

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2014**

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Revenue	21,170	11,609	47,046	33,439
Cost of sales	(17,484)	(8,591)	(38,197)	(26,036)
Gross profit	3,686	3,018	8,849	7,403
Other operating income	38	-	1,323	175
Administrative expenses	(1,107)	(446)	(2,391)	(1,345)
Selling and distribution expenses	(440)	(134)	(913)	(364)
Other operating expenses	(75)	-	(225)	(10)
Finance costs	(158)	(157)	(354)	(530)
Profit before taxation	1,944	2,281	6,289	5,329
Taxation	(402)	(171)	(1,187)	(701)
Profit after taxation ("PAT")	1,542	2,110	5,102	4,628
Other comprehensive income after tax:				
- Foreign exchange translation	1,469	417	(389)	1,871
Total comprehensive income	3,011	2,527	4,713	6,499
PROFIT ATTRIBUTABLE TO:				
- Owners of the company	1,542	2,110	5,102	4,628
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
- Owners of the company	3,011	2,527	4,713	6,499
Weighted average no. of ordinary shares ('000)	448,696	350,000	436,300	350,000
Earnings per share attributable to owners of the company (sen):				
- Basic	0.34	0.60	1.17	1.32
- 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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

	(Unaudited) As at 30 September 2014 RM '000	(Audited) As at 31 December 2013 RM '000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	11,640	11,776
Development expenditure	6,005	1,500
	<u>17,645</u>	<u>13,276</u>
CURRENT ASSETS		
Inventories	25,614	21,803
Trade and other receivables	19,043	11,812
Cash and cash equivalents	14,400	37,040
	<u>59,057</u>	<u>70,655</u>
TOTAL ASSETS	<u>76,702</u>	<u>83,931</u>
EQUITY AND LIABILITIES		
EQUITY		
Equity attributable to owners of the company:		
Share capital	51,600	43,000
Reserves	11,096	15,081
TOTAL EQUITY	<u>62,696</u>	<u>58,081</u>
CURRENT LIABILITIES		
Trade and other payables	2,238	1,802
Amount owing to a director	354	354
Bank borrowings	10,154	22,293
Tax payable	1,260	1,401
	<u>14,006</u>	<u>25,850</u>
TOTAL LIABILITIES	<u>14,006</u>	<u>25,850</u>
TOTAL EQUITY AND LIABILITIES	<u>76,702</u>	<u>83,931</u>
NET ASSET PER SHARE (sen)	<u>12.15</u>	<u>13.51</u>

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 THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2014**

	----- Non-Distributable -----					Distributable	Total
	Share Capital RM '000	Share Premium RM '000	Merger Reserve RM '000	Revaluation Reserve RM '000	Translation Reserve RM '000	Retained Earnings RM '000	Equity RM '000
Balance as at 1 January 2014	43,000	11,000	(12,805)	788	2,734	13,364	58,081
Bonus issue	8,600	(8,600)	-	-	-	-	-
Share issue expenses	-	(98)	-	-	-	-	(98)
PAT	-	-	-	-	-	5,102	5,102
Foreign currency translation	-	-	-	-	(389)	-	(389)
Total comprehensive income	-	-	-	-	(389)	5,102	4,713
Balance as at 30 September 2014	51,600	2,302	(12,805)	788	2,345	18,466	62,696

As at preceding year corresponding quarter ended 30 September 2013

Balance as at 1 January 2013	- *	-	-	-	(333)	8,402	8,069
PAT	-	-	-	-	-	4,628	4,628
Foreign currency translation	-	-	-	-	1,871	-	1,871
Total comprehensive income	-	-	-	-	1,871	4,628	6,499

Transactions with owners

Issuance of ordinary shares	35,000	-	-	-	-	-	35,000
Acquisition of subsidiary companies	-	-	(12,805)	788	(22)	-	(12,039)
Balance as at 30 September 2013	35,000	-	(12,805)	788	1,516	13,030	37,529

Notes:

* Represents RM2

(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.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SECOND (3rd) QUARTER ENDED 30 SEPTEMBER 2014**

	Current Year period to date 30 September 2014 RM'000	Preceding Year Corresponding period to date 30 September 2013 RM'000
CASH FLOWS FOR OPERATING ACTIVITIES		
Profit before taxation	6,289	5,329
Adjustments for:		
Depreciation of property, plant and equipment	751	742
Amortisation of development expenditure	303	-
Interest expenses	354	508
Interest income	(10)	(91)
Operating profit before working capital changes:	7,687	6,488
Change in inventories	(3,811)	819
Change in trade and other receivables	(7,231)	(2,326)
Change in trade and other payables	436	229
CASH (USED IN)/ GENERATED FROM OPERATIONS	(2,919)	5,210
Interest paid	(354)	(508)
Interest received	10	91
Income tax paid	(1,307)	(237)
NET CASH (USED IN)/ GENERATED FROM OPERATING ACTIVITIES	(4,570)	4,556
CASH FLOWS FOR INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(761)	(128)
Development expenditure	(4,656)	-
NET CASH USED IN INVESTING ACTIVITIES	(5,417)	(128)
CASH FLOWS FOR FINANCING ACTIVITIES		
Share issue expenses	(98)	-
Drawdown of bank borrowings	12,530	-
Repayment of bank borrowings	(24,120)	(2,430)
NET CASH USED IN FINANCING ACTIVITIES	(11,688)	(2,430)
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	(21,675)	1,998
EFFECT OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS	(965)	980
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD	37,040	11,575
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD	14,400	14,553

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

- Cash and bank balances	12,904	14,553
- Fixed deposit placed with a licensed bank	1,496	-
	<u>14,400</u>	<u>14,553</u>

Note:

(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.*

QUARTERLY REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2014

A: EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2014

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”).

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.

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 (“MASB”) 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 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
MFRS 15 – Revenue from Contract with Customers	1 January 2017
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

On 28 May 2014, the Company announced a proposed bonus issue of 86,000,000 new ordinary shares of RM0.10 each in the Company ("**Kanger Shares**") on the basis of 1 bonus share for every 5 existing shares of the Company held by the shareholders, to be credited as fully paid-up ("**Bonus Issue**"). On 12 September 2014, the Bonus Issue was completed following the listing of and quotation for 86,000,000 new Kanger Shares on the ACE Market of Bursa Securities. Subsequent to the Bonus Issue, the enlarged number of Kanger Shares in issue is 516,000,000 Kanger Shares.

Save as disclosed above, 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:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Horizontal and vertical bamboo flooring	17,408	5,101	36,374	18,290
Strand woven bamboo flooring	769	5,227	4,101	12,548
Other strand woven bamboo products	2,993	1,281	6,571	2,601
Total	<u>21,170</u>	<u>11,609</u>	<u>47,046</u>	<u>33,439</u>

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
PRC	5,825	5,548	15,855	22,935
Export:				
- Iran	865	-	6,841	-
- United States of America	6,618	-	6,618	-
- Russia	-	-	2,734	-
- Turkmenistan	-	4,350	2,484	5,487
- Netherlands	1,525	-	1,525	-
- United Arab Emirates	-	1,176	-	2,494
- Others*	6,337	535	10,989	2,523
	<u>21,170</u>	<u>11,609</u>	<u>47,046</u>	<u>33,439</u>

* Includes countries in Europe, Asia and South America.

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 Group does not have any capital commitment as at 30 September 2014.

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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Revenue	21,170	11,609	47,046	33,439
Profit before taxation	1,944	2,281	6,289	5,329

For the current financial quarter ended 30 September 2014 (“**Q3 2014**”), the Group recorded revenue of RM21.17 million and profit before taxation of RM1.94 million. Gross profit margin and profit before taxation margin stood at 17.4% and 9.2% respectively for Q3 2014.

For the nine-month financial period ended 30 September 2014 (“**FPE September 2014**”), the Group recorded revenue of RM47.05 million and profit before taxation of RM6.29 million. Gross profit margin and profit before taxation margin stood at 18.8% and 13.4% respectively for the FPE September 2014.

The increase in revenue in Q3 2014 and FPE September 2014 as compared to the corresponding quarter ended 30 September 2013 (“**Q3 2013**”) and the corresponding period ended 30 September 2013 (“**FPE September 2013**”) by 82.4% and 40.7% respectively was mainly due to the increase in export sales. The Group recorded export sales of RM15.3 million in Q3 2014 and 31.19 million in FPE September 2014 as compared to RM6.1 million in Q3 2013 and RM10.5 in FPE September 2013 respectively.

Despite the increase in revenue in Q3 2014 as compared to Q3 2013, profit before taxation decreased by 14.8% mainly due to lower gross profit margin of 17.4% recorded in Q3 2014 as compared to 26.0% recorded in Q3 2013, as well as an increase in administrative expenses following additional compliance for its listing status. The decrease in gross profit margin was mainly result of an increase in sales of horizontal and vertical bamboo flooring products which generally command a lower gross profit margin as part of our Group’s effort to clear older stocks.

Overall, profit before tax increased by RM0.96 million or 18.0% in FPE September 2014 as compared to FPE September 2013 mainly due to the increase in revenue but was partially offset by the decrease in gross profit margin and increase in administrative expenses.

B2. Comparison with immediate preceding quarter’s results

	Quarter ended		Variance RM '000
	30 September 2014 RM '000	30 June 2014 RM '000	
Revenue	21,170	13,163	8,007
Profit before taxation	1,944	2,616	(672)

The Group recorded an increase in revenue by RM8.01 million to RM21.17 million in Q3 2014 as compared to RM13.16 million in the preceding financial quarter ended 30 June 2014. This increase in revenue was mainly due to higher export sales of RM15.35 million in Q3 2014. Among the major exports were to the United States of America and Netherlands of RM6.62 million and RM1.53 million respectively.

The Group's gross profit of margin of 17.41% in Q3 2014 is comparable to the gross profit margin of 17.09% recorded in the preceding financial quarter ended 30 June 2014.

Despite the higher revenue, the Group's profit before taxation decreased by RM0.67 million to RM1.94 million in Q3 2014 as compared to RM2.62 million in the preceding financial quarter ended 30 June 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 in the preceding financial quarter ended 30 June 2014.

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 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 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

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Current tax expenses	402	171	1,187	701
Effective tax rate	20.7%	7.5%	18.8%	13.2%

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 30 September 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	(8,200)	109 ⁽¹⁾	1.3	109
v) Estimated listing expenses	Within 3 months	3,300	(3,191)	(109) ⁽¹⁾	(3.3)	-
Total gross proceeds		20,000	(17,461)			

Note:

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

B7. Borrowings

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

	RMB '000	RM '000
Secured		
Term loans	9,000	4,810
Bills payables	5,000	2,672
	14,000	7,482
Unsecured		
Term loans	5,000	2,672
Bills payables	-	-
	5,000	2,672
Total bank borrowings	19,000	10,154

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

	RMB '000	RM '000
Borrowings		
Secured by:		
Fixed deposits with licensed bank	2,500	1,336
Leasehold land and building (net carrying amount)	5,962	3,186
Total	8,462	4,522

Note:

(1) The Group's borrowings are presented in Renminbi ("**RMB**") and translated into Ringgit Malaysia at the exchange rate of RMB1: RM0.5344 as at 30 September 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:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Profit attributable to ordinary equity holders of the company (RM'000)	1,542	2,110	5,102	4,628
Weighted average number of ordinary shares in issue ('000)	448,696	350,000	436,300	350,000
Basic earnings per share (sen)	0.34	0.60	1.17	1.32

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:

	--- Individual Quarter ---		--- Cumulative Quarter ---	
	30 September 2014 RM '000	30 September 2013 RM '000	30 September 2014 RM '000	30 September 2013 RM '000
Interest income	1	*	10	91
Interest expenses	158	135	354	508
Depreciation and amortisation expenses	420	257	1,054	742
Foreign exchange loss	-	-	-	86

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 2014 into realised and unrealised profits is as follows:

	As at 30 September 2014 RM '000	As at 30 September 2013 RM '000
Total retained earnings of the Group:		
- Realised	18,466	13,030
- Unrealised	-	-
Total	<u>18,466</u>	<u>13,030</u>
Less: Consolidation adjustments	-	-
Total retained earnings of the Group	<u>18,466</u>	<u>13,030</u>

By Order of the Board

WONG KEO ROU (MAICSA 7021435)
Company Secretary
Kuala Lumpur
18 November 2014