

Headline	Kanger to test appetite for ACE Market issues		
MediaTitle	The Edge		
Date	16 Dec 2013	Color	Full Color
Section	Corporate	Circulation	23,565
Page No	40	Readership	120,000
Language	English	ArticleSize	368 cm ²
Journalist	N/A	AdValue	RM 6,336
Frequency	Weekly	PR Value	RM 19,008



Kanger to test appetite for ACE Market issues

BY SHALINI KUMAR

China's bamboo flooring maker Kanger International Bhd, which makes its debut on Bursa Malaysia on Dec 23, will test investors' appetite for ACE Market issuers as well as Chinese stocks that hitherto have performed poorly post-listing.

The company, which is the last IPO and the only ACE Market issuance for this year, is raising RM20 million from selling 80 million shares or 18.6% of its shares at 25 sen apiece.

Kanger is also the 10th Chinese company to list here, after China Automobile Parts Holdings Ltd, which, at the time of writing, was trading at 39.5 sen or 42% below its 68 sen IPO price in January.

Of the 80 million new shares, 11 million are for public subscription while 69 million have been placed out to selected investors. The 11 million shares for the public are underwritten by Kenanga Investment Bank Bhd, which is also the adviser and placement manager for the IPO. At the time of writing, the take-up rate of the shares was not known.

About RM8.2 million or 41% of the proceeds is for working capital while RM5.5 million or 27.5% will be used to repay debt. That leaves RM1 million for capital expenditure and RM2 million for R&D after setting aside RM3.3 million for listing expenses.

The R&D expenditure will include the setting up of a pilot plant in Malaysia to research local bamboo species similar to those used in China as raw material for the flooring products. Kanger's existing plants are in Ganzhou and Yanshan, China.

Set up in 2004 by managing director Leng Xingmin's family to undertake the trading of bamboo flooring and related products, Kanger entered into an R&D agreement with Forest Research Institute Malaysia (FRIM) in 2011.

"The R&D collaboration with FRIM arose due to, among others, our interest in enhancing existing products and developing new strand-woven products as well as FRIM and the Malaysian government's interest in developing the bamboo industry," says Kanger in its IPO prospectus. It also points out that the collaboration with FRIM was one of the factors that contributed to it choosing a Malaysian listing.

On the financial side, Kanger made RM6.37 million in net profit in FY2012 ended Dec 31 on the back of RM38.56 million in revenue. For the six months ended June 30, it is expected to have a market capitalisation of RM107.5 million upon listing, using its 25 sen IPO price. Based on its enlarged 430 million

share base, Kanger is valued at 16.8 times its FY2012 earnings of RM6.4 million or 1.48 sen per share at its IPO price.

The IPO price was determined after taking into consideration several factors, including the group's net price-earnings ratio of 13.74 times (before IPO) and the PER of other recently listed companies on Bursa, which ranged from 5.5 times to 14.04 times, says the prospectus.

While Kanger does not have a formal dividend policy, the group expects to earmark about 20% of its future annual net profit as dividends. It says it plans to adopt a "safe and sustainable" dividend policy.

Leng's 67.77% stake in the company will be diluted to 55.17% post-IPO while Lim Lai Choy, a Malaysian, will see her stake diluted from 16.21% to 13.19%. Chinese national Leng cannot sell any of his shares in the company in the first six months of listing and needs to keep his stake above 45% in the subsequent six months of listing, according to the prospectus.

Lim and six other shareholders who collectively own 26.22% of the company post-IPO have their entire block under moratorium for three months post-IPO, but are free to sell their shares thereafter. Among the six shareholders are Tuanku Syed Sirajuddin Tuanku Syed Putra Jamalullail, the current Sultan of Perlis and former Yang di-Pertuan Agong, and his younger brother Syed Razlan Tuanku Syed Putra Jamalullail. They each hold a 3.2% stake.

Looking ahead, Kanger sees China's bamboo flooring market growing at a compound annual rate of 8.4% from RMB3.37 billion in 2012 to RMB5.04 billion in 2017. "Based on the expected growth of the bamboo industry and the bamboo flooring market ... our board is of the view that we will continue to enjoy positive growth in the foreseeable future."

According to the prospectus, there are about 200 bamboo manufacturers across China and Kanger intends to widen its domestic distribution network and increase awareness of its products and brand through the appointment of third-party dealers. It has 31 appointed dealers mainly in the Guangdong province and aims to increase this by 50% in 2014.

Kanger is also looking to grow its exports. Overseas sales accounted for 49% of FY2012 revenue and 20% of revenue for the six months ended June 30. Exports were mainly to the United Arab Emirates, Turkmenistan, Romania and Hong Kong, and on a smaller scale to Australia, Europe, Asia and Africa. ■

Headline	Kanger to test appetite for ACE Market issues		
MediaTitle	The Edge		
Date	16 Dec 2013	Color	Full Color
Section	Corporate	Circulation	23,565
Page No	40	Readership	120,000
Language	English	ArticleSize	368 cm ²
Journalist	N/A	AdValue	RM 6,336
Frequency	Weekly	PR Value	RM 19,008



Kanger will set up a pilot plant in Malaysia to research local bamboo species similar to those used in China

Kanger International Bhd

ACE Market

IPO price: 25 sen

Par value: 10 sen

Market capitalisation at IPO: RM107.5 million

Listing date: Dec 23

Financial information

YEAR-END DEC 31 (RM MIL)	2010	2011	2012
Revenue	14.84	23.41	38.56
Profit/(loss) after tax	0.97	2.28	6.37
Net EPS (sen)	0.22	0.53	1.48