

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2014**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	31 March 2014 RM '000	31 March 2013 RM '000	31 March 2014 RM '000	31 March 2013 RM '000
Revenue	12,713	N/A	12,713	N/A
Cost of sales	(9,799)	N/A	(9,799)	N/A
Gross profit	2,914	N/A	2,914	N/A
Other operating income	6	N/A	6	N/A
Administrative expenses	(707)	N/A	(707)	N/A
Selling and distribution expenses	(241)	N/A	(241)	N/A
Other operating expenses	(75)	N/A	(75)	N/A
Finance costs	(168)	N/A	(168)	N/A
Profit before taxation	1,729	N/A	1,729	N/A
Taxation	(320)	N/A	(320)	N/A
Profit after taxation ("PAT")	1,409	N/A	1,409	N/A
Other comprehensive income after tax:				
- Foreign exchange translation	(1,382)	N/A	(1,382)	N/A
Total comprehensive income	27	N/A	27	N/A
<b>PROFIT ATTRIBUTABLE TO:</b>				
- Owners of the company	1,409	N/A	1,409	N/A
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
- Owners of the company	27	N/A	27	N/A
Weighted average no. of ordinary shares ('000)	430,000	N/A	430,000	N/A
Earnings per share attributable to owners of the company (sen):				
- Basic	0.33	N/A	0.33	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 Audited Financial Statements of Kanger International Berhad ("Kanger" or the "Company") for the financial year ended ("FYE") 31 December 2013 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 third 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 MARCH 2014**

	(Unaudited) As at 31 March 2014 RM '000	(Audited) As at 31 December 2013 RM '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	11,295	11,776
Development expenditure	1,425	1,500
	<u>12,720</u>	<u>13,276</u>
<b>CURRENT ASSETS</b>		
Inventories	21,595	21,803
Trade and other receivables	23,901	11,812
Cash and cash equivalents	20,594	37,040
	<u>66,090</u>	<u>70,655</u>
<b>TOTAL ASSETS</b>	<b><u>78,810</u></b>	<b><u>83,931</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>EQUITY</b>		
Equity attributable to owners of the company:		
Share capital	43,000	43,000
Reserves	15,108	15,081
<b>TOTAL EQUITY</b>	<b><u>58,108</u></b>	<b><u>58,081</u></b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	802	1,802
Amount owing to a director	354	354
Bank borrowings	17,943	22,293
Tax payable	1,603	1,401
	<u>20,702</u>	<u>25,850</u>
<b>TOTAL LIABILITIES</b>	<b><u>20,702</u></b>	<b><u>25,850</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>78,810</u></b>	<b><u>83,931</u></b>
<b>NET ASSET PER SHARE (sen)</b>	<b><u>13.51</u></b>	<b><u>13.51</u></b>

Notes:

N/A Not applicable

- (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 2013 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2014**

	----- 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 2014	43,000	11,000	(12,805)	788	2,734	13,364	58,081
PAT	-	-	-	-	-	1,409	1,409
Foreign currency translation	-	-	-	-	(1,382)	-	(1,382)
Total comprehensive income	-	-	-	-	(1,382)	1,409	27
Balance as at 31 March 2014	43,000	11,000	(12,805)	788	1,352	14,773	58,108

Notes:

- (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 2013 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 third 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.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2014**

	<b>Current Year period to date 31 March 2014 RM'000</b>	<b>Preceding Year Corresponding period to date 31 March 2013 RM'000</b>
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Profit before taxation	1,729	N/A
Adjustments for:		
Depreciation of property, plant and equipment	244	N/A
Amortisation of development expenditure	75	
Interest expenses	168	N/A
Interest income	(6)	N/A
Operating profit before working capital changes:	2,210	N/A
Change in inventories	208	N/A
Change in trade and other receivables	(12,089)	N/A
Change in trade and other payables	(1,000)	N/A
<b>CASH USED IN OPERATIONS</b>	<b>(10,671)</b>	<b>N/A</b>
Interest paid	(168)	N/A
Interest received	6	N/A
Income tax paid	(66)	N/A
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(10,899)</b>	<b>N/A</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(136)	N/A
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(136)</b>	<b>N/A</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	(3,708)	N/A
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(3,708)</b>	<b>N/A</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(14,743)</b>	<b>N/A</b>
<b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>(1,703)</b>	<b>N/A</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>37,040</b>	<b>N/A</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>20,594</b>	<b>N/A</b>

**KANGER INTERNATIONAL BERHAD**  
**(1014793-D)**

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

- Cash and bank balances	12,882	N/A
- Fixed deposit placed with a licensed bank	7,712	N/A
	<u>20,594</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 Audited Financial Statements of Kanger for the FYE 31 December 2013 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 third 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 FIRST (1<sup>ST</sup>) QUARTER ENDED 31 MARCH 2014

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2014

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 Audited Financial Statements of Kanger for the FYE 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

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 ("MASB") but are not yet effective for the Group:

<b>MFRSs and IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective dates for financial period beginning on and after</b>
Amendments to MFRS 119 – Defined Benefits Plans: Employee Contributions	1 July 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2010 – 2012 Cycle"	1 July 2014
Amendments to MFRSs contained in the document entitled "Annual Improvements 2010 – 2013 Cycle"	1 July 2014
Amendments to MFRS 7 – Mandatory Date of MFRS 9 and Transition Disclosures	To be announced by MASB
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced by MASB
MFRS 9 (IFRS 9 (2009)) – Financial Instruments (IFRS 9 issued by IASB in October (2010))	To be announced by MASB

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 2013.

**A2. Auditors' report of preceding annual financial statements**

The auditors' reports on the preceding audited financial statements of the subsidiaries of the Company were 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 long Chinese New Year holidays in the PRC during the current financial quarter.

**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 for the current financial quarter.

**A7. Dividends**

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

**A8. Segmental information**

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

	<b>Quarter ended 31 March 2014 RM '000</b>	<b>Year to date ended 31 March 2014 RM '000</b>
Horizontal and vertical bamboo flooring	10,854	10,854
Strand woven bamboo flooring	1,835	1,835
Strand woven bamboo plank	-	-
Others	24	24
Total	<u>12,713</u>	<u>12,713</u>

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

	<b>Quarter ended 31 March 2014 RM '000</b>	<b>Year to date ended 31 March 2014 RM '000</b>
People's Republic of China ("PRC")	3,712	3,712
Export:		
- Russia	2,809	2,809
- Turkmenistan	2,412	2,412
- Iran	1,815	1,815
- Turkey	914	914
- Romania	302	302
- Others*	749	749
	<u>12,713</u>	<u>12,713</u>

\* Includes countries in Europe, Asia, South America 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 March 2014 are as follows:

	<b>RM '000</b>
Approved and contracted for:	
- Capital work-in-progress	2,057

**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**

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**

For the current financial quarter ended 31 March 2014, the Group recorded revenue of RM12.71 million and profit before tax of RM1.73 million. Gross profit margin and profit before tax margin stood at 22.9% and 13.6% respectively for the current financial quarter ended 31 March 2014.

The Group's horizontal and vertical bamboo flooring products contributed 85.4% of the revenue, while strand woven products contributed 14.4% of the revenue. Of these total sales, 70.8% were contributed from export, whereby majority of the exports were to Russia, Turkmenistan and Iran.

**B2. Comparison with immediate preceding quarter's results**

	Quarter ended		Variance RM '000
	31 March 2014 RM '000	31 December 2013 RM '000	
Revenue	12,713	16,742	(4,029)
Profit before taxation	1,729	1,065	664

The Group recorded a decrease in revenue by RM4.03 million to RM12.71 million in the current financial quarter ended 31 March 2014 as compared to RM16.74 million in the preceding financial quarter ended 31 December 2013. This decrease in revenue was mainly due to long Chinese New Year holidays in the PRC which affected revenue of the Group for the current financial quarter, which is consistent with the sales trend in the previous years.

Despite the decrease in revenue, the Group's profit before taxation increased by RM0.66 million to RM1.73 million in the current financial quarter ended 31 March 2014 as compared to RM1.07 million in the preceding financial quarter ended 31 December 2013. The preceding financial quarter ended 31 December 2014 was lower was mainly due to listing expenses totalling RM2.19 million that was charged against the earnings of the Group in the preceding financial quarter ended 31 December 2013.

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

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 12<sup>th</sup> 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 of Kanger dated 6 December 2013, the Board of Directors of Kanger (“**Board**”) are of the view that the Group will enjoy positive growth for the remaining months of FYE 2014.

**B4. Profit forecast**

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

**B5. Taxation**

	<b>Quarter ended 31 March 2014 RM '000</b>	<b>Year to date ended 31 December 2014 RM '000</b>
Current tax expenses	320	320
Effective tax rate	18.5%	18.5%

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%.

**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 March 2014 is 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	(2,923)	-	-	2,577
iv) Working capital	Within 24 months	8,200	(5,525)	109 <sup>(1)</sup>	1.3	2,784
v) Estimated listing expenses	Within 3 months	3,300	(3,191)	(109) <sup>(1)</sup>	(3.3)	-
<b>Total gross proceeds</b>		<b>20,000</b>	<b>(11,639)</b>			

*Note:*

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

**B7. Borrowings**

The Group's borrowings as at 31 March 2014 are as follows:

	RMB '000	RM '000
<b>Secured</b>		
Term loans	7,500	3,929
Bills payables	18,750	9,823
	<u>26,250</u>	<u>13,752</u>
<b>Unsecured</b>		
Term loans	5,000	2,619
Bills payables	3,000	1,572
	<u>8,000</u>	<u>4,191</u>
<b>Total bank borrowings</b>	<u>34,250</u>	<u>17,943</u>

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

	RMB '000	RM '000
<b>Borrowings</b>		
Secured by:		
Fixed deposits with licensed bank	13,220	6,925
Leasehold land and building (net carrying amount)	9,930	5,202
Inventories	4,000	2,096
<b>Total</b>	27,150	14,223

*Note:*

(1) The Group's borrowings are presented in Renminbi ("**RMB**") and translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.5239 at 31 March 2014.

**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 March 2014 RM '000	31 March 2013 RM '000	31 March 2014 RM '000	31 March 2013 RM '000
Profit attributable to ordinary equity holders of the company	1,409	N/A	1,409	N/A
Weighted average number of ordinary shares in issue ('000)	430,000	N/A	430,000	N/A
Basic earnings per share (sen)	0.33	N/A	0.33	N/A

*Note:*

N/A Not applicable as there is no comparative figures for the preceding year's corresponding quarter and year-to-date were prepared.

**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:

	<b>Quarter ended 31 March 2014 RM '000</b>	<b>Year-to-date ended 31 March 2014 RM '000</b>
Interest income	(6)	(6)
Interest expenses	168	168
Depreciation and amortisation expenses	319	319

**B12. Disclosure of realised and unrealised profits**

The breakdown of the retained earnings of the Group as at 31 March 2014 into realised and unrealised profits is as follows:

	<b>As at 31 March 2014 RM '000</b>	<b>As at 31 March 2013 RM '000</b>
Total retained earnings of the Group:		
- Realised	14,773	N/A
- Unrealised	-	N/A
Total	<u>14,773</u>	<u>N/A</u>
Less: Consolidation adjustments	-	N/A
Total retained earnings of the Group	<u>14,773</u>	<u>N/A</u>

*Note:*

N/A *Not applicable*

By Order of the Board

WONG KEO ROU (MAICSA 7021435)  
 Company Secretary  
 Kuala Lumpur  
 27 May 2014