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Kanger explores way to plant bamboo in M'sia

PETALING JAYA: China-based bamboo flooring maker Kanger International Bhd is exploring ways to plant bamboo on 10,000 acres in the northern peninsula.

Managing director Leng Xingmin told StarBiz that the company was in talks with some state agencies to look into building facilities to produce made-in-Malaysia bamboo products.

The company does not sell its products in Malaysia but sees a market for bamboo furniture here because of the hot climate.

Considering that land is scarce and expensive in Peninsular Malaysia, the ACE Market-listed Kanger plans to lease it from state agencies or partner local companies to plant bamboo.

"The size of 10,000 acres will be ideal for the efficiency of a bamboo plantation but we may look at 5,000 acres for a start," said Leng, who is from China.

Kanger had in 2011 joined hands with Forest Research Institute Malaysia to conduct research on bamboo.

Asked if it was looking at Perlis, he said the company did not look at any one particular state because the area required was big. Some members of the Perlis royalty are substantial shareholders of the company, owning more than 6.4pc.

In China, it is looking to plant 15,000 acres in Yunnan. The company currently buys bamboo from farmers in Jiangxi province for its products.

Of its proposed RM100mil redeemable

convertible bond issue, it plans to use RM30mil for land acquisition.

The plantation plan is in anticipation of future growth that includes making new products – bamboo furniture.

It also has set an internal target to grow sales by 20pc to 30pc this year as it continues to expand its sales channel.

Leng is not overly concerned about China's economic slowdown as half of its products are exported.

To diversify its income stream, Kanger has plans to venture into building and leasing properties. To this end, it has proposed to build a 19-storey commercial building and lease it to a hotel operator.

The new building will be built on five acres next to its manufacturing office in the Ganzhou Economic and Technology Development Zone, Jiangxi province. The company is expected to invest some RM30mil for the construction.

Kanger has signed a five-year agreement with a tenant with a five-year optional extension. After the first two years, the annual rent will increase by 10pc each year.

Rental from the new building will add about RM3mil to its annual income, which is expected to make up more than 25pc of its future net profit. It made RM7mil in net profit for the financial year ended Dec 31, 2014 (FY14) and RM5mil in FY13.

The plan is subject to shareholders' approval at Kanger's EGM on April 7. Shareholders will also decide on its proposed issuance of RM100mil redeemable convertible bonds.