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Kanger will not be sidetracked by property biz



by Lim Cian Yai

ACE Market-listed Kanger International Bhd says the company will continue to focus on its core business of bamboo-product manufacture despite its recent diversification

into real estate in China.

Its managing director and founder Leng Xingmin reassures shareholders the proposed property investment and management business will serve as an additional income stream.

Asked if Kanger will expand the new business extensively, Leng says: "No, as our aim remains to diversify the income stream to include a stable and recurring rental income, instead of depending on the bamboo-flooring industry."

The proposed development will see a 19-storey commercial building by 2017 at the Ganzhou Economic and Technological Development Zone in Jiangxi province.

Developing a property

Leng explains Kanger, a China-based company, arrived at the decision after "a thorough study" of the environment near the land it intends to develop. "We will construct the building, but it will be managed by others."

He says the local government supports the company in such a commercial development. "The land is easily accessible via the main road and an airport, hospital and railway station are close by.

"Since the land we have is strate-

gically located, we thought why don't we develop a property and lease it out?

Since it can provide us with additional income, there is no reason not to pursue it," he explains. Kanger has obtained the approval of local government for its development proposal.

Leng spoke to *FocusM* on the sidelines of the company's extraordinary general meeting on March 27. At the meeting, shareholders approved Kanger's proposal to issue 258 million free warrants on the basis of one warrant for every two existing shares held.

Another EGM will be convened on April 7 to discuss Kanger's proposed business diversification and RM100 mil term-loan programme.

In January, Kanger entered into a contract with Ganzhou Detong Technology Development Co to lease the new building for five years.

Ganzhou Detong will operate a hotel in the building under the Vienna Hotel brand, according to a circular to shareholders. The diversification is expected to generate RM3.16 mil per annum in gross rental income for the first two years.

Leng sees the collaboration with Ganzhou Detong as a beneficial one, as the latter will use Kanger's products to refurbish the hotel. "If the concept is viable, this will be good for our growth as it [Ganzhou Detong] operates several hotels."

Kanger made its debut on Bursa Malaysia in December 2013 with an initial public offering at 25 sen a share. The company issued 80 million new shares in its IPO, representing 18.6% of its enlarged issued and paid-up share capital.

It started trading bamboo flooring and related products in 2004. Four years later, it ventured into the manufacture of bamboo flooring to ensure product quality. It is now eyeing a move upstream by acquiring bamboo plantations, either in China or Malaysia.

For the sake of long-term business sustainability, Leng says, a size of 6,000ha will fit into Kanger's operations.

"There are three things we need to consider. Firstly, we need to identify areas with more bamboo; then it is about the pricing, as well as the potential of the area. We continue to have discussions with state agencies and partners, locally and abroad. Also, we need to find the right time to enter, as this involves a substantial investment."

Upstream and downstream in bamboo business

The plan, if it materialises, will transform Kanger into an integrated bamboo-products company with a presence upstream and downstream.

Plans are also afoot to roll out bamboo furniture in China and Malaysia to enhance Kanger's list of offerings.

According to Leng, furniture made of Chinese bamboo is ready to be commercialised. He adds more research and development is needed on the use of Malaysian bamboo species for furniture.

This is also part of the collaboration between Kanger and the Forest Research Institute Malaysia.

For the year ended Dec 31 last year, Kanger's revenue rose 32.96% year-on-year to RM66.72 mil, driving net profit to rise 41.53% to RM7.02 mil from RM4.96 mil the year before. **FocusM**

Leng says the proposed property investment and management business will serve as an additional income stream

