

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2013**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Revenue	11,609	N/A	33,439	N/A
Cost of sales	(8,591)	N/A	(26,036)	N/A
Gross profit	<u>3,018</u>	<u>N/A</u>	<u>7,403</u>	<u>N/A</u>
Other operating income	-	N/A	175	N/A
Administrative expenses	(446)	N/A	(1,345)	N/A
Selling and distribution expenses	(134)	N/A	(364)	N/A
Other operating expenses	-	N/A	(10)	N/A
Finance costs	(157)	N/A	(530)	N/A
Profit before taxation	<u>2,281</u>	<u>N/A</u>	<u>5,329</u>	<u>N/A</u>
Taxation	(171)	N/A	(701)	N/A
Profit after taxation ("PAT")	<u>2,110</u>	<u>N/A</u>	<u>4,628</u>	<u>N/A</u>
Other comprehensive income after tax:				
- Foreign exchange translation	417	N/A	1,871	N/A
Total comprehensive income	<u>2,527</u>	<u>N/A</u>	<u>6,499</u>	<u>N/A</u>
PAT ATTRIBUTABLE TO:				
- Owners of the company	2,110	N/A	4,628	N/A
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	<u>2,527</u>	<u>N/A</u>	<u>6,499</u>	<u>N/A</u>
Weighted average no. of ordinary shares ('000)	350,000	N/A	350,000	N/A
Earnings per share attributable to owners of the company (sen):				
- Basic	0.60	N/A	1.32	N/A
- Diluted	N/A	N/A	N/A	N/A

KANGER INTERNATIONAL BERHAD
(1014793-D)

Notes:

N/A Not applicable.

- (1) *The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Prospectus dated 6 December 2013 (including Proforma Consolidated Financial Information and the Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.*
- (2) *This is the first interim financial report announced in compliance with the ACE Market Listing Requirement of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"). There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2013**

	(Unaudited) As at 30 September 2013 RM'000	(Audited) As at 31 December 2012 RM'000
ASSETS		
NON-CURRENT ASSET		
Property, plant and equipment	11,805	N/A
CURRENT ASSETS		
Inventories	17,219	N/A
Trade and other receivables	10,580	N/A
Cash and bank balances	14,553	N/A
	42,352	N/A
TOTAL ASSETS	54,157	N/A
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company:		
Share capital	35,000	N/A
Reserves	2,529	N/A
TOTAL EQUITY	37,529	N/A
CURRENT LIABILITIES		
Trade and other payables	339	N/A
Amount owing to director	354	N/A
Bank borrowings	14,668	N/A
Tax payable	1,267	N/A
	16,628	N/A
TOTAL LIABILITIES	16,628	N/A
TOTAL EQUITY AND LIABILITIES	54,157	N/A
NET ASSET PER SHARE (sen)	11	N/A

Notes:

N/A Not applicable.

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus dated 6 December 2013 (including Proforma Consolidated Financial Information and the Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.

(2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THIRD (3TH) QUARTER ENDED 30 SEPTEMBER 2013**

	Share Capital RM'000	----- Non-Distributable ----- Merger Reserve RM'000	Revaluation Reserve RM'000	----- Translation Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
Balance as at 1 January 2013	-	22,195	788	1,100	10,919	35,002
Profit for the financial period	-	-	-	-	2,110	2,110
Foreign currency translation	-	-	-	417	-	417
Total comprehensive income	-	-	-	417	2,110	2,527
Transactions with owners						
Issuance of ordinary shares	35,000	-	-	-	-	35,000
Acquisition of subsidiary companies	-	(35,000)	-	-	-	(35,000)
Balance as at 30 September 2013	35,000	(12,805)	788	1,517	13,029	37,529

Notes:

N/A Not applicable.

(1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Prospectus dated 6 December 2013 (including Proforma Consolidated Financial Information) and the accompanying explanatory notes attached to this interim financial report.

(2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THIRD (3TH) QUARTER ENDED 30 SEPTEMBER 2013**

	Current year to date 30 September 2013 RM'000	Preceding year to date 30 September 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	5,329	N/A
Adjustments for		
Depreciation of property, plant and equipment	742	N/A
Interest expenses	508	N/A
Interest income	(91)	N/A
Operating profit before working capital changes:	6,488	N/A
Change in inventories	819	N/A
Change in trade and other receivables	(2,326)	N/A
Change in trade and other payables	(125)	N/A
Change in amount owing to a director	354	N/A
CASH FROM OPERATIONS	5,210	N/A
Interest paid	(508)	N/A
Interest received	91	N/A
Income tax paid	(237)	N/A
NET CASH FROM OPERATING ACTIVITIES	4,556	N/A
CASH FLOWS FROM INVESTING ACTIVITY		
Purchase of property, plant and equipment	(128)	N/A
NET CASH FOR INVESTING ACTIVITIES	(128)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of term loans	(2,430)	N/A
NET CASH FOR FINANCING ACTIVITIES	(2,430)	N/A
NET INCREASE OF CASH AND CASH EQUIVALENTS	1,998	N/A
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	980	N/A
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	11,575	N/A
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	14,553	N/A

KANGER INTERNATIONAL BERHAD
(1014793-D)

	Current year to date 30 September 2013 RM'000	Preceding year to date 30 September 2012 RM'000
Cash and cash equivalents at end of the financial period comprise the following:		
- Cash and bank balances	14,553	N/A
	<u>14,553</u>	<u>N/A</u>

Notes:

N/A Not applicable.

- (1) The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Prospectus dated 6 December 2013 (including Proforma Consolidated Financial Information and the Accountants' Report) and the accompanying explanatory notes attached to this interim financial report.*
- (2) This is the first interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year's corresponding quarter and year-to-date as no interim financial report was prepared for the comparative financial period concerned.*

QUARTERLY REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2013

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2013

A1. Accounting policies and methods of computation

The interim financial statements are unaudited and have been prepared in accordance with the MFRS 134: Interim Financial Reporting, Paragraph 9.22 and Appendix 9B of the Listing Requirements.

These are the first interim financial statements on the consolidated results for the third (3rd) quarter ended 30 September 2013 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year's corresponding period.

The interim financial statements should be read in conjunction with the Prospectus of the Company dated 6 December 2013 and the accompanying explanatory notes attached to this interim financial report.

The interim financial statements have been prepared on the basis of merger accounting, where the financial statements of the Company and its subsidiary companies ("**Group**") have been included in the consolidated financial statements as if they have been in effect since the beginning of the financial year.

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 this unaudited condensed interim financial statements are consistent with those adopted in the preparation of the Proforma Consolidated Financial Information as included in the Prospectus dated 6 December 2013, except for the adoption of the following:

MFRSs and IC Interpretations (Including The Consequential Amendments)	Effective dates for financial period beginning on and after
Amendments to MFRS 132 – Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 – Investment Entities	1 January 2014
Amendments to MFRS 136 – Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139 – Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21 – Levies	1 January 2014
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in October (2010))	1 January 2015

A2. Auditors' report of preceding annual financial statements

Not applicable.

A3. Seasonal or cyclical factors

The business of the Group were slower during the New Year and Chinese New Year holidays.

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 being reported during the prior financial years.

A6. Debt and equity securities

Save as disclosed as below in the Company's Prospectus dated 6 December 2013 and in Note B6, there were no issuances, cancellation, repurchase, resale and repayment of debt and equity securities for the current financial year-to-date:

Date of allotment/ issuance	No. of shares allotted/ issued	Par value (RM)	Consideration	Cumulative issued and paid-up share capital (RM)
27 August 2012	2	1.00	Cash	2
25 January 2013	20	0.10	Share split	2
30 September 2013	349,999,960	0.10	Acquisition of Kanger Investment (HK) Limited (" HK Kanger ")	34,999,998
30 September 2013	20	0.10	Acquisition of KAR Masterpiece Sdn Bhd (" KAR Masterpiece ")	35,000,000

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, namely:

	Quarter ended 30 September 2013 RM'000	Year to date ended 30 September 2013 RM'000
Horizontal and vertical bamboo flooring	5,101	18,290
Strand woven bamboo flooring	5,227	12,548
Strand woven bamboo plank	1,281	2,601
Total	<u>11,609</u>	<u>33,439</u>

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

	Quarter ended 30 September 2013 RM'000	Year to date ended 30 September 2013 RM'000
People's Republic of China ("PRC")	5,548	22,935
Export:		
- Turkmenistan	4,350	5,487
- United Arab Emirates	1,176	2,494
- Hong Kong	291	589
- Romania	-	898
- Others*	244	1,036
	<u>11,609</u>	<u>33,439</u>

* Includes countries in Europe, Asia, Africa and Australia.

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 on its property, plant and equipment in the current financial quarter.

A10. Capital commitments

The capital commitments in respect of property, plant and equipment as at 30 September 2013 amounts to RM1.05 million.

A11. Changes in the composition of the group

There were no material changes in the composition of the Group for the current financial quarter except for those disclosed in Notes A6 and B6 of this interim financial report.

A12. Contingent liabilities and contingent assets

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

A13. Material events subsequent to the end of the quarter

Save as disclosed in Notes A6 and B6, there were no other material events subsequent to the end of current quarter and financial year-to-date that have not been reflected in this interim financial report.

A14. Related party transactions

There was no related party transaction 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

The Group recorded revenue of RM11.6 million for the current quarter and recorded a year to-date revenue amounting to RM33.4 million, an increase of 56% as compared to the year-to-date 30 June 2013 revenue. The increase in the year to-date revenue was mainly due to an increase in export sales amounting to RM6.1 million as compared to the RM4.4 million for the period ended 30 June 2013, which contributed approximately 52% of our revenue for the current quarter. In addition, we also recorded an increase in the average selling price of our strand woven products, which contributed to an increase in our gross profit margin.

B2. Comparison with immediate preceding quarter's results

There are no comparative figures for the immediate preceding quarter as this is the first interim financial report announced by the Company in compliance with the Listing Requirements.

B3. Prospects for the financial year ending 31 December 2013 ("FYE 2013")

As disclosed in the Prospectus of the Company dated 6 December 2013, 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 dated 14 November 2013).* The Board of Directors ("**Board**") are of the view that the Group will enjoy positive growth for this financial year.

B4. Profit forecast

The Group does have any profit forecast in its public documents.

B5. Income tax expenses

	Quarter ended 30 September 2013 RM'000	Year to date ended 30 September 2013 RM'000
Income tax expense	171	739
Overprovision in prior quarter	-	(38)
Total	<u>171</u>	<u>701</u>
Effective tax rate	<u>7%</u>	<u>13%</u>

The PRC income tax is computed according to the relevant laws and regulations in the PRC. The applicable income tax rate is 25% for the current quarter and financial year-to-

date, except for the Group's subsidiary company, Ganzhou Kanger Industrial Co., Ltd which currently enjoyed a preferential tax rate of 15%.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

In conjunction with and as an integral part of its listing on the ACE Market of Bursa Securities ("**Listing**"), the Company had undertaken/will be undertaking the following:

(a) Acquisitions

▪ Acquisition of HK Kanger

Acquisition by the Company of the entire issued and paid-up share capital in HK Kanger comprising 53,427,5000 ordinary shares of HKD1.00 each for a total purchase consideration of RM34,999,996 which was wholly satisfied by the issuance of 349,999,960 new ordinary shares of RM0.10 each ("**Shares**") in the Company at par; and

▪ Acquisition of KAR Masterpiece

Acquisition by the Company of the entire issued and paid-up share capital in KAR Masterpiece comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2.00 which was wholly satisfied by the issuance of 20 Shares,

(the above transactions are collectively refer to as "**Acquisitions**")

The Acquisitions were completed on 30 September 2013.

(b) Public Issue

The Company is undertaking a public issue of 80,000,000 Shares ("**Public Issue**") representing approximately 18.6% of the Company's enlarged issued and paid-up share capital at an issue price of RM0.25 per Share comprising:

- 11,000,000 Shares available for application by the Public; and
- 69,000,000 Shares available for placement to selected investors.

(c) Listing on Bursa Securities

Subsequent to the Public Issue, the Company will seek the listing and quotation for its entire enlarged issued and paid-up share capital of RM43,000,000 comprising 430,000,000 Shares of RM0.10 on the ACE Market of Bursa Securities which is scheduled to take place on 23 December 2013.

(ii) Utilisation of proceeds

The gross proceeds from the Public Issue amounting to RM20.0 million are expected to be utilised in the following manner:

Purpose	RM'000	%	Estimated Time Frame for Utilisation (from date of Listing)
i) Capital expenditure	1,000	5.00	Within 12 months
ii) Research & development expenditure	2,000	10.00	Within 24 months
iii) Repayment of bank borrowings	5,500	27.50	Within 12 months
iv) Working capital	8,200	41.00	Within 24 months
v) Estimated listing expenses	3,300	16.50	Within 3 months
Total gross proceeds	20,000	100.00	

B7. Borrowings

The Group's borrowings as at 30 September 2013 are as follows:

	RMB'000	RM'000
Secured		
Term loans	7,500	3,993
Bill payables	7,500	3,993
	<u>15,000</u>	<u>7,986</u>
Unsecured		
Term loans	9,550	5,085
Bill payables	3,000	1,597
	<u>12,550</u>	<u>6,682</u>
Total bank borrowings	<u>27,550</u>	<u>14,668</u>

Details of the security of the secured borrowings are as follows:

	RMB'000	RM'000
Borrowings		
Secured by:		
Leasehold land (net carrying amount)	6,070	3,232
Plant and machinery (net carrying amount)	4,838	2,576
Inventories	7,500	3,993
Total	<u>18,408</u>	<u>9,801</u>

Note:

(1) The Group's borrowings are presented in Renminbi ("**RMB**") and translated into Ringgit Malaysia ("**RM**") at the exchange rate of RMB1:RM0.5324 at 30 September 2013.

B8. Changes in material litigation

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

B9. Dividends

There were no dividends paid or declared for the current financial quarter.

B10. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Year-to-date ended	
	30	30	30	30
	September	September	September	September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Basic earnings per share				
Profit attributable to ordinary equity holders of the company	2,110	N/A	4,628	N/A
Weighted average number of ordinary shares in issue ('000)*	350,000	N/A	350,000	N/A
	Sen	Sen	Sen	Sen
Basic earnings per share	0.60	N/A	1.32	N/A

Note:

* Based on the issued share capital which assumes that the Acquisitions as detailed in Note B6(i)(a) had been completed in the beginning of the current quarter but prior to the Public Issue as detailed in Note B6(i)(b).

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

Included in profit before tax are the following expense/(income) items:

	Quarter ended 30 September 2013 RM'000	Year-to-date ended 30 September 2013 RM'000
Interest income	*	91
Other income including investment income	-	-
Interest expenses	135	508
Depreciation and amortisation expenses	257	742
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of property, plant and equipment	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	86
Gain or loss on derivatives	-	-
Share-based payment expenses	-	-

Note:

* *Less than RM1,000.*

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 30 September 2013, into realised and unrealised profits is as follows:

	As at 30 September 2013 RM'000	As at 30 September 2012 RM'000
Total retained earnings of the Group:		
- Realised	13,029	N/A
- Unrealised	-	N/A
Total	13,029	N/A
Less: Consolidation adjustments	-	N/A
Total retained earnings of the Group	13,029	N/A