expected to be completed by the first quarter of FYE 2020 comprise a 19-storey hotel and a 6-storey building specifically outfitted as one-stop “Auto-City”. The two commercial properties are targeted to be handed over to the tenants by the first quarter of FYE 2020 as well.

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 ---	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
Current tax expenses	97	144	97	239
Over provision in prior year	<u>(168)</u>	<u>(352)</u>	<u>(263)</u>	<u>(352)</u>
	<u>(71)</u>	<u>(208)</u>	<u>(166)</u>	<u>(113)</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’s recorded tax “income” (due to the over provision of tax expense in respect of prior year), the presentation of effective tax rate is not meaningful.

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 Kanger Ganzhou, which currently enjoys a preferential tax rate of 15%. In addition, Kanger HK is also enjoys 0% tax rate as it is an export company and derives its income from overseas.

B6. Status of corporate proposals

a) RCN

On 6 September 2019, the shareholders of the Company have approved the issuance of up to 1,585,000,000 new ordinary shares in the Company (“**Kanger Share(s)**”) based on the minimum conversion price of RM0.04, arising from the conversion of the outstanding RCN of RM2.9 million and the remaining RCN of RM60.5 million at the Extraordinary General Meeting.

The issuance of the RCNs during the current financial quarter is as follows:-

Date of Issued	No. of series	Amount (RM)
18.11.2019	4	2,000,000
03.12.2019	4	2,000,000
09.12.2019	5	2,500,000
13.12.2019	6	3,000,000
		9,500,000

The funds raised were used to fund the construction of the commercial properties under construction in Ganzhou.

b) Share Issuance Scheme

On 24 December 2019, the Company has undertaken a corporate exercise to establish the share issuance scheme for the directors and eligible employees of the Group, which was approved by the shareholders of the Company on the Extraordinary General Meeting. However, no shares options have been granted to the directors and the eligible employees of the Group as at the end of the financial quarter.

B7. Borrowings

The Group’s borrowings as at 31 December 2019 are as follows:

	As at 31 December 2019 RM '000	As at 31 December 2018 RM '000
Secured – Short term borrowings		
Term loans	14,038	14,398
Bills payables	1,541	12,769
Secured – Long term borrowings		
Term loans	36,606	34,251
Total borrowings	52,185	61,418

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

	As at 31 December 2019 RM '000	As at 31 December 2018 RM '000
Secured – Short term and long term borrowings		
Chinese Renminbi	52,185	61,418
Total borrowings	52,185	61,418

Note:

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: RM0.5866 as at 31 December 2019.

The borrowings decreased by RM9.2 million as at 31 December 2019 as compared to 31 December 2018 mainly due to the repayment.

The weighted average effective interest rates of the Group's borrowings ranged from 4.0% to 7.6% as at 31 December 2019 and the entire borrowings as at 31 December 2019 is subjected to floating interest rate.

No hedging are done on the borrowings on the Group as all the borrowings are from the PRC and are used to finance the Group's operations in the PRC.

B8. Material litigation

As at the date of this report, there is no litigation or arbitration which has a material effect on the financial position of the Group, and the Board is not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B9. Dividends

There were no dividends paid or declared for the financial period ended 31 December 2019 (Financial period ended 31 December 2018: Nil).

B10. Earnings per share

The Group's basic earnings/(loss) per Kanger Share is calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
PAT/(LAT) attributable to shareholders of the Company (RM '000)	2,704	(4,542)	6,690	(1,713)
Weighted average number of Kanger Shares in issue ('000)	942,505	890,789	942,505	839,843
Basic earnings/(loss) per Kanger Share (sen)	<u>0.29</u>	<u>(0.51)</u>	<u>0.71</u>	<u>(0.20)</u>

The Group's diluted earnings/(loss) per Kanger Share is calculated as follows:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2019	31 December 2018	31 December 2019	31 December 2018
PAT/(LAT) attributable to shareholders of the Company (RM '000)	2,704	(4,542)	6,690	(1,713)
Weighted average number of ordinary shares in issue ('000)	942,505	890,789	942,505	839,843
Assuming full exercise of warrants ('000)	1,181,440	1,129,724	1,181,440	1,078,778
Assuming full conversion of RCNs already issued ('000) ⁽¹⁾	-	-	-	-
Diluted earnings per share (sen)	<u>0.23</u>	<u>N/A</u>	<u>0.57</u>	<u>N/A</u>

⁽¹⁾ : The effect of the conversion has not been included as the conversion price can be 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.

⁽²⁾ : The Company has establish the share issuance scheme for the directors and eligible employees of the Group however, no shares options have been granted to the directors and the eligible employees of the Group as at the end of the financial quarter

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

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

Included in the profit/(loss) before taxation are the following expense items:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2019 RM '000	31 December 2018 RM '000	31 December 2019 RM '000	31 December 2018 RM '000
Amortisation of intangible assets	351	441	915	924
Amortisation of right-of-assets	1,293	-	1,293	-
Bad debts written off	-	126	-	126
Depreciation	429	109	1,297	1,657
Interest expenses	546	308	1,880	934
Interest income	-	-	-	(132)
Property, plant and equipment written off	-	1,099	-	1,102

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 ended 31 December 2019.

By Order of the Board

WONG YUET CHYN (MAICSA 7047163)

Company Secretary
Kuala Lumpur
11 March 2020