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PROSPECTUS

The assets depicted in the photograph above do not belong to Kanger International Berhad and its subsidiary companies.

THIS PROSPECTUS IS DATED 6 DECEMBER 2013

PROSPECTUS



KANGER INTERNATIONAL BERHAD

(Company No. 1014793-D)

(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 80,000,000 NEW ORDINARY SHARES OF RM0.10 EACH IN OUR COMPANY ("SHARES") AT AN ISSUE PRICE OF RM0.25 PER SHARE PAYABLE IN FULL ON APPLICATION COMPRISING:

- 11,000,000 SHARES AVAILABLE FOR APPLICATION BY THE PUBLIC; AND
- 69,000,000 SHARES AVAILABLE FOR PLACEMENT TO SELECTED INVESTORS

IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD

ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT

kenanga

KENANGA INVESTMENT BANK BERHAD

(Company No.: 15678-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. PLEASE REFER TO "RISK FACTORS" SET OUT IN SECTION 4 HEREIN.

INVESTORS ARE ADVISED TO NOTE THAT COMPANIES LISTED ON THE ACE MARKET MAY BE OF HIGH INVESTMENT RISK.

THIS PROSPECTUS IS NOT TO BE DISTRIBUTED OUTSIDE MALAYSIA.

LISTING SOUGHT:
ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD

RESPONSIBILITY STATEMENTS

Our Board and Promoter (as defined herein) have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which, if omitted, would make any statement in this Prospectus false or misleading.

Kenanga Investment Bank Berhad (“KIBB”), being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENTS OF DISCLAIMER

A copy of this Prospectus has been registered with the Securities Commission Malaysia (“SC”). The registration of this Prospectus should not be taken to indicate that the SC recommends our IPO or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF OUR IPO AND YOUR INVESTMENT IN OUR SHARES. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for our Shares (as defined herein). Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities shall not be liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies of Malaysia who takes no responsibility for its contents.

OTHER STATEMENTS

Companies listed on the ACE Market of Bursa Securities may have a limited operating history or may not have any profit track record prior to listing. Such companies may be of high investment risk. As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to, among others, this Prospectus, the latest financial statements and corporate announcements. You are strongly recommended to seek advice from a securities professional or adviser.

Our IPO is an exempt transaction under Section 212(8) of the Capital Markets and Services Act 2007 (“CMSA”) and is therefore not subject to the approval of the SC.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the CMSA.

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our IPO for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus has been prepared in the context of an IPO under the laws of Malaysia. It does not comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority of any jurisdiction other than Malaysia.

This Prospectus is published solely in connection with our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Board, Promoter, Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus.

The distribution of this Prospectus and our IPO are subject to the laws of Malaysia. Our Board, Promoter, Adviser, Sponsor, Underwriter and Placement Agent have not authorised and take no responsibility for the distribution of this Prospectus outside Malaysia. No action has been taken to permit a public offering of our Shares in any jurisdiction other than Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation. Persons who may be in possession of this Prospectus are required to inform themselves of and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in this Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you have accepted our IPO in Malaysia and will be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of Affin Bank Berhad at www.affinOnline.com, CIMB Bank Berhad at www.cimbclicks.com.my, CIMB Investment Bank Berhad at www.eipocimb.com, Malayan Banking Berhad at www.maybank2u.com.my, RHB Bank Berhad at www.rhb.com.my and Public Bank Berhad at www.pbebank.com.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to risks on data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Adviser or Issuing House, a paper printed copy of this Prospectus.

If there is any discrepancy between the contents of the Electronic Prospectus and the paper printed copy of this Prospectus, the contents of the paper printed copy of this Prospectus, which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as “**Third Party Internet Sites**”), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way to the Third Party Internet Sites. Accordingly, we are not responsible for the availability of, or the contents or any data, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third Party Internet Sites, particularly in fulfilling any of the terms of any of your agreements with the Third Party Internet Sites. We are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions, and shall not be responsible in any way for the integrity of the contents of the Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs that you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party’s personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The indicative timetable for our IPO is set out below:

EVENT	TENTATIVE DATE / TIME
Opening of application for our IPO	10:00 a.m., 6 December 2013
Closing of application for our IPO	5:00 p.m., 13 December 2013
Balloting of applications for our IPO Shares (as defined herein)	16 December 2013
Allotment of our IPO Shares to successful applicants	20 December 2013
Listing on the ACE Market	23 December 2013

Applications for our IPO will close at the time and date stated above or such later date or dates as our Board, together with KIBB may mutually decide, at their absolute discretion.

In the event the closing date of application is extended, the dates for the balloting of applications for our IPO Shares, allotment of our IPO Shares and our Listing (as defined herein) would be extended accordingly. We will advertise any extension of the date of closing of application in a widely circulated English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of application.

THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” in this Prospectus are to Kanger International Berhad, while references to “our Group” are to our Company and our subsidiary companies. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our key management and key technical personnel as disclosed in this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” section of this Prospectus. Words denoting the singular shall include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus, provided that where no source is stated, it can be assumed that the information originates from us. In particular, certain information in this Prospectus is extracted or derived from the report prepared by the Independent Market Researcher. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our advisers have independently verified these data. Neither we nor our advisers make any representation as to the correctness, accuracy or completeness of such data and accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third party projections, including the projections from the Independent Market Researcher, cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third-party projections cited in this Prospectus.

The information on our website, or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

The average and closing exchange rates as outlined in the table below, are extracted from published information by Bank Negara Malaysia. The average exchange rate for each financial period is the average of the closing exchange rates on the last day of each month during that financial period. These exchange rates have been presented solely for information only and should not be construed as a representation that those foreign currencies could have been, or could be, or was converted into RM, at any particular rates, the rates stated below, or at all.

	← FYE 31 December →			FPE 30 June	As at the
	2010	2011	2012	2013	LPD
<u>RMB:RM</u>					
Average	0.4748	0.4743	0.4899	0.5012	-
Closing	0.4674	0.5034	0.4913	0.5149	0.5178
<u>USD:RM</u>					
Average	3.2133	3.0536	3.0724	3.0958	-
Closing	3.0835	3.1633	3.0460	3.1785	3.1556

(Source: Bank Negara Malaysia)

PRESENTATION OF FINANCIAL AND OTHER INFORMATION (Cont'd)

The high and low exchange rates between RMB and RM, and between USD and RM for each of the past six (6) months prior and up to the LPD were as follows:

	RMB:RM		USD:RM	
	High	Low	High	Low
May 2013	0.5028	0.4820	3.0289	3.0087
June 2013	0.5241	0.5029	3.1561	3.1359
July 2013	0.5300	0.5146	3.1978	3.1829
August 2013	0.5449	0.5277	3.2899	3.2730
September 2013	0.5427	0.5162	3.2622	3.2380
October 2013	0.5295	0.5159	3.1860	3.1668

(Source: Bank Negara Malaysia)

Fluctuations in the exchange rates between the RMB and RM will affect the RMB equivalent of the RM price of our Shares on Bursa Securities and the RM equivalent of any cash dividend paid by us in RMB.

We believe that we have extracted the relevant information in its proper form and context in this Prospectus and have not verified the above exchange rates.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements, which include all statements other than statements of historical facts including among others, those regarding our financial position, business strategies, plans and objectives for future operations. Some of these statements can be identified by the use of forward-looking terminology such as “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast”, “project” or similar expressions. Such forward looking statements involve known and unknown risks, uncertainties and other important factors beyond our control which may cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 4 - Risk Factors and Section 12 - Management Discussion and Analysis of Financial Condition and Results of Operations of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statement contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward-looking statements that are contained herein.

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DEFINITIONS

Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:

Acquisitions	Acquisition of HK Kanger and Acquisition of KAR Masterpiece, collectively
Acquisition of HK Kanger	Acquisition of the entire issued and paid-up share capital of HK Kanger, as detailed in Section 5.4(a) of this Prospectus
Acquisition of KAR Masterpiece	Acquisition of the entire issued and paid-up share capital of KAR Masterpiece, as detailed in Section 5.4(b) of this Prospectus
Act	Companies Act, 1965, as amended from time to time and any re-enactment thereof
ADA	Authorised Depository Agent
Application Form	The printed application form for the application of our IPO Shares accompanying this Prospectus
Application	Application for our IPO Shares by way of Application Form, Electronic Share Application or Internet Share Application
ATM	Automated Teller Machine
Board	Board of Directors of Kanger International
Bursa Depository	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	Bursa Malaysia Securities Berhad (635998-W)
CAGR	Compound annual growth rate
CCM	Companies Commission of Malaysia
CDS	Central Depository System
CDS Account	An account established by Bursa Depository for a depositor for the recording of securities and for dealings in such securities by the depositor
Closing Date	Means the date adopted in this Prospectus as the last date for receipt of application for the subscription to our IPO Shares or such other later date or dates as our Board and KIBB may agree upon
CMSA	Capital Markets and Services Act, 2007, as amended from time to time, and any re-enactment thereof
Depositories Act	Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
DYMM	Duli Yang Maha Mulia
EBITDA	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium, including but not limited to, CD-ROMS and pen drives

DEFINITIONS (Cont'd)

ESA or Electronic Share Application	Application for our IPO Shares through a Participating Financial Institution's ATM
EPS	Earnings per share
ETP	Economic Transformation Programme
FPE	Financial period ended
FRIM	Forest Research Institute Malaysia, a research institute established by the FRIM Board
FRIM Board	Malaysian Forestry Research and Development Board, a statutory body corporate established under the Malaysian Forestry Research and Development Board Act 1985
FYE	Financial year ended/ending
Ganzhou Kanger	Ganzhou Kanger Industrial Co., Ltd (赣州市康尔实业有限公司) (PRC Company Registration No. 360703210000137), a WFOE established in China
Government	Government of Malaysia
GP	Gross profit
HKD	Hong Kong Dollar, the lawful currency of Hong Kong
HK Kanger	Kanger Investment (HK) Limited (Hong Kong Company No. 1589019), a company incorporated in Hong Kong
IMR Report	Independent Market Research Report titled 'The Wood Flooring Industry and Bamboo Wood Flooring Market in China'
Internet Participating Financial Institutions	Participating financial institutions for Internet Share Application, as listed in Section 16 of this Prospectus
ISA or Internet Share Application	Application for our IPO Shares through an Internet Participating Financial Institution
IPO	Initial public offering comprising the Public Issue
IPO Price	RM0.25 per IPO Share
IPO Shares	80,000,000 new Shares to be issued pursuant to the Public Issue
ISO	International Organisation for Standardization
Issuing House	Malaysian Issuing House Sdn Bhd (258345-X)
KAR Masterpiece	KAR Masterpiece Sdn Bhd (903533-U)
Kanger Group or Group	Kanger International and its subsidiary companies, collectively
Kanger International or Company	Kanger International Berhad (1014793-D)

DEFINITIONS (Cont'd)

KIBB or Adviser or Sponsor or Underwriter or Placement Agent	Kenanga Investment Bank Berhad (15678-H)
Listing	Admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of 430,000,000 Shares on the ACE Market of Bursa Securities
Listing Requirements	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	31 October 2013, being the latest practicable date prior to the issuance of this Prospectus
Market Day	A day on which Bursa Securities is open for trading of securities
NA	Net assets
NBV	Net book value
NTA	Net tangible assets
OEM	Original equipment manufacturer
Participating Financial Institutions	Participating financial institutions for Electronic Share Application, as listed in Section 16 of this Prospectus
PAT	Profit after taxation
PBT	Profit before taxation
PE Multiple	Price-earnings multiple
PRC or China	People's Republic of China
Promoter	Leng Xingmin
Prospectus	This prospectus dated 6 December 2013 in relation to our IPO
Protégé	Protégé Associates Sdn Bhd (675767-H)
Public	All persons or members of the public but excluding directors of our Group, our substantial shareholders and persons connected or associated with them (as defined in the Listing Requirements)
Public Issue	Public issue of 80,000,000 new Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
QC	Quality control
QMS	Quality management system
R&D	Research and development
RM and sen	Ringgit Malaysia and sen respectively, the lawful currency of Malaysia

DEFINITIONS (Cont'd)

RMB	Renminbi, the lawful currency of the PRC
Rules of the Depository	Rules of Bursa Depository and any appendices thereto, as amended from time to time
SAFE	State Administration of Foreign Exchange of the PRC (中华人民共和国国家外汇管理局)
SAIC	State Administration for Industry and Commerce of the PRC (中华人民共和国国家工商行政管理总局)
SC	Securities Commission Malaysia
Shares or Kanger Shares	Ordinary shares of RM0.10 each in Kanger International
Shenzhen Kanger	Shenzhen Kanger Bamboo Wood Co., Ltd (深圳市康尔竹木业有限公司) (PRC Company Registration No. 440301102854545), a company incorporated in China
SME	Small and medium enterprise
sq m or m²	Square metre
Underwriting Agreement	Underwriting agreement dated 12 November entered into between our Company and KIBB for the underwriting of 22,000,000 IPO Shares
USA	United States of America
USD	United States Dollar, the lawful currency of the USA
WFOE	Wholly foreign-owned enterprise
Yanshan Kanger	Yanshan (County) Kanger Bamboo Industry Co., Ltd (铅山县康尔竹业有限公司) (PRC Company Registration No. 361124210002879), a company incorporated in China
Y.Bhg.	Yang Berbahagia

Technical Glossary

Moso bamboo	A species of Chinese bamboo, <i>mao zhu</i> (毛竹), also known by its scientific name, <i>Phyllostachys edulis</i>
Strand woven bamboo	Strand woven bamboo is produced by splitting the bamboo fibres and compressed under high pressure to form a high-density bamboo block

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/Designation	Address	Occupation	Nationality
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan <i>Independent Non-Executive Chairman</i>	No. 3 Jalan Satu Taman Sri Ukay Ulu Klang 68000 Ampang Selangor Malaysia	Director	Malaysian
Leng Xingmin (冷醒民) <i>Managing Director</i>	E1003, Block 2 Nanguolicheng Garden, Xili, 1306 Liuxian Road Nanshan District 518005 Shenzhen China 广东省深圳市南山区 留仙大道北 1306 号 西丽南国丽城花园 2 栋 E1003 号 518005	Director	Chinese (PRC)
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail <i>Independent Non-Executive Director</i>	No. 3 Jalan Satu Taman Sri Ukay Ulu Klang 68000 Ampang Selangor Malaysia	Director	Malaysian
Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji Abdul Rashid <i>Independent Non-Executive Director</i>	9 Jalan 22/49 46300 Petaling Jaya Selangor Malaysia	Director	Malaysian
Prof. Dr. Paul Cheng Chai Liou <i>Independent Non-Executive Director</i>	2-13A Continental Heights Off Jalan Kuchai Lama 58200 Kuala Lumpur Malaysia	Director	Malaysian
Y.Bhg. Dato' Izudin Bin Ishak <i>Independent Non-Executive Director</i>	A-1-3 Desa Villa Condo Jalan 4/27E, Seksyen 10 Wangsa Maju 53300 Kuala Lumpur Malaysia	Director	Malaysian

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1. CORPORATE DIRECTORY (Cont'd)**AUDIT COMMITTEE**

Name	Designation	Directorship
Prof. Dr. Paul Cheng Chai Liou	Chairman	Independent Non-Executive Director
Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji Abdul Rashid	Member	Independent Non-Executive Director
Y.Bhg. Dato' Izudin Bin Ishak	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Y.Bhg. Dato' Izudin Bin Ishak	Chairman	Independent Non-Executive Director
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	Member	Independent Non-Executive Chairman
Prof. Dr. Paul Cheng Chai Liou	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji Abdul Rashid	Chairman	Independent Non-Executive Director
Prof. Dr. Paul Cheng Chai Liou	Member	Independent Non-Executive Director
Y.Bhg. Dato' Izudin Bin Ishak	Member	Independent Non-Executive Director

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1. CORPORATE DIRECTORY (Cont'd)

- REGISTERED OFFICE** : 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Malaysia
Tel. No.: (603) 6201 1120
Fax. No.: (603) 6201 3121 / 6201 5959
- HEAD OFFICE** : The West Road of Jinling
Gannan Industrial Park
Ganzhou Economic and Technological Development Zone
Jiangxi Province, 341000
China
中国江西省赣州经济技术开发区赣南工业园内金岭西
路北侧 341000
Tel. No.: (86) 0797 8321788
Fax. No.: (86) 0797 8323626
Email address: business@krbamboo.com
Website: www.krbamboo.com
www.karbamboo.com
- COMPANY SECRETARY** : Wong Keo Rou (MAICSA 7021435)
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Malaysia
Tel. No.: (603) 6201 1120
Fax. No.: (603) 6201 3121 / 6201 5959
- AUDITORS AND REPORTING ACCOUNTANTS** : UHY (AF1411)
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Malaysia
Tel. No.: (603) 2279 3088
Fax. No.: (603) 2279 3099
- LEGAL ADVISER FOR OUR LISTING** : Raja, Darryl & Loh
18th Floor, Wisma Sime Darby
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia
Tel. No.: (603) 2694 9999
Fax. No.: (603) 2698 4759

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1. **CORPORATE DIRECTORY (Cont'd)**

- LEGAL ADVISER TO OUR COMPANY ON PRC LAW** : Grandall Law Firm (Guangzhou)
9/F, Cheng Jian Building
189 Ti Yu Xi Road
Guangzhou 510620
China
Tel. No.: (86) 20 3879 9345
Fax. No.: (86) 20 3879 9335
- Guangdong Grebright Law Firm
19F, TowerA,
International Chamber of Commerce Building
1 Fuhua Rd., Futian
Shenzhen 518048
China
Tel. No.: (86) 755 82934482
Fax. No.: (86) 755 82931648
- LEGAL ADVISER TO OUR COMPANY ON HONG KONG LAW** : Stephenson Harwood
35th Floor, Bank of China Tower
1 Garden Road, Central
Hong Kong
Tel. No.: (852) 2868 0789
Fax. No.: (852) 2868 1504
- INDEPENDENT MARKET RESEARCHER** : Protégé Associates Sdn Bhd
Suite C-06-06, Plaza Mont' Kiara
2 Jalan Kiara, Mont' Kiara
50480 Kuala Lumpur
Malaysia
Tel. No.: (603) 6201 9301
Fax. No.: (603) 6201 7302
- ISSUING HOUSE** : Malaysian Issuing House Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor
Malaysia
Tel. No.: (603) 7841 8000
Fax. No.: (603) 7841 8150
- SHARE REGISTRAR** : Shareworks Sdn Bhd
2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Malaysia
Tel. No.: (603) 6201 1120
Fax. No.: (603) 6201 3121 / 6201 5959

1. CORPORATE DIRECTORY (Cont'd)

**ADVISER, SPONSOR,
UNDERWRITER AND
PLACEMENT AGENT** : Kenanga Investment Bank Berhad
8th Floor, Kenanga International
Jalan Sultan Ismail
50250 Kuala Lumpur
Malaysia
Tel. No.: (603) 2027 5555
Fax. No.: (603) 2164 6690

LISTING SOUGHT : ACE Market of Bursa Securities

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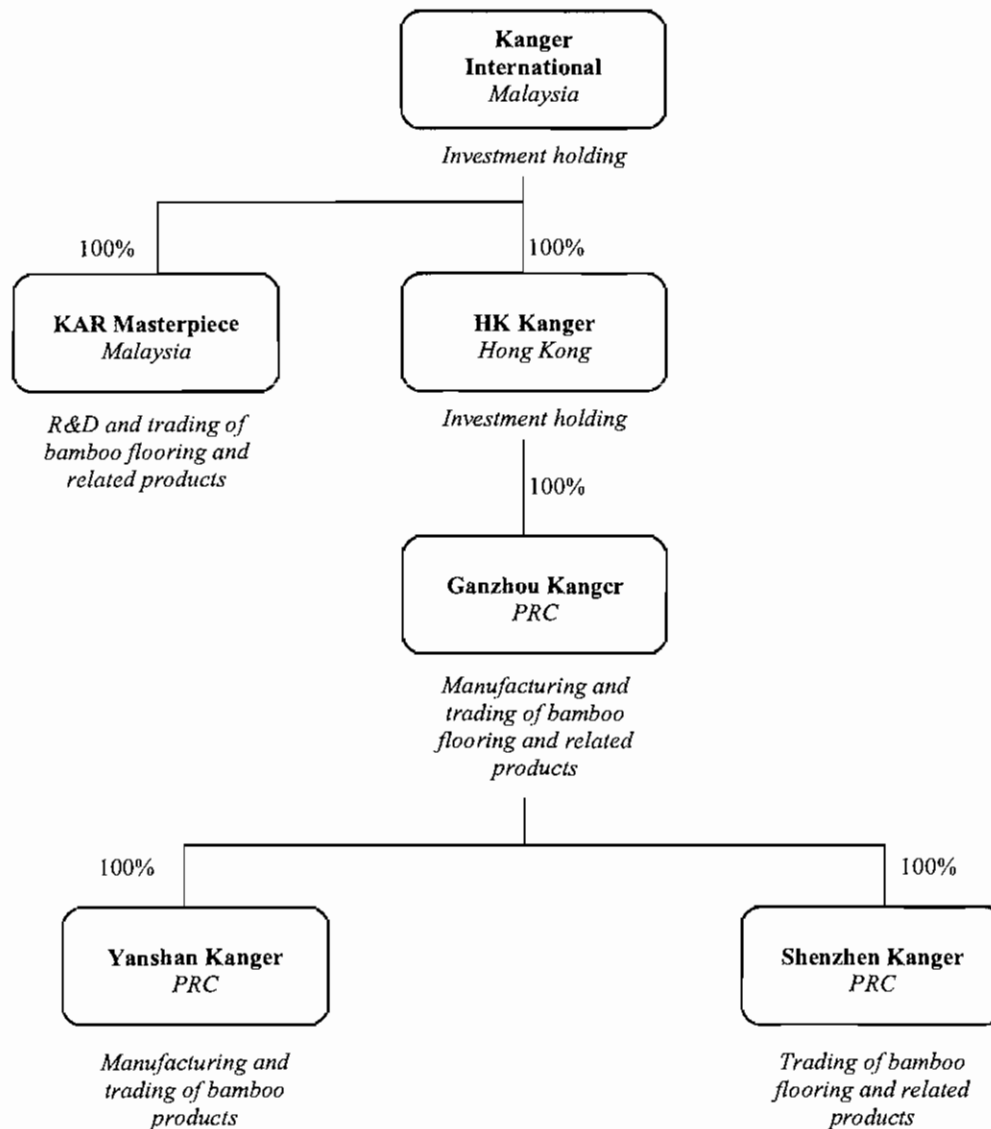
2. INFORMATION SUMMARY

THIS INFORMATION SUMMARY SETS OUT THE SALIENT INFORMATION CONTAINED IN THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS INFORMATION SUMMARY TOGETHER WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.

2.1 OUR HISTORY AND BUSINESS

We were incorporated under the Act on 27 August 2012 as a private limited company under the name of Kanger International Sdn Bhd. We were subsequently converted into a public limited company and assumed our current name on 5 February 2013 to facilitate our listing on the ACE Market of Bursa Securities.

On 30 September 2013, we acquired the beneficial ownership of all shares of HK Kanger and KAR Masterpiece, the details of which are set out in Section 5.4 of this Prospectus, and formed the following group structure:



2. INFORMATION SUMMARY (Cont'd)

Our Group's history can be traced back to 2004 when Leng Xingmin's family established Shenzhen Kanger to undertake the trading of bamboo flooring and related products. In the same year, we were recognised and have remained as the sole authorised bamboo flooring supplier of B&Q China, one of the largest Western home improvement retailers in China with nearly forty (40) stores across China and which is part of the Kingfisher Plc Group, Europe's largest home improvement retailer. We also launched our environmentally friendly bamboo flooring product under the brand 'Kanger' in the same year.

In 2007, our Promoter and Managing Director, Leng Xingmin invented an interlocking system which enables easy installation for some of our bamboo flooring products.

In 2008, we ventured upstream into the manufacturing of bamboo flooring through the acquisition of Ganzhou Kanger by Leng Xingmin to ensure the quality of our bamboo flooring. Prior to this acquisition, the processing of the horizontal and vertical bamboo planks into bamboo flooring was outsourced to a third party bamboo manufacturer. In addition, we also acquired a piece of land and commenced construction of our manufacturing plant on the said land at Jinling West Road, Gannan Industrial Park, Economic and Technology Development Zone, Ganzhou City, PRC.

We obtained CE marking for our products in recognition of their compliance with the European Union legislation, which enabled our products to be marketed within the European Union in 2008. In 2009, we obtained a trademark registration for our 'Kanger' brand from the SAIC.

Subsequently in 2010, we expanded our operations range to include the manufacturing of strand woven bamboo flooring and related products through the acquisition of Yanshan Kanger by Leng Xingmin and his siblings. In the same year, as part of our internal restructuring, Ganzhou Kanger acquired the entire equity interests in Shenzhen Kanger from Leng Xingmin and its other shareholders.

In 2011, we entered into a R&D Agreement with FRIM Board, through KAR Masterpiece, to collaborate with FRIM on R&D on amongst others, utilisation of a suitable Malaysian bamboo species for strand woven bamboo products. This R&D collaboration with FRIM arose due to amongst others, our interest to enhance existing and to develop new strand woven products as well as FRIM's and the Malaysian government's interests to develop the Malaysian bamboo industry. In addition, FRIM is a well-known institution in tropical forestry research whilst Malaysia has an abundant supply of bamboo. The details of our R&D collaboration with FRIM are set out in Section 6.6 of this Prospectus.

Pursuant to our R&D activities including our R&D collaboration with FRIM, we launched a new brand 'KAR Masterpiece' for our premium strand woven bamboo flooring and related products in the same year. In addition, we also improved our interlocking system to facilitate easier installation of our flooring products and obtained a patent for the improved interlocking system in the same year.

In 2012, we obtained a trademark registration for our 'KAR Masterpiece' brand and established our first 'KAR Masterpiece' retail store in Shenzhen to showcase our premium strand woven bamboo flooring and related products. In addition, our products are also distributed via third party appointed dealers who manage their own retail stores which carry our 'Kanger' signage. As at the LPD, there are 31 'Kanger' stores which are mainly located in the Guangdong province of China.

As part of our internal restructuring, HK Kanger acquired the entire equity interests in Ganzhou Kanger in 2012, whereupon Ganzhou Kanger became a WFOE as HK Kanger was wholly owned by a foreigner at the time of the acquisition. Later, on 30 September 2013, Kanger International acquired the beneficial ownership of the entire equity interests in HK Kanger and KAR Masterpiece in conjunction with our Listing. We have pursued a listing in Malaysia after taking into consideration amongst others, our R&D collaboration with FRIM and the potential future expansion of our operations in Malaysia upon the successful development of commercially viable bamboo products using a suitable Malaysian bamboo species as detailed in Section 6.6 of this Prospectus, as well as the interests of our existing Malaysian shareholders. Please refer to Section 5.4 of this Prospectus for details of the above internal restructuring.

2. **INFORMATION SUMMARY** *(Cont'd)*

Over the years, we have been the recipient of various accreditations and/or awards in recognition of amongst others, our quality products and customer service with the most recent being Ganzhou Leading Enterprise' (赣州龙头企业) by the Ganzhou Municipal Government (赣州市人民政府). In addition, our commitment to quality and environmentally responsible practices have also enabled us to obtain the ISO 9001:2008 certification for our QMS and the ISO 14001:2004 certification for our environmental management system.

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2. INFORMATION SUMMARY (Cont'd)

2.2 FINANCIAL HIGHLIGHTS

Our proforma financial information as set out below have been prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions as set out in Section 11.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

2.2.1 Proforma Consolidated Statements of Comprehensive Income

Our proforma consolidated statements of comprehensive income for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 have been prepared for illustrative purposes only on the assumption that our Group's current structure has been in existence throughout the financial years/period under review. Additionally, the unaudited consolidated financial information for the FPE 30 June 2012 has been prepared for information only. The subsidiary companies within our Group have a uniform financial year end, that is FYE 31 December except for HK Kanger which has its FYE on 30 September and KAR Masterpiece which has its FYE on 30 June respectively.

	Proforma				
	Audited			Unaudited	Audited
	FYE 31 December			FPE 30	FPE 30
	2010	2011	2012	June 2012	June 2013
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	14,836	23,411	38,556	20,183	21,378
Cost of sales	(12,470)	(18,487)	(27,583)	(16,245)	(17,084)
GP	2,366	4,924	10,973	3,938	4,294
Other operating income	215	424	496	*	171
Administrative expenses	(656)	(1,096)	(1,899)	(778)	(881)
Selling and distribution expenses	(459)	(558)	(754)	(120)	(226)
Other operating expenses	(4)	(5)	(95)	*	(10)
Finance costs	(493)	(617)	(1,090)	(362)	(366)
PBT	969	3,072	7,631	2,678	2,983
Taxation	*	(791)	(1,262)	(554)	(466)
PAT	969	2,281	6,369	2,124	2,517
Other comprehensive income	(260)	583	(528)	386	1,454
Total comprehensive income	709	2,864	5,841	2510	3,971
Total comprehensive income attributable to owners of the company	709	2,864	5,841	2510	3,971

2. INFORMATION SUMMARY (Cont'd)

	←----- Proforma -----→				
	←----- Audited -----→			Unaudited	Audited
	←----- FYE 31 December -----→			FPE 30	FPE 30
	2010	2011	2012	June 2012	June 2013
	RM'000	RM'000	RM'000	RM'000	RM'000
EBITDA	1,993	4,227	9,617	3,828	3,824
GP margin (%)	15.95	21.03	28.46	19.51	20.09
PBT margin (%)	6.52	13.12	19.79	13.27	13.95
PAT margin (%)	6.52	9.75	16.52	10.52	11.77
Effective tax rate (%)	0.03	25.74	16.54	20.70	15.64
Gross EPS (sen) ⁽¹⁾	0.68	1.14	3.14	1.13	2.45
Net EPS (sen) ⁽²⁾	0.28	0.65	1.82	0.61	1.44
Diluted net EPS (sen) ⁽³⁾	0.22	0.53	1.48	0.49	1.17

Notes:

* Less than RM1,000.

(1) Calculated based on GP divided by our issued and paid-up share capital of 350,000,000 Shares.

(2) Calculated based on PAT divided by our issued and paid-up share capital of 350,000,000 Shares.

(3) Calculated based on PAT divided by our enlarged issued and paid-up share capital of 430,000,000 Shares.

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2. INFORMATION SUMMARY (Cont'd)

2.2.2 Proforma Consolidated Statements of Financial Position

Our proforma consolidated statements of financial position as at 30 June 2013 as set out below have been prepared for illustrative purposes only on the assumption that the Acquisitions, our Public Issue and utilisation of proceeds were completed on that date.

	Kanger International as at 30 June 2013 RM'000	After Acquisitions RM'000	Proforma	
			I After Public Issue RM'000	II After Proforma I and Utilisation of Proceeds RM'000
Non-Current Assets				
Property, plant and equipment	-	11,611	11,611	12,611
Development expenditure	-	-	-	2,000
		11,611	11,611	14,611
Current Assets				
Inventories	-	15,106	15,106	15,106
Trade and other receivables	-	11,176	11,176	11,176
Fixed deposit with a licensed bank	-	242	242	242
Cash and bank balances	-	9,963	29,963	18,163
	-	36,487	56,487	44,687
Total Assets	-	48,098	68,098	59,298
Equity				
Share capital	**	35,000	43,000	43,000
Share premium	-	-	12,000	11,220
Reserves	-	2	2	(2,518)
Total Equity	**	35,002	55,002	51,702
Current Liabilities				
Trade and other payables	-	1,154	1,154	1,154
Amount owing to director	-	354	354	354
Bank borrowings	-	11,147	11,147	5,647
Tax payable	-	441	441	441
Total Liabilities	-	13,096	13,096	7,596
Total Equity and Liabilities	**	48,098	68,098	59,298
NA	**	35,002	55,002	51,702
Number of ordinary shares ('000)	*	350,000	430,000	430,000
NA attributable to equity holders per ordinary share (sen)	100	10	13	12

Notes:

- * Represents 2 ordinary shares of RM1.00 each.
- ** Represents RM2.

2. INFORMATION SUMMARY (Cont'd)

2.2.3 Proforma Consolidated Cash Flow Statement

Our proforma consolidated statement of cash flows for the FPE 30 June 2013 has been prepared for illustrative purposes only on the assumption that our Group's current structure had been in existence since the beginning of the financial period and our Group's Public Issue and utilisation of proceeds had been completed on that date.

	RM'000
Cash Flows From Operating Activities	
PBT	2,983
Adjustments for:	
Depreciation of property, plant and equipment	475
Interest income	(44)
Interest expense	365
Operating profit before working capital changes	3,779
(Increase)/ Decrease in working capital:	
Inventories	3,795
Trade and other receivables	(2,783)
Trade and other payables	823
Amount owing to director	240
Cash generated from operations	5,854
Tax paid	(731)
Interest paid	(365)
Interest received	44
Net cash generated from operating activities	4,802
Cash Flows From Investing Activities	
Development expenditure	(2,000)
Purchase of property, plant and equipment	(1,017)
Net cash used in investing activities	(3,017)
Cash Flows From Financing Activities	
Proceeds from issuance of shares	*
Proceeds from Public Issue	20,000
Drawdown of term loans	4,527
Repayments of bank borrowings	(16,798)
Payment of listing expenses	(3,300)
Net cash generated from financing activities	4,429
Net increase in cash and cash equivalents	6,214
Effect of currency fluctuation	616
Cash and cash equivalents at beginning of the financial period	11,575
Cash and cash equivalents at end of the financial period	18,405

2. INFORMATION SUMMARY (Cont'd)

	RM'000
Cash and cash equivalents at end of the financial period comprises:	
Cash and bank balances	18,163
Fixed deposit with a licensed bank	242
	18,405

Note:

* Represents RM2.

2.3 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of any final dividends are subject to the discretion of our Board and any final dividend proposed is subject to our shareholders' approval.

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group while maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of approximately 20% of our future net profits to our shareholders in each financial year.

You should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our ability to pay future dividends to our shareholders is subject to various factors including but are not limited to, our financial performance, cash flow requirements, availability of distributable reserves and capital expenditure plans.

As our Company is an investment holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions that we receive from our subsidiary companies. The payment of dividends or other distributions by our subsidiary companies will depend on their operational results, financial condition, capital expenditure plans and other factors that their respective board of directors deems relevant.

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2. INFORMATION SUMMARY *(Cont'd)*

2.4 SUMMARY OF OUR IPO

Size of our Public Issue : 80,000,000 new Kanger Shares, representing approximately 18.6% of our Company's enlarged issued and paid-up share capital, which will be allocated as follows:

- (i) 11,000,000 new Shares available for application by the Public; and
- (ii) 69,000,000 new Shares by way of private placement to selected investors

IPO Price : RM0.25 per IPO Share

Utilisation of proceeds from our Public Issue : The gross proceeds from our Public Issue amounting to RM20.0 million is intended to be utilised in the following manner:

Purpose	RM'000	%
Capital expenditure	1,000	5.00
R&D expenditure	2,000	10.00
Repayment of bank borrowings	5,500	27.50
Working capital	8,200	41.00
Estimated listing expenses	3,300	16.50
Total gross proceeds	20,000	100.00

Total enlarged issued and paid-up share capital after Listing : RM43,000,000 comprising 430,000,000 Shares

Market capitalisation upon Listing : RM107,500,000

Further details of our IPO and utilisation of proceeds from our Public Issue are set out in Sections 3.1 and 3.6 of this Prospectus respectively.

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2. INFORMATION SUMMARY *(Cont'd)*

2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider the following material risk factors as set out in Section 4 of the prospectus (which may not be exhaustive), in addition to other information contained elsewhere in this Prospectus.

Risks relating to our business and the industry in which we operate:

- Dependence on our major customers
- Disruption in supply and/or price fluctuation of bamboo materials
- Competition within our industry
- Competition from substitute flooring products
- R&D investments may not lead to successful sales of new or improved products
- Operational risks
- Brand protection
- Dependence on our Managing Director, key management and key technical personnel
- Political, economic and regulatory risks

Risks relating to the PRC:

- Changes to the PRC environmental laws and regulations
- Uncertainties in the PRC legal system
- Changes in the economic, political and social conditions of the PRC
- Increase in income tax or changes in income tax incentives of the PRC
- Restrictions on dividends / payments from our PRC subsidiary companies
- Changes in PRC laws and regulations in respect of currency conversion
- Difficulty in enforcing Malaysian judgement against us, our Managing Director and key management
- Non-renewal or revocation of permits and business licences
- Potential liability for additional social contributions for our PRC employees
- Negative publicity on PRC products
- Changes in PRC labour laws

Risk relating to our intermediate holding company being incorporated in Hong Kong

- Political and economic uncertainties in Hong Kong
- Potential liability for late filing of statutory forms and/or failure to attach the auditors' report during the Annual General Meeting
- Fluctuations in exchange rates

Risk relating to an investment in our Shares:

- Potential delay in or abortion of our Listing
- No prior market for our Shares
- Dividend payments
- Control by Promoter

3. PARTICULARS OF OUR IPO

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF AN INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

3.1 OUR IPO

Our IPO is subject to the terms and conditions of this Prospectus, and upon acceptance, an aggregate of 80,000,000 IPO Shares will be allocated in the manner explained below, which is subject to clawback and reallocation.

3.1.1 Public Issue

(i) Public (“Public Tranche”)

11,000,000 IPO Shares, representing approximately 2.56% of our enlarged issued and paid-up share capital, will be made available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors, including individuals, companies, societies, co-operatives and institutions.

Any IPO Shares reserved under the Public Tranche which are not fully subscribed for by the Public will be made available for subscription by our selected investors under the Placement Tranche as described in Section 3.1.1(ii) below and if undersubscribed, such IPO Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

The salient terms of the Underwriting Agreement is set out in Section 3.8 of this Prospectus.

(ii) Selected Investors via Placement (“Placement Tranche”)

69,000,000 IPO Shares, representing approximately 16.05% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The IPO Shares reserved under the Placement Tranche are not underwritten.

The basis of allocation for our IPO Shares shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our shareholders base to meet the public spread requirements as per the Listing Requirements and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Board.

There is no over-allotment or ‘greenshoe’ option that will result in an increase in the amount of our IPO Shares.

3.1.2 Listing on Bursa Securities

Bursa Securities had on 9 September 2013, approved-in-principle the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM43,000,000 comprising 430,000,000 Shares on the ACE Market. The listing of and quotation for our Shares will commence immediately two (2) Market Days after Bursa Securities receives the necessary documents specified in their approval-in-principle letter.

3. PARTICULARS OF OUR IPO (Cont'd)

3.2 SHARE CAPITAL

Our IPO Price is payable in full upon application.

	RM
Authorised share capital	
500,000,000 ordinary shares of RM0.10 each	50,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	
350,000,000 ordinary shares of RM0.10 each	35,000,000
To be issued and credited as fully paid-up pursuant to our Public Issue	
80,000,000 new ordinary shares of RM0.10 each	8,000,000
Enlarged issued and paid-up share capital upon Listing	
430,000,000 ordinary shares of RM0.10 each	43,000,000
IPO Price	0.25
Market capitalisation upon Listing	107,500,000

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.10 each. Our IPO Shares will upon allotment rank *pari-passu* in all respects with one another and all other existing issued and paid-up share capital in our Company, including voting rights and rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our IPO shares.

Subject to any special rights attaching to any shares which we may issue in the future, our shareholders shall, in proportion to the capital paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder shall be entitled to vote at our general meetings in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one (1) vote, and in the case of a poll, every shareholder present in person or by proxy or by attorney or other authorised representative shall have one (1) vote for each ordinary share held. There shall be no restriction as to the qualification of the proxy and Section 149(1)(b) of the Act shall not apply to our Company. A proxy or attorney shall be entitled to vote both on a show of hands and on a poll. On a show of hands, any member who is a proxy for another member and any person who is a proxy for more than one (1) member shall have only one (1) vote.

3.3 PURPOSE OF OUR IPO

The purpose of our IPO is:

- (i) to enable us to gain access to the capital market to raise funds for our future expansion and growth when the need arises in the future, through other forms of capital raising avenues;
- (ii) to provide an opportunity for investors and institutions to participate in the continuing growth of our Group; and
- (iii) to enhance our stature and heighten our public profile as well as increase market awareness of our products so as to assist us in expanding our customer base.

3. PARTICULARS OF OUR IPO *(Cont'd)*

3.4 PRICING OF OUR IPO SHARES

Our IPO Price was determined and agreed upon by us and KIBB after taking into consideration the following factors:

- (a) Net PE Multiple of 13.74 times based on our Group's proforma net EPS of 1.82 sen, computed based on our Group's proforma PAT attributable to owners of Kanger International of RM6.4 million for the FYE 31 December 2012 and our issued and paid-up share capital before our Public Issue of 350,000,000 Shares.
- (b) The PE Multiple of companies recently listed on Bursa Securities which ranged from 5.5 to 14.04 times and prevailing market conditions;
- (c) Our proforma consolidated NA per Share of RM0.10, computed based on our Group's proforma NA of RM35.0 million as at 30 June 2013 and our issued and paid-up share capital before our Public Issue of 350,000,000 Shares;
- (d) Our competitive strengths in terms of:
 - Wide distribution network;
 - Quality 'green' products;
 - Product development and innovation; and
 - Experienced management team.

Further details of our competitive strengths are described in Section 6.14 of this Prospectus; and

- (e) Our prospects as detailed in Section 6.15.2 of this Prospectus.

You should note that the market price of our shares upon and subsequent Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our Shares before deciding to invest in our Shares.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.5 DILUTION

Dilution is the amount by which the IPO Price to be paid by applicants for our IPO Shares exceeds our proforma NA per Share immediately after our IPO as follows:

	Sen
IPO Price	25.00
Proforma consolidated NA per Share as at 30 June 2013 before our IPO	10.00
Proforma consolidated NA per Share as at 30 June 2013 after our IPO (after adjusting the effect of the utilisation of proceeds)	12.02
Dilution in proforma consolidated NA per Share to new investors	12.98
Dilution in proforma consolidated NA per Share as a percentage of our IPO Price	51.92%

The following table summarises the total number of Shares acquired by our Directors, substantial shareholders, key management and key technical personnel or persons connected to them from the date of our incorporation to the date of this Prospectus and the average cost per Share to them:

	No. of Shares before IPO	Total Consideration RM	Average Cost per Share RM
Leng Xingmin	237,210,905*	23,721,091	0.10
Lim Lai Choy	56,722,896*	5,672,290	0.10
Zhan Xiuxia	5,432,361*	543,236	0.10
Qiao Ning	5,432,361*	543,236	0.10

Note:

* Issued pursuant to the Acquisition of HK Kanger.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.6 UTILISATION OF PROCEEDS

Based on our IPO price, gross proceeds of RM20.0 million will be raised from our Public Issue. The proceeds shall accrue entirely to our Company who will bear all expenses relating to our Listing and are intended to be utilised in the following manner:

Purpose	RM'000	%	Estimated Time Frame for Utilisation (from date of Listing)
(i) Capital expenditure	1,000	5.00	Within 12 months
(ii) R&D expenditure	2,000	10.00	Within 24 months
(iii) Repayment of bank borrowings	5,500	27.50	Within 12 months
(iv) Working capital	8,200	41.00	Within 24 months
(v) Estimated listing expenses	3,300	16.50	Within 3 months
Total gross proceeds	20,000	100.00	

Notes:

(i) *Capital expenditure*

We have earmarked approximately RMI.0 million of our IPO proceeds for the acquisition of new machineries to be added on to our production line in Ganzhou. The new machineries will facilitate the launching of new series of bamboo flooring and related products with improved interlocking features and finishing. At the same time, the installation of these new machineries onto our existing production line will also result in an increase our Ganzhou factory production capacity by 10,000 m² to 60,000 m² per month due to the improved efficiency of these new machineries. Please refer to Section 6.15.1 of this Prospectus for further details of our product expansion plans.

(ii) *R&D expenditure*

Pursuant to our R&D collaboration with FRIM, we have earmarked approximately RM2.0 million of our IPO proceeds for the setting up of a R&D facility in Malaysia and other R&D related costs which will enable us to amongst others, accelerate our R&D activities. Please refer to Section 6.6 of this Prospectus for details of our R&D collaboration with FRIM and our proposed R&D facility in Malaysia.

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3. PARTICULARS OF OUR IPO (Cont'd)

(iii) *Repayment of bank borrowings*

We have earmarked approximately RM5.5 million of our IPO proceeds for the repayment of bank borrowings. The bank borrowings were selected after taking into consideration the interest rates and tenure of the financing facilities as set out below:

<i>Financial institution</i>	<i>Purpose</i>	<i>Maturity date</i>	<i>Interest rate</i> %	<i>Balance as at the LPD</i> RM'000	<i>Amount to be repaid from IPO proceeds</i> RM'000
<i>Ganzhou Rural Commercial Bank</i>	<i>Working capital</i>	<i>6 March 2014</i>	<i>9.60</i>	<i>1,210</i>	<i>1,210</i>
<i>Industrial and Commercial Bank of China</i>	<i>Working capital</i>	<i>22 August 2014</i>	<i>6.60</i>	<i>3,347</i>	<i>3,261</i>
<i>China Merchant Bank</i>	<i>Working capital</i>	<i>23 May 2014</i>	<i>7.80</i>	<i>1,029</i>	<i>1,029</i>
<i>Total</i>				<i>5,586</i>	<i>5,500</i>

The repayment of bank borrowings will enable our Group to enjoy estimated interest savings of approximately RM0.4 million per annum.

(iv) *Working capital*

Our requirement for working capital will increase in tandem with our future plans. Therefore, we expect to utilise approximately RM8.2 million of our IPO proceeds as additional working capital to finance our day-to-day operations, including inter-alia, purchase of bamboo materials and defrayment of administrative expenses as well as finance our marketing and business development activities.

(v) *Estimated listing expenses*

Our Company will bear all the expenses and fees incidental to our Listing which is estimated to be RM3.3 million as follows:

	RM'000
<i>Professional fees</i>	<i>2,165</i>
<i>Fees payable to the authorities</i>	<i>66</i>
<i>Underwriting and placement commission and brokerage fees</i>	<i>355</i>
<i>Printing and advertising cost</i>	<i>130</i>
<i>Other incidental charges</i>	<i>584</i>
<i>Total</i>	<i>3,300</i>

Pending the eventual utilisation of our IPO proceeds for the above purposes, the proceeds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments.

The proforma financial impact arising from the utilisation of proceeds on our proforma consolidated statements of financial position are set out in Section 11.2 of this Prospectus.

3. PARTICULARS OF OUR IPO (Cont'd)

3.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage

Brokerage relating to our IPO Shares made available for application by the Public is payable by us at the rate of one percent (1%) of the IPO Price, in respect of successful applications bearing the stamp of KIBB, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or our Issuing House.

Underwriting Commission

KIBB, as our Underwriter, has agreed to underwrite 11,000,000 IPO Shares, which is reserved for application under the Public Tranche as set out in Section 3.1.1 of this Prospectus. An underwriting commission is payable by us to our Underwriter at the rate of two point five percent (2.5%) of the total value of the underwritten Shares at the IPO Price.

Placement Fee

KIBB has arranged for the placement of 69,000,000 IPO Shares at the rate of one point five percent (1.5%) of the value of the placement Shares based on the IPO Price.

3.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with KIBB to underwrite 11,000,000 IPO Shares as set out in Section 3.1.1(i) of this Prospectus.

The following salient terms are reproduced from the Underwriting Agreement. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

5. TERMINATION BY THE UNDERWRITER

5.1 Termination

Notwithstanding anything contained in this Agreement, the Underwriter may by notice in writing to the Company given at any time before the Listing Date, terminate, cancel and withdraw its Underwriting Commitment if:

- (a) there is any breach by the Company of any of the representations, warranties or undertakings set out in this Agreement in any respect;
- (b) the Company withholds any material information from the Underwriter, which, in the reasonable opinion of the Underwriter, will likely have a Material Adverse Effect;
- (c) there shall have occurred, happened or come into effect any event or series of events beyond the reasonable control of the Company by reason of Force Majeure (as defined herein) which would have or can reasonably be expected to have, a Material Adverse Effect on the success of the Public Issue or which is likely to have the effect of making any material obligation under this Agreement incapable of performance in accordance with its terms. "Force Majeure" means causes which are unpredictable and beyond the reasonable control of the Party claiming Force Majeure which could not have been avoided or prevented by reasonable foresight, planning and implementation including but not limited to:
 - (i) war, acts of warfare, sabotages, hostilities, invasion, incursion by armed force, act of hostile army, nation or enemy, civil war or commotion, hijacking, terrorism, state of emergency;

3. PARTICULARS OF OUR IPO (Cont'd)

- (ii) riot, uprising against constituted authority, civil commotion, disorder, rebellion, organized armed resistance to the government, insurrection, revolt, military or usurped power; or
- (iii) natural catastrophe including but not limited to tsunamis, earthquakes, floods, landslide fire, storm, lightning, tempest, explosions, accident, respiratory or virus outbreak, epidemics or other Acts of God;
- (d) any government requisition or other occurrence of any nature whatsoever which is likely to have a Material Adverse Effect on the success of the Public Issue;
- (e) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), political or economic conditions or exchange control or currency exchange rates which in the opinion of the Underwriter are likely to, have a Material Adverse Effect in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FTSE Bursa Malaysia KLCI ("Index") is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (i) on or after the date of this Agreement; and
 - (ii) prior to the Closing Date,

lower than 90% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of this Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition;
- (f) trading of all securities on Bursa Securities has been suspended or other material form of general restriction in trading for three (3) consecutive Market Days or more;
- (g) any new law or regulation or change in law, regulation, directive, policy or ruling in any jurisdiction which in the opinion of the Underwriter is likely to prejudice the success of the Public Issue and Listing or which may or is likely to have the effect of making any obligation under this Agreement incapable of performance in accordance with its terms;
- (h) the Private Placement and/or the Retail Offering is stopped by the Company for any reason whatsoever (unless such stoppage has been approved by the Underwriter, such approval not to be unreasonably withheld);
- (i) the Listing does not take place by 31 January 2014 or such other extended date as may be agreed in writing by the Underwriter and the Company;
- (j) any commencement of legal proceedings or action against the Company or any of its directors, which in the opinion of the Underwriter, would have a Material Adverse Effect or make it impracticable to market the Public Issue or to enforce contracts to allot and issue the Shares;
- (k) if the SC or any other relevant authority issues an order pursuant to Malaysian laws such as to make it, in the reasonable opinion of the Underwriter (after consultation with the Company), impracticable to market the Public Issue or to enforce contracts to allot and transfer the Shares; or

3. PARTICULARS OF OUR IPO (Cont'd)

- (l) there is any breach by the Company of any of its obligations under this Agreement and where such breach if capable of remedy, the same not being remedied within two (2) Market Days from the date of a written notice to the Company by the Underwriter; or
- (m) Placement Agreement shall have been terminated or rescinded in accordance with the terms.

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR SHARES.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

4.1 RISKS RELATING TO OUR BUSINESS AND THE INDUSTRY IN WHICH WE OPERATE

(i) Dependence on our major customers

We derive a significant portion of our revenue from our major customers who collectively contributed approximately 41.25%, 44.19%, 37.64% and 71.18% of our total revenue for the FYE 31 December 2010 to 2012 and FPE 30 June 2013 respectively, with B&Q China, one of our major customers contributing 41.25%, 24.84%, 13.40% and 11.82% of the respective revenue.

The majority of our sales are on an order-by-order basis which is a norm in the industry. Save for one (1) year to three (3) years agreements with an automatic extension to formalise the terms of our supply arrangement with three (3) home improvement retailers, including B&Q China, without commitment on the quantity to be supplied, we do not have formal long-term agreement with our customers. However, we have established good business relationships with our customers, such as B&Q China whom we have remained as its sole authorised bamboo flooring supplier since our inception in 2004, through amongst others our consistent delivery of quality products and services.

In addition, we are also widening our distribution network through the appointment of third party dealers, whereby these dealers will actively promote our products whilst we have to station our own sales personnel at the stores of the home improvement retailers such as B&Q China to actively promote our products. As at the LPD, we have 31 appointed dealers which are mainly located in the Guangdong province of China. The current concentration of our appointed dealers in the Guangdong province is due to our strategy to strengthen our foothold in this province's market, the centre of our sales network, before expanding to other provinces in China.

As at the LPD, we have not experienced any loss of major customers that have a material adverse effect on our financial performance. Nevertheless, there can be no assurance that our business relationships with our major customers will be maintained in the future or the order for our products from these customers will continue at the same levels.

(ii) Disruption in supply and/or price fluctuation of bamboo materials

Moso bamboo is the main material used in the manufacturing of our products, which accounted for more than 90% of our total cost of sales for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013. Our Moso bamboo materials are sourced within the Jiangxi province of China where our Ganzhou and Yanshan manufacturing facilities are located. However, bamboo cutters are not encouraged to harvest bamboo during the spring season, that is from January to March, to avoid potential damage to the growth of new bamboo or shoots during this season.

As such, should we face a shortage of bamboo materials and our suppliers are unable to fulfil our requirements, our operations and financial performance could be adversely affected. However, as at the LPD, we have not faced any shortage of bamboo materials as we have capacity to stockpile sufficient quantities of bamboo materials for our requirements and/or pay deposits to our suppliers to secure our bamboo materials supply, if required. We have also established good business relationships with our major suppliers, the majority of whom we have been dealing with for more than four (4) years, and have not experienced any material disruption in the supply of bamboo materials from our suppliers nor any material increase in the price of bamboo materials.

4. RISK FACTORS (Cont'd)

In addition, we do not foresee any major difficulty in sourcing the required quantities of bamboo materials as Moso bamboo grow in abundance in the Jiangxi province and there are a number of bamboo cutters and/or distributors whom we can source from should the need arises. Nonetheless, there can be no assurance that we can continually source sufficient quantities of bamboo materials at competitive prices.

(iii) Competition within our industry

We operate in the bamboo flooring industry which is fragmented with approximately 200 bamboo manufacturers spread across China (*Source: IMR Report*). Thus, there can be no assurance that we will continue to be able to compete successfully with the other competitors and/or new entrants in the future. Our success will depend on our ability to compete effectively against these competitors in terms of amongst others, product quality, product range and customer service.

In mitigating this risk, we intend to continue our focus on improving the quality of our existing products and accelerate the development of new products through R&D. We will also continue to widen our domestic distribution network through the appointment of third party dealers to increase awareness of our products and our brands and thereby, expand our business. Further, we have managed to diversify our customers to include the overseas market. For the FYE 31 December 2010 to 2012 and FPE 30 June 2013, our overseas sales accounted for approximately 50%, 44%, 49% and 20% respectively of our total revenue.

Notwithstanding our strategies and future plans to increase our revenue as well as our portfolio of customers, there can be no assurance that changes in the competitive environment will not have a material adverse effect on our financial performance.

(iv) Competition from substitute flooring products

Bamboo flooring can be substituted with a variety of other flooring materials. Their closest substitutes are other wood flooring types, including solid wood, engineered solid wood, laminate wood and cork flooring. Substitution and preference across various flooring materials are based on aesthetic and functional factors as well as price/cost requirements.

However, it is anticipated that increasing awareness of the benefits of bamboo as a renewable source and substitute for other wood species will result in greater demand for bamboo flooring.

(Source: IMR Report)

As part of our efforts to increase demand for our products, we have launched twelve (12) series of bamboo flooring, comprising both strand woven bamboo flooring and horizontal and vertical bamboo flooring, with different features and/or aesthetics to cater for different consumer preferences and requirements as well as different pricing to cater for different segments of the market. In addition, we are also exploring the production of new products to widen our product range, such as outdoor bamboo flooring, bamboo wall panelling and bamboo doors.

Further, to complement bamboo as an environmentally friendly material, we are committed to 'green' operating practices, whereby our environment management system has been accredited as being ISO 14001:2004 compliant.

However, there can be no assurance that consumer preferences will continue to trend towards environmentally friendly flooring materials or other more viable environmentally friendly flooring materials will not be developed.

4. **RISK FACTORS (Cont'd)**

(v) **R&D investments may not lead to successful sales of new or improved products**

Our investments in R&D may not result in successful and saleable new or improved products. New or improved products that may appear to be promising in the early stages of R&D may fail to be commercialised for a variety of reasons, including changes in consumer trends. We intend to utilise approximately RM2.0 million of our IPO proceeds for our R&D collaboration with FRIM, as detailed in Section 6.6 of this Prospectus, to enable us to produce longer and/or higher bamboo products such as furniture, doors, structural beams and other building materials.

However, there can be no assurance that these bamboo products will be successfully launched. Unsuccessful R&D may have an adverse impact on our financial performance as the expenses incurred on the R&D may have to be written off or sales of these bamboo products may be insufficient to cover the R&D expenses.

(vi) **Operational risks**

Our production are subject to operational risks including accidents, fire, theft, power shortage, unexpected failure or sub-standard performance of our manufacturing equipment and natural disaster, which may adversely affect our operations.

To mitigate the risks relating to accidents and fire, we ensure that our manufacturing facilities and warehouses meet all safety requirements imposed by the relevant authorities. In addition, we also provide trainings on safety requirements and proper use of our machineries to our production personnel.

In mitigating the risk of unexpected machinery breakdowns, we conduct regular servicing of our machineries. In addition, our production team possesses a comprehensive understanding of our machineries, which enable them to monitor and regularly maintain our machineries, as well as the expertise to repair machinery breakdowns.

However, there can be no assurance that such unexpected events would not occur or if occur, would not have a material adverse effect on our operations and financial performance.

We have also taken up insurance covering our property, plant and machineries as well as inventories, and regularly review the adequacy of existing insurance coverage for our assets. However, there can be no assurance that this coverage is sufficient to offset the potential liabilities and financial losses relating to our operations. In the event that the amounts of such liabilities and losses exceed the insurance coverage of our policies, we may have to bear such liabilities and losses ourselves. There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and other risks that cannot reasonably be insured against, which may adversely affect our operations and financial performance.

As at the LPD, we have not encountered any major accidents, fire, unexpected machinery breakdown and/or other unexpected events that have a material adverse effect on our operations.

(vii) **Brand protection**

We sell our finished products under our brands, 'Kanger' and 'KAR Masterpiece' as well as on OEM basis. Future sales of our products will depend in part on increasing brand recognition for our products and our ability to protect our brands from abuse by third parties which may affect our reputation and the goodwill associated with our brands. We are also reliant on our distributors to maintain the goodwill of our brands.

Our Sales and Marketing Department are continuously undertaking marketing strategies to increase awareness of our products and our brands. However, there can be no assurance that our marketing strategies will remain effective or our brands will not be tarnished in any manner, including any negative publicity or perception, whether in the PRC or internationally, whether true or untrue, by us or any third party. As at the LPD, there has not been any negative publicity on our brands.

4. RISK FACTORS *(Cont'd)*

We have registered trademarks for our brands, 'Kanger' and 'KAR Masterpiece'. As at the LPD, our trademarks are only registered in the PRC and hence, do not enjoy protection in other jurisdictions. As and when the need arises, we will consider to register our trademarks internationally.

If third parties infringe or challenge our intellectual property rights, our brands, reputation and financial performance may be adversely affected. As at the LPD, we do not have any knowledge of third parties infringing or challenging our intellectual property rights. However, there can be no assurance that our intellectual property rights will not be infringed upon, and that measures taken by us to protect our intellectual property rights through the trademark registration of our brands will be adequate to prevent brand infringement by others.

(viii) **Dependence on our Managing Director, key management and key technical personnel**

Our continued success will depend, to a large extent, on the abilities, experience and continued efforts of our Managing Director, who has been instrumental in the development of our Group, as well as our key management and key technical personnel. The loss of any of our key personnel without suitable and timely replacements may adversely affect our continued ability to compete and grow in the industry.

We strive to minimise this risk by ensuring that we have the ability to retain our existing employees. This is achieved by having in place human resource strategies and practices that includes suitable compensation packages and career development for our employees. Good working relationships have also been fostered amongst our employees as we provide a healthy working environment, practice good workplace culture and uphold good work ethics to create a sense of belonging amongst our employees.

Nonetheless, there can be no assurance that the above measures will be successful in retaining our key management and key technical personnel or in ensuring a smooth transition should changes occur.

(ix) **Political, economic and regulatory risks**

We sell our products in both the PRC and overseas markets. Hence, any adverse development in the political, economic and regulatory environment in the countries involved may adversely affect our operations and financial performance. These risks include but are not limited to changes in general economic and business conditions, government legislations and policies affecting our industry, inflation, fluctuations in foreign exchange rates and interest rates, political and social development, risks of war, expropriation, nationalisation, renegotiation or nullification of existing contracts, methods of taxation and tax policy, and currency exchange controls.

We will continue to adopt prudent management and precautionary measures but there can be no assurance that these measures are sufficient to address any future changes in the political, economic and regulatory environment in the countries involved.

4.2 RISKS RELATING TO THE PRC

(i) **Changes to the PRC environmental laws and regulations**

Our PRC subsidiary companies are currently in compliance with the environmental laws and regulations in the PRC. However, environmental laws and regulations in the PRC have historically been subject to frequent changes. We are unable to predict the future costs or other future effects of environmental laws and regulations on our operations. Any changes to the relevant PRC environmental laws and regulations may impose more stringent compliance requirements which require us to incur additional costs in order to comply with such laws and regulations and hence, may adversely affect our operations and financial performance. Any failure to comply with such new laws and regulations could also subject us to penalties, suspension or cessation of our operations, and therefore there is no assurance that our operations and financial performance would not be adversely affected.

4. RISK FACTORS (Cont'd)

(ii) Uncertainties in the PRC legal system

The legal system in the PRC is based on the Constitution of China and is made up of, written laws, regulations, circulars and directives. The Chinese government is still in the process of developing the country's legal system to meet the needs of investors and to encourage foreign investment. As the Chinese economy is undergoing development generally at a faster pace than their legal system, some degree of uncertainty exists in connection with whether and how existing laws and regulations will apply to certain events or circumstances. Precedents on the interpretation, implementation and enforcement of PRC laws and regulations are currently limited and the decisions of the PRC courts do not bind the same in subsequent cases.

As a result, it may be difficult for us to predict the outcome of any disputes that we may be involved in the PRC. Even in cases where judgments are granted in our favour, we may be unable to enforce them if the party does not have the means to satisfy the judgment. In the event that we fail to obtain judgment or are unable to enforce judgments, we may not be able to recover the judgment debt, which we would have otherwise been entitled to. Accordingly, our operations and financial performance may be affected.

(iii) Changes in the economic, political and social conditions of the PRC

Since 1978, the Chinese government has undergone various reforms of their economic systems. Such reforms have resulted in economic growth in the PRC in the last three (3) decades. However, many of the reforms are unprecedented or experimental and are expected to be refined and modified from time to time. Other political, economic and social factors may also lead to further adjustments to the reform measures. This refinement and adjustment process may consequently have a material impact on our operations and/or financial performance. Although the Chinese economy has enjoyed relatively good growth in the past and is expected to continue to grow in the future, there is no assurance that such growth will continue and our operations and financial performance would not be affected.

(iv) Increase in income tax or changes in income tax incentives of the PRC

Pursuant to the Jiangxi Provincial Local Taxation Bureau's support in certain areas such as the southern part of Ganzhou through revitalisation and development tax incentives and service measures (江西省地方税务局全力支持赣南等原中央苏区振兴发展税收优惠政策和服务措施), our subsidiary company, Ganzhou Kanger was granted a preferential tax rate of 15% commencing from the FYE 31 December 2012, as compared to the prevailing statutory tax rate of 25%. Please refer to Section 12.1.1(ii) of this Prospectus for further details of Ganzhou Kanger's preferential tax rate.

However, there is no assurance that this tax incentive will not be revoked or changed in the future. If there is an increase in tax rates or changes in the tax incentive that we currently enjoy, we may incur higher income tax charges which will adversely affect our financial performance.

(v) Restrictions on dividends/payments from our PRC subsidiary companies

SAFE regulates foreign exchange matters in the PRC, including the conversion of RMB into foreign currencies, and *vice versa*. RMB conversions are regulated by the Regulations for Foreign Exchange Controls of the PRC (中华人民共和国外汇管理条例) and other relevant foreign exchange regulations (collectively "**Forex Regulations**").

4. RISK FACTORS (Cont'd)

According to the Forex Regulations, China-established foreign invested enterprises (“FIE”s) are required to obtain Foreign Exchange Certificates for FIE (外商投资企业外汇登记证) (the “FIE Certificates”) from SAFE or its local counterpart so that they can open and operate foreign (non-RMB) currency bank accounts for the payment of:

- (a) Recurring items from the current account, including the distribution of dividends and profits to foreign investors of FIEs, subject to the presentation of board resolutions authorising the distribution; and
- (b) Capital items from the capital account such as repatriation of capital, repayment of loan and for security investment.

Conversions in the current account can be effected freely whilst conversions in the capital account require approval from SAFE or its local counterpart.

As a FIE, Ganzhou Kanger has obtained and will continue to maintain its FIE Certificate. As such, Ganzhou Kanger is able to convert its RMB profits into foreign currency and repatriate dividends to our Hong Kong subsidiary company, HK Kanger and ultimately to our Company and shareholders.

Further, the funds raised could be repatriated and used in the PRC in the manner set out in Section 3.6 of this Prospectus. The use of such funds in the PRC has to be in accordance with the relevant PRC laws and regulations.

The Chinese government may impose further restrictions or requirements on the conversion of RMB by Ganzhou Kanger for repatriation of dividends to our Company outside the PRC, or our Company re-investing in the PRC. As Ganzhou Kanger and its PRC subsidiary companies currently generate all our profits and these profits are denominated in RMB, any future restrictions on currency exchanges may affect our ability to repatriate such profits for the distribution of dividends to our shareholders or for funding our other business activities outside the PRC. Further, any future restrictions could affect our ability to utilise funds raised outside the PRC for use by Ganzhou Kanger and its PRC subsidiary companies.

According to the Foreign Exchange Regulation of Domestic Individuals and its implementation rules (个人外汇管理实施细则), PRC resident individuals are required to obtain approval from SAFE or its local counterpart for purchase and/or remittance of foreign currency for their overseas investments as well as register their overseas investments under the capital account with the local branch of SAFE. Accordingly, prior to the completion of the Acquisition of HK Kanger, the PRC shareholders of HK Kanger, that is Leng Xingmin, Zhan Xiuxia and Qiao Ning (collectively, **PRC Shareholders**) have filed an application for the registration of their investment in HK Kanger with the SAFE Ganzhou Branch. However, the SAFE Ganzhou Branch replied that the said application could not be accepted for the time being as there are no operational rules (操作细则), that is guidelines detailing the procedures and/or penalty for non-compliance, issued by SAFE for the registration of PRC individuals’ overseas investments.

In the event that SAFE issues operational rules for the registration of individuals’ overseas investments and the PRC shareholders of our Company are required but fail to register their interests in our Company, SAFE may limit the repatriation of dividends by and/or limit capital injections into Ganzhou Kanger. However, the exact form and quantum of penalty for non-compliance cannot be ascertained at this juncture as the relevant operational rules have not been issued. Notwithstanding the above, we have obtained undertakings from the PRC Shareholders to register their investments in our Company with SAFE upon issuance of the relevant operational rules, if required. Guangdong Grebright Law Firm, the Legal Adviser to our Company on PRC law, is of the opinion that in the event the said registration is required, the risk of rejection of the application is ‘low’ as the PRC Shareholders had earlier sought SAFE’s approval for their investment in HK Kanger.

In addition, the application and interpretation of PRC laws in relation to the acquisitions of our PRC subsidiary companies by HK Kanger are disclosed in Section 5.4 of this Prospectus.

4. RISK FACTORS (Cont'd)

(vi) Changes in PRC laws and regulations in respect of currency conversion

The value of the RMB against foreign currencies is subject to changes in the Chinese government's policies and international economic and political developments. The People's Bank of China ("PBOC") announced on 19 June 2010 that it would gradually relax the peg between the RMB and a basket of currencies (primarily the USD). This is the resumption of a policy the PBOC had initiated in mid 2005 and suspended in mid 2008.

An appreciation of the RMB will result in our products being more expensive to overseas customers and may reduce the demand for our products. However, our Board is of the opinion that a gradual appreciation of the RMB will have minimal impact on our revenue and profit margins derived from sales to overseas customers as we are not operating on a price war strategy but by differentiation of our products in terms of quality and features and/or aesthetics.

Devaluation or depreciation of the RMB will affect the amount of dividends or other distributions received by our shareholders as well as any foreign currency obligations we may have. A revaluation or appreciation of the RMB on the other hand may affect the amount of funds that we receive in RMB from fund raising activities outside the PRC.

There can be no assurance that there will not be any material and/or volatile fluctuations in the RMB, the occurrence of which may affect our ability to compete, our financial position, the amount of dividends/distributions our shareholders may receive, and the amount we may receive from fund raising activities outside the PRC. There is also no assurance that the RMB will not be subject to administrative or legislative intervention by the Chinese government or adverse market movements.

(vii) Difficulty in enforcing Malaysian judgement against us, our Managing Director and key management

Our subsidiary companies, Ganzhou Kanger, Shenzhen Kanger and Yaushan Kanger are incorporated in the PRC, and our main operations and assets are located in the PRC. In addition, our Managing Director and key management are PRC residents, and most of the assets of these persons are located outside Malaysia. As a result, it could be difficult for investors to effect service of process if they wish to make a claim against our Company, Managing Director or key management, or to enforce a judgement obtained in Malaysia against our Company, Managing Director or key management.

(viii) Non-renewal or revocation of permits and business licences

As a pre-requisite for carrying on our business in the PRC, we are required to obtain certain permits and business licenses from various government authorities. Details of our permits, approvals and business licenses are set out in Section 6.11 of this Prospectus. As at the LPD, we have obtained all material permits, approvals and business licenses for our operations. However, most of these permits, approvals and business licenses are subject to periodic inspection as well as fulfilment of conditions imposed by the relevant government authorities, where the standards of compliance required in relation thereto may from time to time be subject to changes.

Revocation of our permits, licences and certificates may result in our inability to carry on our business. In such an event, our operations and financial performance may be adversely affected. In addition, it may be costly for us to comply with any subsequent modifications, additions or new restrictions to these compliance standards.

Although our PRC subsidiary companies have not experienced any difficulty in obtaining and maintaining the requisite permits and licences and we do not foresee any potential issues in renewing our existing permits and licences, there is no assurance that existing permits and licences will be renewed, or renewed within the anticipated timeframe, or that new permits and licences required will be obtained in a timely manner.

4. RISK FACTORS (Cont'd)**(ix) Potential liability for additional social contributions for our PRC employees**

Under the relevant PRC laws and regulations, our PRC subsidiary companies are required to make certain contributions for the benefit of all our PRC employees. Prior to September 2013, our PRC subsidiary companies, Ganzhou Kanger and Yanshan Kanger, have not made full contributions for some of our employees who did not want to make the required social contributions and have requested for their employees' portion not to be deducted from their wages. As the employer's portion can only be contributed together with the employee's portion, we are not able to make the required social contributions for these employees. As such, we did not fully comply with the requirements under the relevant regulations.

Pursuant to the Social Insurance Law of the PRC, where a company fails to apply for social insurance registration for its employees, the administrative department of social insurance may require the company to make the social insurance registration within a prescribed period. If the company fails to do so, it shall be imposed a fine of between 100% and 300% of the payable social insurance premiums, and its principal and other personnel directly responsible shall be imposed a fine of not more than RMB3,000. Where a company fails to purchase social insurance for its employees, a penalty of 0.05% of payable social insurance per day will be imposed on the company, and an additional penalty of between 100% and 300% of payable social insurance will be imposed on the company if the company fails to purchase the payable social insurance within a prescribed period by the authority.

Pursuant to the Regulation on the Administration of Housing Accumulation Funds of the PRC, where a company does not open housing funds account for its employees, the authority may require the company to open the housing funds account within a prescribed period. If the company fails to do so, the authority may impose a penalty of RMB10,000 – RMB50,000 on the company. If the company fails to pay the housing funds, the authority may require the company to make full payment within a prescribed period.

The outstanding social insurance and housing funds contributions amounted to approximately RMB13,920, RMB208,656, RMB233,940 and RMB260,940 for the FYE 31 December 2010 to 2012 and FPE 30 June 2013 respectively. As at the LPD, the relevant authorities have not required our PRC subsidiary companies to make payments for the previous outstanding social contributions. However, there is no assurance that the relevant authorities will not require us to make payments for all previous outstanding social contributions and/or penalise us in the future.

To mitigate this risk, we have obtained an undertaking from our Promoter, Leng Xingmin to indemnify us in full for all outstanding social contributions and/or penalty which may be imposed on us.

(x) Negative publicity on PRC products

Negative publicity on the quality and/or safety of products made in the PRC, whether with or without merit, relating to our industry or otherwise, may affect consumers' confidence in general, which in turn may affect the demand for our products as consumers may decide to purchase products made in other countries as opposed to PRC products as a general precaution.

To mitigate this risk, we ensure that the materials used in our production are environmentally friendly and meet the relevant regulatory standards. In addition, we have also obtained CE marking for our products in recognition of their compliance with the European Union legislation as well as the ISO 14001:2004 for our environment management system.

However, there can be no assurance that any negative publicity on PRC products would not affect the demand for our products and thereby, our business and financial performance.

4. RISK FACTORS (Cont'd)

(xi) Changes in PRC labour laws

On 29 June 2007, the Chinese government introduced a labour law namely, the Labour Contract Law of the PRC (中华人民共和国劳动合同法) (“**New Labour Law**”) which came into effect on 1 January 2008. The New Labour Law imposes greater liability on employers and significantly impacts the costs of an employer’s decision to reduce its workforce. If we decide to significantly change or decrease our workforce in the PRC, the New Labour Law could adversely affect our ability to enact such changes in a manner that is advantageous to our circumstances or in a timely and cost effective manner. Further, any future introduction of new laws and regulations may result in increases to our labour costs and hence, adversely affect our financial performance.

(xii) Unauthorized actions by our legal representatives

According to the General Principles of the Civil Law of the PRC, a legal representative of a company is empowered to act on behalf of the company in accordance with the PRC law and its articles of association. Notwithstanding this, our PRC subsidiary companies may still be held accountable even for unauthorized actions of our legal representative. To set forth the limits of the authority of our legal representative which in turn mitigates the risk of unauthorized actions by our legal representative, we have filed our PRC subsidiary companies’ articles of association and related corporate documents with the SAIC which set forth the particular powers of the executive director, our legal representative of the PRC companies.

(xiii) Audit of PRC companies

For purposes of statutory filings in China, the financial statements of our PRC subsidiary companies can only be audited by PRC auditors who have the knowledge and/or experience to ensure that the financial statements are in compliance with the requirements of the PRC accounting standards. Differences in accounting treatments with our Company’s financial statements may arise due to the different requirements of the Malaysian accounting standards. To mitigate this risk, we will appoint the PRC affiliates of our Malaysian auditors to facilitate our Malaysian auditors in ensuring the financial statements of our PRC subsidiary companies are in compliance with Malaysian Financial Reporting Standards (“**MFRS**”) for purposes of preparation of our Company’s audited consolidated financial statements.

4.3 RISKS RELATING TO OUR INTERMEDIATE HOLDING COMPANY BEING INCORPORATED IN HONG KONG

(i) Political and economic uncertainties in Hong Kong

Notwithstanding that our business is predominantly based in China, we are still subject to the political and economic uncertainties in Hong Kong in which our subsidiary company, HK Kanger is incorporated. Such political and economic uncertainties include but are not limited to government fiscal and monetary policies, risks of war, expropriation, nationalism, methods of taxation and tax policy, and currency exchange controls. Further, changes in tax laws or other regulatory actions taken by the Hong Kong government may affect or restrict the repatriation of profits or capital out of Hong Kong to our Company.

(ii) Potential liability for late filing of statutory forms and/or failure to attach the auditors’ report during the Annual General Meeting (“AGM”)

Our Hong Kong subsidiary company, HK Kanger increased its authorised share capital on 24 October 2012 and 29 October 2012 respectively. Under Section 55 of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) (“**Ordinance**”), any increase in authorised share capital of a company requires the filing of a notice with the Companies Registry of Hong Kong (“**Companies Registry**”) within 15 days after the increase took effect. However, the notices were filed late by HK Kanger on 22 November 2012 and 29 November 2012 respectively. Notwithstanding that the late filing of a notice

4. RISK FACTORS (Cont'd)

does not affect the validity of the above increases in authorised share capital of HK Kanger, under the Ordinance, HK Kanger and every officer of HK Kanger who is in default for such late filing may be prosecuted and, if convicted, shall be liable to a fine of maximum of HKD10,000 and, for continued default, to a daily fine of HKD300. The aggregate amount of the potential fine for both late filings is estimated to be approximately HKD29,000.

Under Section 45 of the Ordinance, whenever a company makes any allotment of its shares, the company shall file a return of the allotment with the Companies Registry, and in the case of shares allotted as fully paid up on a capitalisation, the company is required to deliver a copy of the resolution authorising the allotment to the Companies Registry, both within one (1) month after the allotment. However, the return of allotments in respect of the allotment of shares for cash on 29 October 2012 and the resolutions for the allotment of shares pursuant to a capitalisation on 24 October 2012 and 29 October 2012 respectively were only filed by HK Kanger on 28 December 2012. Therefore, under the Ordinance, HK Kanger and every officer of HK Kanger who is in default for the aforesaid late filings may be prosecuted and, if convicted, liable to a fine of maximum HKD50,000 and, for continued default, to a daily fine of HKD700. The aggregate amount of the potential fine for the aforesaid late filings is estimated to be approximately HKD214,400.

Additionally, under Section 129C(1) of the Ordinance, the profit and loss account laid before a company in general meeting shall be annexed to the balance sheet, and the auditors' report shall be attached thereto. However, the auditors' report dated 15 January 2013 ("**Auditors' Report**") was not attached to the profit and loss account ("**Accounts**") presented at the 2012 AGM of HK Kanger. HK Kanger and every officer of HK Kanger who is in default for failing to attach the Auditors' Report to the Accounts may be prosecuted, and if convicted, shall be liable to a fine of HKD150,000.

The above unintended and inadvertent breaches of the Ordinance were mainly due to HK Kanger not having a designated person to deal with its secretarial matters and not being aware of the specific requirements of the Ordinance during the material period.

As at the LPD, there has not been any prosecution initiated against HK Kanger, nor has it been subject to any fine relating to the above late filings and/or failure to attach the Auditors' Report to the Accounts at the 2012 AGM. However, there is no assurance that the Companies Registry will not take action against HK Kanger in the future in respect of any of the above.

To mitigate this risk, HK Kanger have obtained an undertaking from our Promoter, Leng Xingmin to indemnify the company, excluding the officers of the company, in full for any fine which may be imposed on us and/or loss arising in relation to the above late filings and/or failure to attach the Auditors' Report to the Accounts at the 2012 AGM. Further, we have set up a compliance team, comprising our Group Chief Financial Officer, Zhan Xiuxia and our Group Administration and Human Resource Manager, Kuang Wangchun, who will strictly monitor the timeline for all required filings and/or attachment of reports to ensure compliance with the Ordinance and report directly to our Board on the required compliance in future.

(iii) Fluctuations in exchange rates

The dividends from our PRC subsidiary companies, through Ganzhou Kanger, will be repatriated via our intermediate holding company, HK Kanger. Although the Hong Kong government does not impose any foreign exchange controls, the dividends may be affected by fluctuations of the HKD against the RMB and/or RM.

There can be no assurance that there will not be any material and/or volatile fluctuations in the HKD, the occurrence of which may affect the amount of dividends/distributions our shareholders may receive. There is also no assurance that the HKD will not be subject to administrative or legislative intervention by the Hong Kong government or adverse market movements in future.

4. RISK FACTORS *(Cont'd)*

4.4 RISKS RELATING TO AN INVESTMENT IN OUR SHARES

(i) Potential delay in or abortion of our Listing

Our Listing may be potentially delayed or aborted in the event of the following:

- (a) The identified investors fail to subscribe for the portion of IPO Shares intended to be placed to them although they have furnished their irrevocable undertaking letters to subscribe for such Shares;
- (b) Our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder; or
- (c) We are unable to meet the public shareholding spread requirement of at least 25% of our enlarged issued and paid-up share capital to be held by a minimum of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

In such an event, investors will not receive any Shares and we will return in full without interest all monies paid in respect of any applications accepted within 14 days after we become liable to repay it, failing which the provision of sub-section 243(2) of the CMSA will apply and we will be liable to repay the monies with interest at the rate of 10% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event our Listing is aborted but our Shares have been allotted to investors, a return of monies to such investors could only be achieved by way of cancellation of share capital as provided under the Act. Such cancellation requires the sanction of our shareholders by special resolution in a general meeting, consent of our creditors (unless dispensation with such consent has been granted by the High Court of Malaysia) and the confirmation of the High Court of Malaysia. Thus, there can be no assurance that such monies can be recovered within a short period of time or at all in such circumstances.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

(ii) No prior market for our Shares

There is no prior market for our Shares. Thus, there can be no assurance that an active market for our Shares will develop upon our Listing or if developed, that such market will be sustained.

The market price of our Shares could be affected by many factors, some of which are not within our control and may be unrelated or disproportionate to our financial performance and/or position. These include, amongst others, the depth and liquidity of the market for our Shares, general market and economic conditions, the market for similar securities, investors' individual perceptions of our Group, our financial performance and/or future prospects.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Thus, there can be no assurance that our Shares will not trade at prices that may be lower than our IPO Price.

(iii) Dividend payments

We are an investment holding company and operate our business mainly through our PRC subsidiary companies. Therefore, the availability of funds available to us to pay dividends to our shareholders depends on dividends received from our PRC subsidiary companies. If our PRC subsidiary companies incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, our ability to pay dividends will be restricted.

4. RISK FACTORS (Cont'd)

The receipt of dividends from our PRC subsidiary companies may also be affected by the passage of new laws, adoption of new regulations or changes to or in the interpretation or implementation of existing laws and regulations. Currently, the PRC laws require that dividends be paid only out of net profits calculated in accordance with the accounting principles in the PRC, which differ in many aspects from the International Financial Reporting Standards. The PRC law also require Ganzhou Kanger, a FIE, to set aside part of its net profits as statutory reserves, which are not available for distribution as dividends.

(iv) Control by Promoter

Upon our Listing, our Promoter will hold approximately 55.17% of our enlarged issued and paid up share capital. As a result, our Promoter will still be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as influence the outcome of certain matters requiring the vote of our shareholders, unless he is required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, as a step towards good corporate governance, we have appointed five (5) Independent Non-Executive Directors and set up an Audit Committee to ensure that, *inter-alia*, any future transactions involving related parties are entered into on an arms-length basis and are not to our detriment and to the detriment of our minority shareholders.

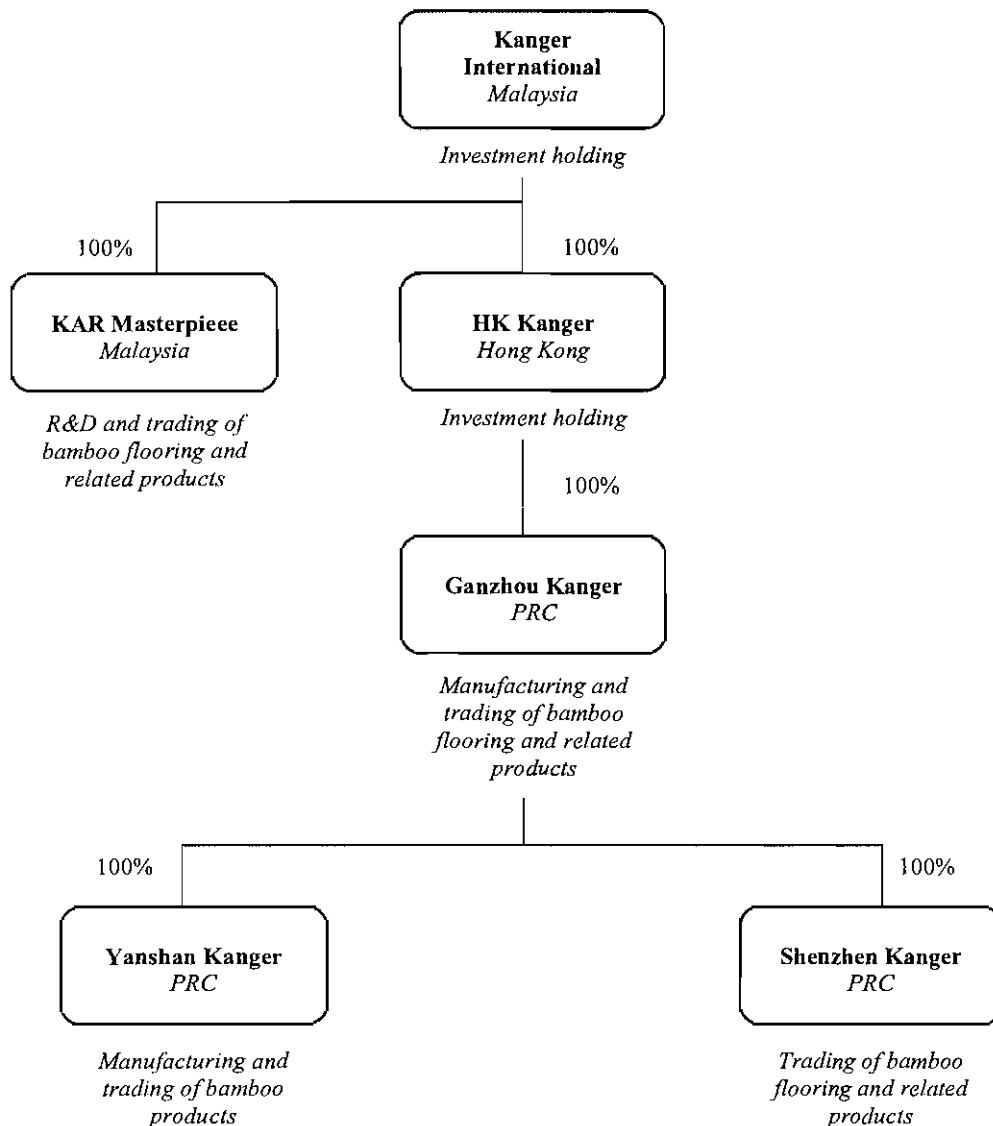
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5. INFORMATION ON OUR GROUP

5.1 OUR HISTORY

We were incorporated under the Act on 27 August 2012 as a private limited company under the name of Kanger International Sdn Bhd. We were subsequently converted into a public limited company and assumed our current name on 5 February 2013 to facilitate our listing on the ACE Market of Bursa Securities.

On 30 September 2013, we acquired the beneficial ownership of all shares of HK Kanger and KAR Masterpiece, the details of which are set out in Section 5.4 of this Prospectus, and formed the following group structure:



5. INFORMATION ON OUR GROUP *(Cont'd)*

Our Group's history can be traced back to 2004 when Leng Xingmin's family established Shenzhen Kanger to undertake the trading of bamboo flooring and related products. In the same year, we were recognised and have remained as the sole authorised bamboo flooring supplier of B&Q China, one of the largest Western home improvement retailers in China with nearly forty (40) stores across China and which is part of the Kingfisher Plc Group, Europe's largest home improvement retailer. We also launched our environmentally friendly bamboo flooring product under the brand 'Kanger' in the same year.

In 2007, our Promoter and Managing Director, Leng Xingmin invented an interlocking system which enables easy installation for some of our bamboo flooring products.

In 2008, we ventured upstream into the manufacturing of bamboo flooring through the acquisition of Ganzhou Kanger by Leng Xingmin to ensure the quality of our bamboo flooring. Prior to this acquisition, the processing of the horizontal and vertical bamboo planks into bamboo flooring was outsourced to a third party bamboo manufacturer. In addition, we also acquired a piece of land and commenced construction of our manufacturing plant on the said land at Jinling West Road, Gannan Industrial Park, Economic and Technology Development Zone, Ganzhou City, PRC.

We obtained CE marking for our products in recognition of their compliance with the European Union legislation, which enabled our products to be marketed within the European Union in 2008. In 2009, we obtained a trademark registration for our 'Kanger' brand from the SAIC.

Subsequently in 2010, we expanded our operations range to include the manufacturing of strand woven bamboo flooring and related products through the acquisition of Yanshan Kanger by Leng Xingmin and his siblings. In the same year, as part of our internal restructuring, Ganzhou Kanger acquired the entire equity interests in Shenzhen Kanger from Leng Xingmin and its other shareholders.

In 2011, we entered into a R&D Agreement with FRIM Board, through KAR Masterpiece, to collaborate with FRIM on R&D on amongst others, utilisation of a suitable Malaysian bamboo species for strand woven bamboo products. This R&D collaboration with FRIM arose due to amongst others, our interest to enhance existing and to develop new strand woven products as well as FRIM's and the Malaysian government's interests to develop the Malaysian bamboo industry. In addition, FRIM is a well-known institution in tropical forestry research whilst Malaysia has an abundant supply of bamboo. The details of our R&D collaboration with FRIM are set out in Section 6.6 of this Prospectus.

Pursuant to our R&D activities including our R&D collaboration with FRIM, we launched a new brand 'KAR Masterpiece' for our premium strand woven bamboo flooring and related products in the same year. In addition, we also improved our interlocking system to facilitate easier installation of our flooring products and obtained a patent for the improved interlocking system in the same year.

In 2012, we obtained a trademark registration for our 'KAR Masterpiece' brand and established our first 'KAR Masterpiece' retail store in Shenzhen to showcase our premium strand woven bamboo flooring and related products. In addition, our products are also distributed via third party appointed dealers who manage their own retail stores which carry our 'Kanger' signage. As at the LPD, there are 31 'Kanger' stores which are mainly located in the Guangdong province of China.

As part of our internal restructuring, HK Kanger acquired the entire equity interests in Ganzhou Kanger in 2012, whereupon Ganzhou Kanger became a WFOE as HK Kanger was wholly owned by a foreigner at the time of the acquisition. Later, on 30 September 2013, Kanger International acquired the beneficial ownership of the entire equity interests in HK Kanger and KAR Masterpiece in conjunction with our Listing. We have pursued a listing in Malaysia after taking into consideration amongst others, our R&D collaboration with FRIM and the potential future expansion of our operations in Malaysia upon the successful development of commercially viable bamboo products using a suitable Malaysian bamboo species as detailed in Section 6.6 of this Prospectus, as well as the interests of our existing Malaysian shareholders. Please refer to Section 5.4 of this Prospectus for details of the above internal restructuring.

5. INFORMATION ON OUR GROUP (Cont'd)

Over the years, we have been the recipient of various accreditations and/or awards in recognition of amongst others, our quality products and customer service with the most recent being Ganzhou Leading Enterprise' (赣州龙头企业) by the Ganzhou Municipal Government (赣州市人民政府). In addition, our commitment to quality and environmentally responsible practices have also enabled us to obtain the ISO 9001:2008 certification for our QMS and the ISO 14001:2004 certification for our environmental management system.

5.2 SHARE CAPITAL

Our authorised share capital is RM50,000,000 comprising 500,000,000 ordinary shares of RM0.10 each, of which 350,000,000 Shares have been issued and fully paid-up. Upon completion of our Public Issue, our issued and paid-up share capital will be increased to RM43,000,000 comprising 430,000,000 Shares.

The movements in our issued and paid-up share capital since the date of our incorporation are set out below:

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
27 August 2012	2	1.00	Subscribers' shares	2
25 January 2013	-	0.10	Share split	2
30 September 2013	349,999,960	0.10	Shares issued as consideration for the Acquisition of HK Kanger	34,999,998
30 September 2013	20	0.10	Shares issued as consideration for the Acquisition of KAR Masterpiece	35,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company.

5.3 SUBSIDIARY COMPANIES

5.3.1 KAR Masterpiece

(a) History and Business

KAR Masterpiece (Company No.: 903533-U) was incorporated in Malaysia under the Act on 7 June 2010 as a private limited company and commenced operations in the same year. It is principally involved in R&D and the trading of bamboo flooring and related products.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Share Capital

KAR Masterpiece has an authorised share capital of RM500,000 comprising 500,000 ordinary shares of RM1.00 each and an issued and paid-up share capital of RM200,000 comprising 200,000 ordinary shares of RM1.00 each. The movements in KAR Masterpiece's issued and paid-up share capital since its incorporation are set out below:

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
7 June 2010	100	1.00	Subscribers' shares	100
21 June 2010	19,900	1.00	Cash	20,000
5 November 2012	180,000	1.00	Otherwise than cash	200,000

(c) Shareholders and Directors

KAR Masterpiece is our wholly-owned subsidiary company and its Directors are Chong Amita and Choo Yew Chun.

(d) Subsidiary and Associated Companies

KAR Masterpiece does not have any subsidiary or associated company.

5.3.2 HK Kanger

(a) History and Business

HK Kanger (Company Registration No. 1589019) was incorporated in Hong Kong under the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) on 16 April 2011 as a private limited company and commenced operations in the same year. It is principally an investment holding company.

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5. INFORMATION ON OUR GROUP (Cont'd)

(b) Share Capital

HK Kanger has an authorised and issued and paid-up share capital of HKD53,427,500 comprising 53,427,500 ordinary shares of HKD1.00 each. The movements in HK Kanger's issued and paid-up share capital since its incorporation are set out below:

Date of Allotment	No. of Shares Allotted	Par Value HKD	Consideration	Cumulative Total HKD
16 April 2011	10,000	1	Subscribers' shares	10,000
24 October 2012	37,000,000	1	Capitalisation of shareholder's loan	37,010,000
29 October 2012	1,417,500	1	Capitalisation of shareholder's loan	38,427,500
29 October 2012	15,000,000	1	Cash	53,427,500

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in the company.

(c) Shareholders and Directors

HK Kanger is our wholly-owned subsidiary company and its Directors are Lim Lai Choy, Leng Xingmin and Zhan Xiuxia.

(d) Subsidiary and Associated Companies

HK Kanger has one (1) wholly-owned subsidiary company, Ganzhou Kanger, which in turn has two (2) wholly-owned subsidiary companies, Shenzhen Kanger and Yanshan Kanger. HK Kanger does not have any associated company.

5.3.3 Ganzhou Kanger

(a) History and Business

Ganzhou Kanger (Registration No. 360703210000137) was incorporated in the PRC as a limited liability company under the PRC Company Law on 27 March 2000 and commenced operations in the same year. It is principally involved in the manufacturing and trading of bamboo flooring and related products.

Ganzhou Kanger was incorporated under the name of Ganzhou HongSheng Industry Development Co., Ltd. (赣州宏盛实业发展有限公司) before adopting its present name on 19 March 2008.

It became a WFOE on 14 March 2012 after being acquired by HK Kanger, which in turn was wholly owned by a foreigner at that point in time.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Capital

Ganzhou Kanger has a registered and contributed capital of USD2,100,980. The changes in Ganzhou Kanger's contributed capital since its incorporation are set out below:

Date	Contributed Value RMB	Consideration	Cumulative Total
16 March 2000	5,000,000	Cash	RMB5,000,000
3 July 2007	(1,596,800)	Share capital reduction	RMB3,403,200
9 May 2008	7,596,800	Otherwise than cash	RMB11,000,000
6 January 2012	3,000,000	Cash	RMB14,000,000
14 March 2012	-	Transfer *	USD2,100,980

Note:

* The entire equity interest of Ganzhou Kanger was transferred to HK Kanger for a consideration of USD2,100,980. Pursuant thereto, the registered and contributed capital of Ganzhou Kanger was changed to USD2,100,980.

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the contributed capital. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in the company.

(c) Shareholders and Directors

Ganzhou Kanger is a wholly-owned subsidiary company of HK Kanger and its Director is Leng Xingmin.

(d) Subsidiary and Associated Companies

Ganzhou Kanger has two (2) wholly-owned subsidiary companies, Shenzhen Kanger and Yanshan Kanger. Ganzhou Kanger does not have any associated company

5.3.4 Shenzhen Kanger

(a) History and Business

Shenzhen Kanger (Registration No. 440301102854545) was incorporated in the PRC as a limited liability company under the PRC law on 9 September 2004 and commenced operations in the same year. It is principally involved in the trading of bamboo flooring and related products.

5. INFORMATION ON OUR GROUP (Cont'd)**(b) Capital**

Shenzhen Kanger has a registered and contributed capital of RMB10,000,000. The changes in Shenzhen Kanger's contributed capital since its incorporation are set out below:

Date	Contributed Value RMB	Consideration	Cumulative Total RMB
9 September 2004	1,000,000	Cash	1,000,000
19 May 2006	9,000,000	Cash	10,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the contributed capital. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in the company.

(c) Shareholders and Directors

Shenzhen Kanger is a wholly-owned subsidiary company of Ganzhou Kanger and its Director is Leng Xingmin.

(d) Subsidiary and Associated Companies

Shenzhen Kanger does not have any subsidiary or associated company.

5.3.5 Yanshan Kanger**(a) History and Business**

Yanshan Kanger (Registration No. 361124210002879) was incorporated in the PRC as a limited liability company under the PRC law on 6 November 2008 and commenced operations in the same year. It is principally involved in the manufacturing and trading of bamboo flooring and related products.

Yanshan Kanger was incorporated under the name Yanshan Hualong Bamboo Co., Ltd (铅山县华龙竹业有限公司). It changed its name to Yanshan Haozhu Bamboo Co., Ltd (铅山县豪竹竹业有限公司) on 10 December 2010 before adopting its present name on 25 June 2012.

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5. INFORMATION ON OUR GROUP (Cont'd)

(b) Capital

Yanshan Kanger has a registered and contributed capital of RMB6,000,000. The changes in Yanshan Kanger contributed capital since its incorporation are set out below:

Date	Contributed Value RMB	Consideration	Cumulative Total RMB
6 November 2008	3,000,000	Cash	3,000,000
22 February 2012	3,000,000	Cash	6,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the contributed capital. As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in the company.

(c) Shareholders and Directors

Yanshan Kanger is a wholly-owned subsidiary company of Ganzhou Kanger and its Director is Leng Wen Jue.

(d) Subsidiary and Associated Companies

Yanshan Kanger does not have any subsidiary or associated company.

5.4 RESTRUCTURING EXERCISE AND ACQUISITIONS

As part of our restructuring exercise, HK Kanger acquired 100% of the equity interest in Ganzhou Kanger for a cash consideration of USD2,100,980 pursuant to a Share Transfer Agreement dated 9 December 2011. This acquisition by HK Kanger was approved by the Ministry of Commerce of PRC ("MOFCOM") on 23 February 2012. Pursuant to the acquisition, Ganzhou Kanger became a WFOE as at the time of the acquisition, HK Kanger was wholly owned by a foreigner without any links to PRC companies or individuals.

According to the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (关于外国投资者并购境内企业的规定) ("M&A Rules") promulgated on 8 August 2006 and effective 8 September 2006, MOFCOM's approval is required for acquisitions by foreign investors whereby the considerations are satisfied by overseas securities. In addition, the M&A Rules requires offshore special purpose vehicles formed for overseas listing purposes which involves PRC companies and/or controlled by PRC companies or individuals to be approved by MOFCOM and the China Securities Regulatory Commission ("CSRC") prior to publicly listing their securities on an overseas stock exchange. Guangdong Grebright Law Firm, the Legal Adviser to our Company on PRC law, is of the opinion that under present PRC laws, regulations and/or guidelines, no approval, save for the WFOE approval above, is required from MOFCOM and/or CSRC for the acquisition of Ganzhou Kanger by HK Kanger, the Acquisition of HK Kanger and the Listing due to the following:

- (a) The acquisition of Ganzhou Kanger by HK Kanger was satisfied by cash; and
- (b) At the time of the above acquisition, HK Kanger was wholly owned by a foreigner without any links to PRC companies or individuals, that is HK Kanger was not a PRC controlled special purpose vehicle.

5. INFORMATION ON OUR GROUP (Cont'd)

In addition to the above, we also undertook the Acquisitions, in conjunction with our Listing, as detailed below:

(a) Acquisition of HK Kanger

Pursuant to a Share Purchase Agreement dated 5 February 2013 entered into between our Company and the vendors of HK Kanger, on 30 September 2013, we have acquired the beneficial ownership of HK Kanger's entire issued and paid-up share capital of HKD53,427,500 comprising 53,427,500 ordinary shares of HKD1.00 each for a total purchase consideration of RM34,999,996, which was wholly satisfied by the issuance of 349,999,960 new Kanger Shares at par.

The vendors of HK Kanger and their respective equity interests acquired by our Company and the number of new Kanger Shares that were issued to them pursuant to the Acquisition of HK Kanger are set out as follows:

Vendor	No. of Shares Acquired	% of Issued and Paid-up Share Capital	Purchase Consideration RM	No. of Kanger Shares Issued
Leng Xingmin	36,210,249	67.78	23,721,090	237,210,905
Lim Lai Choy	8,658,751	16.21	5,672,290	56,722,896
DYMM Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail	2,100,000	3.93	1,375,696	13,756,959
Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail	2,100,000	3.93	1,375,696	13,756,959
Lew Wai Kit	1,000,000	1.87	655,093	6,550,933
Kang Yeat Guat	1,100,000	2.06	720,603	7,206,026
Zhan Xiuxia	829,250	1.55	543,236	5,432,361
Qiao Ning	829,250	1.55	543,236	5,432,361
Fosetta Limited	600,000	1.12	393,056	3,930,560
Total:	53,427,500	100.00	34,999,996	349,999,960

The purchase consideration of approximately RM35.0 million was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited consolidated NA of HK Kanger and its subsidiary companies ("HK Kanger Group") as at 31 December 2012 of approximately RM31.1 million and the additional profits to be generated by the HK Kanger Group subsequent to 31 December 2012 but prior to completion of the Acquisition of HK Kanger.

5. INFORMATION ON OUR GROUP (Cont'd)

(b) Acquisition of KAR Masterpiece

Pursuant to a Share Purchase Agreement dated 5 February 2013 entered into between our Company and the vendors of KAR Masterpiece, Chong Amita and Choo Yew Chun, we have acquired KAR Masterpiece's entire issued and paid-up share capital of RM200,000 comprising 200,000 ordinary shares of RM1.00 each for a total purchase consideration of RM2.00, which was wholly satisfied by the issuance of 20 new Kanger Shares at par.

The purchase consideration of RM2.00 was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited net liabilities of KAR Masterpiece as at 31 December 2012 of RM52,112.

5.5 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements and milestones since our inception are as follows:

Year	Key Achievements and Milestones
2004	<ul style="list-style-type: none"> ▪ Commenced business via Shenzhen Kanger in the trading of bamboo flooring and related products ▪ Recognised as and has remained as B&Q China's sole authorised bamboo flooring supplier
2006	<ul style="list-style-type: none"> ▪ Accredited as a 'Class 3A Enterprise' under the National Construction Standards of the PRC (全国建设系统 AAA 级优秀企业) by the China Construction Building Materials Standards Research Center (中国建设建材标准研究中心) ▪ Accredited as 'Environmental Building Materials Products' (工程装修无毒害绿色产品) by the China Construction Building Materials Standards Research Center (中国建设建材标准研究中心)
2007	<ul style="list-style-type: none"> ▪ Invented an interlocking system which enables easy installation for some of our bamboo flooring products
2008	<ul style="list-style-type: none"> ▪ Acquired Ganzhou Kanger to venture upstream into the manufacturing of bamboo flooring and related products ▪ Recognised as a 'China Famous Brand' (中国著名品牌) by the Research Center of China Famous Brand for Building Materials (中国建材质量驰名品牌调查中心) and China Building Materials Cooperation Association (中国建材工业合作协) ▪ Accredited with ISO 9001:2000 by Kaixin Certification (Beijing) Co., Ltd (凯新认证(北京)有限公司) for our QMS ▪ Obtained CE marking for our products from Intertek Testing Services Shenzhen Ltd
2009	<ul style="list-style-type: none"> ▪ Registered 'Kanger' trademark with SAIC
2010	<ul style="list-style-type: none"> ▪ Acquired Yanshan Kanger to venture into the manufacturing of strand woven bamboo flooring and related products ▪ Expanded our production facilities in Ganzhou through the construction of our Head Office cum production facility with a total built-up area of 8,577 sq m which cost approximately RM2.6 million and resulted in an increase in our production capacity by 98% ▪ Awarded the Ganzhou Leading Enterprise (赣州龙头企业) by the Ganzhou Municipal Government (赣州市人民政府)

5. INFORMATION ON OUR GROUP (Cont'd)

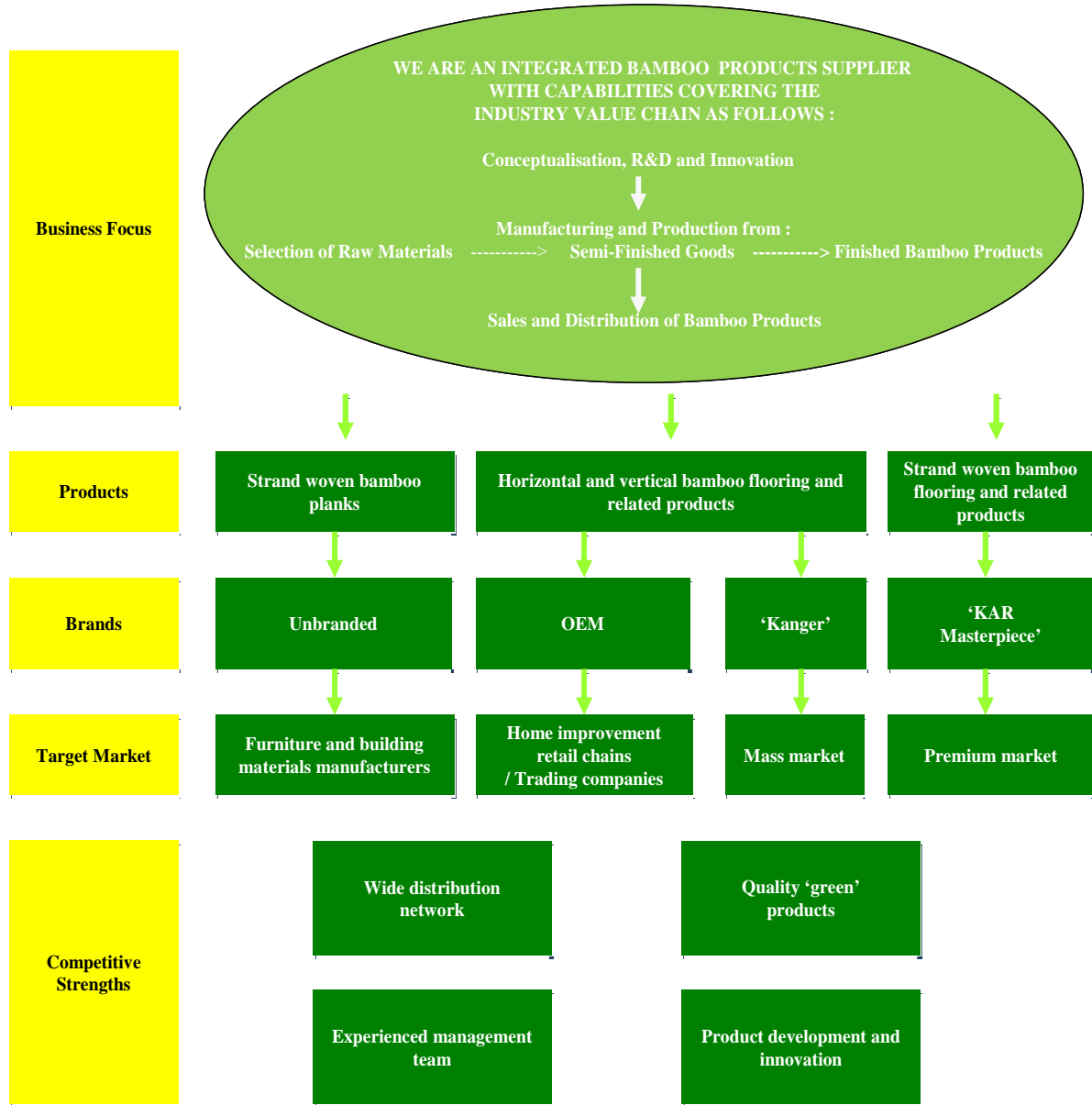
Year	Key Achievements and Milestones
2011	<ul style="list-style-type: none">▪ Entered into the R&D Agreement with FRIM Board for our R&D collaboration with FRIM▪ Selected as a member of the National-Level Certification of Bamboo Flooring Standard-Setting Team by the Research Institute of Wood Industry, China Academy of Forestry▪ Patented our improved interlocking system, which facilitated easier installation for some of our flooring products
2012	<ul style="list-style-type: none">▪ Accredited with ISO 9001:2008 by Certification International (UK) Ltd for our QMS▪ Accredited with ISO 14001:2004 by Beijing BTIHEA Certification Co., Ltd (北京傅天亚认证有限公司) for our environmental management system▪ Registered 'KAR Masterpiece' trademark with SAIC▪ Established first 'KAR Masterpiece' retail store in Shenzhen

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6. BUSINESS OVERVIEW

6.1 BUSINESS MODEL

Our business model is depicted as follows:



6. BUSINESS OVERVIEW *(Cont'd)*

6.2 PRODUCTS

We are a 'green' building materials provider, specialising in the manufacturing and trading of bamboo flooring and related products for the residential and commercial markets under our brands 'Kanger' and 'KAR Masterpiece' as well as OEM at the request of our customers. In addition, we also sell strand woven bamboo planks, a semi-finished product from our strand woven bamboo flooring manufacturing process, to furniture and building materials manufacturers as raw materials for their production. The details of our products are set out in the ensuing sections.

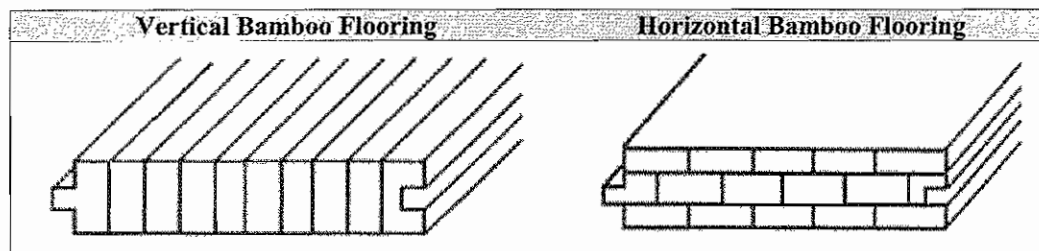
6.2.1 Bamboo Flooring

Bamboo flooring is a relatively new alternative flooring which is environmentally friendly due to the quick regrowth cycle of bamboo plants. In addition, bamboo flooring is durable and naturally moisture resistant.

Currently, our bamboo flooring are manufactured using Moso bamboo, which grow in abundance in the Jiangxi province of China where our Ganzhou and Yanshan manufacturing plants are located, through two (2) methods as depicted below:

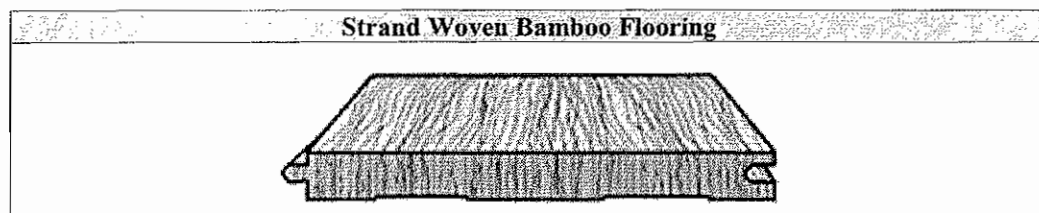
(i) Horizontal or Vertical Bamboo Flooring

Bamboo strips can be flat pressed (horizontal bamboo flooring) or side pressed (vertical bamboo flooring). The bamboo grain can be seen clearly on the horizontal bamboo flooring whilst the bamboo grain visibility is reduced on the vertical bamboo flooring. In addition, vertical bamboo flooring is more dense and due to its vertical pressed structure, is less prone to warping.



(ii) Strand Woven Bamboo Flooring






Strand woven is a relatively new method of using bamboo to produce flooring panels whereby quality bamboo fibres are compressed under high pressure to create a higher density bamboo material. As a building material, strand woven bamboo flooring is not only good insulators of sound, but also more material efficient in its production as compared to horizontal or vertical bamboo flooring. Strand woven bamboo flooring has a wider area of application, such as being used as outdoor flooring and high traffic areas.









6. BUSINESS OVERVIEW (Cont'd)

Our horizontal, vertical and lower-end strand woven bamboo flooring are offered under our 'Kanger' brand whilst our higher-end strand woven bamboo flooring are offered under our 'KAR Masterpiece' brand. Our 'KAR Masterpiece' strand woven bamboo flooring have better features as compared to our 'Kanger' woven bamboo flooring such as higher density, higher strength, better durability and higher shock resistance.

Through our R&D process, we have launched twelve (12) series of bamboo flooring with different aesthetics and features to cater for different consumer preferences and requirements as detailed below:

Brand / Year Launched	Series	Product / Features
Horizontal or Vertical Bamboo Flooring		
Kanger / 2004	Europe and United States	 <ul style="list-style-type: none"> Horizontal pressed Natural matte finishing
Kanger / 2004	Star	 <ul style="list-style-type: none"> Carbonized Horizontal or vertical pressed
Kanger / 2004	Rainbow	 <ul style="list-style-type: none"> Horizontal pressed Variety of colour effects
Kanger / 2007	Multi-Function Locking System	 <ul style="list-style-type: none"> Features a different interlocking system Easy self-installation and care
Kanger / 2009	Wooden Grainy	 <ul style="list-style-type: none"> Available in a variety of natural wood aesthetics

6. BUSINESS OVERVIEW (Cont'd)



Brand / Year Launched	Series	Product / Features
Horizontal or Vertical Bamboo Flooring (Cont'd)		
Kanger / 2010	Classic Art	 <ul style="list-style-type: none"> ▪ Classic wood aesthetics ▪ Elegant decoration effect
Kanger / 2010	Side Compression	 <ul style="list-style-type: none"> ▪ Vertical pressed ▪ Various tones of Belgian wood wax finishing
Strand Woven Bamboo Flooring		
Kanger / 2011	Strand woven	 <ul style="list-style-type: none"> ▪ Durable and soundproof ▪ Strong water resistance ▪ Strong fire resistance
KAR Masterpiece / 2011	Living Room	 <ul style="list-style-type: none"> ▪ Strong wear resistance
	Study Room	 <ul style="list-style-type: none"> ▪ Vintage and classical aesthetics
	Bedroom	 <ul style="list-style-type: none"> ▪ Soothing aesthetics

6. BUSINESS OVERVIEW (Cont'd)





Brand / Year Launched	Series	Product / Features
Strand Woven Bamboo Flooring (Cont'd)		
	Kitchen	 <ul style="list-style-type: none"> ▪ Anti-slip ▪ Strong water resistance ▪ Fungus/Mold resistance <p>Most of our products under the 'KAR Masterpiece' brand share similar features as follows:</p> <ul style="list-style-type: none"> ▪ Solid, durable and easy to clean ▪ Soundproofing ▪ Anti-pest ▪ Water resistance ▪ Wear resistance ▪ Fire resistance

6.2.2 Bamboo Flooring Accessories

To complement our bamboo flooring, we also manufacture bamboo accessories such as the following to enhance the appearance of our bamboo flooring after installation.

Accessory	Description
 <p>Reducer / Spoiler</p>	<p>Reducer is used to transition a bamboo flooring to a lower surface such as vinyl or carpet.</p>
 <p>Threshold</p>	<p>Threshold is used to place a beautiful transition at the end of a bamboo flooring and is commonly used at front doors or sliding glass doors.</p>

6. BUSINESS OVERVIEW (Cont'd)

Accessory	Description
 <p data-bbox="438 533 632 562">Stair Bull Nosing</p>	<p data-bbox="791 338 1396 400">Stair bull nosing is used to place a transition at staircases or staircase landings.</p>
 <p data-bbox="475 817 595 846">T-molding</p>	<p data-bbox="791 622 1396 685">T-molding is used for transition of bamboo flooring to different flooring such as tiles of even height.</p>
 <p data-bbox="376 1099 695 1128">Quarter Base / Shoe-molding</p>	<p data-bbox="791 904 1396 996">Quarter base act as a transition between the bamboo flooring and the wall and is often used in conjunction with cabinets or wardrobes.</p>
 <p data-bbox="416 1382 655 1411">Base / Skirting Board</p>	<p data-bbox="791 1187 1396 1279">Base board is used as a transition between the bamboo flooring and the wall to cover any uneven gaps and is often used in conjunction with quarter base.</p>

6.2.3 Strand Woven Bamboo Planks

To promote the usage of bamboo as an alternative to wood in non-flooring application, we also offer strand woven bamboo planks (a semi-finished product from our strand woven bamboo manufacturing process) as raw materials for use in the production of furniture and other types of building materials.

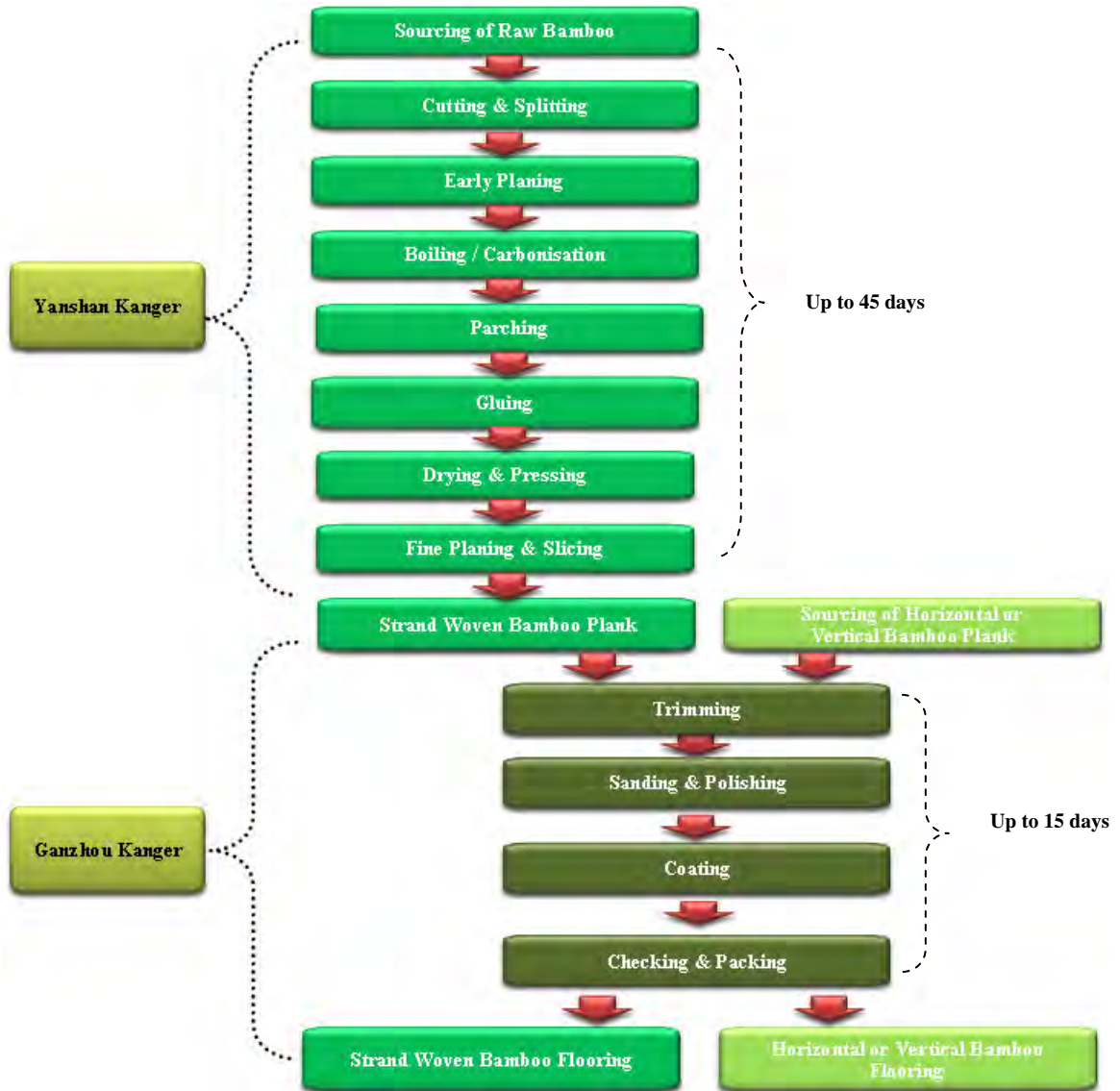
6. BUSINESS OVERVIEW (Cont'd)

6.3 MANUFACTURING PROCESS

The first stage of our manufacturing process entails the production of strand woven bamboo planks which is carried out in our Yanshan plant.

The second stage of our manufacturing process is carried out in our Ganzhou plant. This entails processing of the strand woven bamboo planks into strand woven bamboo flooring. Our horizontal or vertical bamboo flooring are also manufactured at our Ganzhou plant.

Our manufacturing process is illustrated below:



6. BUSINESS OVERVIEW *(Cont'd)*

6.3.1 Yanshan Kanger

(i) Sourcing of Raw Bamboo

There are over 200 species of bamboo that can be found in China. Moso bamboo (also known as *Phyllostachys edulis*) is the main raw material used in the manufacturing of our bamboo flooring.

We use Moso bamboo of four (4) to six (6) years old for our production process as mature Moso bamboo is stronger in terms of tension and thus, yields higher quality bamboo flooring.

Our Moso bamboo is sourced from bamboo cutters or bamboo distributors mainly located in the Jiangxi province of China.

(ii) Cutting and Splitting

The raw bamboo stalks, which are hollow with a hard outer wall and a softer inner wall, are cut to remove the top section which is smaller in diameter and then split down the length of the poles.



Splitting

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6. BUSINESS OVERVIEW *(Cont'd)*

(iii) Early Planing

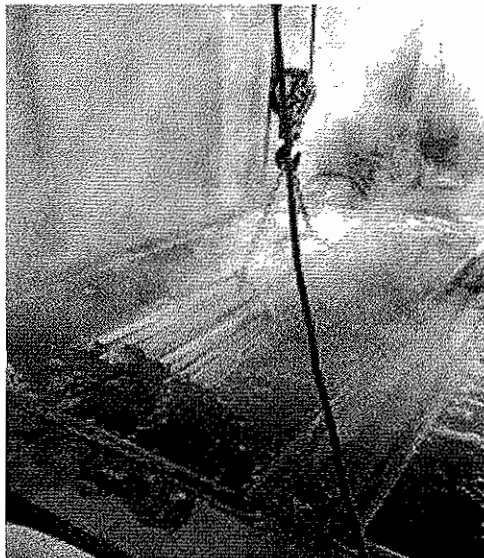
The rectangular shaped bamboo strips are then planed to remove the green outer skin, inner layer and nodes until only the fibre layers remain.



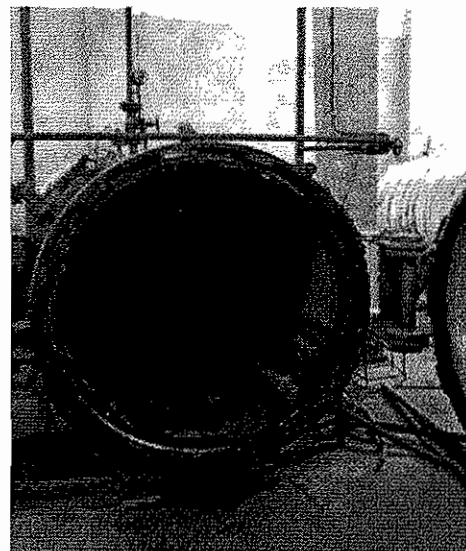
Bamboo fibre strips

(iv) Boiling / Carbonisation

After early planing, the bamboo fibre strips are boiled and/or carbonised (that is, steamed under high pressure) to kill pests and remove the sugar and oil contents in the bamboo. The bamboo fibre strips which have undergone the carbonisation process will change colour from a blonde, yellow colour to a brown, coffee colour. Bamboo fibre strips may or may not be carbonised depending on the colour requirements of the desired end products.



Boiling

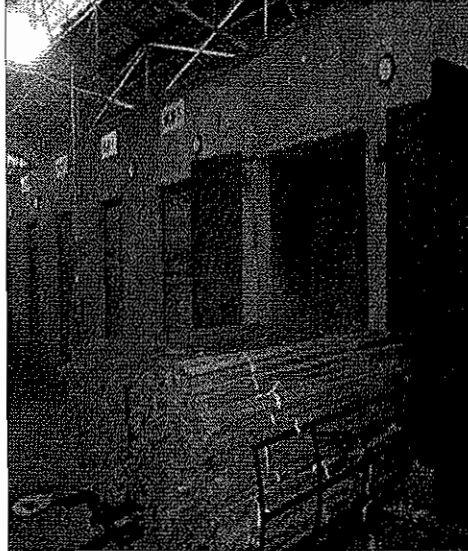


Carbonizing chamber

6. BUSINESS OVERVIEW *(Cont'd)*

(v) **Parching**

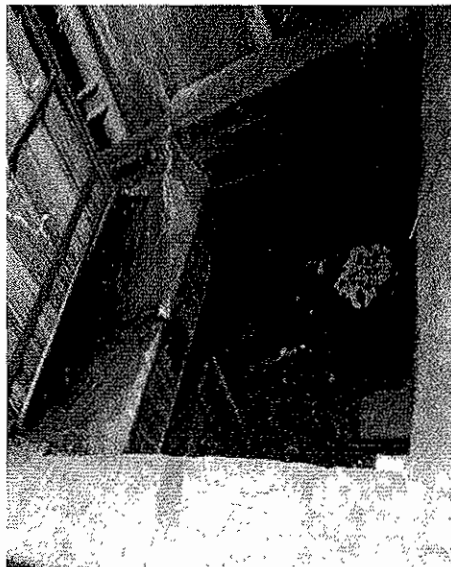
The bamboo fibre strips are then dried in the drying kiln to reduce their moisture content to prevent warping of the resultant bamboo flooring.



Drying kiln

(vi) **Gluing**

After parching, the bamboo fibre strips are immersed in water-based adhesives to bind the bamboo strips during the pressing process. As a 'green' building materials provider, we ensure that the adhesives used in our manufacturing process are environmentally friendly and meets regulatory requirements on formaldehyde emission, including the strict European Union standards. Currently, we are using a water-based adhesive, developed in-house through our R&D efforts, which has less than 0.1% formaldehyde emission.



Glue pond

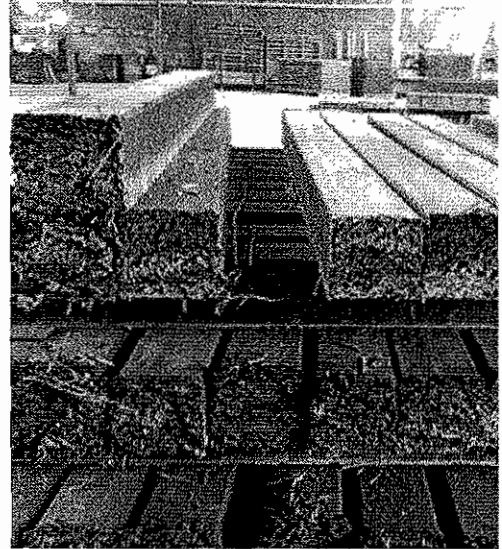
6. BUSINESS OVERVIEW (Cont'd)

(vii) **Drying and Pressing**

After drying through a heated conveyor belt system, the bamboo fibre strips then undergo a pressing process, whereby the loose bamboo fibre strips are compressed under high pressure to form strand woven bamboo blocks.



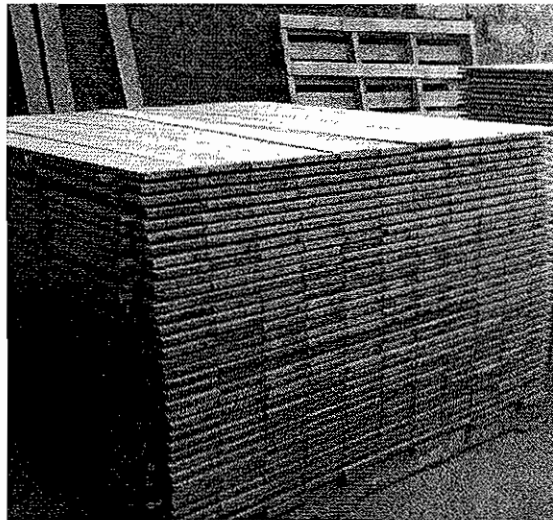
Pressing



Strand woven bamboo blocks

(viii) **Fine Planing and Slicing**

The strand woven bamboo blocks are then planed to remove the two (2) ends and outer layer to create even, homogenous blocks. Thereafter, the blocks will be sliced into planks of different measurements according to our customers' requirements.



Strand woven bamboo planks

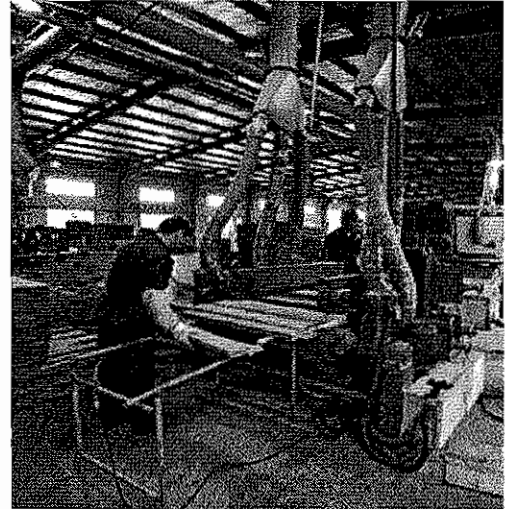
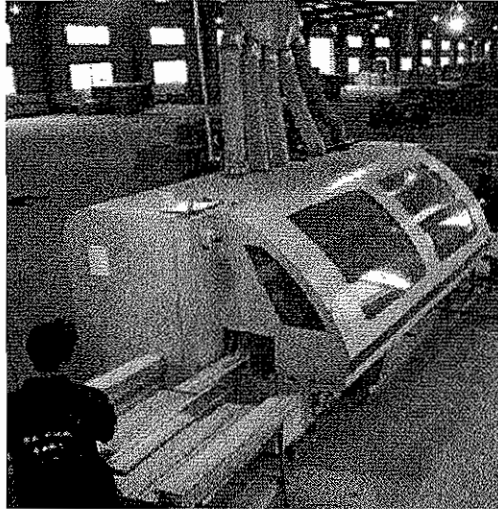
6. BUSINESS OVERVIEW (Cont'd)

6.3.2 Ganzhou Kanger

The strand woven bamboo planks used in the production of our strand woven bamboo flooring are manufactured at our Yanshan plant while the horizontal or vertical bamboo planks used in the production of our horizontal or vertical bamboo flooring are sourced from third party suppliers.

(i) Trimming

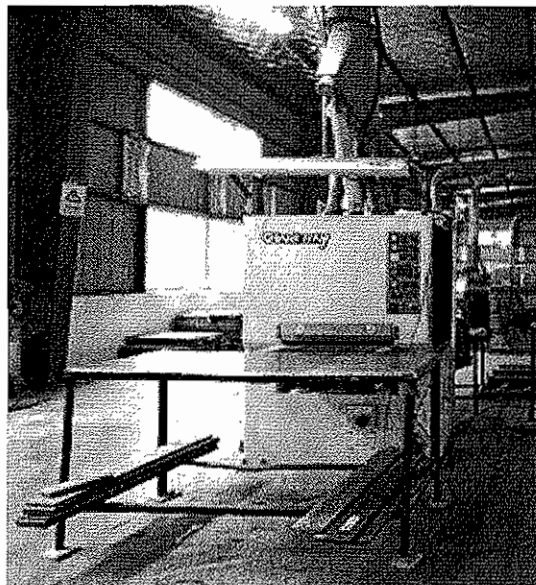
The bamboo planks are trimmed to even out the thickness for our subsequent production process.



Trimming

(ii) Sanding and Polishing

Sanding is a surface treatment process to create an even surface on the bamboo planks, which are then polished for a smoother finish. At the same time, 'tongues and grooves' are moulded on the sides and ends of the bamboo planks to facilitate the installation of the bamboo flooring.

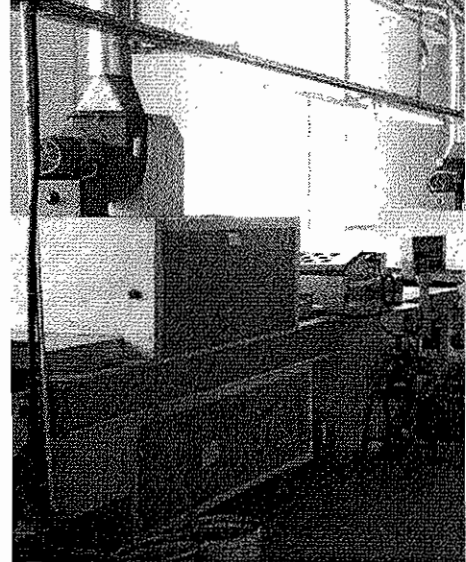
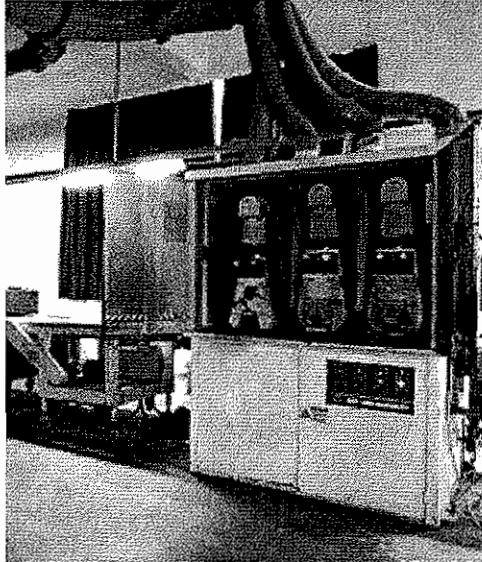


Sanding

6. BUSINESS OVERVIEW (Cont'd)

(iii) Coating

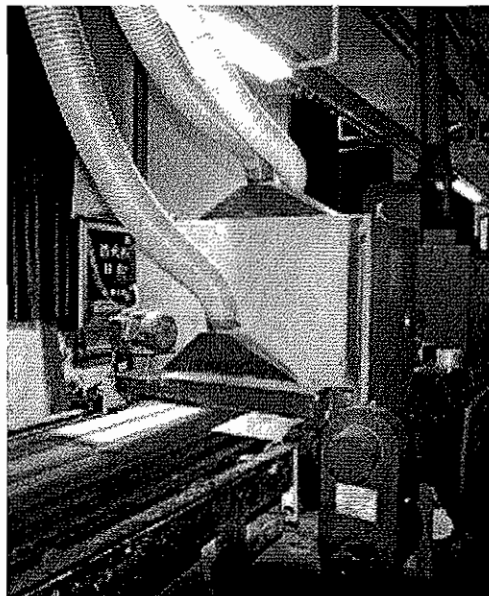
We will then apply several coatings of sealant aluminium oxide ultraviolet (“UV”) to enhance the look of the bamboo flooring and at the same time increase their durability as well as wear and water resistance.



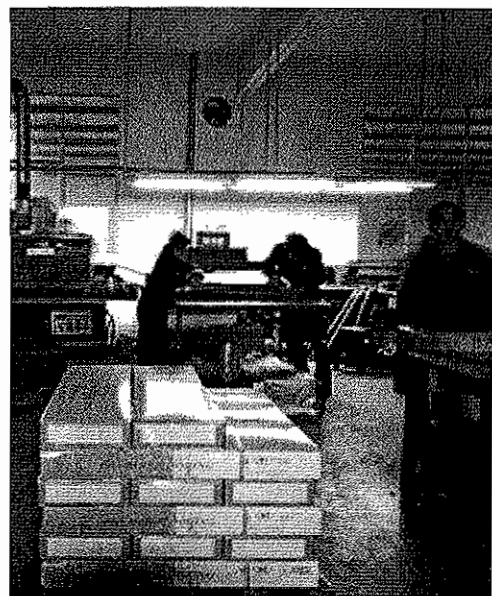
Aluminium oxide UV coating

(iv) Checking and Packing

After coating, the finished bamboo flooring planks are individually checked for defects before being packed into cartons for warehousing or delivery to customers. Any defects are rectified, reworked or send back to the earlier manufacturing process for touch up.



Finished bamboo flooring



Packaging

6. BUSINESS OVERVIEW (Cont'd)

6.4 MANUFACTURING FACILITIES

6.4.1 Material equipment and production capacity

The details of our material equipment and their monthly maximum production capacity, average production output and utilisations levels are as follows:

Equipment	No. of Units / Lines	Monthly Maximum Production Capacity ⁽²⁾	Average Monthly Actual Production ⁽³⁾	Average Monthly Capacity Utilisation %	Audited NBV as at 30 June 2013 RM
Yanshan Kanger ⁽¹⁾					
Cutting & splitting machine	1	2,500 tonnes	1,164 tonnes	46.56	2,947
Planing machine	2	2,500 tonnes	1,164 tonnes	46.56	54,351
Carbonizing chamber	2	2,500 tonnes	1,164 tonnes	46.56	66,681
Drying kiln	7	1,750 tonnes	1,164 tonnes	66.51	58,506
Adhesive tank	1	1,140 tonnes	530 tonnes	46.49	3,251
Presser & heated conveyor system	1	15,000 blocks	7,500 blocks	50.00	272,927
Fine planing machine	1	2,500 tonnes	1,164 tonnes	46.56	121,345
Slicer	2	15,000 blocks	7,500 blocks	50.00	134,346
Ganzhou Kanger ⁽¹⁾					
QC conveyor	5	50,000 m ²	27,500 m ²	55.00	42,048
Sanding and polishing machine	1	50,000 m ²	27,500 m ²	55.00	51,608
'Tongue and groove' miller	1	50,000 m ²	27,500 m ²	55.00	101,229
Trimmer	2	60,000 m ²	27,500 m ²	45.83	205,136
Spray paint machine	1	50,000 m ²	27,500 m ²	55.00	167,313
Embosses	1	15,000 m ²	3,000 m ²	20.00	33,469
UV coater	2	50,000 m ²	27,500 m ²	55.00	88,370
Total:					1,400,579

Notes:

- (1) Currently runs on one (1) 8-hour shift per day, 22 days a month.
(2) Based on two (2) 8-hour shifts per day.
(3) Based on actual average monthly output for the FYE 31 December 2012.

6. BUSINESS OVERVIEW (Cont'd)

6.4.2 Technology Used

The technology used in our manufacturing process is mainly derived from the machineries we used as detailed in the preceding section. In addition, we possess the technological know-how for our manufacturing process, such as the technicalities of carbonisation, duration of each process, temperature settings, pressure control and mixing formula of adhesives and coatings, through amongst others our R&D initiatives and the knowledge and experience of our key management and key technical personnel. This has helped to enhance our manufacturing process and the quality of our products as well as to facilitate the launch of new series of products.

6.5 SALES AND DISTRIBUTION

Our Sales and Marketing Department is led by our Group Sales and Marketing Manager, Qiao Ning who has over fifteen (15) years of relevant experience in sales and marketing. Qiao Ning reports directly to our Managing Director, Leng Xingmin who has ten (10) years of experience in the bamboo flooring industry and who has been instrumental in the establishment of our Group and our brands 'Kanger' and 'KAR Masterpiece'. They are supported by 40 sales and marketing personnel based in our sales offices in Shanghai, Guangzhou and Shenzhen as well as various B&Q stores in China.

Our Sales and Marketing Department is responsible for brand building, development and execution of marketing strategies, building and maintaining customers' relationships, monitoring of sales and marketing activities and providing market feedback to our Production and R&D Departments.

6.5.1 Marketing Strategies

The marketing strategies initiated by our Group include the following:

(i) Advertising

We market and advertise through various mediums including:

- Billboards and banners, particularly at home improvement malls where our products are sold;
- Pamphlets and brochures;
- Information on our Group and products on our website; and
- Posting of our products on business-to-business websites such as www.alibaba.com.

(ii) Trade exhibitions

We have participated in various trade exhibitions to showcase our products and to solicit orders from local and overseas customers as follows:

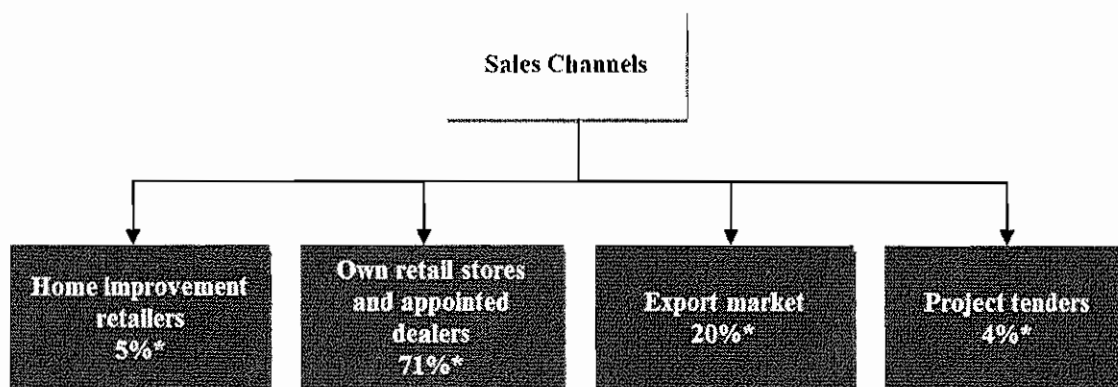
Event	Location	Date
China Import and Export Fair (中国进出口商品交易会)	Guangzhou	April 2012
China Import and Export Fair (中国进出口商品交易会)	Guangzhou	June 2011
China Import and Export Fair (中国进出口商品交易会)	Guangzhou	April 2011

6. BUSINESS OVERVIEW (Cont'd)

These exhibitions are also platforms for us to gather valuable feedbacks from our customers and to increase awareness of our brands as well as to keep abreast with the latest industry developments, particularly on the competitive landscape, which helps to shape our marketing strategies.

6.5.2 Sales Channels

We distribute our products through a variety of sales channels as follows:



Notes:

* Percentage contribution to our revenue for the FPE 30 June 2013.

^ All sales through these sales channels are on an outright basis, that is our products are sold upon delivery to our customers, save for sales to B&Q China as detailed below.

(i) Home improvement retailers and distributors

We are the sole authorised supplier of bamboo flooring to B&Q China, one of the largest western home improvement retailers in China with nearly forty (40) stores across China. At B&Q China, our products are sold under our own brands on consignment basis, that is sales are only recognised after our products are sold to B&Q China's retail customers, as well as OEM for B&Q China whereby the sales are on an outright basis. As part of our marketing strategy to increase awareness of our products and brands, we have also stationed our own sales personnel at various B&Q stores to promote our products.

In addition, we also distribute our products through local building materials distributors.

(ii) Own retail stores and appointed dealers

We have appointed third party dealers who sell our 'Kanger' bamboo flooring at their stores which carry our 'Kanger' signage. These dealers, who consist of individuals, owned and managed their stores independently from our Group, whereby our products are sold to these dealers on an outright basis. Those dealers who meet certain criteria such as a certain size of display area for our products within their shops are given incentives such as discounted or free sample products for display purposes.

As part of our marketing strategy to widen our distribution network and to increase brand awareness, our Sales and Marketing Department actively seek wood flooring retailers to be our dealers. As at the LPD, there are 31 third party stores which carry our 'Kanger' signage and are mainly located in the Guangdong province of China.

In addition, we also set up our own 'KAR Masterpiece' retail store in Shenzhen to showcase our premium strand woven bamboo flooring in 2012.

6. BUSINESS OVERVIEW (Cont'd)

(iii) Export market

We have secured a number of overseas customers mainly in Turkmenistan, United Arab Emirates, Hong Kong and Romania through amongst others, the posting of our products on business-to-business websites and participations at trade exhibitions. For the FPE 30 June 2013, we recorded sales to eight (8) overseas customers which accounted for approximately 20% of our total revenue. Please refer to Section 12.2.1 of this Prospectus for the segmental analysis of our revenue by geographical location.

(iv) Project tenders

As part of our marketing strategy to increase revenue, our Sales and Marketing Department actively identify and tender for property development and/or refurbishment projects to be the supplier of bamboo flooring and related products for these projects. For the FPE 30 June 2013, we completed four (4) projects totalling RM0.9 million in revenue.

We will replace any products sold which are found to be defective during the one (1) year warranty period and then send the defective products back to our manufacturing facilities for rectification, rework and/or touch up at minimal cost for subsequent sales. As such, we do not need to make any provision for the product warranty. Notwithstanding the above, if the replacements for defective products exceed 1% of our total revenue for any financial year, we will commence provision for the warranty expense. As at the LPD, we have not experienced any significant incidences of replacement of defective products, whereby the quantum of defective products replaced is less than 1% of our sales volume for the FYE 31 December 2010 to 2012 and FPE 30 June 2013.

6.6 RESEARCH AND DEVELOPMENT

In order to maintain our competitiveness, we place emphasis on R&D to improve the quality of our existing products and accelerate the development of new products. Our R&D activities are led by our Production cum R&D Manager, Li Zhisheng who is based in China. He is assisted by a team of six (6) technical personnel, which includes Chong Amita, director of KAR Masterpiece, who is based in Malaysia.

Currently, our R&D activities are segregated into two (2) areas, namely Production R&D and R&D Collaboration with FRIM as follows:

(i) Production R&D

Our Production R&D, which is carried out at our manufacturing plants in Yanshan and Ganzhou, is focused on the following:

- (a) Development of new series of bamboo flooring with different features and/or aesthetics to cater for different consumer preferences and requirements, whereby we have launched twelve (12) series of bamboo flooring since our inception in 2004;
- (b) Development of our own water-based adhesives which meets regulatory requirements on formaldehyde emission;
- (c) Continuous improvement of our manufacturing process to increase production efficiency and minimise wastage, thereby lowering our cost of production; and
- (d) Development of new applications in utilising strand woven bamboo planks for non-flooring products. The new products that we are currently developing and are expecting to launch in the near future include bamboo wall panelling and bamboo doors as detailed in our future plans in Section 6.15.1 of this Prospectus.

6. **BUSINESS OVERVIEW (Cont'd)**

(ii) **R&D Collaboration with FRIM**

We have entered into a R&D Agreement with FRIM Board in 2011, through KAR Masterpiece, to collaborate with FRIM on amongst others the following:

- Identification of a suitable Malaysian bamboo species for development of strand woven bamboo planks;
- Testing of the resultant strand woven bamboo plank samples for structural and non-structural applications;
- Benchmarking the certification for the finished bamboo products; and
- Development of a bamboo plantation for commercialisation of the identified bamboo species.

We are currently the only corporation collaborating with FRIM on the above. The other salient terms of the R&D Agreement are as follows:

- The R&D Agreement is a non-exclusive research and development collaboration on the applications of strand woven bamboo planks for structural and non-structural applications in Malaysia.
- The duration of the R&D Agreement is three (3) years from 5 July 2011.
- Intellectual Property Rights
 - (i) The R&D Agreement does not provide either party with any license or right to intellectual property rights of the other party.
 - (ii) Except as otherwise expressly agreed in writing, all rights in any intellectual property owned by any party prior to the R&D Agreement or developed independently by the party in connection with the R&D Agreement shall be vested solely in that party.
- General Rights of Termination:
 - (i) The R&D Agreement may be terminated by either party if the other party commits a breach of any obligations on its part to be performed or observed under the R&D Agreement.
 - (ii) In addition and without prejudice to any other provisions in the R&D Agreement, the R&D Agreement shall be terminated without liability to either party if:
 - (a) such termination is necessitated by any directive or regulation from any governmental or statutory authority having jurisdiction over the matters herein; or
 - (b) such aforementioned directive or regulation expressly prohibits either party from performing any of its material obligations under the R&D Agreement.

Pursuant to this collaboration, a Malaysian bamboo species has been identified as being suitable for development of strand woven bamboo planks, which has amongst others the advantage of height as compared to the Moso bamboo, thereby making it more suitable for the production of longer and/or higher bamboo products such as furniture, doors, structural beams and other building materials.

6. BUSINESS OVERVIEW (Cont'd)

We have produced some sample strand woven bamboo products using the identified Malaysian bamboo species, with the assistance of a bamboo equipment manufacturer, for testing purposes. These include three (3) sample houses measuring approximately 30m² each made entirely of strand woven bamboo planks, including their wall cladding, ceiling, flooring, structural pillars, fencing and gates, which we are testing for amongst others, durability, weather resistance and suitability for tropical weather.

Presently, the sample products for our R&D collaboration with FRIM are produced in China and subsequently transported to FRIM for testing and further evaluation. However, in conjunction with our R&D focus and our R&D collaboration with FRIM, we intend to invest approximately RM2.0 million of our IPO proceeds to set up a R&D facility in Malaysia, which will enable us to produce the sample products for our R&D collaboration with FRIM in Malaysia. Of the RM2.0 million earmarked for R&D expenditure, RM1.0 million will be utilised to purchase machinery for production and testing of sample products, whilst the balance RM1.0 million will be utilised to set up the facility at a location to be identified and purchase materials for testing purposes.

The setting up of our own R&D facility in Malaysia will enable us to conduct more in-depth and advance researches and testing of products with the support and assistance from FRIM.

The setting up of this R&D facility is expected to commence by the first half of 2014 and is expected to be completed within a period of twelve (12) months from the date of commencement.

Should these sample products be found to be commercially viable, we may further expand our operations in Malaysia for the production of these bamboo products and/or bamboo planks using the Malaysian bamboo species as it would be cost prohibitive to transport such raw Malaysian bamboo materials to our existing manufacturing facilities in China.

The R&D expenses incurred by our Group for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 are as follows:

	<----- FYE 31 December ----->			FPE 30 June
	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000
Revenue	14,836	23,411	38,556	21,378
R&D expenses	1,029	1,045	1,124	641
% of revenue	6.9%	4.5%	2.9%	3.0%

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6. BUSINESS OVERVIEW *(Cont'd)*

6.7 ENVIRONMENT MANAGEMENT SYSTEM

As a 'green' building materials provider, we are committed to 'green' operating practices and have in place an environment management system which has been accredited as being ISO 14001:2004 compliant. Our practice and control for environment management include:

- (a) Preserving, conserving, minimising waste of resources and ensuring that our work environment is free from pollution and recognised hazards;
- (b) Complying with relevant environmental, health and safety laws for controlling hazardous chemical substances in products and materials;
- (c) Conducting periodic management review of our policy, objectives and targets to ensure suitability and effective implementation of our environmental management program;
- (d) Communicating to all employees to ensure adequacy in environmental awareness, skill, knowledge and competency; and
- (e) Communicating and promoting awareness to customers and suppliers and making the environmental policy available to the public upon request.

6.8 QUALITY ASSURANCE

We place strong emphasis on the quality of our products and have in place a QMS which has been accredited as being ISO 9001:2000 compliant for the manufacturing of bamboo flooring, sales and services in 2008. We also successfully obtained the updated ISO 9001:2008 certification in 2012 for the same scope, which will be effective until 21 June 2015.

As part of our QC procedures, we have one (1) QC Manager for each of our manufacturing plant in Yanshan and Ganzhou. Quality checks are performed by the respective QC Manager throughout the manufacturing process to ensure compliance to our process standards so to ensure our product quality and requirements are met. If any defect is detected, the product will be reworked or touched up.

All in-coming raw bamboo, horizontal and vertical bamboo planks are also inspected to ensure that the materials, meet our pre-determined conditions and standards to ensure the quality of our finished products.

In addition, we also have in place a 'Cross QC' policy, whereby our production staff perform cross checking on the output of their respective team members within the same manufacturing process. A final inspection is also performed at the end of our manufacturing process to ensure the quality of our finished products.

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6. BUSINESS OVERVIEW (Cont'd)**6.9 CUSTOMERS****6.9.1 Major Customers**

Our major customers (those who contributed 10% or more to our total sales) for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 are as follows:

Customer *	Country of Origin	Approximate Length of Relationship Years	← FYE 31 December		→ FPE 30 June					
			2010 RM'000	%	2012 RM'000	%	2013 RM'000	%		
Total Revenue			14,836	100.00	23,411	100.00	38,556	100.00	21,378	100.00
B&Q China	China	8								
- Consignment sales			4,049	27.29	2,722	11.63	2,701	7.01	1,559	7.29
- Outright sales			2,071	13.96	3,092	13.21	2,465	6.39	969	4.53
			<u>6,120</u>	<u>41.25</u>	<u>5,814</u>	<u>24.84</u>	<u>5,166</u>	<u>13.40</u>	<u>2,528</u>	<u>11.82</u>
Huzhou Yue Jinge Wood Co., Ltd	China	2	-	-	4,530	19.35	3,828	9.93	2,967	13.88
CNBMIT Co., Ltd *	China	3	-	-	-	-	5,518	14.31	3,448	16.13
Shenzhen Shengxinhai Investment Co., Ltd	China	1	-	-	-	-	-	-	4,137	19.35
Shenzhen Huanwei Woods China Co., Ltd	China	1	-	-	-	-	-	-	2,138	10.00
Total			6,120	41.25	10,344	44.19	14,512	37.64	15,218	71.18
Total no. of customers										
- Domestic ^c			32		45		29		25	
- Export			17		17		19		8	
			<u>49</u>		<u>62</u>		<u>48</u>		<u>33</u>	

6. BUSINESS OVERVIEW (Cont'd)

Notes:

Save for the agreements with B&Q China as mentioned in Section 6.16.2 of this Prospectus, the nature of the sales to our major customers are on an order-by-order basis.

For information purposes, our major customers' nature of business is as follows:

<i>Major customers</i>	<i>Nature of business</i>
<i>B&Q China</i>	<i>Home improvement retailer</i>
<i>Huzhou Yue Jing Wood Co., Ltd</i>	<i>Manufacturing and trading of wood flooring products</i>
<i>CNBMIT Co., Ltd</i>	<i>Import and export of products including building materials</i>
<i>Shenzhen Shengxin Hai Investment Co., Ltd</i>	<i>Import and export of products including bamboo related products</i>
<i>Shenzhen Huanwei Woods China Co., Ltd</i>	<i>Manufacturing and trading of wood flooring products</i>

* CNBMIT Co., Ltd has been our export agent since 2010 whereby part of our export sales are channelled through this company as detailed in Section 12.1 of this Prospectus. The RM5.5 million sales to CNBMIT Co., Ltd in the FYE 31 December 2012 and FPE 30 June 2013 was in relation to CNBMIT Co., Ltd's own customers.

^ The direct sales to some of our domestic retail customers are channelled through our appointed dealers, home improvement retailers and distributors which resulted in a decline in the number of customers from 45 in 2011 to 25 in 2013.

We have been dependent on one (1) of our major customers, namely B&Q China which contributed to 41.25% of our total revenue for the FYE 31 December 2010. However, the quantum of our sales to B&Q China have declined from RM6.1 million in the FYE 31 December 2010 to RM2.5 million in the FPE 30 June 2013 mainly as a result of B&Q China's internal restructuring to streamline its business and reposition its stores, whereby the number of B&Q stores reduced from 62 stores as at 31 December 2009 to 39 stores as at 30 June 2013.

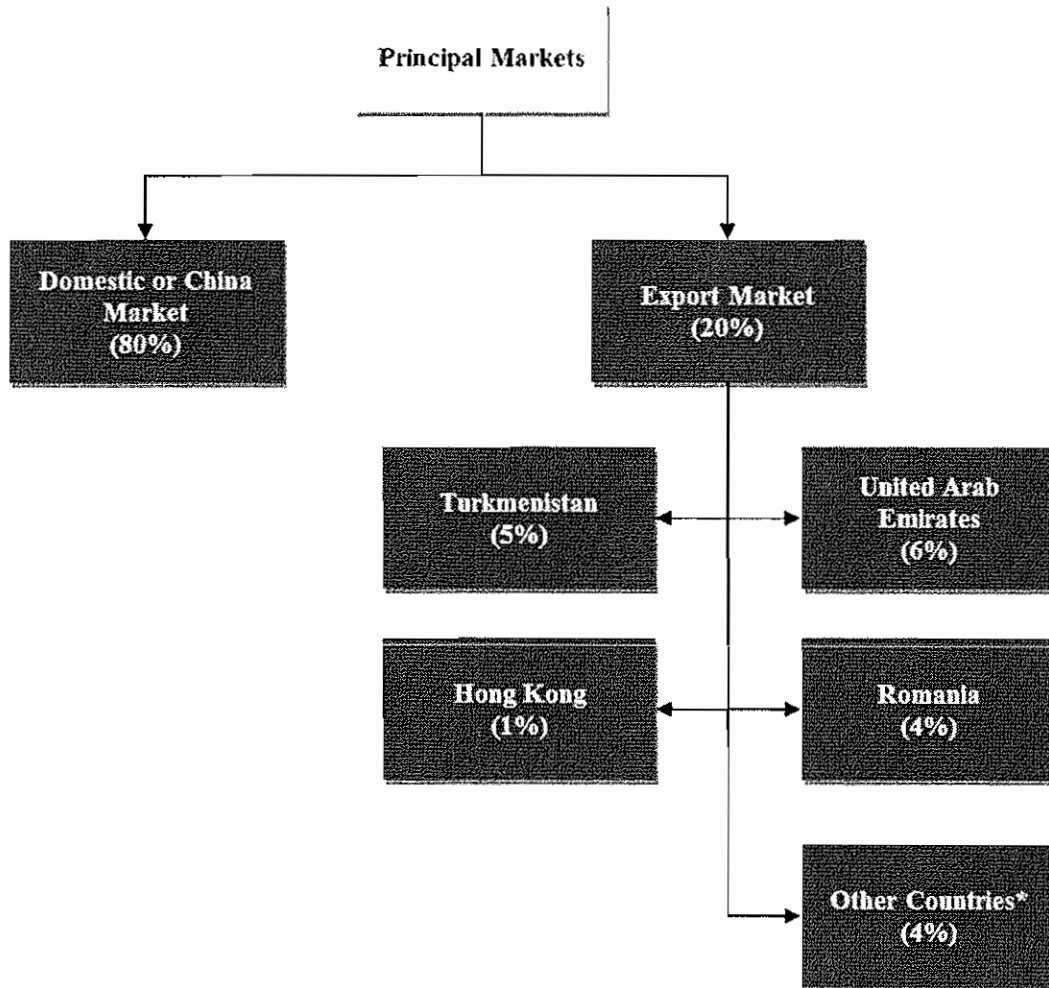
To mitigate the risk of dependency on B&Q China, we have expanded our sales and marketing team and increased our marketing efforts to expand our sales channels. In line with our increased marketing efforts, we have secured two (2) new major customers during the FPE 30 June 2013 which resulted in the overall revenue contribution from our major customers increasing from 37.64% in the FYE 31 December 2012 to 71.18% in the FPE 30 June 2013.

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6. BUSINESS OVERVIEW (Cont'd)

6.9.2 Principal Markets

The principal markets for our products are China, Turkmenistan, United Arab Emirates, Hong Kong, Romania, USA and other countries. The diagram below illustrates our principal markets and the percentage of sales contribution for the FPE 30 June 2013:



Note:

* Include countries in Europe, Asia, Africa and Australia.

Please refer to Section 12.2.1 of this Prospectus for the segmental analysis of our revenue by geographical location.

6. BUSINESS OVERVIEW *(Cont'd)*

6.10 SUPPLIERS

6.10.1 Types, Sources and Availability of Materials

The breakdown of our materials purchases, which are all sourced in the PRC, for the FYE 31 December 2010 to 2012 and FPE 30 June 2013 are as follows:

Type of Materials	Proforma							
	FYE 31 December						FPE 30 June	
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bamboo and other production materials *	11,969	92.12	21,534	96.29	26,045	95.97	11,677	95.29
Accessories	1,024	7.88	829	3.71	1,093	4.03	577	4.71
Total	12,993	100.00	22,363	100.00	27,138	100.00	12,254	100.00

Note:

* Comprises raw bamboo, horizontal and vertical bamboo planks, adhesives and paints.

The main materials that we purchase for our production are raw bamboo and horizontal and vertical bamboo planks. The prices of these raw materials have remained fairly stable over the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013. In the event the prices of these materials increase substantially, we would be able to pass on this cost to our customers.

We have not experienced any major difficulty in sourcing our materials requirements as there are a number of Moso bamboo suppliers and adhesive and paint suppliers whom we can source from should the need arises. Further, we have entered into and will continue to enter into bamboo procurement agreements with the local bamboo suppliers on a yearly basis to ensure the continuity of our bamboo supplies.

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6. BUSINESS OVERVIEW (Cont'd)

6.10.2 Major Suppliers

Our major suppliers (those who contributed 10% or more to our total purchases) for the past three (3) FYE 31 December 2010 to 2012 and the FPE 30 June 2013 are as follows:

Supplier	Approximate Length of Relationship Years	FYE 31 December 2010		FYE 31 December 2011		FPE 30 June 2013			
		RM'000	%	RM'000	%	RM'000	%		
Total Purchases		12,993	100.00	22,363	100.00	27,138	100.00	12,254	100.00
Mai Chaoxian (麦超贤)	2	-	-	702	3.14	3,242	11.95	477	3.89
Fu Yaying (付亚英)	6	2,324	17.89	2,638	11.80	2,317	8.54	172	1.40
Zhang Xiaomin (张小敏)	6	1,562	12.02	2,281	10.20	2,050	7.55	486	3.97
Xiao Fenfei (肖芬飞)	4	1,435	11.04	786	3.51	65	0.24	-	-
Total		5,321	40.95	6,407	28.65	7,674	28.28	1,135	9.26
Total no. of suppliers		41		65		78		72	

We are not dependent on any single supplier as there are a number of bamboo cutters and/or distributors from whom we can source our supplier. In addition, our major suppliers' contribution to our total purchases have decreased from 40.95% in the FYE 31 December 2010 to 9.26% in the FPE 30 June 2013, in line with the increase in our supplier base from 41 suppliers in 2010 to 72 suppliers in 2013.

6. BUSINESS OVERVIEW (Cont'd)

6.11 MAJOR LICENCES

As at the LPD, we hold the following major licences, permits and registrations for our business operations together with the details of the conditions attached and status of compliance:

Issuing Authority	Type of Licence/ Permit/ Registration (Certificate No.)	Issue Date	Validity Period	Salient Conditions	Status of Compliance
<u>Ganzhou Kanger</u>					
Ganzhou SAIC	Business Licence: 360703210000137	4 January 2013	27 March 2000 to 26 March 2050	Please refer to notes (i) and (ii)	Complied
Jiangxi Province People's Government	Foreign Investment Certificate (商外资赣字): 2012 0003	23 February 2012	23 February 2012 to 22 February 2032	Please refer to notes (i) and (ii)	Complied
Ganzhou Quality & Technology Supervision Bureau	Enterprise Technical Code Certificate (组代管): 360700-012369-1	16 March 2010	16 March 2010 to 16 March 2014	Please refer to notes (i) and (ii)	Complied
Ganzhou Economic and Technology Development Zone National Tax Bureau & Ganzhou Economic and Technology Development Zone Local Tax Bureau	Tax Registration Certificate (赣国税字): 36070370571314X	16 March 2012	Not applicable	Please refer to notes (i) and (ii)	Complied
SAFE Ganzhou Branch	Foreign Exchange Registration Certificate: 00296137	2 April 2013	2 April 2013 to 2 April 2014	Please refer to notes (i) and (ii)	Complied

6. BUSINESS OVERVIEW (Cont'd)

Issuing Authority	Type of Licence/ Permit/ Registration (Certificate No.)	Issue Date	Validity Period	Salient Conditions	Status of Compliance
<u>Ganzhou Kanger (cont'd)</u> Ganzhou Environment Protection Bureau Development Zone Branch	Pollutant Discharge Permit: 111	31 July 2013	31 July 2013 to 30 July 2014	<ul style="list-style-type: none"> ▪ Subject to annual review and continued compliance with the pollutant discharge standards; and ▪ Note (ii) 	Complied
Ganzhou Forestry Bureau	Bamboo and Wood Manufacture Licence (赣林资字): [2013] B0407号	1 January 2013	Not applicable	Please refer to notes (i) and (ii)	Complied
State Quality and Technology Supervision Bureau	Industrial Products Manufacture Licence: XK03-002-02611	2 July 2010	2 July 2010 to 1 July 2015	Nil	Not applicable
<u>Shenzhen Kanger</u> Market Supervision Administration of Shenzhen Municipality	Business Licence: 440301102854545	24 May 2012	9 September 2004 to 9 September 2014	Please refer to notes (i) and (ii)	Complied
Market Supervision Administration of Shenzhen Municipality	Enterprise Technical Code Certificate (组代管): 440305-109992	2 July 2012	2 July 2012 to 9 September 2014	Please refer to notes (i) and (ii)	Complied

6. BUSINESS OVERVIEW (Cont'd)

Issuing Authority	Type of Licence/ Permit/ Registration (Certificate No.)	Issue Date	Validity Period	Salient Conditions	Status of Compliance
<u>Shenzhen Kanger (cont'd)</u>					
Shenzhen National Tax Bureau & Shenzhen Local Tax Bureau	Tax Registration Certificate (深税登字): 440301766380545	22 August 2012	Not applicable	Please refer to notes (i) and (ii)	Complied
Shenzhen Transport Bureau	Transport Operators Permit (粤交运营许可深字): 440300044329	31 August 2011	31 August 2011 to 30 August 2015	Please refer to notes (i) and (ii)	Complied
<u>Yanshan Kanger</u>					
Yanshan AIC	Business License: 361124210002879	25 June 2012	6 November 2008 to 6 November 2058	Please refer to notes (i) and (ii)	Complied
Yanshan Quality & Technology Supervision Bureau	Enterprise Technical Code Certificate (组代管): 361124-004840	26 June 2012	26 June 2012 to 26 June 2016	Please refer to notes (i) and (ii)	Complied
Jiangxi Yanshan National Tax Bureau & Yanshan Local Tax Bureau	Tax Registration Certificate (赣国税字): 361124680921486	27 June 2012	Not applicable	Please refer to notes (i) and (ii)	Complied
Yanshan Forest Pest Control Quarantine Station	Jiangxi Forest Plant Quarantine Registration Certificate (赣(铅山)森检登字): [2011] 0018	25 July 2012	Not applicable	Please refer to notes (i) and (ii)	Complied