

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2013**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 December 2013 RM '000	31 December 2012 RM '000	31 December 2013 RM '000	31 December 2012 RM '000
Revenue	16,742	N/A	50,181	N/A
Cost of sales	(12,147)	N/A	(38,183)	N/A
Gross profit	4,595	N/A	11,998	N/A
Other operating income	697	N/A	872	N/A
Administrative expenses	(1,617)	N/A	(2,962)	N/A
Selling and distribution expenses	(267)	N/A	(631)	N/A
Other operating expenses	(2,191)	N/A	(2,201)	N/A
Finance costs	(149)	N/A	(679)	N/A
Profit before taxation	1,068	N/A	6,397	N/A
Taxation	(731)	N/A	(1,432)	N/A
Profit after taxation ("PAT")	337	N/A	4,965	N/A
Other comprehensive income after tax:				
- Foreign exchange translation	1,196	N/A	3,067	N/A
Total comprehensive income	1,533	N/A	8,032	N/A
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	1,533	N/A	8,032	N/A
Weighted average no. of ordinary shares ('000)	361,304	N/A	352,849	N/A
Earnings per share attributable to owners of the company (sen):				
- Basic	0.09	N/A	1.41	N/A
- Diluted	N/A	N/A	N/A	N/A

Notes:

N/A Not applicable

- (1) The Unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report as disclosed in the Prospectus of Kanger International Berhad ("Kanger" or the "Company") dated 6 December 2013 ("Prospectus") and the accompanying explanatory notes attached to this interim financial report.
- (2) Kanger was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 23 December 2013. This is the second interim financial report announced in compliance with the ACE Market Listing Requirements of 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 31 DECEMBER 2013**

	(Unaudited) As at 31 December 2013 RM '000	(Audited) As at 31 December 2012 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11,776	N/A
Development expenditure	1,500	N/A
	13,276	N/A
CURRENT ASSETS		
Inventories	21,803	N/A
Trade and other receivables	11,812	N/A
Cash and bank balances	37,040	N/A
	70,655	N/A
TOTAL ASSETS	83,931	N/A
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company:		
Share capital	43,000	N/A
Reserves	15,084	N/A
TOTAL EQUITY	58,084	N/A
CURRENT LIABILITIES		
Trade and other payables	1,799	N/A
Amount owing to a director	354	N/A
Bank borrowings	22,293	N/A
Tax payable	1,401	N/A
	25,847	N/A
TOTAL LIABILITIES	25,847	N/A
TOTAL EQUITY AND LIABILITIES	83,931	N/A
NET ASSET PER SHARE (sen)	13.51	N/A

Notes:

N/A Not applicable

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) Kanger was listed on the ACE Market of Bursa Securities on 23 December 2013. This is the second 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 FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2013**

	----- Non-Distributable -----					Distributable	Total Equity RM '000
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Retained Earnings RM '000	
Balance as at 1 January 2013	#	-	-	-	-	-	#
Profit after taxation	-	-	-	-	-	4,965	4,965
Foreign currency translation	-	-	-	-	3,067	-	3,067
Total comprehensive income for the financial year	-	-	-	-	3,067	4,965	8,032
Effects arising from merger	35,000	-	(12,805)	788	(333)	8,402	31,052
Initial public offering							
Public issue of ordinary shares	8,000	12,000	-	-	-	-	20,000
Share issue expenses ⁽³⁾	-	(1,000)	-	-	-	-	(1,000)
Balance as at 31 December 2013	43,000	11,000	(12,805)	788	2,734	13,367	58,084

Notes:

Represents RM2.

- (1) The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) Kanger was listed on the ACE Market of Bursa Securities on 23 December 2013. This is the second interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year-to-date as no interim financial report was prepared for the comparative financial period concerned.
- (3) Listing expenses for the public issue of new shares of RM1.0 million were written off against the share premium account pursuant to Section 60 of the Companies Act, 1965.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2013**

	Current year to date 31 December 2013 RM'000	Preceding year to date 31 December 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	6,397	N/A
Adjustments for:		
Depreciation of property, plant and equipment	971	N/A
Property, plant and equipment written off	22	
Interest expenses	679	N/A
Interest income	(185)	N/A
Operating profit before working capital changes:	7,884	N/A
Change in inventories	(3,766)	N/A
Change in trade and other receivables	(3,557)	N/A
Change in trade and other payables	1,177	N/A
Change in amount owing to a director	354	N/A
CASH FROM OPERATIONS	2,092	N/A
Interest paid	(679)	N/A
Interest received	185	N/A
Income tax paid	(830)	N/A
NET CASH GENERATED FROM OPERATING ACTIVITIES	768	N/A
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(97)	N/A
Development expenditure	(1,500)	N/A
NET CASH USED IN INVESTING ACTIVITIES	(1,597)	N/A
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issuance	20,000	N/A
Payment of share issue expense	(1,000)	N/A
Drawdown of bank borrowings	18,993	N/A
Repayment of bank borrowings	(15,530)	N/A
NET CASH GENERATED FROM FINANCING ACTIVITIES	22,463	N/A
NET INCREASE IN CASH AND CASH EQUIVALENTS	21,634	N/A
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	3,831	N/A
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR	11,575	N/A
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	37,040	N/A

KANGER INTERNATIONAL BERHAD
(1014793-D)

Cash and cash equivalents at end of the financial year comprise the following:

- Cash and bank balances	29,075	N/A
- Fixed deposit placed with a licensed bank	7,965	N/A
	<u>37,040</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 Proforma Consolidated Financial Information and the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.*
- (2) *Kanger was listed on the ACE Market of Bursa Securities on 23 December 2013. This is the second interim financial report announced in compliance with the Listing Requirements. There are no comparative figures for the preceding year-to-date as no interim financial report was prepared for the comparative financial period concerned.*

QUARTERLY REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2013

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2013

A1. Accounting policies and methods of computation

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

The Company was listed on the ACE Market of Bursa Securities on 23 December 2013. 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.

The interim financial statements should be read in conjunction with the Proforma Consolidated Financial Information and the Accountant's Report as disclosed in the Prospectus 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 Group has 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 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

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 financial statements as included in the Prospectus.

A2. Auditors' report of preceding annual financial statements

Save as disclosed below, the auditors' report on the preceding audited financial statements of the subsidiaries of the Company were not subject to any qualification:

- (i) Kanger Investment (HK) Limited ("**HK Kanger**")'s financial statements for the financial period ended 30 September 2013 was qualified as it did not prepare any consolidated financial statements. However, the qualification does not have any impact to the Group as the Company will issue consolidated financial statements for the financial year ended 31 December 2013.

A3. Seasonal or cyclical factors

The principal business of the Group was not significantly affected by seasonal or cyclical factors during the current financial quarter ended 31 December 2013 and financial year to-date.

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 in the prior financial years.

A6. Debt and equity securities

Save as disclosed as below, there were no issuance, 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)
30 September 2013	349,999,960	0.10	Acquisition of HK Kanger	34,999,998
30 September 2013	20	0.10	Acquisition of KAR Masterpiece Sdn Bhd (" KAR Masterpiece ")	35,000,000
19 December 2013	80,000,000	0.10	Public issue pursuant to the Company's initial public offering	43,000,000

A7. Dividends

There were no dividends paid or declared for the current financial quarter and the financial year-to-date.

A8. Segmental information

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

	Quarter ended 31 December 2013 RM '000	Year to date ended 31 December 2013 RM '000
Horizontal and vertical bamboo flooring	12,864	31,154
Strand woven bamboo flooring	1,426	13,974
Strand woven bamboo plank	2,452	5,053
Total	16,742	50,181

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

	Quarter ended 31 December 2013 RM '000	Year to date ended 31 December 2013 RM '000
People's Republic of China ("PRC")	5,772	28,707
Export:		
- Turkmenistan	-	5,487
- United Arab Emirates	1,829	4,323
- Germany	2,348	2,348
- Romania	1,219	2,117
- Hong Kong	1,520	2,109
- Panama	1,765	1,765
- Others*	2,289	3,325
	16,742	50,181

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

A10. Capital commitments

The capital commitments of the Group as at 31 December 2013 are as follows:

	RM '000
Approved and contracted for:	
- Capital work-in-progress	1,136

A11. Changes in the composition of the group

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

A12. Contingent liabilities and contingent assets

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

A13. Material events subsequent to the end of the quarter

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

A14. Related party transactions

Save as disclosed below, there were no other related party transactions entered into with related parties during the current financial quarter:

	Quarter ended 31 December 2013 RM '000	Year to date ended 31 December 2013 RM '000
Director of a subsidiary company:		
- Sale of goods	<u>5</u>	<u>5</u>

The above transaction is not recurrent in nature, was carried out on terms and conditions not materially different from transactions with unrelated parties and in the ordinary course of business of the Group. The director of the subsidiary company purchased the goods for own use.

B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Analysis of performance

For the current financial quarter ended 31 December 2013, the Group recorded a revenue of RM16.74 million and profit before tax of RM1.07 million. Gross profit margin and profit before tax margin stood at 27.4% and 6.4% respectively for the current financial quarter ended 31 December 2013. The Group's horizontal and vertical bamboo flooring products contributed 76.8% of the revenue, while strand woven products contributed the remaining 23.2%. Of these total sales, 65.5% were contributed from export, whereby majority of the exports were to United Arab Emirates, Germany, Hong Kong, Romania and Panama.

For the financial year ended 31 December 2013 ("**FYE 2013**"), the Group recorded revenue of RM50.18 million and profit before taxation of RM6.40 million. Gross profit margin and profit before tax margin stood at 23.9% and 12.7% respectively for the FYE 2013. Overall, the Group's horizontal and vertical bamboo flooring products contributed 62.1% of the revenue, while strand woven products contributed the remaining 37.9%. Of these total sales, 42.87% were contributed from export sales.

The higher gross profit margin of 27.4% recorded in the current financial quarter ended 31 December 2013 was due to an increase in the average selling price of strand woven products mainly as a result of the launch of new products in the second half of year 2013.

The lower profit before tax margin of 6.4% recorded in the current financial quarter was mainly due to listing expenses totalling RM2.19 million that was charged against the earnings of the Group in the current financial quarter pursuant to the initial public offering of the Company.

B2. Comparison with immediate preceding quarter's results

	Quarter ended		Variance
	31 December 2013	30 September 2013	
	RM '000	RM '000	RM '000
Revenue	16,742	11,609	5,133
Profit before taxation	1,068	2,281	(1,213)

The Group recorded an increase in revenue by RM5.13 million to RM16.74 million in the current financial quarter ended 31 December 2013 as compared to RM11.61 million in the preceding financial quarter ended 30 September 2013. This increase in revenue was mainly due to higher sales of horizontal and vertical bamboo flooring by RM7.76 million, which was offset by lower sales of strand woven products by RM2.63 million. The increase in sales of horizontal and vertical bamboo flooring was mainly due to an increase in export sales in the current financial quarter.

Despite the increase in revenue, the Group's profit before taxation decreased by RM1.21 million to RM1.07 million in the current financial quarter ended 31 December 2013 as compared to RM2.28 million in the preceding financial quarter ended 30 September 2013. This was mainly due to listing expenses totalling RM2.19 million that was charged against the earnings of the Group in the current financial quarter.

B3. Prospects for the financial year ending 31 December 2014 (“FYE 2014”)

As disclosed in the Prospectus, 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*).

Premised on the above and in line with the Group’s future plans and strategies as disclosed in the Prospectus, the Board of Directors of Kanger (“**Board**”) are of the view that the Group will enjoy positive growth for FYE2014.

B4. Profit forecast

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

B5. Taxation

	Quarter ended 31 December 2013 RM '000	Year to date ended 31 December 2013 RM '000
Current tax expenses	731	1,432
Effective tax rate	68.4%	22.4%

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 current quarter and financial year-to-date, except for the Group’s subsidiary company, Ganzhou Kanger Industrial Co., Ltd, which currently enjoys a preferential tax rate of 15%.

The effective tax rate of 68.4% for the current financial quarter was mainly due to the losses incurred by the Company in the current financial quarter (as a result of administrative expenses and listing expenses) which are not eligible for tax deductions.

B6. Status of corporate proposals and utilisation of proceeds

(i) Status of corporate proposal

There are no corporate proposals announced but not completed as at the date of this report.

(ii) Utilisation of proceeds

The Company was listed on the ACE Market of Bursa Securities on 23 December 2013. The status of utilisation of the gross proceeds of RM20 million from the public issue by the Group as at 31 December 2013 are as follows:

Purpose	Estimated timeframe for utilisation (from date of listing)	Proposed utilisation	Actual utilisation	Deviation		Balance
		RM '000	RM '000	RM '000	%	
i) Capital expenditure	Within 12 months	1,000	-	-	-	1,000
ii) R&D expenditure	Within 24 months	2,000	-	-	-	2,000
iii) Repayment of bank borrowings	Within 12 months	5,500	-	-	-	5,500
iv) Working capital	Within 24 months	8,200	(989)	109 ⁽¹⁾	1.3	7,320
v) Estimated listing expenses	Within 3 months	3,300	(3,191)	(109) ⁽¹⁾	(3.3)	-
Total gross proceeds		20,000	(4,691)			

Note:

(i) The excess amount budgeted for will be utilised for working capital purposes.

B7. Borrowings

The Group's borrowings as at 31 December 2013 are as follows:

	RMB '000	RM '000
Secured		
Term loans	7,500	4,058
Bills payables	21,750	11,769
	<u>29,250</u>	<u>15,827</u>
Unsecured		
Term loans	8,950	4,843
Bills payables	3,000	1,623
	<u>11,950</u>	<u>6,466</u>
Total bank borrowings	<u>41,200</u>	<u>22,293</u>

Details of the securities for the secured borrowings are as follows:

	RMB '000	RM '000
Borrowings		
Secured by:		
Fixed deposits with licensed bank	14,720	7,965
Leasehold land and building (net carrying amount)	11,447	6,194
Plant and machinery (net carrying amount)	2,230	1,207
Inventories	4,000	2,164
Total	32,397	17,530

Note:

(1) The Group's borrowings are presented in Renminbi ("**RMB**") and translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.5411 at 31 December 2013.

B8. Material litigation

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

B9. Dividends

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

B10. Earnings per share

The basic earnings per share are calculated as follows:

	Current quarter ended		Year-to-date ended	
	31 December 2013 RM '000	31 December 2012 RM '000	31 December 2013 RM '000	31 December 2012 RM '000
Profit attributable to ordinary equity holders of the company	337	N/A	4,965	N/A
Weighted average number of ordinary shares in issue ('000) ⁽¹⁾	361,304	N/A	352,849	N/A
	Sen	Sen	Sen	Sen
Basic earnings per share	0.09	N/A	1.41	N/A

Notes:

N/A Not applicable

(1) Computed based on:

- Assumption that the acquisitions HK Kanger and KAR Masterpiece by the Company were completed at the beginning of the financial year
- Completion of the public issue by the Company pursuant to its initial public offering on 19 December 2013

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

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

	Quarter ended 31 December 2013 RM '000	Year-to-date ended 31 December 2013 RM '000
Interest income	(94)	(185)
Interest expenses	171	679
Depreciation and amortisation expenses	229	971
Property, plant and equipment written off	22	22
Realised gain on foreign exchange	-	(86)

B12. Disclosure of realised and unrealised profits

The breakdown of the retained earnings of the Group as at 31 December 2013 into realised and unrealised profits is as follows:

	As at 31 December 2013 RM '000	As at 31 December 2012 RM '000
Total retained earnings of the Group:		
- Realised	13,367	N/A
- Unrealised	-	N/A
Total	<u>13,367</u>	<u>N/A</u>
Less: Consolidation adjustments	-	N/A
Total retained earnings of the Group	<u>13,367</u>	<u>N/A</u>

Note:

N/A *Not applicable*

By Order of the Board

WONG KEO ROU (MAICSA 7021435)
Company Secretary
Kuala Lumpur
20 February 2014