

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2014**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 June 2014 RM '000	30 June 2013 RM '000	30 June 2014 RM '000	30 June 2013 RM '000
Revenue	13,163	N/A	25,876	N/A
Cost of sales	(10,914)	N/A	(20,713)	N/A
Gross profit	2,249	N/A	5,163	N/A
Other operating income	1,279	N/A	1,285	N/A
Administrative expenses	(577)	N/A	(1,284)	N/A
Selling and distribution expenses	(232)	N/A	(473)	N/A
Other operating expenses	(75)	N/A	(150)	N/A
Finance costs	(28)	N/A	(196)	N/A
Profit before taxation	2,616	N/A	4,345	N/A
Taxation	(465)	N/A	(785)	N/A
Profit after taxation ("PAT")	2,151	N/A	3,560	N/A
Other comprehensive income after tax:				
- Foreign exchange translation	(476)	N/A	(1,858)	N/A
Total comprehensive income	1,675	N/A	1,702	N/A
<b>PROFIT ATTRIBUTABLE TO:</b>				
- Owners of the company	2,151	N/A	3,560	N/A
<b>TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:</b>				
- Owners of the company	1,675	N/A	1,702	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	0.50	N/A	0.83	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 fourth 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 30 JUNE 2014**

	(Unaudited) As at 30 June 2014 RM '000	(Audited) As at 31 December 2013 RM '000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	11,484	11,776
Development expenditure	6,006	1,500
	<u>17,490</u>	<u>13,276</u>
<b>CURRENT ASSETS</b>		
Inventories	21,214	21,803
Trade and other receivables	21,317	11,812
Cash and cash equivalents	18,608	37,040
	<u>61,139</u>	<u>70,655</u>
<b>TOTAL ASSETS</b>	<b><u>78,629</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	16,783	15,081
<b>TOTAL EQUITY</b>	<b><u>59,783</u></b>	<b><u>58,081</u></b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	959	1,802
Amount owing to a director	354	354
Bank borrowings	16,528	22,293
Tax payable	1,005	1,401
	<u>18,846</u>	<u>25,850</u>
<b>TOTAL LIABILITIES</b>	<b><u>18,846</u></b>	<b><u>25,850</u></b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b><u>78,629</u></b>	<b><u>83,931</u></b>
<b>NET ASSET PER SHARE (sen)</b>	<b><u>13.90</u></b>	<b><u>13.51</u></b>

Note:

- (1) The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements of Kanger for the FYE 31 December 2013 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 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	-	-	-	-	-	3,560	3,560
Foreign currency translation	-	-	-	-	(1,858)	-	(1,858)
Total comprehensive income	-	-	-	-	(1,858)	3,560	1,702
Balance as at 30 June 2014	43,000	11,000	(12,805)	788	876	16,924	59,783

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 fourth 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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2014**

	<b>Current Year period to date 30 June 2014 RM'000</b>	<b>Preceding Year Corresponding period to date 30 June 2013 RM'000</b>
<b>CASH FLOWS FOR OPERATING ACTIVITIES</b>		
Profit before taxation	4,345	N/A
Adjustments for:		
Depreciation of property, plant and equipment	484	N/A
Amortisation of development expenditure	150	N/A
Interest expenses	196	N/A
Interest income	(9)	N/A
Operating profit before working capital changes:	5,166	N/A
Change in inventories	590	N/A
Change in trade and other receivables	(9,506)	N/A
Change in trade and other payables	(843)	N/A
<b>CASH USED IN OPERATIONS</b>	<b>(4,593)</b>	<b>N/A</b>
Interest paid	(196)	N/A
Interest received	9	N/A
Income tax paid	(1,119)	N/A
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>(5,899)</b>	<b>N/A</b>
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(711)	N/A
Development expenditure	(4,656)	N/A
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(5,367)</b>	<b>N/A</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>		
Drawdown of bank borrowings	5,176	N/A
Repayment of bank borrowings	(10,481)	N/A
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>(5,305)</b>	<b>N/A</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(16,571)</b>	<b>N/A</b>
<b>EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS</b>	<b>(1,861)</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>18,608</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	11,340	N/A
- Fixed deposit placed with a licensed bank	7,268	N/A
	<u>18,608</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 fourth 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 SECOND (2<sup>ND</sup>) QUARTER ENDED 30 JUNE 2014

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 11 – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14 – Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
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 People's Republic of China ("PRC") in the financial quarter ended 31 March 2014.

**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 30 June 2014 RM '000</b>	<b>Year to date ended 30 June 2014 RM '000</b>
Horizontal and vertical bamboo flooring	8,112	18,966
Strand woven bamboo flooring	1,497	3,332
Other strand woven bamboo products	3,554	3,578
Total	<u>13,163</u>	<u>25,876</u>

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

	<b>Quarter ended 30 June 2014 RM '000</b>	<b>Year to date ended 30 June 2014 RM '000</b>
PRC	6,318	10,030
Export:		
- Iran	4,162	5,976
- Russia	-	2,809
- Turkmenistan	50	2,462
- Turkey	-	914
- Romania	601	903
- Georgia	814	814
- Others*	1,218	1,968
	<u>13,163</u>	<u>25,876</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 30 June 2014 are as follows:

	<b>RM '000</b>
Approved and contracted for:	
- Capital work-in-progress	1,552

**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 30 June 2014, the Group recorded revenue of RM13.16 million and profit before tax of RM2.62 million. Gross profit margin and profit before tax margin stood at 17.1% and 19.9% respectively for the current financial quarter ended 30 June 2014. The Group's horizontal and vertical bamboo flooring products contributed 61.6% of the revenue, while strand woven products contributed 13.1% of the revenue. Of the total sales, 52.0% were contributed from export sales, whereby majority of these exports were to Iran.

For the six-month financial period ended 30 June 2014 ("**FPE June 2014**"), the Group recorded revenue of RM25.88 million and profit before taxation of RM4.35 million. Gross profit margin and profit before tax margin stood at 20.0% and 16.8% respectively for the FPE June 2014. Overall for the FPE June 2014, the Group's horizontal and vertical bamboo flooring products contributed 73.3% of the revenue, while strand woven products contributed 13.8% of the revenue. Of the total sales, 61.2% were contributed from export sales, whereby majority of these exports were to Iran, Russia and Turkmenistan.

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

	Quarter ended		Variance RM '000
	30 June 2014 RM '000	31 March 2014 RM '000	
Revenue	13,163	12,713	450
Profit before taxation	2,616	1,729	887

The Group recorded an increase in revenue by RM0.45 million to RM13.16 million in the current financial quarter ended 30 June 2014 as compared to RM12.71 million in the preceding financial quarter ended 31 March 2014. This increase in revenue was mainly due to higher sales following the long Chinese New Year holidays in the PRC in the first quarter of 2014.

The Group recorded lower gross profit of RM2.25 million in the current financial quarter as compared to RM2.91 million in the preceding financial quarter ended 31 March 2014. This was mainly due to lower raw material cost in the preceding financial quarter as compared to the current financial quarter.

Despite the lower gross profit, the Group's profit before taxation increased by RM0.89 million to RM2.62 million in the current financial quarter ended 30 June 2014 as compared to RM1.73 million in the preceding financial quarter ended 31 March 2014, mainly due to the receipt of reward from the Government of Ganzhou County, Jiangxi Province, PRC amounting to RMB2.31 million (or equivalent to RM1.20 million) following the successful listing of Kanger on the ACE Market of Bursa Securities.

**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 30 June 2014 RM '000</b>	<b>Year to date ended 30 June 2014 RM '000</b>
Current tax expenses	465	785
Effective tax rate	17.8%	18.1%

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**

On 28 May 2014, Kenanga Investment Bank Berhad (“**Kenanga IB**”) had, on behalf of the Board, announced that the Company proposes to undertake the following proposals:

- (a) a bonus issue of 86,000,000 ordinary shares of RM0.10 each in Kanger (“**Kanger Shares**”) (“**Bonus Shares**”) to be credited as fully paid-up on the basis of one (1) Bonus Share for every five (5) existing Kanger Shares held on an entitlement date to be determined and announced later;
- (b) an increase in the authorised share capital of Kanger from RM50,000,000 comprising 500,000,000 Kanger Shares to RM100,000,000 comprising 1,000,000,000 Kanger Shares (“**Proposed Increase in Authorised Share Capital**”); and

- (c) amendments to the Memorandum and Articles of Association of Kanger to facilitate the Proposed Increase in Authorised Share Capital,

(collectively referred to as the “**Proposals**”).

Subsequently on 23 July 2014, Kenanga IB had, on behalf of the Board, announced that Bursa Securities had, *vide* its letter dated 23 July 2014, approved the listing of and quotation for the Bonus Shares on the ACE Market of Bursa Securities.

On 18 August 2014, the shareholders of Kanger had in an extraordinary general meeting approved the Proposals.

Save as disclosed above, there are no other 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 30 June 2014 is as follows:

Purpose	Estimated timeframe for utilisation (from date of listing)	Proposed utilisation RM '000	Actual utilisation RM '000	Deviation		Balance RM '000
				RM '000	%	
i) Capital expenditure	Within 12 months	1,000	(570)	-	-	430
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	(7,450)	109 <sup>(1)</sup>	1.3	859
v) Estimated listing expenses	Within 3 months	3,300	(3,191)	(109) <sup>(1)</sup>	(3.3)	-
Total gross proceeds		20,000	(16,711)			

Note:

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

**B7. Borrowings**

The Group's borrowings as at 30 June 2014 are as follows:

	RMB '000	RM '000
<b>Secured</b>		
Term loans	3,200	1,655
Bills payables	21,250	10,993
	24,450	12,648
<b>Unsecured</b>		
Term loans	5,000	2,587
Bills payables	2,500	1,293
	7,500	3,880
<b>Total bank borrowings</b>	31,950	16,528

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	14,050	7,268
Leasehold land and building (net carrying amount)	9,640	4,987
Inventories	15,000	7,760
Total	38,690	20,015

*Note:*

(1) The Group's borrowings are presented in Renminbi ("RMB") and translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.5173 at 30 June 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	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Profit attributable to ordinary equity holders of the company (RM'000)	2,151	N/A	3,560	N/A
Weighted average number of ordinary shares in issue ('000)	430,000	N/A	430,000	N/A
Basic earnings per share (sen)	0.50	N/A	0.83	N/A

*Note:*

N/A Not applicable as there is no comparative figure 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 30 June 2014 RM '000</b>	<b>Year-to-date ended 30 June 2014 RM '000</b>
Interest income	(3)	(9)
Interest expenses	28	196
Depreciation and amortisation expenses	319	634

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

The breakdown of the retained earnings of the Group as at 30 June 2014 into realised and unrealised profits is as follows:

	<b>As at 30 June 2014 RM '000</b>	<b>As at 30 June 2013 RM '000</b>
Total retained earnings of the Group:		
- Realised	16,924	N/A
- Unrealised	-	N/A
Total	<u>16,924</u>	<u>N/A</u>
Less: Consolidation adjustments	-	N/A
Total retained earnings of the Group	<u>16,924</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 August 2014