

6. BUSINESS OVERVIEW (Cont'd)

Issuing Authority	Type of Licence/ Permit/ Registration (Certificate No.)	Issue Date	Validity Period	Salient Conditions	Status of Compliance
<u>Yanshan Kanger (cont'd)</u>					
Yanshan Forest Industry Bureau	Jiangxi Wood and Bamboo Operation (Manufacturing) Licence (赣林资字): [2012]第 E91064 号	25 July 2012	Not applicable	Please refer to notes (i) and (ii)	Complied
Yanshan Environment Protection Bureau	Pollutant Discharge Permit: 铅环 2012001	15 November 2012	16 November 2012 to 15 November 2014	Please refer to notes (i) and (ii)	Complied
Safety Supervision Administration	Industrial Boiler: (锅赣 2940)	12 June 2012 (Internal Inspection) & 8 July 2013 (External Inspection)	12 June 2012 to 11 June 2014 (Internal Inspection) & 8 July 2013 to 27 June 2014 (External Inspection)	Subject to periodic inspection	Complied
	Pressure Vessels: (容 1LR 赣 6958, 容 1LR 赣 6959)	8 July 2013	8 July 2013 to 27 June 2019	Subject to periodic inspection	Complied
	Electric Hoist Crane: [起 CB 赣 E0001 (13, 起 CB 赣 E0002 (13]	18 March 2013	19 May 2012 to May 2014	Subject to periodic inspection	Complied
	Electric Hoist Crane: [起 CB 赣 E0072 (1, 起 CB 赣 E0071 (1]	26 September 2012	19 May 2012 to May 2014	Subject to periodic inspection	Complied

6. BUSINESS OVERVIEW (Cont'd)

Issuing Authority	Type of Licence/ Permit/ Registration (Certificate No.)	Issue Date	Validity Period	Salient Conditions	Status of Compliance
	Internal Combustion Counterbalance Forklift Truck	8 May 2012	Not applicable	Subject to periodic inspection	Complied
	Pressure Meter: (YL2013264, YL2013265)	11 September 2013	11 September 2013 to 10 March 2014	Subject to periodic inspection	Complied

Notes:

- (i) *Subject to annual review.*
- (ii) *To apply for re-issuance in the event of variation of registered information.*





Save as disclosed above, we are not dependent on any major licences, permits and registrations for our business operations.

6. BUSINESS OVERVIEW (Cont'd)

6.12 INTELLECTUAL PROPERTY

Our commitment to quality is the foundation for the building of our brands. As at the LPD, we have registered trademarks for our following brands, which are important to our continued growth:

(i) Trademarks

Trademark	Application No.	Class	Country of Registration	Validity Period
	10206937	19 - Lumber, wood floor, wood paving, plywood, veneer, floor, fiber board, wood paneling, nonmetal lath	China	Under application
	5036822	20 - Bamboo, Bamboo shade, bamboo weaving (except hat, mat and cushion), bamboo handicrafts, bamboo and wood handicrafts, lacquer handicraft, wood or plastic signboard	China	14 June 2009 to 13 June 2019
	9097209	19 - Lumber, wood floor, wood paving, plywood, veneer, floor, fiber board, wood paneling, nonmetal lath	China	21 May 2012 to 20 May 2022
	7995479	19 - Semi-finished timber, timber for construction, timber, wood floor, floor, floor batten, parquet, oak floor, resin compound board, floor timber	China	7 February 2011 to 6 February 2021

6. BUSINESS OVERVIEW (Cont'd)

(ii) Patents

As at the LPD, we own the following patent which is registered in China:

Name	Patent No.	Type	Application Date	Validity Period
A type of bamboo flooring (一种竹木地板) *	201120534007.3	Utility Model	16 December 2011	10 years commencing from 16 December 2011

Note:

* *In relation to our improved interlocking system for our bamboo flooring*

Save as disclosed above, we are not dependent on any intellectual property for our business operations.

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6. BUSINESS OVERVIEW (Cont'd)

6.13 PROPERTIES

6.13.1 Own Property

As at the LPD, we own the following property:

Owner	Location	Description	Existing Use	Tenure	Land Area/ Built-Up Area Sq m	Category of Land Use	Certificate No. / Issue Date	Encumbrances	Audited NBV as at 30 June 2013 RM'000
Ganzhou Kanger	The West Road of Jinling, Gannan Industrial Park, Ganzhou Economic and Technology 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)	Industrial land with the following buildings erected thereon: <ul style="list-style-type: none"> ▪ 1-storey detached building annexed with a 3-storey detached building ▪ Several 1- storey detached temporary buildings* ▪ 1-storey detached temporary building* 	<ul style="list-style-type: none"> ▪ Head Office and manufacturing facility ▪ Dust vacuum, waste storage and switch board rooms ▪ Cafeteria and staff dormitory 	50 years ending on 16 February 2058	19,662 / 8,577**	Industrial use	Land 赣市开国用(2008) 第 401 号 / 30 April 2008 1-storey factory 赣房权证字第 S00157131 号 / 20 May 2009 3-storey building 赣房权证字第 S00166848 号; S00166849 号; S00166850 号 / 10 August 2009	Mortgaged in favour of Industry and Commerce Bank of China Ganzhou Gongjiang Branch	5,245

6. BUSINESS OVERVIEW (Cont'd)

Owner	Location	Description	Existing Use	Tenure	Land Area/ Built-Up Area Sq. m.	Category of Land Use	Certificate No. / Issue Date	Encumbrances	Audited NBV as at 30 June 2013 RM'000
Ganzhou Kanger (cont'd)		<ul style="list-style-type: none"> ▪ Several 1- storey detached temporary buildings* 	<ul style="list-style-type: none"> ▪ Rented to a 3rd party from 15 December 2012 to 15 December 2015 						

Notes:

* Under the PRC law, a temporary building cannot obtain building ownership certificate but shall be subject to approval of the planning and construction department of the government, whereby it shall be use no more than three (3) years and shall be dismantled before the expiration of the approved time limit. The Ganzhou Urban and Rural Planning Construction Bureau, Development Zone Branch has approved the temporary buildings and use of the temporary buildings on 1 July 2013. We will dismantle the temporary buildings and relocate our dust vacuum, waste storage and switch board rooms within our manufacturing facility as well as lease a suitable premise as dormitory for our staff, if necessary, before the expiration of the approved time limit.

** Build-up area is excluding temporary buildings.

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6. BUSINESS OVERVIEW (Cont'd)

6.13.2 Leased Properties

As at the LPD, we have leased the following properties for our operations:

Lessee	Lessor	Location	Description / Existing Use	Rental Period	Land Area/ Built-Up Area Sq. m	Rental
Ganzhou Kanger	Dayu County Neiliang Town Jiuniutang Village Committee (大余县内良乡九 牛塘村村民委员 会)	Jiuniutang Village, Neiliang Town, Dayu County, Jiangxi Province, 341509 China (中国江西省大余县内良乡九牛塘 341509)	A vacant land used for our inspection site of raw bamboo purchased from the local suppliers	20 June 2010 to 19 June 2030	600/-	— ⁽²⁾
Shenzhen Kanger	Lin Yixian (林艺贤)	West 3 rd Floor, Building A, No. 1 Eastern Section, Xili Dakan Industrial Zone, Nanshan District, Shenzhen, Guangdong Province, 518055 China ⁽³⁾ (中国广东省深圳市南山区西丽大勘村工业区 东段 1 号 A 栋三楼西边 518055)	1 floor of a 6-storey semi-detached building for our warehouse and office	18 May 2013 to 17 May 2016	⁽¹⁾ /628	RM4,487 ⁽⁶⁾ per month
Shenzhen Kanger	Lin Yixian (林艺贤)	Room 102, 1 st Floor, Building B No. 1 Eastern Section, Xili Dakan Industrial Zone, Nanshan District, Shenzhen, Guangdong Province, 518055 China ⁽³⁾ (中国广东省深圳市南山区西丽大勘村工业区 东段 1 号 B 栋一楼 102 518055)	1 floor of a 7-storey semi-detached building for our staff dormitory and canteen	1 May 2013 to 30 April 2016	⁽¹⁾ /150	RMI,650 ⁽⁶⁾ per month

6. BUSINESS OVERVIEW (Cont'd)

Lessee	Lessor	Location	Description / Existing Use	Rental Period	Land Area/ Built-Up Area Sq.m	Rental
Shenzhen Kanger	Shenzhen ROMANJOY Commercial Co., Ltd (深圳乐安居商业有限公司)	Room 268B and 278B, 2 nd Floor, Le' Anju Xinzhou Store, Interchange of Fujiang Road and Shazui Road, Futian District, Shenzhen, Guangdong Province, 518048 China ⁽⁴⁾ (中国广东省深圳市福田区福强路与沙嘴路交汇处乐安居新洲店内第2层第268B#和278B#号518048)	2 units of shop lot in a detached retail mall for our 'KAR Masterpiece' store	1 August 2013 to 31 July 2014	⁽¹⁾ /85.4	RM5,017 ⁽⁶⁾ per month
Shenzhen Kanger	Shanghai Kant Industry Development Co., Ltd (上海康德实业发展有限公司)	Building 9, No. 2260, Jiatang Road, Loutang Town, Jiading District, Shanghai, 201906 China (中国上海市嘉定区娄塘镇嘉唐路2260号#9栋一楼201906)	1-storey detached building for our warehouse	10 July 2013 to 9 July 2016	⁽¹⁾ /453	RM3,107 ⁽⁶⁾ per month
Shenzhen Kanger	Li Hai Fen (李海芬)	No. 2, GangMei Road, LiShui Gang, Nanhai, Foshan, Guangdong Province, 528244 China ⁽⁴⁾ (中国广东省佛山市南海区水岗美村路2号之二528244)	1-storey detached building for our warehouse	1 June 2012 to 30 May 2014	⁽¹⁾ /300	RM1,553 ⁽⁶⁾ per month

6. BUSINESS OVERVIEW (Cont'd)

Lessee	Lessor	Location	Description / Existing Use	Rental Period	Land Area/ Built-Up Area Sq m	Rental
Yanshan Kanger	Yanshan Forest Industry Bureau (铅山县森林工业局)	Jin Jishan, Yanshan County, Shangrao City Jiangxi Province, 334500 China (中国江西省铅山县金鸡山 (原林业车队) 内 334500)	Industrial land with the following buildings ⁽⁵⁾ erected thereon: <ul style="list-style-type: none"> 1-storey detached building for our office Five (5) 1-storey adjoined buildings for our manufacturing facility 2-storey detached building for our staff dormitory 	1 July 2008 to 30 June 2027	11,350/7,960	<ul style="list-style-type: none"> One time fee of RM10,356⁽⁶⁾ ; RM26,926⁽⁶⁾ for the first 5 years; and A 10% increment on yearly rental every 5 years
KAR Masterpiece	Malaysian Technology Development Corporation Sdn Bhd	Block C-G-D1, FRIM-MTDC Technology Centre, 11 Jalan Kapur, Forest Research Institute Malaysia, 52109 Kepong, Selangor Darul Ehsan, Malaysia ⁽⁷⁾	1 office unit in a 3-storey detached building for our office	1 August 2013 to 31 July 2014	⁽¹⁾ /72	RM1,162.50 per month (1 September 2013 to 31 January 2014); RM1,550 per month (1 February 2014 to 31 July 2014)

6. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) *Not available as the leased property is a unit within a building or the leased agreement does not include the land area.*
- (2) *Provided for Ganzhou Kanger's usage for free by Dayu County Neiliang Town Jiuniutang Village Committee via an agreement dated 20 June 2010 on the understanding that the former will contribute to the local economic development by way of promoting bamboo harvesting activities by the local farmers in the vicinity and in return, the latter will provide support and services in the process of bamboo examination and procurement as well as an empty land to be used by Ganzhou Kanger for free on such purposes.*
- (3) *The leased property does not possess a real property ownership certificate. In accordance with the approval conditions imposed by Bursa Securities as detailed in Section 9.1 of this Prospectus, we will lease other property which has a real property ownership certificate within one (1) year from 9 September 2013.*
- (4) *The leased property does not possess a real property ownership certificate. As such, we will lease other property which has a real property ownership certificate upon the expiry of the current tenancy. We do not expect any material disruption to our business or operations from such relocation as there is no manufacturing activity conducted at the property.*
- (5) *The buildings used by Yanshan Kanger do not possess real property ownership certificates. As such, we have obtained a confirmation from Yanshan Real Estate Administration Bureau via a letter dated 10 May 2013 which confirmed that the buildings are qualified for use by Yanshan Kanger for its operations.*
- (6) *Based on the exchange rate as at the LPD of RMB1:RM0.5178.*
- (7) *The lessor has obtained the certificate of practical completion for this office building and is in the process of obtaining the certificate of completion and compliance ("CCC"). Nonetheless, KAR Masterpiece has undertaken not to renew the tenancy and to relocate to a suitable premise in the event the lessor is unable to obtain the CCC by the end of the tenancy on 31 July 2014.*

Save for the matters highlighted above (in relation to our leased properties in Shenzhen, Foshan and Malaysia), as at the LPD, we are in compliance with all regulatory requirements in respect of our owned and leased properties.

6.14 COMPETITIVE STRENGTHS

Our key competitive strengths which have enabled us to compete effectively in the industry that we are operating in are as follows:

6.14.1 Wide Distribution Network

In 2004, we were recognised and have remained as the sole authorised supplier of bamboo flooring to B&Q China, one of the largest Western home improvement retailers in China with nearly 40 stores across China. In addition, as at the LPD, we also have a wide distribution network of 31 'Kanger' stores and one (1) 'KAR Masterpiece' store in the Guangdong province of China. To facilitate the logistics, distribution and servicing of our customers in these locations, we have set up warehouses in Shanghai, Foshan and Shenzhen as well as stationed sales personnel at various B&Q stores in China.

We recognise that our wide distribution network has enabled us to grow our business and increase awareness of our products and our brands. Thus, our Sales and Marketing Department actively seeks new distributors and new wood flooring retailers to be our dealers.

In addition, through amongst others our marketing strategies of posting our products on business-to-business websites and participations at trade shows, we have secured a number of overseas customers in Turkmenistan, United Arab Emirates, Hong Kong, Romania and other countries which accounted for 20% of our total revenue for the FPE 30 June 2013.

6.14.2 Quality 'Green' Products

We place strong emphasis on the quality of our products and our services which has helped us to establish and maintain our relationships with our customers, such as B&Q China whom we have been

6. BUSINESS OVERVIEW (Cont'd)

dealing with since our inception in 2004, as well as establish our brands, 'Kanger' and 'KAR Masterpiece'.

As a testament to the quality of our products, we provide a one (1) year product warranty whereby we will replace any defect products free of charge. Thus far, the product warranty claims have been minimal. Further, any product warranty claims will not have a material impact on our financial performance as the defective products can be rectified or reworked at minimal cost for subsequent sales.

Our commitment and dedication to quality have been affirmed by various commendations, with the most recent being the ISO 9001:2008 certification for our QMS. In addition, we have also obtained CE marking for our products which enabled them to be marketed within the European Union.

In addition, 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. With increasing consumer preference for environmentally friendly products, we envisage increasing demand for our products.

6.14.3 Product Development and Innovation

Our success may be attributable to our continuous R&D efforts to improve the quality of our existing products and accelerate the development of new products. Through our R&D efforts, we have launched twelve (12) series of 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 able to offer different types of bamboo flooring, that is strand woven bamboo flooring, and horizontal and vertical bamboo flooring.

Through our R&D efforts, 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. Please refer to Section 6.15.1 of this Prospectus for further details of our future products.

In addition, to further our R&D capabilities, we have entered into the R&D Agreement with FRIM Board to collaborate with FRIM on amongst others, the development of strand woven bamboo planks using a suitable Malaysian bamboo species for structural and non-structural applications. Please refer to Section 6.6 of this Prospectus for further details of our R&D collaboration with FRIM.

Pursuant to our R&D collaboration with FRIM, we are able to tap onto the expertise and knowledge of FRIM's staff as well as utilise FRIM's facilities for the testing of our products which has facilitated the launch of new series of bamboo flooring, particularly our strand woven bamboo flooring.

6.14.4 Experienced Management Team

Our Group is led by our Managing Director, Leng Xingmin who has ten (10) years of experience in the bamboo flooring industry and who has been instrumental in the development of our Group.

He is supported by our team of six (6) key management and key technical personnel, comprising of staff with diverse background and experience in various industries, including manufacturing and marketing. Their different expertise, experience and ability to collaborate as a team have contributed positively to our operations and growth, which is reflected in our improved financial performance over the past three (3) financial years and recent financial period.

6. BUSINESS OVERVIEW (Cont'd)

6.15 FUTURE PLANS, STRATEGIES AND PROSPECTS

6.15.1 Future Plans and Strategies

(i) Expansion of Our Flooring Products

As part of our growth strategies, we will be purchasing new machineries for our Ganzhou plant to facilitate the launching of new series of bamboo flooring to cater to customers' requirements. The new machineries, which will be added on to our production line in Ganzhou, will enable us to produce bamboo flooring with improved interlocking system and/or finishing to meet customers' demands for such features. At the same time, the installation of these new machineries onto our existing production line will increase the monthly production capacity of our Ganzhou plant by 10,000 m² to 60,000 m² due to the improved efficiency of these new machineries.

The new machineries are expected to be purchased by the first quarter of 2014 and are estimated to cost approximately RM1.0 million, which will be funded through our IPO proceeds.

(ii) Enhancement of Our Flooring Products

Through our R&D efforts, we have developed our own water-based adhesive which meets regulatory requirements on formaldehyde emission, including the strict European Union standards, and has less than 0.1% formaldehyde emission. This water-based adhesive is currently being used in the production of our strand woven products. As part of our strategy to further enhance our competitive strength as a quality 'green' supplier, we are clearing our existing inventories of strand woven products which were not produced using our own water-based adhesive at lower selling prices to enable us to be focused on selling more 'green' strand woven products, that is products which are produced using our own water-based adhesive. We believe with increasing consumer preference for environmentally friendly products, the introduction of more 'green' strand woven products will enhance demand for our products and thereby our revenue.




(iii) Expansion of Our Product Portfolio

Currently, our products are focused on bamboo flooring and strand woven bamboo planks, a semi-finished product from our strand woven bamboo flooring manufacturing process. Moving forward, we intend to introduce new types of products to be included in our products portfolio pursuant to our Production R&D as mentioned in Section 6.6(i) of this Prospectus.


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6. BUSINESS OVERVIEW (Cont'd)

The new products which we intend to launch under our 'KAR Masterpiece' brand in the first half of 2014 are as follows:

Product	Description
Strand Woven Wall Panelling	 <ul style="list-style-type: none"> ▪ Durable ▪ Suitable for indoor and outdoor ▪ Weather resistance
Strand Woven Bamboo Flooring Tile	 <ul style="list-style-type: none"> ▪ Mold and water resistance ▪ Easy-to-clean grooving ▪ Suitable for garden path, pool-side flooring, bathroom and balcony
Outdoor Strand Woven Bamboo Flooring	 <ul style="list-style-type: none"> ▪ Outdoor flooring solutions ▪ Weather resistance ▪ Strong water resistance

6. BUSINESS OVERVIEW (Cont'd)

Product	Description
Strand Woven Bamboo Doors	<div style="display: flex; justify-content: space-around; align-items: center;">  </div> <ul style="list-style-type: none"> ▪ Solid and durable ▪ Elegant

Although we currently do not have the required manufacturing facility for some of these future products such as strand woven bamboo doors, we intend to outsource the final production process to third party manufacturers with our strand woven bamboo planks as raw materials.

(iv) Market Expansion

As part of our marketing and growth strategies, we intend to expand our presence in China through amongst others, increasing the number of appointed dealers who sell our 'Kanger' brand bamboo flooring at their own self-managed stores. As at the LPD, we have 31 appointed dealers located mainly in the Guangdong province of China. We are targeting to increase the number of these dealers by 50% in 2014 and as such, have increased our sales and marketing personnel from 18 as at 31 December 2011 to 40 as at the LPD.

In addition, we are also targeting to replicate our 'KAR Masterpiece' store through franchise arrangements with third parties to further expand our market presence and to increase brand awareness.

6.15.2 Prospects

The bamboo industry's past performance reflected a steady upward growth despite turbulent economic crosswinds from the West. This signals a resilience that can be attributed to robust export demand amid trying times, but also to strengthening domestic demand for bamboo products. There is a reducing reliance to depend on export demand for industry growth; the domestic market is large and continues to grow along with its affluence and population size. This augurs positively results for the industry and its investors.

The bamboo industry has significant potential, due to bamboo products' extensive applications, versatility and sustainability. With greater innovations and development concerning the utilisation of bamboo, particularly in the architecture of green buildings, greater market capture vis-à-vis traditional building materials such as steel and wood-based products could be enabled. As the market gains awareness of sustainable products and designs, the bamboo industry will likely gain traction.

6. BUSINESS OVERVIEW *(Cont'd)*

The outlook of the bamboo flooring market in China is projected to be positive; the market is expected to grow during the forecast from 2013 to 2017. Growth in the said market is likely to derive from domestic and international demand. Over the years, China's strong economic growth has led to increasingly affluent consumers who now have the purchasing power as well as the willingness to pay to enhance individual lifestyles for greater comfort and pleasure. The modernisation and urbanisation of the country has also caused a growth in the China's property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. China's initiatives of development its western region and the construction of 36 million affordable houses as stated in its 12th Five-Year Plan (2011 – 2015) is envisaged to uphold performance of the construction industry which is expected to positively affect the bamboo flooring market. On the global frontier, consumers are becoming more aware of the importance of protecting the environment. In tandem with the growing awareness of the benefits and aesthetic value of bamboo, bamboo flooring has become one of the trending choices in the flooring material industry as a greener and more sustainable material. This is likely to increase demand for Chinese bamboo flooring, especially among advanced societies where environmental concern is more mature.

China's bamboo flooring market is valued at RMB3.37 billion in 2012 and is expected to grow at a CAGR of 8.4 percent for the year 2012 to 2017 to RMB5.04 billion in 2017.

(Source: IMR Report)

Based on the expected growth for the bamboo industry and specifically, the bamboo flooring market, as well as our future plans and strategies and our competitive strengths as set out in Sections 6.15.1 and 6.14 of this Prospectus respectively, our Board is of the view that we will continue to enjoy positive growth in the foreseeable future. Whilst we recognise the market challenges in the industry and the risk factors as outlined in Section 4 of this Prospectus, we are committed to implement our future plans and strategies to achieve our business goals and objectives.

6.16 OTHER FACTORS AFFECTING OUR BUSINESS

6.16.1 Demand and Seasonality

Save for the following, our activities are not significantly affected by seasonal/cyclical effects:

- (i) Bamboo cutters are not encouraged to harvest bamboo during the spring season from January to March to avoid potential damage to the growth of new bamboo or shoots during this season. As such, we increase our inventory level at year end as well as place advance orders for bamboo materials to avoid disruption to our operations.

6.16.2 Dependency on Industrial, Commercial and Financial Contracts

Save as disclosed below, we are not dependent on any material contracts or agreements including industrial, commercial and financial contracts, which are material to our business or profitability:

- (i) Ganzhou Kanger and Shenzhen Kanger had entered into agreements with B&Q China Investment Co., Ltd., our major customer, for the period 1 January 2013 to 31 December 2013 with an automatic extension to formalise the terms of our supply arrangement to B&Q China without commitment on the quantity to be supplied.
- (ii) KAR Masterpiece had entered into the R&D Agreement with FRIM Board to collaborate on R&D on the applications of strand woven bamboo planks for structural and non-structural applications in Malaysia. The salient terms of the R&D Agreement are detailed in Section 6.6(ii) of this Prospectus.

6. BUSINESS OVERVIEW (Cont'd)

Whilst our R&D collaboration with FRIM has facilitated the launch of new series of bamboo flooring, we are not overly dependent on this R&D collaboration as we can outsource the testing of our products to other third party laboratories.

6.16.3 Interruptions to Business and Operations

During the past twelve (12) months preceding the IPO, we have not experienced any significant interruptions in our operations which had a significant impact on our business.

6.16.4 Regulatory Requirements and Environmental Issues

Save as disclosed in Sections 4 and 6.13.2 of this Prospectus, as at the LPD, we are in compliance with all regulatory requirements and have not experienced any environmental issues which may materially affect our operations and utilisation of assets.

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7. INDUSTRY OVERVIEW

PROTÉGÉ ASSOCIATES SDN BHD
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Protégé
ASSOCIATES

BRAND | FINANCE | MARKET

Board of Directors,
Kanger International Berhad,
2-1, Jalan Sri Hartamas 8,
Sri Hartamas,
50480 Kuala Lumpur,
Malaysia

14 NOV 2013

Dear Sirs,

Executive Summary of the Independent Market Research Report for the Wood Flooring Industry and Bamboo Flooring Market in China

This Executive Summary of the Independent Market Research Report for the Wood Flooring Industry and Bamboo Flooring Market in China is prepared by Protégé Associates Sdn. Bhd. ("Protégé Associates") for inclusion in the Prospectus of Kanger International Berhad ("Kanger International" or "Company") in relation to the listing of and quotation for its entire issued and paid-up share capital on the ACE Market of Bursa Malaysia Securities Berhad.

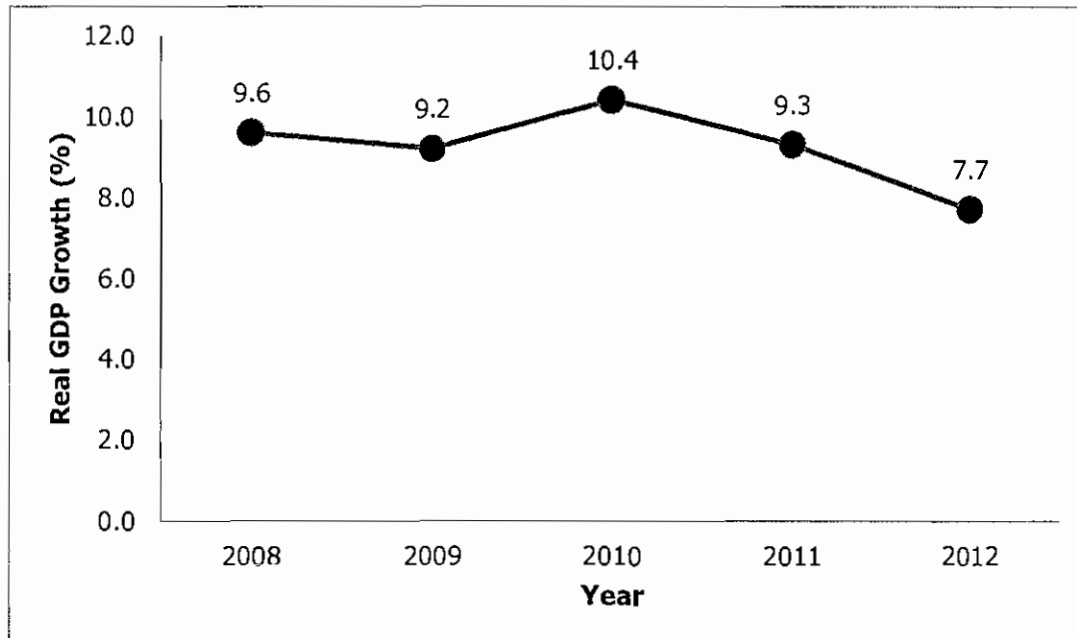
CHINA ECONOMIC OVERVIEW

The Chinese economy has continued on an expansion trail by registering another year of growth albeit at a more moderate pace in 2012. According to the National Bureau of Statistics of China, the country's economy grew at a commendable rate of 7.7 percent year-on-year in 2012 despite weakened global and domestic demand. The implementation of plans and policies aimed at strengthening and improving the macro control had helped to maintain a steady development in the national economic performance. This latest economic expansion has also helped to cement China's position as the world's second largest economy after the United States ("US").

7. INDUSTRY OVERVIEW (Cont'd)



Figure 1: Growth of China's Real Gross Domestic Product ("GDP"), 2008-2012



Source: National Bureau of Statistics of China

Overall, China managed to register positive results across in key economic indicators. In the agriculture sector, the output of one of China's key agricultural products namely grain, increased by 3.2 percent from 571.21 million tons in 2011 to 589.57 million tons in 2012. Other major agricultural products such as cotton, oil-bearing crops, sugar crops, tobacco, tea, meat, eggs, milk and aquatic products have also registered growth in their production for 2012. Meanwhile, total value added of the industrial sector and construction industry grew by 7.9 and 9.3 percent year-on-year respectively in 2012.

In terms of international trade, size of its imports and exports has expanded in 2012 as foreign trading activities with its major international trading partners gathered pace. The total value of China's foreign trade has increased by 6.2 percent to United States Dollar ("USD") 3,866.8 billion in 2012. Overall, China's trade surplus for 2012 was USD231.1 billion, a 49.0 percent increase from the preceding year.

7. INDUSTRY OVERVIEW (Cont'd)

**Figure 2: China's Foreign Trade, 2006-2012**

Year	USD billion		
	Imports	Exports	Total Foreign Trade
2006	791.5	969.0	1,760.5
2007	956.1	1,220.5	2,176.6
2008	1,132.6	1,430.7	2,563.3
2009	1,005.9	1,201.6	2,207.5
2010	1,394.8	1,577.9	2,972.7
2011	1,743.5	1,898.6	3,642.1
2012	1,817.8	2,048.9	3,866.8

Source: National Bureau of Statistics of China

The strengthening of the Chinese economy in 2012 has also been reflected in the country's overall income and investment indicators. For example, the per capita disposable income of urban households rose by 12.6 percent to renminbi ("RMB") 24,565 while the per capita net income of rural households grew by 13.5 percent to RMB7,917 in 2012.

Figure 3: Per Capita Disposable Income of Urban Households and Per Capita Net Income of Rural Households in China, 2006-2012

Year	RMB	
	Per Capita Disposable Income of Urban Households	Per Capita Net Income of Rural Households
2006	11,759	3,587
2007	13,786	4,140
2008	15,781	4,761
2009	17,175	5,153
2010	19,109	5,919
2011	21,810	6,977
2012	24,565	7,917

Source: National Bureau of Statistics of China

Meanwhile, investors remained bullish on the prospect of the Chinese economy. Investments have seen continued flowing into fixed assets in China, amounting to RMB37.47 trillion in 2012 or 20.3 percent year-on-year improvement from 2011.

7. INDUSTRY OVERVIEW (Cont'd)

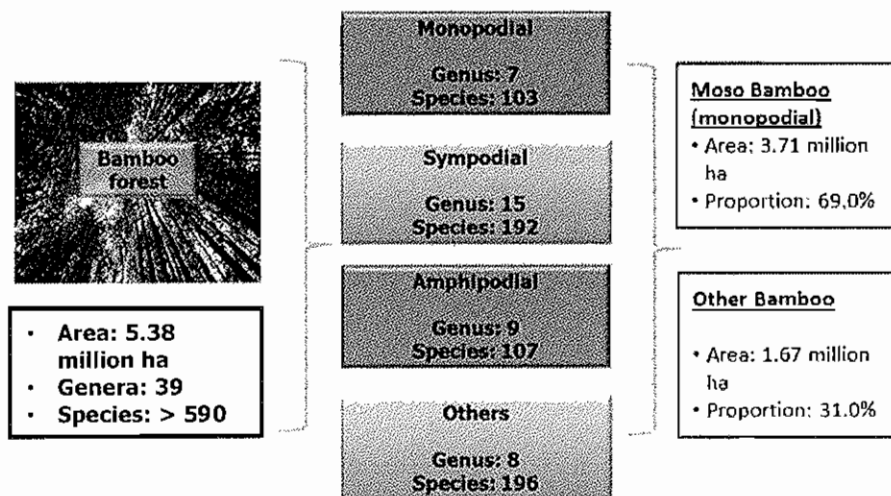


Moving forward, the Chinese Government is expected to continue prioritising the economic stability by promoting robust and steady economic development, keeping the price stable and maintaining the total money and credit supply at an appropriate level to cushion from financial risks. The Chinese Government is also expected to closely monitor the country's inflation, local government debt level and speculation in the property market. The International Monetary Fund ("IMF") has projected the Chinese's real GDP to grow by 7.6 percent and 7.3 percent in 2013 and 2014 respectively.

OVERVIEW OF THE BAMBOO INDUSTRY IN CHINA

The bamboo is primarily known to share common features with the grass family *Gramineae* (also known as *Poaceae*). It is a unique plant, with its tree-like appearance, but with distinct features of grass in external morphology of vegetative organs, structure of reproductive organs such as flower and fruit and in its process of growth and development. Globally, there are some 90 genera and 1,200 species of bamboo. Of these, China harbours around 39 genera and over 590 species in its natural bamboo forests. Moso bamboo is the most common species occurring in Chinese forests, and are mostly utilised as timber for application as building materials such as flooring, wood panelling, scaffolding.

Figure 4: Bamboo Forests Makeup (Genera and Species)



Note: ha denotes hectares

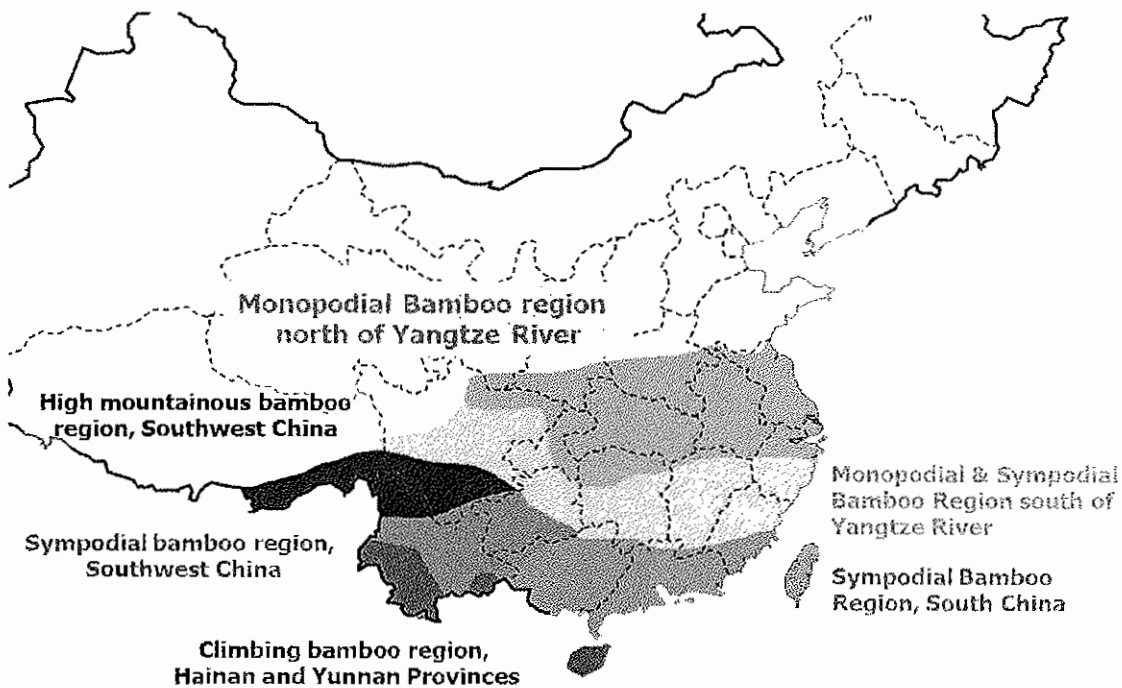
Source: Independent Market Research ("IMR") Report

7. INDUSTRY OVERVIEW (Cont'd)



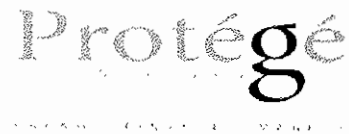
In general, bamboo forests are distributed in the 27 provinces of China and can be partitioned into five regions/ geographical areas: (1) monopodial bamboo area in northern China; (2) mixed bamboo area south of the Yangtze River; (3) mountainous bamboo area in southwest China, with a predominance of mountainous monopodial bamboo; (4) sympodial bamboo area in south and southwest China; and (5) Hainan and Yunnan provinces, with several climbing sympodial bamboo species. In 2012, bamboo forests were estimated to span a total of 5.4 million hectares ("ha").

Figure 5: Bamboo Forests Distribution in China



Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)



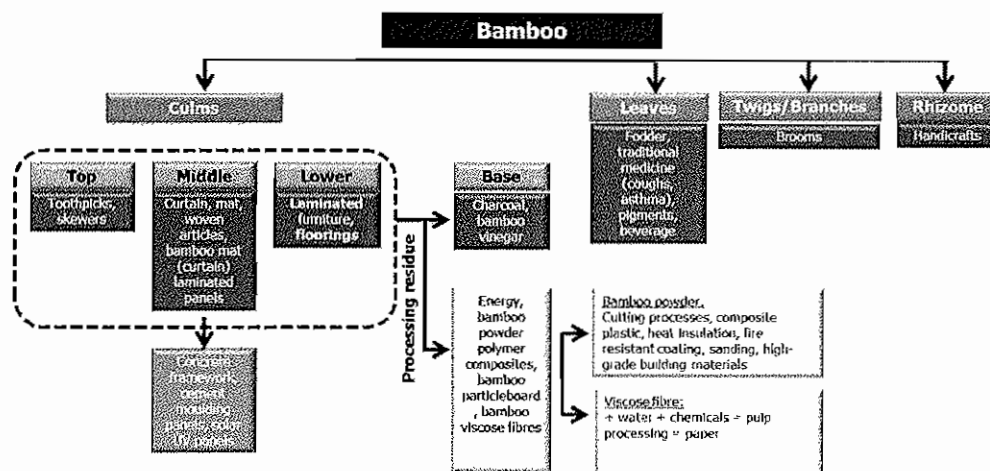
Bamboo Characteristics and Utility

Figure 6: Bamboo and its Multifaceted Features and Utility

Characteristics	Application
<p>Fast-growing</p> <ul style="list-style-type: none"> Under optimum conditions, can grow up to 46 inches per day (4 feet) Grows back after it is cut Eco-friendly (sinks carbon) 	<ul style="list-style-type: none"> Renewable source for any consumer or industrial application Suitable for reforestation efforts, i.e. to prevent/mitigate soil erosion or landslides Ideal as a carbon sink for carbon storage. Bamboo minimises carbon dioxide ("CO²") gas and generates up to more than 35 percent oxygen than equivalent stand of trees. 1 hectare of bamboo sequesters 62 tons of CO²/year Carbon content comprises usually about 50 percent of the total biomass where over 90% of bamboo carbon can be sequestered in durable products such as boards, panels, floors, furniture, buildings, cloth, paper and activated charcoal. Suitable for sustainable and biodegradable products (i.e. laptop casings, automobile boards, paper, biomass fuel) These products have a very long life span and may retain carbon for several decades
<p>Substitute for Wood and Steel</p>	<ul style="list-style-type: none"> Lightweight and flexible: Extremely suitable for construction of houses, particularly in quake-prone areas/countries Many bamboo houses in the village of Beichuan situated in the province of Sichuan was hardly damaged in the 2008 earthquake Relative to wood: Bamboo offers the possibility of annual selective harvesting and removal of about 15-20 percent of the total stock without damaging the environment and stock productivity

Source: IMR Report

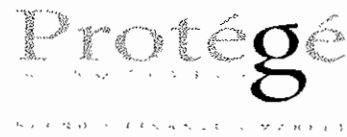
Figure 7: A Snapshot of the Consumer and Industrial Applications



Note: The figure above is not exhaustive due to the bamboo's versatility in application.

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)

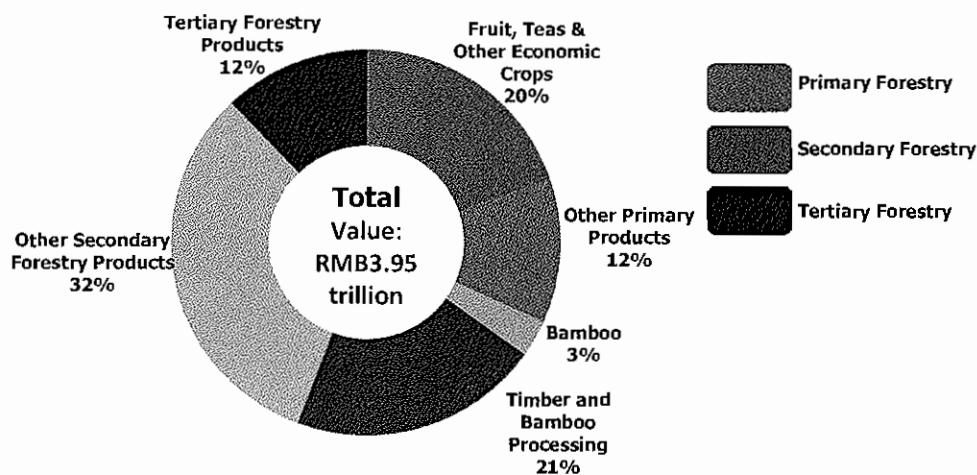


Supply Analysis

China is the largest bamboo industry in the world. It has been the catalyst for most of today's known innovations in bamboo processing and usage, which accords with the expansion, development and productivity increase of its bamboo forests. Since the 1950s, the area designated for Moso bamboo (the predominant type of bamboo in China) of the *Phyllostachys pubescens* species (the most important species for modern bamboo applications) has more than doubled, from 1.5 million ha in 1957 to 5.0 million ha in 2007 through natural expansion and plantations.

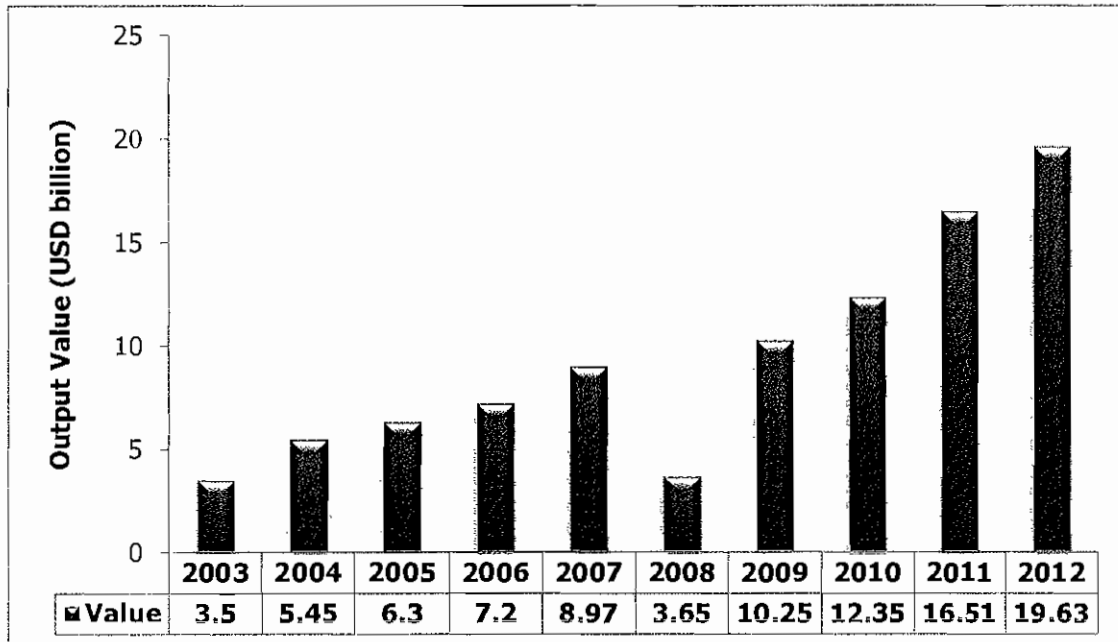
Positioning the bamboo industry amongst the wider forestry sector, bamboo products in the primary sector alone accounts for fractional share of 3 percent in 2012. This corresponds to a value of RMB122 billion in 2012 of the total forestry product market value of RMB3.95 trillion. Although its share is relatively small compared to other primary forest products, i.e. fruits, teas and other economic crops, the bamboo industry is a significant emerging non-timber forest product with substantial growth potential.

Figure 8: Share of Bamboo Products in the Chinese Forestry Product Market by Output Value, 2012



Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)

Figure 9: Production Value of the Bamboo Industry

Notes: For years 2008 to 2012, figures in RMB were converted to USD using the corresponding year December's monthly average.

Source: IMR Report

The production value of the bamboo industry charted a steady upward trend, with the exception of 2008's output value of only USD3.65 billion. The low output in 2008 is attributed to the combined effects of the devastating 8.0-magnitude earthquake that hit Wenchuan county in the Sichuan province, as well as the snow and ice storms in May 2008. During these natural calamities, large tracts of bamboo forests were destroyed. Nevertheless, production resumed in 2009 to pre-disaster levels, charting an even higher value relative to the year 2007 of USD10.25 billion. The output value of the bamboo industry stood at USD19.63 billion in 2012.

Demand Analysis

Demand conditions for the bamboo industry thus far projects an equally positive analysis. China's population has long utilised the bamboo plant for food (bamboo shoots), building materials for homes, scaffolding, furniture, household products such as mats and baskets, and other usages. While domestic demand remains robust, due to the abundance of bamboo resources and versatility in utilisation, export demand has been growing significantly, and is becoming an increasingly important driver for the local bamboo products industry.

7. INDUSTRY OVERVIEW (Cont'd)



Globally, China has an overall heavy hand as a net exporter of bamboo products. In 2011, the export value of Chinese bamboo products totalled USD1.04 billion. Strong foreign demand had propelled China to the forefront for almost every bamboo sub-segment, excluding the furniture and seat as well as the consumer goods (including kitchenware and utensils) sub-segments.

At sub-segment level in 2012, bamboo flooring (assembled and non-assembled strips) fetched a total export value of USD332.8 million while bamboo shoots generated a total export value of USD240.9 million.

Figure 10: Selected Top Performing Bamboo Sub-Segments by Value, 2012

HS 2007 (Classification code)	Category	Export value (USD)
440921	Bamboo flooring (parquet) including assembled and non assembled strips	332,818,525
200591	Bamboo shoots	240,925,880
460211	Bamboo basketwork and others	204,091,689
460121	Bamboo matting and screens	105,932,339
460192	Bamboo plaiting products	65,030,482

Source: IMR Report

Market Prospects and Outlook

Given the industry's growth and identified market drivers and risks, the bamboo industry is set to progress further in the near future. With the government's support and international investment interest, industry players stand a good chance of growth if they fully utilise resources and funds available to them as well as work to resolve various inefficiencies and underlying issues within the industry's value chain. In efforts to discover new product innovations and design, key industry players must be willing and committed to invest in the industry and related processing activities, in line with domestic and international bamboo associations', the government's and the academia's research and development activities.

The bamboo industry's past performance reflected a steady upward growth despite turbulent economic crosswinds from the West. This signals a resilience that can be attributed to robust export demand amid trying times, but also to strengthening domestic demand for bamboo products. There is a reducing reliance on export demand for industry growth; the domestic

7. INDUSTRY OVERVIEW (Cont'd)



market is large and continues to grow along with its affluence and population size. This augurs positively for the industry and its investors.

With all these conditions in place amid strong showing of past performance, the industry is expected to sustain its presence and growth in a dynamically-changing market.

THE WOOD FLOORING INDUSTRY IN CHINA

Introduction

Floorings are the built-in coverings applied over the surface of a floor area. They can be categorised into four major flooring materials which include *soft coverings* such as carpet and rugs, *hard floorings* such as ceramic tiles and marble, *resilient floorings* such as vinyl and rubber, and *wood floorings* made from timber. In China, hard flooring takes up the largest market share amongst other flooring materials. The vast preference for hard floorings especially floor tiles has sustained due to its affordable price and easy installation. Nevertheless, wood floorings are gradually gaining popularity amongst consumers due to its abrasion resistance, foot comfort and natural aesthetic value.

Figure 11: Market Share (%) of Major Flooring Materials in China, 2005–2014e

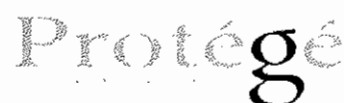
Flooring Material	2005	2009	2011e	2014e
Hard Flooring	92.7	87.7	85.1	80.2
Wood Flooring	5.7	10.0	12.0	16.4
Soft Covering	1.4	2.0	2.4	2.8
Resilient Flooring	0.2	0.3	0.4	0.6

Note: e denotes estimate

Source: IMR Report

Wood floorings are manufactured from timber; they can be categorised into *solid wood flooring*, *engineered solid wood flooring*, *laminated wood flooring*, *bamboo flooring* and *cork flooring*. Bamboo floorings are made from the wood-like fibres of bamboo plants, a member of the grass family; however, due to the similarity of its fibre material to that of wood, for the purpose of this report, it is recognised and considered a type of wood flooring.

7. INDUSTRY OVERVIEW (Cont'd)


Figure 12: Types of Wood Flooring Materials

Wood Flooring	Types of Material
Solid Wood Flooring	Wood Timber
Engineered Solid Wood Flooring	The surface is made of solid wood timber and the substrate is solid plywood
Laminate Wood Flooring	The surface is made of curing resin and the substrate is synthetic panel
Bamboo Flooring	Bamboo plant
Cork Flooring	Bark of cork oak

Notes:

- 1) Surface refers to the face layer of the flooring that is visible when installed.
- 2) Substrate refers to the layer spread underneath the surface layer.

Source: IMR Report

Industry Performance of the Chinese Wood Flooring Industry**Figure 13: Output and Sales Volume of the Wood Flooring Industry in China, 2008-2012**

Year	Output Volume (Million square metres)	Sales Volume (Million square metres)
2008	377.0	343.8
2009	378.0	364.2
2010	479.0	398.5
2011	629.0	396.8
2012	679.0 ^e	377.0

Note: e denotes estimate

Source: IMR Report

To date, wood flooring industry has grown to become a major industry in China with total output volume estimated to reach 679.0 million square metres in 2012.

7. INDUSTRY OVERVIEW (Cont'd)

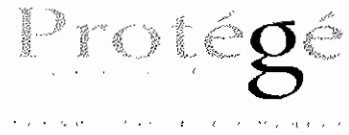
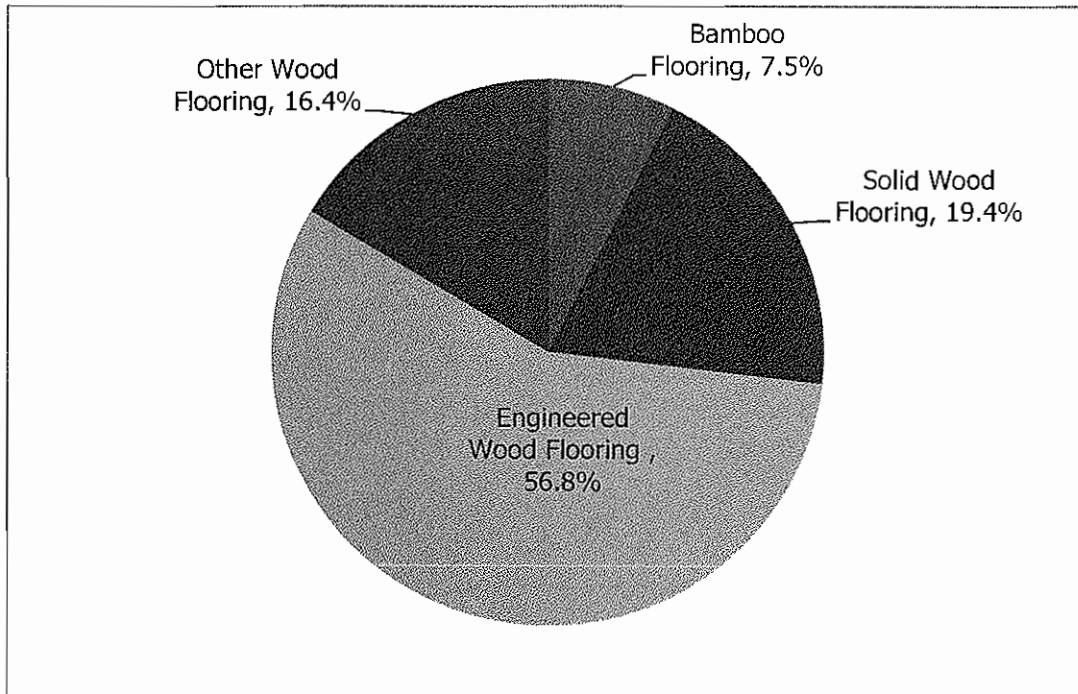


Figure 14: Output Volume of China's Wood Flooring Industry by Types of Flooring, 2011



Note: Total percentage is not 100.0 percent due to round-off error

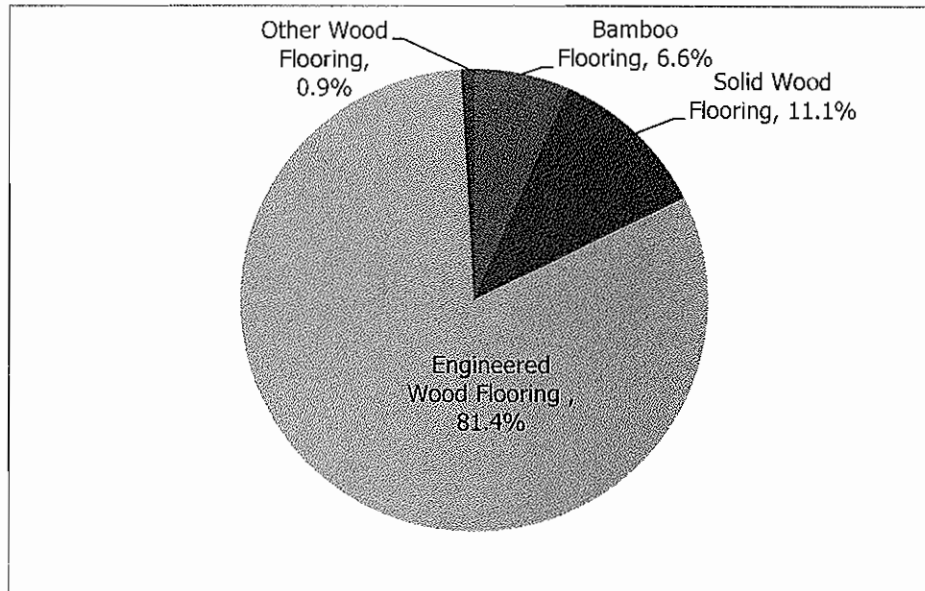
Source: IMR Report

In 2012, sales volume of wood flooring products in China stood at 377.0 million square metres.

7. INDUSTRY OVERVIEW (Cont'd)



Figure 15: Sales Volume of the Wood Flooring Industry in China by Types of Flooring, 2012



Source: IMR Report

In 2012, the overall sales volume of wood flooring in China was dampened by the slowdown in the pace of the economy and the tightening of regulatory policy on local real estate industry by the Chinese Government. The engineered wood flooring accounted for more than half (81.4 percent) of the sales volume of China's wood flooring industry. Material stability, affordability and similarities to wood materials have helped the bamboo flooring market to sustain its market share.

Moving forward, there are growing needs to drive innovation in order for the Chinese wood flooring industry to remain competitive. Issues involving legitimate timber are likely to be more compelling as the Japanese Government's procurement law, American Lacey Act and European logging policy are expected to become stricter over time. The Chinese Government is expected to continue tightening regulations on real estate, hence possibly slowing down housing development and demand for wood flooring products. In addition, the wood flooring industry may also be challenged by the potential rise in prices of imported timber.

7. INDUSTRY OVERVIEW (Cont'd)

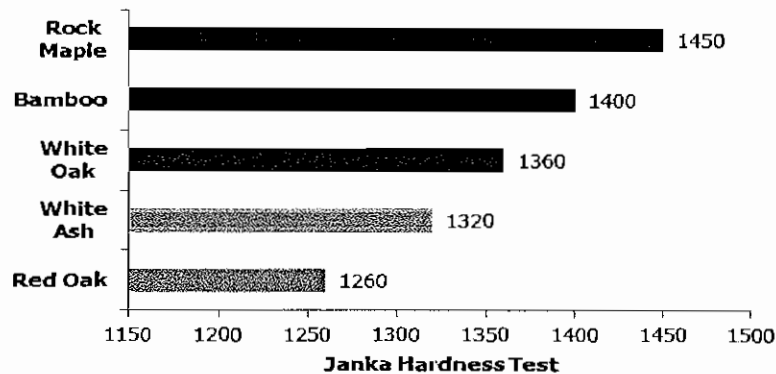
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INTERNATIONAL CORPORATION

BAMBOO FLOORING MARKET IN CHINA

Introduction

Bamboo floorings are made from the lower culms of the bamboo plant. As a flooring material, it is a more environmentally friendly compared to solid wood flooring because it matures quickly (about 5 years) and replenishes/ regrows much faster than any wood forest (about 20 to 30 years). This makes bamboo flooring a greener and more affordable alternative to solid wood flooring. Bamboo is naturally resistant to moisture; therefore, it is not susceptible to the expansion and contraction resulting from changes in its setting's temperature and humidity, unlike solid wood flooring. Bamboo flooring is generally manufactured by pressing multiple layers of bamboo strips under high pressure and temperature thereby making it extremely hard and durable in addition to its attractive natural stain and moisture-resistance qualities. Besides its intrinsic values, bamboo flooring is also known for its aesthetic value; its appealing look captures the natural beauty of bamboo.

Figure 16: Hardness of Bamboo against Other Wood



Note: Higher Janka hardness rating translates to greater material hardness

Source: IMR Report

Nevertheless, bamboo flooring has its drawbacks such as being prone to scratches and discoloration. Like any other hardwoods, hard force from sharp objects or heavy furniture will leave dents or scratches on the surface; direct exposure to sunlight will cause discoloration on the floor surface as well. Although in its most natural form, bamboo flooring is more resistant to water damage as compare to other hardwoods, prolonged exposure and excessive moisture will also cause the flooring to warp or grow mould.

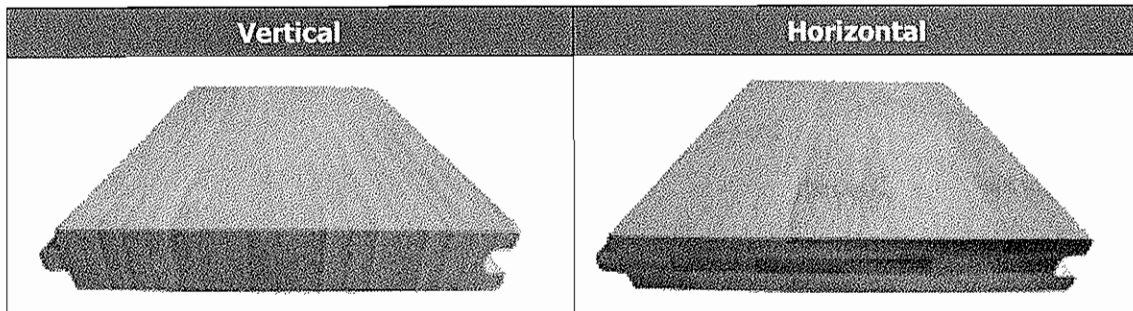
7. INDUSTRY OVERVIEW (Cont'd)



Types of Bamboo Flooring

Bamboo flooring can be classified into solid bamboo flooring, engineered bamboo flooring and strand woven bamboo flooring.

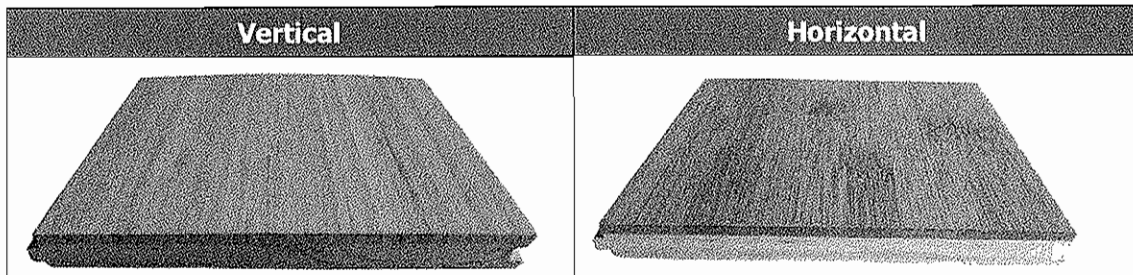
Figure 17: Solid Bamboo Flooring



Source: IMR Report

Engineered bamboo flooring is constructed with a combination of bamboo and wood. The wear layer of the flooring is made from bamboo board while the core and backing layers are made from other wood such as pine and poplar.

Figure 18: Engineered Bamboo Flooring



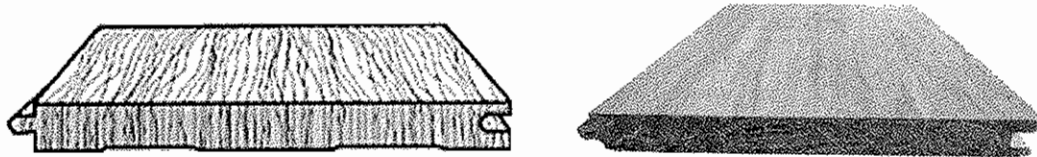
Source: IMR Report

Strand woven bamboo flooring is made by splitting the bamboo culms and shredding it into individual strands. The strands are then boiled in a solution of water and boric acid to draw out the sugars in bamboos. After drying, the strands are compressed under intense pressure.

7. INDUSTRY OVERVIEW (Cont'd)



Figure 19: Strand Woven Bamboo Flooring



Source: IMR Report

Market Dynamics Scorecard

Figure 20: Market Dynamics Scorecard for the Bamboo Flooring Market

Market Dynamics Indicators	Measurement	Trends
2012 Market Size (RMB billion)	3.37	Increasing
2013 Market Growth Rate (%)	8.3	Increasing
2017 Forecast Market Size (RMB billion)	5.04	Increasing
Forecast Period Market Compound Annual Growth Rate ("CAGR") (2012 – 2017) (%)	8.4	
Pricing Trends	Generally priced lower than other wood floorings excluding laminate wood flooring.	Price increase will likely stem from higher cost of raw materials, higher labour cost and inflation.
Types of Market Players	Approximately 200 market players	Increasing
2013 Demand Conditions	Driving the market	Sustained positive impact throughout forecast period.
2013 Supply Conditions	Driving the market	Sustained positive impact throughout forecast period.
Threat of Substitution	High	Stable
Reliance on Imports	Low	Stable
Government Policy and Regulatory Stance	Pro-industry	Increasing

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)

**Historical Market Performance and Growth Forecast**

Historically, China's bamboo flooring market has registered positive growth between 2009 and 2012. Although this growth has been on a slight declining trend, the bamboo flooring market has still managed to sustain its growth at 3.8 percent in 2011. Economic uncertainty following the recession in major export markets such as the US and Europe was a cause for weak global demand into 2010. The slight decline in growth in 2010 and 2011 was also a result of heightened regulations imposed on the property market by the Chinese Government which resulted in a slowdown in housing development and refurbishment activities, especially in higher-cost properties. Nevertheless, the market sustained positive growth mainly from encouraging growth in domestic demand. In 2012, the market continued to expand by registering an estimated growth of 5.9 percent mainly due to rising demand in the Northeast region in cities such as Beijing.

Figure 21: Market Size and Growth Forecast for the Bamboo Flooring Market in China, 2008-2017

Year	Market Size (RMB billion)	Growth Rate (%)
2008	2.63	-
2009	2.88	9.3
2010	3.06	6.3
2011	3.18	3.8
2012	3.37	5.9
2013	3.65	8.3
2014	3.98	9.1
2015	4.31	8.2
2016	4.66	8.2
2017	5.04	8.2

CAGR (2012–2017): 8.4 percent

Note: All figures are rounded; the base year is 2012.

Source: IMR Report

Moving forward, the bamboo flooring market is forecast to exhibit stronger growth, with the CAGR for the 2012-2017 period estimated at 8.4 percent. The market is estimated to be valued at RMB5.04 billion in 2017. Overall, domestic demand is expected to carry greater weight as an increasingly important end user market of bamboo flooring. Domestically, demand will likely be driven by greater affluence among consumers in China resulting in

7. INDUSTRY OVERVIEW (Cont'd)



increasing demand for higher quality and variety in products. It is also expected to be positively influenced by the extensive development in China's construction industry as supported by the initiatives in China's 12th Five-Year Plan, hence increasing demand for building materials.

In addition, changing consumer preference for sustainable flooring material, both domestically and internationally, is also expected to bring about greater demand for bamboo flooring as a renewable and greener alternative material. Export demand is still expected to contribute substantial income to China's bamboo flooring market, especially with the global economy expected to continue expanding.

Competitive Analysis

Manufacturers of bamboo flooring are the primary participants in China's bamboo flooring market. They are engaged in the processing of bamboo into usable flooring materials. There are approximately 200 bamboo manufacturers spread across the country, with a particular concentration in the Jiangxi, Zhejiang, Fujian, Hunan and Anhui provinces. These provinces are known to have an abundance of Moso bamboo forests, as well as keen interest in bamboo cultivation.

Bamboo flooring market is a segment under wood flooring industry. It is relatively a new flooring material as compared to other materials such as solid wood flooring, engineered solid wood flooring and laminate wood flooring. At present, bamboo flooring market stands at the growth stage of its lifecycle. The number of bamboo flooring manufacturers is still considered small as compared to other more established wood flooring types in China.

A majority of bamboo flooring manufacturers are long-established incumbent manufacturers of wood floorings. Equipped with existing technology for the production of wood-based flooring materials, financial resources, market experience, good brand equity and market reputation, these manufacturers possess a greater comparative advantage when venturing into the production of bamboo flooring as compared to new market players in the wood flooring industry. The result is a competitive landscape whereby there is an overlap between market players from different wood flooring markets and also a rise of manufacturers capable of offering a more comprehensive range of wood floorings.

7. INDUSTRY OVERVIEW (Cont'd)

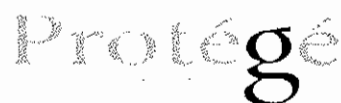


Figure 22: Core Wood Flooring Product Offering of Selected Market Players

Company	Wood Flooring Products				
	Bamboo Flooring	Solid Wood Flooring	Engineered Wood Flooring	Laminate Wood Flooring	Cork Wood Flooring
Dasso Flooring Co., Ltd. ("Dasso")	✓	✓	✓		
ZheJiang AnJi Shanyou Bamboo & Wood Products Co., Ltd. ("Shanyou")	✓		✓		
Kanger International and its subsidiary companies ("Kanger Group" or "Group")	✓			✓	
Jiangxi Kangda Bamboo Products Group Co., Ltd. ("Kangda")	✓		✓	✓	
Jiangxi New Jingtai Industrial Co., Ltd. ("Jingtai")	✓	✓	✓	✓	
Jiangxi Province Precious Bamboo Development Co., Ltd. ("Province Development")	✓		✓		
Huachang Bamboo Products (Jiangxi) Group Co., Ltd. ("Huachang")	✓	✓		✓	
Jiangxi Feiyu Bamboo Products Group Co., Ltd. ("Feiyu")	✓			✓	
Jiangxi Joveton Industry Co., Ltd. ("Joveton")	✓				
Der International Home Furnishing Co., Ltd. ("Der")	✓	✓	✓	✓	
Nature Flooring Holding Co., Ltd. ("Nature Flooring")	✓	✓	✓	✓	✓
Power Dekor Group Co., Ltd. ("Power Dekor")	✓	✓	✓	✓	
Zhejiang Tianzhen Bamboo and Wood Development Co., Ltd. ("Tianzhen")	✓		✓		
Zhejiang Anji Tiancheng Flooring Co., Ltd. ("Tiancheng")	✓		✓	✓	

Note: ✓ Denotes flagship wood flooring product

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)


Selected Market Players

The list of these selected players is not exhaustive and each player's product offerings may not exactly coincide with others'. Market players may participate in one or more markets.

Figure 23: Selected Market Players in China's Bamboo Flooring Market

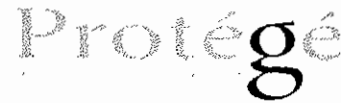
Company Name	Details
Dasso	<ul style="list-style-type: none"> Established in 1992. Located in a village called Dazhuang, Zhejiang, China. Product offerings include bamboo indoor collection, bamboo outdoor collection, bamboo furniture materials and home furnishing. Products under bamboo indoor collection includes solid bamboo flooring, engineered bamboo flooring, strand woven bamboo flooring and others. Awarded International Top Flooring Brand and The Most Innovative Green Flooring at the 11th DOMOTEX Show in 2009. Awarded Europarket Innovation Award: Design Category in 2010.
Shanyou	<ul style="list-style-type: none"> Established in 2004. Located in Anji, Zhejiang, China. Manufactures bamboo flooring, bamboo furniture, bamboo crafts and bamboo panels. Flooring products include solid bamboo flooring, engineered bamboo flooring, strand woven bamboo flooring and others. Exports its products to countries such as Japan, US, Canada, Australia, Russia and Finland.
Kanger Group	<ul style="list-style-type: none"> Established in 2004. Located in Guangdong province, China. Manufactures and distributes wood and bamboo fittings, bamboo flooring and laminate wood flooring products. Focuses on using 5 to 6 years old Moso bamboo as raw materials. Brand name: Kanger (康尔), KAR Masterpiece. Exports mainly to Turkmenistan, United Arab Emirates, Hong Kong and Romania.
Kangda	<ul style="list-style-type: none"> Established in 1993. Headquartered in Fengxin, Jiangxi, China. Factory is situated close to Nanchang City, Jiangxi, China. Main products include solid bamboo flooring, strand woven bamboo flooring, laminate wood flooring, engineered wood flooring, bamboo furniture and others. Exports its products to countries such as US, Canada, South America, Eastern Europe and Southeast Asia.

7. INDUSTRY OVERVIEW (Cont'd)



Company Name	Details
Jingtai	<ul style="list-style-type: none"> Established in 1995. Located in Nanchang, Jiangxi, China. Manufactures wood and bamboo flooring including solid bamboo flooring, strand woven bamboo flooring and others.
Province Development	<ul style="list-style-type: none"> Established in 1998. Located in Chongyi, Jiangxi, China. Manufactures bamboo flooring including solid bamboo flooring, strand woven bamboo flooring, bamboo furniture and others. Products are exported to countries such as Japan, US, Austria, Korea, Russia, Mexico, Ukraine, Canada, United Kingdom ("UK") and Spain.
Huachang	<ul style="list-style-type: none"> Established in 1996. Located in Fengxin, Jianxi, China. Manufactures solid bamboo flooring, strand woven bamboo flooring, laminated wood flooring, furniture products and others. Brand name: Sinohcon. Exports its products to US, Spain, Germany, Russia, Ukraine, Romania, Australia and New Zealand.
Feiyu	<ul style="list-style-type: none"> Established in 1998. Main office is located in Fengxin, Jiangxi, China. Manufactures a variety of bamboo products including solid bamboo flooring, strand woven bamboo flooring, bamboo furniture and others. Brand name: Chunhong (春红). Exports to US, South America, Eastern Europe, Southeast Asia, Africa, Oceania, Eastern Asia, Western Europe and Middle East.
Joventon	<ul style="list-style-type: none"> Established in 2006. Located in Nanchang, Jiangxi, China. Manufactures bamboo flooring including solid bamboo flooring, and strand woven bamboo flooring products. Brand name: Jiu Mu Tang (九木堂). Awarded 'best product' at the 6th China Bamboo and Rattan Expo in 2011.
Der	<ul style="list-style-type: none"> Established in 2004. Located in Wujiang City, Jiangsu, China. Listed on the Shenzhen Stock Exchange in 2011. Manufactures a variety of flooring products (including bamboo flooring, laminate wood flooring, engineered wood flooring and solid wood flooring). Brand name: DER. Awarded as part of 'China's Top 100 Enterprises' and 'China Domestic Industry's Most Influential Building Materials Brand' in 2010.

7. INDUSTRY OVERVIEW (Cont'd)

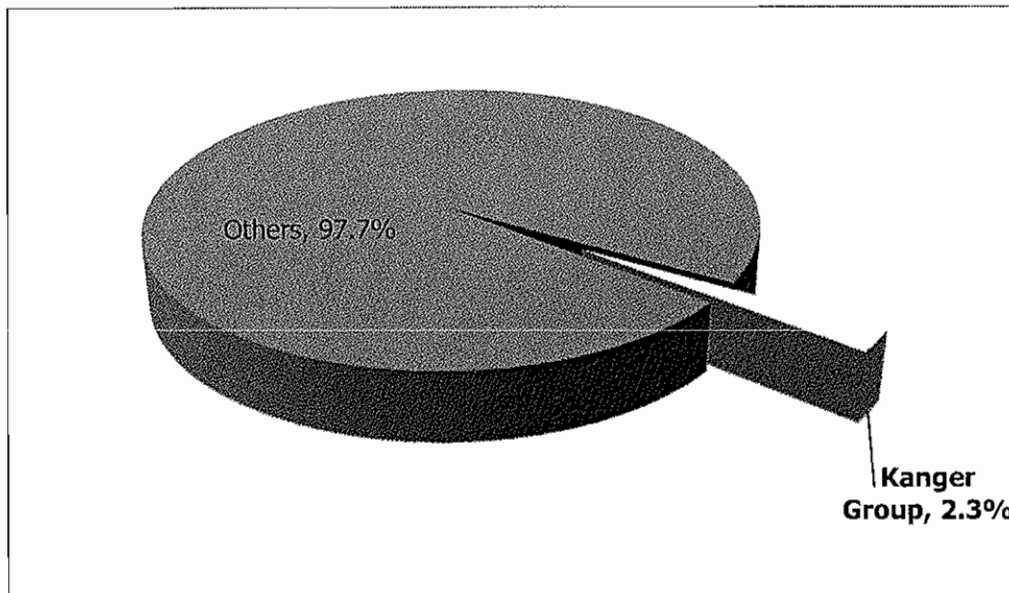


Company Name	Details
	<ul style="list-style-type: none"> Reported revenue and profit before tax of RMB423.8 million and RMB72.7 million respectively for its financial year ended 31 December 2012.
Nature Flooring	<ul style="list-style-type: none"> Established in 2001. Located in Foshan City, China. Listed on the Hong Kong Stock Exchange in May 2011. Products include laminate wood flooring, engineered wood flooring, solid wood flooring, bamboo flooring and cork flooring. Brand name: Nature. Awarded the Chinese Brand of the Year, ranking first in the Wood Flooring Category, by the World Brand Laboratory in 2010. Reported revenue and profit after tax stood at RMB1.12 billion and RMB119.0 million respectively for its financial year ended 31 December 2012.
Power Dekor	<ul style="list-style-type: none"> Established in 1995. Located in Tianjin, China. A major enterprise that manufactures laminate wood flooring products in China. Current products include solid wood flooring, engineered wood flooring, laminate wood flooring and others.
Tianzhen	<ul style="list-style-type: none"> Established in 2003. Located at Anji, Zhejiang, China. Focuses on manufacturing various bamboo flooring products (engineered flooring, strand woven flooring, solid bamboo flooring). Also manufactures a selection of engineered wood flooring products. Exports to countries such as US, Europe, Canada, Korea, Japan and Australia.
Tiancheng	<ul style="list-style-type: none"> Started producing bamboo flooring since 1992. Located at Anji, Zhejiang, China. Specialises in bamboo products including engineered bamboo flooring, indoor decorative items and furniture. Exports to countries especially US and Europe.

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)**Market Share Analysis**

Kanger Group garnered revenue of RMB78.7 million in 2012 from the manufacture and sale of bamboo flooring products, equivalent to 2.3 percent share of the bamboo flooring market during the year, as illustrated in Figure 24. Market share is based on market revenue of RMB3.37 billion in 2012.

Figure 24: Kanger Group's Bamboo Flooring Market Share, 2012

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)



Demand and Supply Conditions

Figure 25: Demand and Supply Conditions Affecting the Bamboo Flooring Market, 2013



Source: IMR Report

Demand Conditions

The following factors represent key trends, developments and events influencing market demand:-

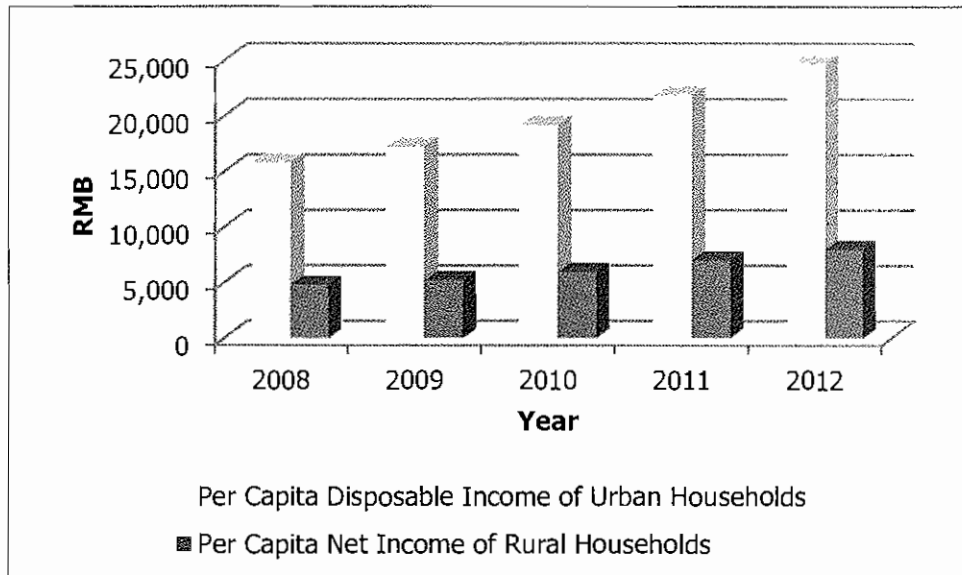
- 1) Sustained Growth in the Chinese Economy Leading to More Affluent Consumers

The sustained economic growth experienced by China over the past decade has led to the emergence of increasingly affluent consumers in China. In 2008, the global financial crisis affected many countries' economies adversely; however, China managed to sustain its economic growth momentum. Despite a slight moderation in growth rates, China's economy is expected to grow encouragingly on the back of strong domestic demand. China's industrialisation and urbanisation has brought its rural citizens to urban areas to take on higher-value jobs in the city which command higher income. The migration of the Chinese population from the low income strata to the middle and high income strata has instigated greater purchasing power and a growing affluence among the Chinese.

7. INDUSTRY OVERVIEW (Cont'd)

Protégé

Figure 26: Per Capita Disposable Income of Urban Households and Per Capita Net Income of Rural Households in China, 2008-2012



Source: IMR Report

With higher spending power, consumers possess more readiness and ability to spend on building and refurbishing areas for greater comfort and pleasure. Bamboo flooring is considered a high-quality flooring product; it is extremely hard, durable and non-susceptible to changes in room's humidity and temperature. Hence, in tandem with greater affluence and propensity to enhance individual lifestyles amongst Chinese consumers, demand for bamboo flooring as a quality product is likely to increase alongside this trend.

2) Sustained Growth in China's Property Construction and Real Estate Market

China's construction industry has been one of the driving forces behind the nation's economic growth ever since it was targeted as one of the cornerstones of China's plan for modernisation.

Figure 27: Gross Output Value of Construction in China, 2010-2012

Year	Gross Output Value (RMB 100 million)	Growth Rate (%)
2010	96,031.13	25.0
2011	117,059.65	21.9
2012	137,217.86	17.2

7. INDUSTRY OVERVIEW (Cont'd)



Source: IMR Report

The construction industry has remained as one of China's main economic drivers. The industry will likely continue to face positive growth over the long term underpinned by China's plan for national economic and social development layout in its 12th Five-Year Plan (2011-2015). In addition, urbanisation continues to cause gradual shifts in the lifestyle of China's population; a shift that is expected to contribute to the rising development in the construction industry to cater to the growing, and migrating population. As such the bamboo flooring market is expected to grow over the forecast period.

3) Changing Consumer Preference in Favour of Sustainable Flooring Material

Over the years, the growing awareness of the benefits and aesthetic value of bamboo flooring has resulted in bamboo flooring becoming one of the trending choices in the flooring material industry both domestically and abroad. Made from an easily renewable material, bamboo flooring is a greener alternative to other form of wood floorings, making it a highly acceptable product by present society whose prevailing concerns include environmental sustainability. It is anticipated that the increasing awareness of the benefits and favour for bamboo as a renewable source and substitute for other wood species will result in greater demand for bamboo flooring.

4) Improving Chinese Bamboo Flooring Exports

China mainly exports its bamboo flooring to USA, Canada, Australia, Europe and countries in the Southeast Asia.

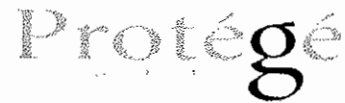
Figure 28: China Export of Bamboo Flooring, 2008-2012

Year	Export Value (USD)	Growth (%)
2008	329,340,450	21.7
2009	224,345,988	(31.9)
2010	221,577,638	(1.2)
2011	252,762,309	14.1
2012	332,818,525	31.7

Note: Data only includes bamboo flooring (parquet) including assembled and non assembled strips

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)



In 2009, there was a significant decrease (31.9 percent) of bamboo flooring products. The global crisis in 2008 affected many countries' economies and impacted the construction industry adversely, hence contracting export demand for bamboo flooring in 2009. Economic uncertainty following the recession in major export markets such as the US and Europe was a cause for weak global demand into 2010. The demand for China's bamboo flooring has since improved with the recovery of global economy. The export value of the said product increased by 31.7 percent in 2012. The export value of bamboo flooring is expected to continue improving during the forecast period.

5) Consumer Concern Regarding Formaldehyde Emissions in Bamboo Flooring

Formaldehyde is a chemical compound that occurs naturally and is synthesised for industrial use. There are issues concerning the use of urea-formaldehyde resins as bonding adhesives for the production of bamboo flooring. The World Health Organisation ("WHO") classified formaldehyde as a probable carcinogenic to humans. As a result, indoor air quality and formaldehyde emissions from bamboo flooring became a public and governmental concern. In an effort to meet the demand and standards for low formaldehyde emission of bamboo flooring, manufacturers have successfully found ways to reduce formaldehyde release in their products. This is achieved by using new formulation of urea-formaldehyde resins, alternative gluing systems or using resins based on biomass products. There is however still a risk of errant manufacturers/ manufacturing processes which may lead to consumer concern and hesitation in purchasing and using bamboo flooring products.

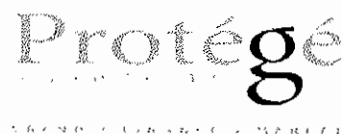
Supply Conditions

The following factors represent key trends, developments and events influencing market supply:-

1) Strong Governmental Support for the Bamboo Industry

The Chinese Government strongly supports the development of its bamboo industry which has grown to become one of the pillar sectors in the country's forestry industry. In these regard, the Chinese Government is encouraging the optimisation of the use of its forestry resources, and at the same time protecting these resources, improving ecological balance, boosting economic developing in rural areas and increasing farmers' incomes. One of the government's notable efforts to develop China's bamboo industry is seen in the establishment of The Home of Bamboo in China initiative – an on-going policy to develop several bamboo

7. INDUSTRY OVERVIEW (Cont'd)



plantations, forestry and industry clusters in selected counties and provinces with abundant, natural bamboo resources. The government's strong support across the bamboo industry's value chain – from the upstream cultivation and harvest of bamboo plants, as well as the downstream processing industry is expected to have an enduring positive effect on the bamboo flooring market.

2) Increasing Bamboo Plantation Area in China

The total area of bamboo forests in China was approximately 5.4 million ha in 2012. It is estimated that bamboo plantation increases 100,000 ha annually. The annual increment in bamboo plantation is presently encouraged by continuous deforestation. Diminishing resources and availability of forest resources has created public awareness for forest protection as well as the need to identify viable substitutes for traditional wood timber. Faced with demand for forest products by a huge and growing population, China is turning to non-timber forest products, particularly bamboo, as a potential alternative. China's abundant and increasing bamboo resources are undoubtedly the basis for growing steady supply of raw materials for the bamboo flooring industry. Bamboo forest area in China is expected to only increase in the future; hence, the supply of raw material for the production of bamboo flooring is likely to be sustained moving forward.

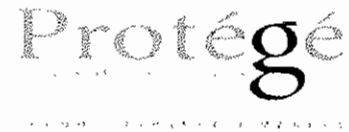
3) Increasing Number of Bamboo Flooring Manufacturers

In tandem with the growing popularity of bamboo flooring, the number of bamboo flooring manufacturers is also increasing. These market players are either new entrants or existing wood flooring manufacturers venturing into bamboo flooring to expand its product portfolio. At present, there are approximately 200 bamboo flooring manufacturers in China. The growing demand for bamboo flooring both locally and abroad has attracted many new and existing players to actively participate in the market. In view of this, China's bamboo flooring production capacity and the supply of bamboo flooring will likely increase accordingly.

Substitute Products

Bamboo flooring products can be substituted with a variety of other flooring materials. Wood flooring variants are considered the best substitutes to bamboo flooring as they share many aesthetic and functional similarities to bamboo. Bamboo flooring is a relatively new, but rapidly growing sub-segment within the wood flooring product category. Product

7. INDUSTRY OVERVIEW (Cont'd)




development are rendering bamboo flooring as an increasingly close substitutes to solid wood, engineered solid wood, laminate and cork flooring.

Figure 29: Advantages and Disadvantages of Various Wood Flooring Variants

Wood Flooring Type	Advantages	Disadvantages
Bamboo	<ul style="list-style-type: none"> • Good heat insulation • Uniformity in colour • Minimal shrinkage • Varied design and colours through new and innovative processes • Environmentally friendly due to the rapid growth of bamboo 	<ul style="list-style-type: none"> • Less durable than solid wood, can be brittle • Material discolour over time
Solid Wood	<ul style="list-style-type: none"> • Durable • Eco-friendly • Heat insulation • Natural aesthetic value and feel 	<ul style="list-style-type: none"> • Requires very low-humidity environments • Vulnerability to acid, alkali, fire and corrosion
Engineered Solid Wood	<ul style="list-style-type: none"> • Durable, wood-resource efficient, heat-insulating, and aesthetics of solid wood • High precision-processed, clean surfaces • Stable structure • More resistant to damage and wear than solid wood • Ease of maintenance 	<ul style="list-style-type: none"> • Wear resistance is low compared to laminate flooring • Greater processing involves the use of chemicals that are not eco-friendly • More prone to humidity-induced warping than solid wood
Laminate Wood	<ul style="list-style-type: none"> • High wear resistance • Does not warp/ deform easily • Diverse styles and colours, many to emulate the look of solid wood • Resistant to damage from corrosion, acid, alkali, and moisture 	<ul style="list-style-type: none"> • Cannot be re-finished upon wear • Poorer foot feeling due to higher density than solid wood • Less eco-friendly, due to the high use of adhesives during processing
Cork Flooring	<ul style="list-style-type: none"> • Flexible & elastic • Eco-friendly • Moisture-proof • Natural anti-allergenic, anti-bacterial and anti-microbial 	<ul style="list-style-type: none"> • Little ventilation, contributes to heat • Limited colour options • Must be sealed every 5 years to retain moisture resistance

Source: IMR Report

7. INDUSTRY OVERVIEW (Cont'd)

The logo for Protégé, featuring the word "Protégé" in a stylized, serif font with a decorative flourish under the 'é'. Below the main text, there is a smaller line of text that is partially obscured but appears to include "A Division of".

Other flooring types such as soft coverings (carpeting), stone and tile hard floorings, resilient floorings and others are also viable substitutes. Substitution and preference across various flooring materials are based on aesthetic factors e.g. the colour, look, and feel of the floor covering, functional factors e.g. the hardness, durability, traction and insulation provided by the material, as well as price/ cost requirements.

Market's Reliance and Vulnerability to Imports

China is home to a total of 39 genera and over 590 species of bamboo, making it the country with the most diverse bamboo resources in the world. Approximately 95 percent and 90 percent of bamboo genera and species respectively are native to China. Of these species, there are more than 100 bamboo species which are economically valuable, which includes Moso bamboo used to produce bamboo flooring. As of 2012, China has an estimated 5.4 million ha of bamboo forests. Given the consistent abundance of China's bamboo forest tracts, in comparison with the rest of the world, it is unlikely for China's bamboo flooring industry to depend on imported raw materials.

China is the foremost manufacturer of bamboo products in the world, exceeding RMB71 billion in 2009. This includes bamboo flooring products. China's bamboo products industry, including the bamboo flooring industry is highly export oriented (export value accounts for approximately half of local bamboo flooring output), as it produces in vast quantities exceeding domestic demand. With a firm grip on the majority of global bamboo raw material resources, as well as bamboo product manufacturing, the local market is unlikely to depend on imported bamboo flooring products in the foreseeable future.

Relevant Government Regulations and Policies

The bamboo flooring industry, as well as the upstream forestry of bamboo materials falls under the purview of China's State Forestry Administration, an agency directly under the State Council of China. Since the 1980s, the Chinese Government has viewed bamboo materials and the resulting industry as an increasingly important sector for economic development. To reflect this interest, a number of policies facilitating industry growth have been introduced. Simultaneously, the government has put in place various laws and agencies to help regulate as well as sustainably promote the industry.

7. INDUSTRY OVERVIEW (Cont'd)

**1988 PRC Forest Law**

The 1988 PRC Forest Law and its implementing rules constitute the major regulations governing the plantation, harvest and utilisation of forestry land in China. Under the PRC Forest Law, the cutting down of bamboo can be carried out only with a cutting licence. Under the PRC Forest Law's implementation rules, the transportation of bamboo from forestry land can only be carried out with a transportation permit. Applications for the permit are filed with the forestry bureau at county level or above.

Policies Affecting the Bamboo Flooring Market***Home of Bamboo in China Initiative***

The 'Home of Bamboo in China' initiative is an on-going policy to develop several bamboo plantations, forestry and industry clusters in counties and provinces with abundant, naturally occurring bamboo resources. The initiative, formulated in 1996 by the State Forestry Administration selected 10 counties where bamboo was abundant for bamboo forestry and industry development. Counties include Anji, Lin'an (Zhejiang Province), Jian'ou, Shunchang (Fujian Province), Taojiang (Hunan Province), Yifeng, Chongyi (Jiangxi Province), Guangning (Guangdong Province), Guangde (Anhui Province) and Chishui City (Guizhou Province).

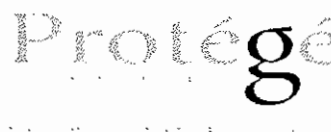
Service Specifications of Chinese Flooring Industry

In April 2011, the Flooring Committee under China National Forest Product Industry Association published development and compliance standards for the entire wood flooring industry, including the bamboo flooring industry. The set of standards outlines industry best practices for wood flooring manufacturers to follow in order to strengthen their product and service viability in both local and export markets.

Wood Identification Guide – Flooring

The Wood Identification Guide is a broad catalogue and information compendium for various wood flooring products manufactured in China. The guide was intended to enable better-informed customers to act as a watchdog for the industry, thus ensuring that market players produce flooring products that are of highest standards.

7. INDUSTRY OVERVIEW (Cont'd)

***The Wood Building Materials to the Countryside Initiative***

In August 2010, the government initiated the 'Wood Building Materials to the Countryside Initiative' to encourage domestic consumption of forestry products. During the campaign, 14 enterprises sold their wood flooring (including bamboo) and doors to rural consumers in 12 pilot provinces at a 15 percent discount. During the campaign that lasted until January 2011, the pilot enterprises achieved total sales of RMB373.3 million, while consumers received discounts amounting to RMB65.2 million.

Policies Affecting Upstream Bamboo Activities***Opening Up the Bamboo Industry to Industry Forces***

Beginning in 1985, the Chinese Government liberalised bamboo prices to better reflect market value, thus providing greater incentive for bamboo plantation and forestry. The Chinese Government continues to maintain its stance in liberalising the bamboo market as part of its policy to promote plantation and forestry activity.

Financial Incentives for Replanting

Under China's Twelfth Five Year Economic Development Plan, the government has targeted to achieve a bamboo forest area of 5 million ha during the plan period. In 2011, China's Ministry of finance also incentivised bamboo replanting through financial subsidies of RMB1,500 per hectare of bamboo replanted.

Policies Affecting Trade***Tax Rate Policy on the Wood Flooring Industry***

On 1 November 2006, the Chinese Government promulgated a policy to adjust the provisional import and export tariff rates on selected commodities. A tariff of 10 percent was imposed on the export of solid wood flooring; meanwhile, engineered solid wood flooring and laminate flooring and bamboo flooring were exempted.

On 1 July 2007, the Chinese Government abrogated export tax rebates namely value added tax ("VAT") and goods and services tax ("GST") for engineered solid wood flooring. Meanwhile, export rebate for laminate wood flooring, multi-layer engineered flooring and bamboo flooring was reduced from 11 percent to 5 percent.

7. INDUSTRY OVERVIEW (Cont'd)



Simultaneously, the government increased VAT rebates for bamboo products from 5 to 9 percent. This promotes the trade of bamboo flooring products both directly – through the reduction of bamboo flooring export costs – and indirectly through the increase in export prices of other wood flooring products.

Coordinated National Research and Development

To reflect the commitment of the Chinese Government in developing bamboo utility and the industry, the **China National Bamboo Research Centre** was established in 1986 within the purview of the Ministry of Science and Technology as well as the Central Organising Committee Office, with a three-pronged objective. The objectives are towards concerted R&D activities, international knowledge sharing and training, and greater bamboo industrialisation.

Outlook of the Bamboo Flooring Market in China

The outlook of the bamboo flooring market in China is projected to be positive; the market is expected to grow during the forecast from 2013 to 2017. Growth in the said market is likely to derive from domestic and international demand. Over the years, China's strong economic growth has led to increasingly affluent consumers who now have the purchasing power as well as the willingness to pay to enhance individual lifestyles for greater comfort and pleasure. The modernisation and urbanisation of the country has also caused a growth in the China's property construction industry, an industry that the bamboo flooring market is dependent on for the consumption of its products. China's initiatives of development its western region and the construction of 36 million affordable houses as stated in its 12th Five-Year Plan (2011-2015) is envisaged to uphold performance of the construction industry which is expected to positively affect the bamboo flooring market. On the global frontier, consumers are becoming more aware of the importance of protecting the environment. In tandem with the growing awareness of the benefits and aesthetic value of bamboo, bamboo flooring has become one of the trending choices in the flooring material industry as a greener and more sustainable material. This is likely to increase demand for Chinese bamboo flooring, especially among advanced societies where environmental concern is more mature.

Despite its advantages as a natural plant material, the manufacturing of bamboo flooring is occasionally criticised as being hazardous to consumer's health due to its use of urea-formaldehyde resins as a bonding adhesive. Manufacturers have found ways to reduce

7. INDUSTRY OVERVIEW (Cont'd)



formaldehyde emission in their products to ensure their products meet leading standards on formaldehyde emissions of both local and export markets.

On the supply side, the bamboo flooring market will likely be positively impacted by China's Government support for the growth of the bamboo industry. As an environmentally friendly plant, the government is strongly supporting bamboo planting as a means for the country to reduce its carbon dioxide emissions. One of the highlights of the government's interest in developing the bamboo industry is The 'Home of Bamboo in China' initiatives. These initiatives, along with the economic viability of bamboo plantation and processing have resulted in China's bamboo forest area expanding at an estimated annual rate of 100,000 ha.

While the bamboo flooring industry has great potential to grow, it will constantly be threatened by the ease of being substituted by other wood floorings (solid wood, engineered wood, laminated wood and cork), hard floorings, soft coverings and resilient floorings. China's bamboo flooring market is valued at RMB3.37 billion in 2012 and is expected to grow at a CAGR of 8.4 percent for the 2012-2017 period to RMB5.04 billion in 2017.

Protégé Associates has prepared this report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a true and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Seow Cheow Seng", is written over a faint circular stamp or watermark.

SEOW CHEOW SENG

Managing Director

Protégé Associates Sdn. Bhd.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

8.1 PROMOTER AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Shareholdings

The shareholdings of our Promoter and/or substantial shareholders in our Company before and after our IPO are as follows:

Name	Nationality	Before IPO		After IPO	
		Direct	Indirect	Direct	Indirect
		No. of Shares held	%	No. of Shares held	%
Promoter and Substantial Shareholder					
Leng Xingmin	Chinese (PRC)	237,210,905	67.77	237,210,905	55.17
Substantial Shareholder					
Lim Lai Choy	Malaysian	56,722,896	16.21	56,722,896	13.19

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.1.2 Profile

Leng Xingmin (冷醒民), Chinese (PRC), aged 42
Promoter, Substantial Shareholder and Managing Director

Leng Xingmin is our Managing Director and was appointed to our Board on 6 February 2013. He is primarily responsible for the business strategy and development of our Group.

Leng Xingmin graduated with a Diploma in Business Administration from the Nanchang University (南昌大学), China, in 1996.

He commenced his career in 1991 with the Bureau of Township Enterprises of Xiushui County, Jiangxi, (江西修水县乡镇企业局管理科) as Deputy Chief Management Officer in its Management Division. In 1998, Leng Xingmin started his own business by opening a gas station in Taishan, Guangdong. In 2000, he established Shenzhen Kangdeshun Industrial Development Co., Ltd. (深圳市康得顺实业发展有限公司) which was mainly involved in the trading of ceramic products.

Leng Xingmin's involvement in the bamboo flooring industry began in 2004 when his family established Shenzhen Kanger to undertake the trading of bamboo flooring and related products. They subsequently ventured upstream into the manufacturing of bamboo flooring and related products through the acquisitions of Ganzhou Kanger and Yanshan Kanger in 2008 and 2010 respectively. Since his involvement in 2004, Leng Xingmin has been instrumental in the development of our Group, including development and/or improvement of production methods to enhance the quality and/or features of our products.

Lim Lai Choy, Malaysian, aged 57
Substantial Shareholder

Lim Lai Choy completed her high school education in 1971 and commenced her career as a Graphics Designer with Grant International Ltd in 1976. In 1980, she joined University Malaya Medical Centre as a volunteer in its Hospital Operations Unit. Subsequently in 1986, she joined the Buddhist Missionary Society Malaysia, during which she acted as the personal secretary to the late Venerable Dr. K. Sri Dhammananda, the Chief Reverend of Malaysia and Singapore and later as the Director of Art, Editorial and Publications Department of the Buddhist Maha Vihara publications.

In 2002, Ms Lim started Fibersit Marketing Sdn Bhd which is principally involved in the production of recycled composite materials from waste materials such as rice husks and waste plastics. In addition, she is also a director of Sinplast Enterprise Sdn Bhd, a recycling and waste plastic processing company as well as a director of HK Kanger since 10 November 2011.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL
(Cont'd)

8.1.3 Changes in Shareholdings since Incorporation

Save as disclosed below, there has been no change in the shareholdings of our Promoter and/or substantial shareholders in our Company since incorporation up to the date of this Prospectus:

Name	Date of Acquisition	Direct		Indirect		Cumulative No. of Shares
		No. of Shares Acquired	Cumulative No. of Shares	No. of Shares Acquired	Cumulative No. of Shares	
Promoter and Substantial Shareholder						
Leng Xingmin	30 September 2013	237,210,905	237,210,905	-	-	-
Substantial Shareholder						
Lim Lai Choy	30 September 2013	56,722,896	56,722,896	-	-	-

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.2 BOARD OF DIRECTORS

8.2.1 Profile

The profile of Leng Xingmin is set out in Section 8.1.2 of this Prospectus.

Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan, Malaysian, aged 61
Independent Non-Executive Chairman

Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan was appointed to our Board as our Independent Non-Executive Chairman on 6 February 2013.

She graduated with a Diploma in Cosmetology from Louisiana State College, USA in 1974. Upon graduation, she worked with various cosmetic companies. In 1985, she started Tjanting Batik Sdn Bhd which is principally involved in the manufacturing and trading of batik, uniforms and corporate gift items. In 1997, she started the 'La Cucur' food outlets specialising in Malaysian delicacies.

Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan is a director of several private limited companies, including Pandan Sutera Sdn Bhd which own the 'La Cucur' food outlets, Laksamana Resources Sdn Bhd, a company dealing with fertiliser for farming, and Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd, an automotive and industrial battery manufacturer.

She is the spouse of our shareholder, Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail and the sister-in-law of another shareholder, DYMM Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail.

Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid, Malaysian, aged 58
Independent Non-Executive Director

Y. Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid was appointed to our Board as our Independent Non-Executive Director on 6 February 2013.

He is also the President and Vice-Chancellor of Universiti Tun Abdul Razak and Chief Executive Officer of Tun Abdul Razak Education Foundation (Yayasan PINTAR).

Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid received his Bachelor of Science in Agribusiness from Universiti Pertanian Malaysia in 1979 and his Masters of Science from University of London in 1980. He also obtained his (Diplome Etude Approfondie) and his Doctor of Science in Management from University of Aix-Marseille, France in 1983 and 1988 respectively.

He began his career in Sumitomo Corporation as executive in 1979 and subsequently joined Malaysian Industrial Development Authority (MIDA) as economist in the same year. In 1980, Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid joined Universiti Pertanian Malaysia and was its Head of Department of Management Studies (1995-1997), Deputy Dean of the Faculty of Economics and Management (1995-1997), Founding Dean of the Malaysian Graduate School of Management (1997-2001) and Chief Operating Officer of the Malaysian Graduate School of Management Foundation 1997-2002. He retired from Universiti Pertanian Malaysia in 2003 and joined Open University Malaysia where he held the positions of Director of Centre for Graduate Studies and Professor of Management of the Faculty of Business and Management until 2006.

Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid was admitted as a Fellow of CPA Australia (FCPA) in 2010 and as a Chartered Accountant of the Malaysian Institute of Accountants in 2012.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Prof. Dr. Paul Cheng Chai Liou, Malaysian, aged 66
Independent Non-Executive Director

Prof. Dr. Paul Cheng Chai Liou was appointed to our Board as our Independent Non-Executive Director on 6 February 2013.

He obtained his Bachelor of Business from University of Southern Queensland, Australia in 1990. He then obtained his Masters of Business Administration and Doctor of Commercial Sciences from Oklahoma City University, USA in 1991 and 1996 respectively. He also obtained his Doctor of Business Administration from University of Newcastle, Australia in 2007.

Currently, Prof. Dr. Paul Cheng Chai Liou is an Independent Non-Executive Director of PeterLabs Holdings Berhad, an adjunct professor with Universiti Tun Abdul Razak and the senior partner of Cheng and Co, an accounting firm he established in 1993 which has seven (7) branches in Malaysia and five (5) branches overseas and supported by more than 170 staff.

Prof. Dr. Paul Cheng Chai Liou is a member of the Malaysian Institute of Accountants, Malaysian Institute of Certified Public Accountants, Malaysian Institute of Management, and Malaysian National Computer Confederation. He is also a Fellow member of CPA Australia and Malaysian Institute of Taxation, and a Chartered member of the Institute of Internal Auditors.

Y.Bhg. Dato' Izudin Bin Ishak, Malaysian, aged 48
Independent Non-Executive Director

Y.Bhg. Dato' Izudin Bin Ishak was appointed to our Board as our Independent Director on 6 February 2013.

He obtained his Diploma in Quantity Surveyor, Universiti Teknologi Malaysia and Advance Diploma in Business Administration from Institute of Commercial Management in 1987 and 1990 respectively. He then obtained his Masters of Business Administration from Southern Cross University, Australia in 2003.

Dato' Izudin Bin Ishak has more than ten (10) years working experience as a consultant, contractor and developer through the Growth Avenue group of companies, which are principally involved in amongst others, property development and construction and which he is a shareholder and director.

Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail, Malaysian, aged 35
Independent Non-Executive Director

Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail was appointed to our Board as our Independent Non-Executive Director on 6 February 2013.

He obtained his Bachelor of Business (Honours) in Accounting from Universiti Malaya in 2002 and thereafter began his career as a Consultant with Thomas International, a human capital consulting company which is part of the Deloitte KassimChan group.

In 2003, he joined I-HR Consulting Sdn Bhd, where he was responsible for fund raising and provision of outsourcing services to SMEs. In 2004, he joined Kenanga Private Equity Sdn Bhd, a subsidiary company of K & N Kenanga Holdings Berhad, where he was responsible for evaluation of potential investee companies. Thereafter in 2007, he joined KPMG as executive in its business advisory and internal audit division.

Syed Hazrain Bin Syed Razlan Jamalullail started RL Zinean Sdn Bhd which is principally involved in developing and supplying agricultural inputs (fertilizer) for plantations in 2008 and is also involved in the recovery of non-recyclable paper waste through another company, Flexoresearch Malaysia Sdn Bhd since 2010.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

He is the son of our shareholder, Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail and our Chairman, Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan.

8.2.2 Shareholdings

The shareholdings of our Directors in our Company before and after our IPO are as follows:

Name	Designation/ Nationality	Before IPO			After IPO		
		Direct	Indirect	%	Direct	Indirect	%
		No. of Shares held	No. of Shares held	%	No. of Shares held	No. of Shares held	%
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	Independent Non-Executive Chairman / Malaysian	-	13,756,959 ⁽¹⁾	3.93	-	13,756,959 ⁽¹⁾	3.20
Leng Xingmin	Managing Director / Chinese (PRC)	237,210,905	67.77	-	237,210,905	55.17	-
Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid	Independent Non-Executive Director / Malaysian	-	-	-	-	-	-
Prof. Dr. Paul Cheng Chai Liou	Independent Non-Executive Director / Malaysian	-	-	-	-	-	-
Y.Bhg. Dato' Izudin Bin Ishak	Independent Non-Executive Director / Malaysian	-	-	-	-	-	-
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	Independent Non-Executive Director / Malaysian	-	13,756,959 ⁽²⁾	3.93	-	13,756,959 ⁽²⁾	3.20

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Notes:

- (1) Deemed interested by virtue of her spouse, Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail's shareholding in our Company.
- (2) Deemed interested by virtue of his father, Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail's shareholding in our Company.

8.2.3 Principal Activities Performed Outside Our Group

Save as disclosed below, none of our Directors has any directorships and/or business activities performed outside our Group for the past five (5) years prior to the LPD:

Name	Directorships	Involvement in business activities other than as a director
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	<p><u>Present directorships</u></p> <ul style="list-style-type: none"> • Pandan Sutera Sdn Bhd • Laksamana Resources Sdn Bhd • Amalgamated Batteries Manufacturing (Sarawak) Sdn Bhd • Defcom Services Sdn Bhd • Findmore Resources Sdn Bhd • Trends File Consulting Sdn Bhd • Senandung Budaya Sdn Bhd • Detwor Sdn Bhd • Menashimaya Sdn Bhd • Tjanting Handicraft Sdn Bhd • Tjanting Batik Sdn Bhd • Document Solution Resources Sdn Bhd • Shahabudin Enterprise Sdn Bhd • Innosegar Sdn Bhd • Rai Emas (M) Sdn Bhd • Capaian Sempurna Sdn Bhd • Warisan Budiman Sdn Bhd <p><u>Past directorships</u></p> <ul style="list-style-type: none"> • MESB Berhad (Alt Director) • Dynamic Communication Link Sdn Bhd • Titian Sama Sdn Bhd 	-
Leng Xingmin	<p><u>Past directorships</u></p> <ul style="list-style-type: none"> • Shenzhen Kangdeshun Industry Development Co., Ltd (深圳市康得顺实业发展有限公司) * • Dayu Kanger Bamboo Industry Co., Ltd (大余县康尔竹木业有限公司) ** 	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (*Cont'd*)

Name	Directorships	Involvement in business activities other than as a director
Y.Bhg. Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid	<p><u>Present directorships</u></p> <ul style="list-style-type: none"> • Agapito (M) Sdn Bhd • Unitar Capital Sdn Bhd • United Multimedia Sdn Bhd • Newbiz2me Sdn Bhd • Web Seals Sdn Bhd • Bizaid Academy Sdn Bhd • Malaysian School of Management Sdn Bhd • Worldbright Corporation Sdn Bhd • Bizaid Technologies Sdn Bhd • Info-House I.T. Sdn Bhd • University Tun Abdul Razak Sdn Bhd <p><u>Past directorships</u></p> <ul style="list-style-type: none"> • Ecowarna Sdn Bhd • Wisdom at Work Sdn Bhd 	<ul style="list-style-type: none"> • Yayasan Pendidikan Tun Abdul Razak (Manager) • University Tun Abdul Razak Sdn Bhd (Manager)
Prof. Dr. Paul Cheng Chai Liou	<p><u>Present directorships***</u></p> <ul style="list-style-type: none"> • PeterLabs Holdings Berhad • Aljeffri Dean Consulting Sdn Bhd • Maxisegar Educational Holdings Sdn Bhd • Circular Orbit Berhad • Gaxy Education Berhad <p><u>Past directorships</u></p> <ul style="list-style-type: none"> • Cheng & Chua Tax Services Sdn Bhd • Malaysian Institute of Directors • Cheng & Co. Asset Management Services Sdn Bhd 	<ul style="list-style-type: none"> • Cheng & Co (Senior Partner) • Universiti Tun Abdul Razak (Adjunct Professor)
Y.Bhg. Dato' Izudin Bin Ishak	<p><u>Present directorships</u></p> <ul style="list-style-type: none"> • Growth Avenue Sdn Bhd • Stars Shield International Sdn Bhd • Growth Avenue AGC JV Sdn Bhd • One Greentech International Sdn Bhd • Hornet Security Sdn Bhd • Avenue Travel & Car Rental Sdn Bhd • KBN Technology Sdn Bhd • Bayu Cergas Sdn Bhd • Malaysian Golf Academy Sdn Bhd • Sirehna (M) Sdn Bhd • Izrex Sdn Bhd • Horix (M) Sdn Bhd • E.D. Resources Corporation Sdn Bhd • Angle Value Properties Sdn Bhd • IZ Multimedia Technology Sdn Bhd • A.V. Construction Sdn Bhd 	

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Name	Directorships	Involvement in business activities other than as a director
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	<ul style="list-style-type: none"> • IZ Timber Sdn Bhd • Dataran Suria Sdn Bhd • Isuyakin Sdn Bhd • C&B Management Sdn Bhd • Alpine Varieties Sdn Bhd • Marss Curry House Sdn Bhd • MCS Asia Sdn Bhd • Susunan Wawasan Sdn Bhd • Metabiz Corporation Sdn Bhd • Tema Primajaya Sdn Bhd • Custom Scanning Solutions Sdn Bhd • KF INC. Capital Sdn Bhd • Storm Industries (M) Sdn Bhd • Portvest International Sdn Bhd 	
	<u>Past directorships</u>	
	<ul style="list-style-type: none"> • Tradewinds (M) Berhad • Mahajaya Harmoni Sdn Bhd • Primageo (M) Sdn Bhd • Arab Gulf Company (AGC) Sdn Bhd • Marss Solution Sdn Bhd • A.V Industrial Engineering Sdn Bhd • Agensi Pekerjaan Sisipan Emas (M) Sdn Bhd • Golden Corporate Heritage Sdn Bhd • Kepong Metropolitan Park Sdn Bhd • Scan Managed Services Sdn Bhd • Nadiah Trading Sdn Bhd • Petrochain Sdn Bhd 	
	<u>Present directorships</u>	
	<ul style="list-style-type: none"> • RL Zinean Sdn Bhd • Flexoresearch Malaysia Sdn Bhd • Laksamana Resources Sdn Bhd • Krisana Agarwood Sdn Bhd • Capaian Sempurna Sdn Bhd • Laksamana-Maphilindo Sdn Bhd • MI Call Centre Sdn Bhd • Happy Recipe Sdn Bhd • Dekatku Sdn Bhd • Mahabbah Utama Sdn Bhd • Dongjin Fitting (M) Sdn Bhd • Syarikat Sinar Tiga Sdn Bhd 	
	<u>Past directorships</u>	
	<ul style="list-style-type: none"> • Actinium Network Bhd (Alt Director) 	

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

Notes:

- * The company has been dissolved since 2011.
- ** On 29 July 2011, Leng Xingmin has transferred all his shares in Dayu Kanger Bamboo Industry Co., Ltd to Fu Ya Xiong and the company name was changed to Dayu Xiongfeng Bamboo Industry Co., Ltd (大余县雄峰竹木业有限公司)
- *** Prof. Dr. Paul Cheng Chai Liou is an auditor and company secretary by profession. As a company secretary providing incorporation services, he is often named as a nominee / initial director of the numerous companies he helps to incorporate. Save for his directorships as disclosed above, Prof. Dr. Paul Cheng Chai Liou has, as at the LPD, resigned from all his other directorships.

8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The current remuneration and proposed remuneration for services rendered/to be rendered by our Directors in all capacities to our Group for the FYE 31 December 2012 and FYE 31 December 2013 are as follows:

Director	Compensation Band (RM)	
	FYE 31 December 2012	FYE 31 December 2013
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	-	0 – 50,000
Leng Xiugmin	-	100,000 – 150,000
Y.Bhg Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid	-	0 – 50,000
Prof. Dr. Paul Cheng Chai Liou	-	0 – 50,000
Y.Bhg. Dato' Izudin Bin Ishak	-	0 – 50,000
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	-	0 – 50,000

The above remunerations, which comprise salaries, incentives, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by our Remuneration Committee and subsequently approved by our Board. Our Directors' fees and incentives must be further approved by our shareholders at a general meeting.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.2.5 Directors' Terms of office

Our Directors were appointed to the Board and have served in their respective capacities since the dates set out in Sections 8.1.2 and 8.2.1 of this Prospectus. Our Board comprises one (1) Executive Director and five (5) Independent Non-Executive Directors. Their respective terms of office are as follows:

Name	Designation	Expiration of Term of Office
Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan	Independent Non-Executive Chairman	*
Leng Xingmin	Managing Director	*
Y.Bhg Prof. Datuk Dr. Md. Zabid Bin Haji. Abdul Rashid	Independent Non-Executive Director	*
Prof. Dr. Paul Cheng Chai Liou	Independent Non-Executive Director	*
Y.Bhg. Dato' Izudin Bin Ishak	Independent Non-Executive Director	*
Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail	Independent Non-Executive Director	*

Note:

* *In accordance with Article 90 of our Articles of Association on Retirement of Directors:*

At the first annual general meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, an election of directors shall take place and one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election Provided Always that all Directors shall retire from office at least once every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the General Meeting at which he retires.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.3 RELEVANT COMMITTEES

8.3.1 Audit Committee

Our Audit Committee was established on 6 February 2013. The members of our Audit Committee are as follows:

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

Our Audit Committee was established by our Board in order to assist it in overseeing the internal controls of our Group independent from our management.

Under our Audit Committee's terms of reference, at least one (1) member of our Audit Committee must either be a member of the Malaysian Institute of Accountants, or if not, he/she must have at least three (3) years' working experience and must have passed certain examinations stipulated in the Accountants Act 1967, or any other requirement as prescribed by Bursa Securities or the SC. The Chairman of our Audit Committee must be an Independent Director appointed by our Board based on the recommendation of our Nomination Committee.

Our Audit Committee's term of reference includes the following:

- (a) Review with our internal and/or external auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our accounting system and/or internal controls;
- (b) Review our quarterly and annual financial statements before submission to our Board, focusing in particular on any change in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (c) Review matters concerning the suitability for appointment or reappointment of external auditors and matters relating to their resignation;
- (d) Review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group; and
- (f) To perform such other functions as may be requested by our Board.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.3.2 Nomination Committee

Our Nomination Committee was established on 6 February 2013. The members of our Nomination Committee are as follows:

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

Our Nomination Committee was established by our Board in order to, *inter alia*, ensure that our Board is composed of effective and qualified members by nominating and appointing current and prospective members of our Board.

Our Nomination Committee's terms of reference include, amongst others, the following:

- (a) Identify and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- (b) Review annually the required mix of skills and experience and other qualities, including core competencies, which Non-Executive Directors should bring to our Board;
- (c) Assess annually the effectiveness of our Board and Board committees (including its size and composition) and contribution of each individual Director, including Independent Non-Executive directors; and
- (d) Review our Board's succession plans and training programmes for our Board.

8.3.3 Remuneration Committee

Our Remuneration Committee was established on 6 February 2013. The members of our Remuneration Committee are as follows:

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

Our Remuneration Committee was established by our Board in order to, *inter alia*, develop remuneration policy for our Directors and ensure that compensation is competitive and consistent with our Company's business strategy and long-term objectives.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (*Cont'd*)

Our Remuneration Committee's terms of reference include, amongst others, the following:

- (a) Review and recommend to our Board the individual remuneration packages for our Executive Directors and key management and key technical personnel to ensure the levels of remuneration be sufficiently attractive and be able to retain our Executive Directors and key management and key technical personnel needed to run our Group successfully; and
- (b) Establish and recommend to our Board the remuneration structure and policy for our Executive Directors and key management and key technical personnel, including the terms of employment, any benefit, pension or incentive scheme entitlement and any compensation payable on the termination of the service contract by our Group, and to review changes to the policy, as necessary.

8.4 KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

8.4.1 Profiles

Zhan Xiuxia (詹秀霞), Chinese (PRC), aged 40
Group Chief Financial Officer

Zhan Xiuxia is our Chief Financial Officer and is responsible for overseeing and monitoring our financial and accounting functions, including planning and coordinating our financial reporting activities.

She graduated with a Bachelor of Business in Finance from South China Normal University (华南师范大学) in 1999. She began her career in 1996 as a Finance Manager with Shenzhen Saiba Electronics Co., Ltd. (深圳市赛霸电子有限公司). She then joined Shenzhen Nongerge Co., Ltd. (深圳市农二哥有限公司) in 1999 as its Chief Financial Officer where she was primarily responsible for overseeing all matters pertaining to financial management and accounting functions of the company. She was attached with Shenzhen Jieboruihua Technology Co., Ltd. (深圳市捷波睿华科技有限公司) as its Chief Financial Officer since 2007 prior to joining our Group in 2012.

During the course of her career, Zhan Xiuxia has obtained various qualifications and certificates which include Intermediate National Financial Planner from Guangdong Province Occupational Functioning Guidance Centre (广东省职业功能鉴定指导中心), Intermediate Financial Economist from People's Republic of China Human Resources Department (中华人民共和国人事部) as well as Intermediate Accountant from Shenzhen Municipal Bureau of Finance (深圳市财政局).

Kuang Wangchun (匡旺春), Chinese (PRC), aged 38
Group Administration and Human Resource Manager

Kuang Wangchun is our Group Administration and Human Resource Manager and is responsible for our administration and human resources management.

He graduated with a Diploma in Human Resource from Jiangxi Economic Management College (江西经济管理专修学院) in 1998. Upon his graduation, he joined Onbo Electronic (Shenzhen) Co., Ltd. (鸿邦电子(深圳)有限公司) as its Head of Human Resource. He then joined Anso Co., Ltd. (万松高精工有限公司) in 2006 as its Human Resource Manager prior to joining our Group in 2009.

During the course of his career, Kuang Wangchun has also obtained a ISO 9001/2000 Environmental Quality Standards Management Internal Auditor certification from Angel Star Consulting Co., Ltd., a Human Resource Manager certification from Occupational Skill Testing Authority Jiangxi City (江西社会保障职业技能鉴定中心), and a Safety Officer certification from Administration of Work Safety of Shenzhen (深圳市安全生产监督管理局).

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

Qiao Ning (乔宁), Chinese (PRC), aged 47
Group Sales and Marketing Manager,

Qiao Ning is our Group Sales and Marketing Manager and is responsible for our business development activities, locally and overseas, including spearheading our sales and marketing strategies.

He obtained his Bachelor of Engineering from Huazhong University of Science and Technology (华中理工大学), PRC, in 1989 and his Masters in Business Administration from University of Chinese Academy of Sciences (中国科学院大学) in 2001.

He commenced his career with China Computer Soft and Technology Services Co., Ltd. (中国计算机软件与技术服务总公司), Hubei branch as its Sales Engineer in 1989 and then joined Wuhan Yabaida Computer Co., Ltd. (年在武汉雅百达电脑有限公司) as its Sales Manager in 1991. In 1993, he joined Hong Kong RS Components (Beijing) Co., Ltd. as its Sales Engineer cum Sales Manager.

In 2001, he worked with Beijing Jiebaoai Oil Filter Technology Co., Ltd. (北京节保爱滤油技术有限公司) as its General Manager where he was responsible for the overall operations and management of the company. He then joined Omron Electronic Components (Hong Kong) Co., Ltd, Beijing Office as its Chief Representative in 2003 where he was responsible for developing its market in China and strategies planning. He was subsequently attached with Shenzhen EWIT Mechanical and Electrical Equipment Co., Ltd. (深圳亿维德机电设备有限公司) as its General Manager in 2005 and with Shenzhen Cheshui Runtian Bamboo Product Co., Ltd (深圳车水润田竹工艺品有限公司) as its General Manager in 2008 prior to joining our Group in 2012.

Shen Shanzi (沈珊子), Chinese (PRC), aged 36
Production Manager, Ganzhou Kanger

Shen Shanzi is our Production Manager for Ganzhou Kanger and is responsible for the operations of our plant in Ganzhou, including procurement and warehousing management.

He obtained his Diploma in Business Management from Nanchang University (南昌大学), PRC, in 1999 and began his career with Shenzhen Taiwei Footwear Co., Ltd. (深圳台威鞋业有限公司) in 2000 as its Head of Production and Trading Departments where he was in charge of product development and management. He joined Shenzhen Minghaifeng Footwear Co., Ltd. (深圳鸣海峰鞋业有限公司) as its director of Production and Trading Departments in 2008 prior to joining our Group in 2010.

Leng Guibao (冷贵宝), Chinese (PRC), aged 47
Production Manager, Yanshan Kanger

Leng Guibao is our Production Manager for Yanshan Kanger and is responsible for the operations of our plant in Yanshan, including procurement and warehousing management.

He obtained his diploma in Agroforestry from Jiangxi Jiujiang Agricultural School (江西九江农校) in 1986 and began his career as Factory Manager with Shenzhen Longgang City Yifeng Electronic Co., Ltd. (深圳市龙岗益丰电子有限公司) in 1994 where he was responsible for the company's production as well as procurement and warehousing management. In 2000, he joined Dongguan Chengshang Wood Factory (东莞诚商木业厂) as its Production Deputy General Manager. In 2005, he joined Ganzhou Kanger as our Production Manager and was thereafter transferred to Yanshan Kanger in 2012.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (*Cont'd*)

Li Zisheng (李自胜), Chinese (PRC), aged 34
Production cum R&D Manager, Ganzhou Kanger

Li Zisheng is our Production cum R&D Manager for Ganzhou Kanger and is assisting Shen Shanzi in the management of our Ganzhou plant operations. In addition, he is also responsible for overseeing our R&D activities, including product development and our collaboration with FRIM.

He obtained his Diploma in Marketing from Henan University of Economics and Law (河南财经政法大学) in 2004. He began his career as a Quality Control Inspector with Shanghai Jialemei Woods Co., Ltd. (上海市佳乐美木业有限公司) in 1999 where he was responsible for ensuring that its products meet internal and external quality standards as well as its production line management.

In 2001, he joined Vohringer Wood Product (Shanghai) Co., Ltd. (上海市菲林格尔木业有限公司) as its Production Supervisor and was subsequently attached with Shenda Bamboo Product (Shanghai) Co. Ltd. (上海市升达竹业有限公司) as its Production Supervisor in 2005. He then joined Shanghai Weima Wood Industry Co., Ltd. (上海市巍玛木业有限公司) as its Production Manager in 2006 where he was responsible for overseeing the company's manufacturing operations.

In 2008, he joined Treffert Coating (Shanghai) Co., Ltd. (上海市坚弗特种涂料有限公司) as its Head of Sales and Marketing where he was responsible for overseeing the business development and marketing functions of the company. In 2011, he joined our Group.

8.4.2 Technical Adviser

In addition to our team of key management and key technical personnel as detailed above, our Group has also engaged the services of a Technical Adviser, Professor Yu Wenji to assist in our R&D activities, including product development and design, for a period of three (3) years from 1 August 2012 to 30 July 2015 through a Technical Consultation Agreement. The profile of our Technical Adviser is set out below.

Yu Wenji (于文吉), Chinese (PRC), aged 50
Technical Adviser

Professor Yu Wenji was appointed as our Technical Advisor in 2012.

He obtained his Bachelor of Science in Forestry Products and Industry from Northeast Forestry University of China (东北林业大学) in 1986 and his Masters in Materials Science and Engineering from Beijing Forestry University (北京林业大学) in 1989. In 2011, he obtained his PhD in Forestry Science and Technology from Chinese Academy of Forestry (中国林业科学研究院).

Professor Yu has more than twenty (20) years of experience in the forestry industry, including bamboo. His involvement in forestry research commenced in 1989 when he worked in the Wood-based Panel Engineering Department of the Chinese Academy of Forestry. In 2004, Professor Yu was attached with the Research Institute of Advance Forestry Technology (林业高新技术研究所) as its Chief Lecturer.

He is currently a member of the National Technical Committee on the Standardisation of Bamboo and Rattan (全国竹藤标准化技术委员会) and National Technical Committee on the Standardisation of Timber (中国木材标准化委员会), a Standing Director of the National Technical Committee on the Standardisation of Biomass Materials (全国生物质材料标准化委员会) and President of Wood-based Panels and Adhesive Research Division of the Chinese Society of Forestry (中国林学会木工分会人造板与胶粘剂研究会).

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.4.3 Shareholding

The shareholdings of our key management and key technical personnel before and after our IPO are as follows:

Name	Designation/ Nationality	Before IPO			After IPO		
		Direct No. of Shares held	Indirect No. of Shares held	%	Direct No. of Shares held	Indirect No. of Shares held	%
Zhan Xiuxia	Chief Financial Officer / Chinese (PRC)	5,432,361	-	1.55	5,432,361	-	1.26
Kuang Wanchun	Group Administration and Human Resource Manager / Chinese (PRC)	-	-	-	-	-	-
Qiao Ning	Group Sales and Marketing Manager / Chinese (PRC)	5,432,361	-	1.55	5,432,361	-	1.26
Shen Shanzi	Production Manager, Ganzhou Kanger / Chinese (PRC)	-	-	-	-	-	-
Leng Guibao	Production Manager, Yanshan Kanger / Chinese (PRC)	-	-	-	-	-	-
Li Zisheng	Production cum R&D Manager, Ganzhou Kanger / Chinese (PRC)	-	-	-	-	-	-
Yu Werji	Technical Adviser / Chinese (PRC)	-	-	-	-	-	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.4.4 Involvement of our Executive Directors, Key Management and Key Technical Personnel in Other Businesses or Corporations

None of our Executive Directors and key management and key technical personnel has any interest, direct or indirect, in other businesses or corporations outside of our Group or is involved in other businesses or corporations outside of our Group as at the LPD.

8.5 DECLARATIONS BY PROMOTER, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL

Based on the declarations by our Promoter, Directors, key management and key technical personnel, none of our Promoter, Directors, key management and key technical personnel is or has been involved in any of the following events (whether in or outside Malaysia):

- (a) a petition under any bankruptcy or insolvency law filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (b) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (d) any judgment that was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (e) the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.6 RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations amongst our Promoter, Directors, substantial shareholders, key management and key technical personnel:

- (i) Yang Mulia Syed Hazrain Bin Syed Razlan Jamalullail is the son of our Chairman, Yang Mulia Dato' Paduka Sharipah Hishmah Binti Dato' Sayed Hassan; and
- (ii) Shen Shanzi is the nephew of Leng Xingmin.

8.7 BENEFITS PAID OR INTENDED TO BE PAID

Save as disclosed in Section 8.2.4 of this Prospectus, there is no amount or benefit paid or intended to be paid or given to any of our Promoter, Directors or substantial shareholders within the two (2) years preceding the date of this Prospectus.

8.8 SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors, key management and key technical personnel which are not terminable by notice without payment or compensation (other than statutory notice).

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.9 INFORMATION ON EMPLOYEES

8.9.1 Employment Structure

As at the LPD, we have a total workforce of 190 personnel, including our Executive Director, who are all employed in China. The breakdown of our employees by category as at 31 December 2010 to 2012 as well as at the LPD is as follows:

Category	Number of Employees			As at the LPD
	As at 31 December			
	2010	2011	2012	
Key management	3	4	8	8
Managerial	8	10	9	9
Sales and marketing	26	18	41	40
Procurement	2	2	3	3
Finance, human resource and administration	5	7	9	9
Technical	11	8	6	6
Driver/ Clerical	6	5	5	5
General Workers	44	49	112	110
Total	105	103	193	190

The substantial increase in our total workforce from 103 as at 31 December 2011 to 193 as at 31 December 2012 was mainly due to an increase in our sales and marketing personnel as well as our production staff. The increase in our sales and marketing personnel is pursuant to our marketing strategy to widen our distribution network and to increase brand awareness while the increase in our production staff is due to an increase in our production volume as well as to enhance our products' aesthetics and quality at our Ganzhou and Yanshan plants.

There has been no material industrial dispute actions taken against our Group and none of our employees are members of any union. In addition, our Group has not encountered any major turnover in our workforce.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL (Cont'd)

8.9.2 Training and Development

We understand the importance and are committed to the training and development of our employees. We provide regular on-the-job trainings pertaining to management skills and/or technical knowledge to provide them with opportunities to acquire new skills and/or knowledge.

Some of the training programmes attended by our employees in 2012 and 2013 are as follows:

Date	Programme	Venue / Organiser
February 2012	Administration system	Shenzhen Kanger
March 2012	Team awareness	Shenzhen Kanger
May 2012	Sales & marketing skills	Shenzhen Kanger
July 2012	Execution capability	Shenzhen Kanger
September 2012	Communication skills	Shenzhen Kanger
November 2012	Occupational psychology	Shenzhen Kanger
March 2013	Corporate policy and financial reporting	Shenzhen Kanger
April 2013	Occupational safety and health	Shenzhen Kanger
April 2013	Product knowledge	Shenzhen Kanger
May 2013	Material procurement and distribution system	Shenzhen Kanger
June 2013	Cost control and budget planning	Shenzhen Kanger
July 2013	Team awareness	Shenzhen Kanger
August 2013	Time management	Shenzhen Kanger
September 2013	Product knowledge training and execution capability	Shenzhen Kanger

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS, KEY MANAGEMENT AND KEY TECHNICAL PERSONNEL *(Cont'd)*

8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability and retention of our key management and key technical personnel. Therefore, we have make efforts to train our employees and remunerate them accordingly. Our future success will also depend on our ability to attract and retain skilled personnel.

We have a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits;
- (iii) Structured career planning and development; and
- (iv) Continuous training and education.

As part of our management succession plan, we have put in place a process to groom new management staff to gradually assume the responsibilities of senior management. Our Group's strategy for management continuity is driven by our top management who is responsible for identifying key competencies and requirements of candidates. If the need arises, we will recruit qualified personnel with knowledge and expertise of our business to enhance our operations.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC. The SC has noted our Listing under the equity requirement for public companies. No equity condition is imposed on our Company for our Listing in view that the entire profit of our Group is derived from foreign-based operations.

Bursa Securities had, vide its letter dated 9 September 2013, approved our admission to the Official List of the ACE Market and the listing of and quotation for our entire enlarged issued and paid-up share capital on the ACE Market.

The approval from Bursa Securities is subject to the following conditions:

No.	Conditions Imposed	Status of Compliance
(1)	In relation to the properties located at West 3 rd Floor, Building A, No. 1 Eastern Section, Xili Dakan Industrial Zone, Nanshan District, Shenzhen Guangdong Province 518055 China and Room 102, 1 st Floor, Building B, No. 1 Eastern Section, Xili Dakan Industrial Zone, Nanshan District, Shenzhen, Guangdong Province, 518055 China:	
	(a) Shenzhen Kanger to relocate its business/operations to other properties which possess the real property ownership certificates within one (1) year from the approval date; and	To be complied
	(b) Kanger International/KIBB to make half yearly announcement to Bursa Securities on the remedial actions taken to comply with the above condition.	To be complied
(2)	In relation to the property located at Room 268B and 278B, 2 nd Floor, Le'Anju Xinzhou, Store Interchange of Fuqiang Road and Shazui Road, Futian District, Shenzhen, Guangdong Province, 508048 China:	
	(a) Shenzhen Kanger to relocate its business/operation to other properties which possess the real property ownership certificates upon the expiration of the existing tenancy; and	To be complied
	(b) Kanger International/KIBB to make half yearly announcement to Bursa Securities on the remedial actions taken to comply with the above condition.	To be complied

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9. APPROVALS AND CONDITIONS (Cont'd)

No.	Conditions Imposed	Status of Compliance																		
(3)	The shareholdings of the following investors are subject to a three (3) month moratorium from the date of Listing.	To be complied																		
	<table border="1"> <thead> <tr> <th></th> <th>Shareholding in Kanger ('000)</th> </tr> </thead> <tbody> <tr> <td>Lim Lai Choy</td> <td>56,722</td> </tr> <tr> <td>DYMM Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail</td> <td>13,757</td> </tr> <tr> <td>Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail</td> <td>13,757</td> </tr> <tr> <td>Lew Wai Kit</td> <td>6,550</td> </tr> <tr> <td>Kang Yeat Guat</td> <td>7,206</td> </tr> <tr> <td>Zhan Xiuxia</td> <td>5,432</td> </tr> <tr> <td>Qiao Ning</td> <td>5,432</td> </tr> <tr> <td>Fosetta Limited</td> <td>3,931</td> </tr> </tbody> </table>		Shareholding in Kanger ('000)	Lim Lai Choy	56,722	DYMM Tuanku Syed Sirajuddin Ibni Almarhum Tuanku Syed Putra Jamalullail	13,757	Syed Razlan Ibni Almarhum Tuanku Syed Putra Jamalullail	13,757	Lew Wai Kit	6,550	Kang Yeat Guat	7,206	Zhan Xiuxia	5,432	Qiao Ning	5,432	Fosetta Limited	3,931	
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Qiao Ning	5,432																			
Fosetta Limited	3,931																			
(4)	Submission of the following information in respect to the shareholdings which are subject to moratorium condition to the Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied																		
(5)	Approvals from other relevant authorities have been obtained for implementation of the listing proposal.	Complied																		
(6)	Make the relevant announcements pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied prior to Listing																		
(7)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of the Company on the first day of Listing.	To be complied prior to Listing																		
(8)	Any directors of the Company that have not attended the Mandatory Accreditation Programme must do so prior to listing of the Company.	Complied																		
(9)	Make announcement of the following information in respect to the result of the public offering at least two (2) Market Days prior to the Listing date: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholder of the Company arising from the public offering, if any.	To be complied prior to Listing																		
(10)	Kanger International/KIBB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the admission is completed.	To be complied																		

9. APPROVALS AND CONDITIONS *(Cont'd)*

Stephenson Harwood, the Legal Advisers to our Company on Hong Kong law, have confirmed that:

- (i) there are no governmental or regulatory consents, approvals, authorisations or orders which are required in Hong Kong to enable our Company to carry out or perform any of the matters listed below:
 - (a) list on the ACE Market of Bursa Securities; and
 - (b) carry out the Listing Scheme as set out in Section 3.1 of this Prospectus;(the matters referred to in (a) and (b) above shall be referred to as the “**Hong Kong Matters**”)
- (ii) there are no registration, filing or similar formalities required in Hong Kong in respect of the Hong Kong Matters.

Guangdong Grebright Law Firm, the Legal Advisers to our Company on PRC law, have confirmed that:

- (i) there are no governmental or regulatory consents, approvals, authorisations or orders which are required in the PRC to enable our Company to carry out or perform any of the matters listed below:
 - (a) list on the ACE Market of Bursa Securities; and
 - (b) carry out the Listing Scheme as set out in Section 3.1 of this Prospectus;(the matters referred to in (a) and (b) above shall be referred to as the “**PRC Matters**”)
- (ii) there are no registration, filing or similar formalities required in the PRC in respect of the PRC Matters.

9.2 MORATORIUM ON OUR SHARES

In compliance with the Listing Requirement, a moratorium will be imposed on the sale, transfer or assignment of Shares held by our Promoter as follows:

- (i) The moratorium applies to our Promoter’s entire shareholdings for a period of six (6) months from the date of our admission to the ACE Market (“**First 3-Month Moratorium**” and “**Second 3-Month Moratorium**”);
- (ii) Upon the expiry of the First 6-Month Moratorium, we must ensure that our Promoter’s aggregate shareholdings amounting to at least 45% of our issued and paid-up ordinary share capital remain under moratorium for a further six (6) months (“**Second 6-Month Moratorium**”); and
- (iii) Upon the expiry of the Second 6-Month Moratorium, our Promoter may sell, transfer or assign up to a maximum of one third per annum (on a straight line basis) of our Shares held under moratorium.

In addition, pursuant to the approval condition given by Bursa Securities, a three (3) month moratorium will be imposed on the sale, transfer or assignment of Shares held by our other existing shareholders from the date of our admission to the ACE Market (“**First 3-Month Moratorium**”).

9. APPROVALS AND CONDITIONS (Cont'd)

The moratorium shall be imposed according to the following:

Name	Before IPO		Moratorium Shares During the First 3-Month Moratorium		Moratorium Shares During the Second 3-Month Moratorium		Moratorium Shares During the Second 6-Month Moratorium	
	No. of Shares	% [^]	No. of Shares	% [^]	No. of Shares	% [^]	No. of Shares	% [^]
Promoter ⁽¹⁾								
Leng Xingmin	237,210,905	67.77	237,210,905	55.17	237,210,905	55.17	193,500,000	45.00
Existing Shareholders ⁽²⁾								
Lim Lai Choy	56,722,896	16.21	56,722,896	13.19	-	-	-	-
DYMM TuanKu Syed Sirajuddin Ibni Almarhum TuanKu Syed Putra Jamalullail	13,756,959	3.93	13,756,959	3.20	-	-	-	-
Syed Razlan Ibni Almarhum TuanKu Syed Putra Jamalullail	13,756,959	3.93	13,756,959	3.20	-	-	-	-
Lew Wai Kit	6,550,933	1.87	6,550,933	1.52	-	-	-	-
Kang Yeat Guat	7,206,026	2.06	7,206,026	1.68	-	-	-	-
Zhen Xiuxia	5,432,361	1.55	5,432,361	1.26	-	-	-	-
Qiao Ning	5,432,361	1.55	5,432,361	1.26	-	-	-	-
Fosetta Limited	3,930,560	1.12	3,930,560	0.91	-	-	-	-

Notes:

[^] Based on our issued and paid-up share capital before our Public Issue

* Based on our enlarged issued and paid-up share capital after our Public Issue.

(1) Our Promoter has provided an undertaking letter to Bursa Securities that he will comply with the moratorium conditions as set out in Rule 3.19(1) of the Listing Requirements.

(2) Our existing shareholders have provided undertaking letters to Bursa Securities that they will comply with the moratorium conditions pursuant to the approval condition by Bursa Securities.

The restrictions, which are fully acknowledged by our Promoter and other existing shareholders, are specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any sale, transfer or assignment that are not in compliance with the aforesaid restriction imposed by Bursa Securities.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST**10.1 RELATED PARTY TRANSACTIONS**

Save for our internal restructuring as disclosed below, our Board confirms that there are no existing or presently proposed related party transactions entered into between our Group and our Directors, substantial shareholders, key management and key technical personnel and/or persons connected with them during the past three (3) FYE 31 December 2010 to 2012, FPE 30 June 2013 and forecast for the FYE 31 December 2013:

Transacting Parties	Nature of Relationship	Nature of Transaction	Actual		Forecast	
			FYE 31 December 2011	2012	FPE 30 June 2013	FYE 31 December 2013
Ganzhou Kanger and Leng Xingmin	Leng Xingmin is our Managing Director, Promoter and substantial shareholder	Ganzhou Kanger acquired 63.90% of equity interest in Shenzhen Kanger from Leng Xingmin	-	-	-	-
Ganzhou Kanger and Leng Xingmin, Leng Wen Jue and Leng Jiang Yun	Leng Xingmin is our Managing Director, Promoter and substantial shareholder Leng Wen Jue and Leng Jiang Yun are the siblings of Leng Xingmin	Ganzhou Kanger acquired the entire equity interest of Yanshan Kanger from Leng Xingmin, Leng Wen Jue and Leng Jiang Yun	-	RMB6,000,000	-	-
HK Kanger and Leng Xingmin	Leng Xingmin is our Managing Director, Promoter and substantial shareholder	HK Kanger acquired 98.43% of equity interest in Ganzhou Kanger from Leng Xingmin	-	USD2,067,995	-	-

Upon Listing, our Directors, through our Audit Committee, will ensure that any related party transaction (recurrent inclusive, if any) are carried out on an arm's length basis and are not to our detriment and to the detriment of our minority shareholders.

Our Directors and substantial shareholders are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders, key management and key technical personnel and/or persons connected with them.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

10.2 INTERESTS IN SIMILAR BUSINESSES AND OTHER CONFLICTS OF INTEREST

As at the LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses or corporations carrying on a trade similar to that of our Group and/or any businesses or corporations which are our customers or suppliers.

10.3 OTHER TRANSACTIONS

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party to during the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013.

There are no outstanding loans, including guarantees of any kind made by our Group to or for the benefit of related parties during the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013.

10.4 DECLARATIONS BY ADVISERS

KIBB confirms that there is no existing or potential conflict of interests in its capacity as the Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

Raja Darryl & Loh confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing.

Grandall Law Firm (Guangzhou) confirms that there is no existing or potential conflict of interest in its capacity as the Legal Adviser to our Company on PRC law for our Listing.

Guangdong Grebright Law Firm confirms that, there is no existing or potential conflict of interest in its capacity as the Legal Adviser to our Company on PRC law for our Listing.

Stephenson Harwood confirms that there is no existing or potential conflict of interest in its capacity as the Legal Adviser to our Company on Hong Kong law for our Listing.

UHY confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our Listing.

Protégé confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our Listing.

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11. PROFORMA HISTORICAL FINANCIAL INFORMATION

Our proforma consolidated financial statements have been compiled based on the bases and accounting policies consistent with those currently adopted by our Group which are set out in the notes and assumptions included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our proforma consolidated financial statements were prepared in accordance with Malaysian Financial Reporting Standards (MFRS). Any adjustments which were dealt with when preparing our proforma consolidated financial statements have been highlighted and disclosed in Section 11.4 of this Prospectus.

11.1 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 as set out below 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. 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. You should read this proforma consolidated statements of comprehensive income in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus. Additionally, the following selected unaudited historical combined financial information for the FPE 30 June 2012 has been prepared for information only.

	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	2,510	3,971

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (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
Total comprehensive income attributable to owners of the company	709	2,864	5,841	2,510	3,971
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.

There was no exceptional or extraordinary item during the financial years and period under review. The audited financial statements used in the preparation of our proforma consolidated financial statements were not subject to any qualification or modification, save for the following audited financial statements/separate financial statements of our respective subsidiary companies:

(a) HK Kanger

The audited financial statements for the financial period from 16 April 2011 to 30 September 2012 contained an audit qualification where HK Kanger did not prepare consolidated financial statements as HK Kanger is the holding company for Ganzhou Kanger. ⁽¹⁾

(b) KAR Masterpiece

The audited financial statements for the FYE 30 June 2012 contained an audit qualification where the auditors were not invited to observe the inventory count, coupled with no proper inventory record maintained. Hence, the auditors were unable to satisfy themselves as to the physical existence of the inventories. ⁽²⁾

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) *The separate financial statements for the financial period from 1 October 2012 to 31 December 2012 were not subject to any qualification as HK Kanger had elected to prepare separate financial statements for the purpose of the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Kanger International on the ACE Market of Bursa Securities.*
- (2) *The auditors' report issued by UHY for the financial period from 1 July 2012 to 31 December 2012 was unqualified as the auditors were able to satisfy themselves as to the appropriateness of opening inventories brought forward from the FYE 30 June 2012.*

The audited financial statements of Ganzhou Kanger, Shenzhen Kanger and Yansha Kanger (“**PRC Subsidiaries**”) in the Accountants’ Report set out in Section 13 of this Prospectus, which were used in the preparation of our proforma consolidated financial information as set out in Section 11.4 of this Prospectus, were prepared by UHY, Malaysia for purposes of the Listing and not for statutory filings in China. These audited financial statements of our PRC Subsidiaries were prepared in accordance with MFRS as our Company, being the ultimate holding company, is a Malaysian incorporated company.

Going forward, the audited financial statements of our PRC Subsidiaries for purposes of statutory filings in China will be prepared by the PRC affiliates of our Malaysia auditors to facilitate our Malaysian auditors in ensuring the financial statements of our PRC Subsidiaries are in compliance with MFRS for purposes of preparation of our Company’s audited consolidated financial statements.

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11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

11.2 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. You should read this proforma consolidated statements of financial position in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

	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	52,702
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.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**11.3 PROFORMA CONSOLIDATED STATEMENT OF CASH FLOWS**

Our proforma consolidated statement of cash flows for the FPE 30 June 2013 as set out below 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 Public Issue and utilisation of proceeds had been completed on that date. You should read this proforma consolidated statement of cash flows in conjunction with the accompanying notes and assumptions set out in Section 11.4 of this Prospectus.

	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
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.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (*Cont'd*)

11.4 REPORTING ACCOUNTANTS' LETTER ON PROFORMA CONSOLIDATED FINANCIAL INFORMATION



14 NOV 2013

The Board of Directors
Kanger International Berhad
2-1 Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Malaysia

Dear Sirs,

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

**KANGER INTERNATIONAL BERHAD (“Kanger International” or “the Company”)
PROFORMA CONSOLIDATED FINANCIAL INFORMATION**

We report on the proforma consolidated financial information of Kanger International and its subsidiary companies, namely Kanger Investment (HK) Limited and its group of subsidiary companies comprising Ganzhou Kanger Industrial Co., Ltd., Shenzhen Kanger Bamboo Wood Co., Ltd. and Yanshan (Country) Kanger Bamboo Industry Co., Ltd, as well as KAR Masterpiece Sdn. Bhd. (collectively referred as “Kanger Group”, “Proforma Group” or “Group”) for the three financial years ended (“FYE”) 31 December 2010, 31 December 2011 and 31 December 2012 and for financial period from 1 January 2013 to 30 June 2013 (“FPE 30 June 2013”) together with the accompanying notes thereon, which we have stamped for the purpose of identification.

The proforma consolidated financial information of the Kanger Group has been prepared for illustrative purposes only for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Kanger Group on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”), after making certain assumptions and such adjustments to show the effects on:

- (a) the financial results of Kanger Group for the financial years and the FPE 30 June 2013 under review had the Group structure as of the date of the Prospectus been in existence since the beginning of the financial years/period being reported on;
- (b) the financial position of Kanger Group as at 30 June 2013, adjusted for the effect of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue; and
- (c) the cash flows of Kanger Group for the FPE 30 June 2013 had the Group structure as of the date of the Prospectus been in existence since the beginning of the FPE 30 June 2013, adjusted for the effects of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue.

As the proforma consolidated financial information has been prepared for illustrative purposes only, such information, because of its nature, may not reflect Kanger Group’s actual financial results, financial position and cash flows. Further, such information does not predict the Group’s future financial results, financial position and cash flows.

11. **PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**



**KANGER INTERNATIONAL BERHAD
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**

Responsibilities

It is the sole responsibility of the Directors of Kanger International to prepare the proforma consolidated financial information in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission (“Prospectus Guidelines”).

It is our responsibility to form an opinion, as required by the Prospectus Guidelines, as to the proper compilation of the proforma consolidated financial information and to report our opinion to you.

In providing this opinion, we are not responsible in updating or refreshing any report or opinion previously made by us on any financial information used in the compilation of the proforma consolidated financial information, nor do we accept responsibility for such report or opinion beyond that owed to those to whom the report or opinion were addressed by us at the date of issue.

Basis of opinion

We conducted our work in accordance with Malaysian Approved Standards on Assurance Engagements, ISAE 3000 – Assurance Engagements Other Than Audits or Reviews of Historical Financial Information.

Our work consisted primarily of comparing the proforma consolidated financial information with the unaudited financial information of Kanger International for the financial period from 27 August 2012 (date of incorporation) to 31 December 2012 (“FPE 31 December 2012”) and FPE 30 June 2013 as well as the audited financial statements of its subsidiary companies for the FYE 31 December 2010, 31 December 2011, 31 December 2012 and FPE 30 June 2013, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the Directors/Officers of Kanger Group. Our work involved no independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanation we considered necessary in order to provide us with reasonable assurance that the proforma consolidated financial information has been prepared on the basis stated using financial statements prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Kanger Group. Our work also involves assessing whether each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information.

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (*Cont'd*)



**KANGER INTERNATIONAL BERHAD
PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**

Opinion

In our opinion:

- (a) the proforma consolidated financial information of Kanger Group as set out in the accompanying notes, which are provided for illustrative purposes only, has been prepared based on the audited financial statements of Kanger International for the FPE 30 June 2013 as well as the audited financial statements of its subsidiary companies for the FYE 31 December 2010, 31 December 2011, 31 December 2012 and FPE 30 June 2013 and in accordance with MFRS and is presented on a basis consistent with both the format and accounting policies normally adopted by Kanger International and its subsidiary companies and after taking into account adjustments appropriate for the purposes of the proforma consolidated financial information as set out in the accompanying notes; and
- (b) the adjustments made in the preparation of the proforma consolidated financial information are appropriate for the purposes of preparing the proforma consolidated financial information.

Other Matter

This letter has been prepared for the purpose of inclusion in the Prospectus issued in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Kanger International on the ACE Market of Bursa Securities. As such, this letter should not be relied on for any other purposes.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'WAM'.

UHY
Firm Number: AF 1411
Chartered Accountants

KUALA LUMPUR

11. PROFORMA HISTORICAL FINANCIAL INFORMATION (*Cont'd*)
KANGER INTERNATIONAL BERHAD
NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
1. Introduction

The proforma consolidated financial information, comprising the proforma consolidated statement of comprehensive income for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013, proforma consolidated statement of financial position as at 30 June 2013 and the proforma consolidated statement of cash flows for the FPE 30 June 2013 for which the Directors of Kanger International are solely responsible, have been prepared for illustration purposes only, for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Kanger International on the ACE Market of Bursa Securities ("Listing").

2. Effects on the Proforma Consolidated Statement of Financial Position

As part of the Listing, Kanger International undertook the following internal restructuring as set out as follows:

2.1 Acquisitions

In conjunction with the listing, Kanger International undertook acquisitions as detailed below:

(a) Acquisition of Kanger Investment (HK) Limited ("HK Kanger")

The entire issued and paid-up share capital in HK Kanger 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 ordinary shares of RM0.10 each in Kanger International ("Kanger Share") at an issue price of RM0.10 per Kanger Share. The acquisition of HK Kanger also entails the acquisition of the wholly-owned subsidiaries of HK Kanger as follows:

- (i) the entire issued and paid-up share capital in Ganzhou Kanger Industrial Co., Ltd. ("Ganzhou Kanger") comprising 14,000,000 ordinary shares of RMB1 each;
- (ii) the entire issued and paid-up share capital in Shenzhen Kanger Bamboo Wood Co., Ltd. ("Shenzhen Kanger") comprising 10,000,000 ordinary shares of RMB1 each; and



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. Effects on the Proforma Consolidated Statement of Financial Position (Cont'd)

2.1 Acquisitions (Cont'd)

- (a) Acquisition of Kanger Investment (HK) Limited ("HK Kanger") (Cont'd)

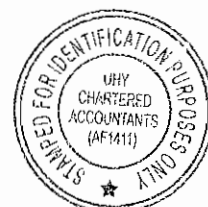
(iii) the entire issued and paid-up share capital in Yanshan (County) Kanger Bamboo Industry Co. Ltd. ("Yanshan Kanger") comprising 6,000,000 ordinary shares of RMB1 each.

- (b) Acquisition of KAR Masterpiece Sdn Bhd ("KAR Masterpiece")

The entire issued and paid-up share capital in KAR Masterpiece comprising 200,000 ordinary shares of RM1 each for a total purchase consideration of RM2, which was wholly satisfied by the issuance of 20 new Kanger Shares at an issue price of RM0.10 per Kanger Share.

(collectively known as the "Acquisitions").

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11. **PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

2. Effects on the Proforma Consolidated Statement of Financial Position (Cont'd)

Listing Scheme

In conjunction with, and as an integral part of Kanger Group' Listing, the Listing Scheme is set out as follows:

2.2 Public Issue

Public Issue of 80,000,000 IPO Shares will be allocated in the manner explained below, which is subject to clawback and reallocation.

2.2.1 Public ("Public Tranche")

11,000,000 IPO Shares, representing approximately 2.56% of the 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.

2.2.2 Selected Investors via Placement ("Placement Tranche")

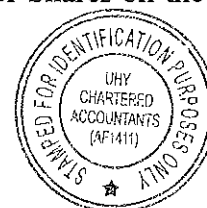
69,000,000 IPO Shares, representing approximately 16.05% of the enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

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

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

2.3 Listing and Quotation

Subsequent to the completion of the Public Issue, Kanger International will seek a listing of and quotation for its entire enlarged issued and paid-up share capital of RM43,000,000 comprising 430,000,000 Kanger Shares on the ACE Market of Bursa Securities.



11. **PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**

KANGER INTERNATIONAL BERHAD

**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)**

3. Basis of preparation

3.1 The proforma consolidated financial information of Kanger Group is prepared for illustrative purposes only and have been prepared using the bases and accounting policies consistent with those to be adopted by Kanger International, after giving effect to the adjustments considered appropriate.

The proforma consolidated financial information has been prepared for illustrative purposes based on the audited financial statements of Kanger International for the FPE 30 June 2013 as well as the audited financial statements of its subsidiary companies for the FYE 31 December 2010, 31 December 2011, 31 December 2012 and FPE 30 June 2013. The audited financial statements used in the preparation of this report for the financial years/period under review were not subject to any qualification or modification.

3.2 The proforma consolidated financial information comprises the following:

- (a) the Proforma Consolidated Statement of Comprehensive Income for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013 on the assumption that Kanger Group's structure as of the date of the Prospectus had been in existence since the beginning of the financial years/period being reported on;
- (b) the Proforma Consolidated Statement of Financial Position as at 30 June 2013, adjusted for the effect of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue; and
- (c) the Proforma Consolidated Statement of Cash Flows for the FPE 30 June 2013 on the assumption that Kanger Group structure as of the date of the Prospectus had been in existence since the beginning of the FPE 30 June 2013, adjusted for the effects of the Listing Scheme as defined in the accompanying notes and utilisation of proceeds from the Public Issue.

The Acquisitions by Kanger International are accounted for in the proforma consolidated financial information using the pooling of interests method of accounting.



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****3. Basis of preparation (Cont'd)**

- 3.3 The proforma consolidated financial information has been prepared in accordance with MFRS and is presented on a basis consistent with both the format and accounting policies normally adopted by Kanger International and its subsidiary companies and after taking into account adjustments appropriate for the purposes of the proforma consolidated financial information as set out in the accompanying notes.
- 3.4 The audited financial statements of Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger were presented in The People's Republic of China Renminbi ("RMB"). The audited financial statements of HK Kanger were presented in United States Dollar ("USD"). In preparing this report, the financial information was translated into Ringgit Malaysia ("RM") for information purposes.

The exchange rates used for the purposes of this report are extracted from Bank Negara Malaysia as follows:

Financial period/years ended (average rate)

31 December 2010	RMB1.00 : RM0.4748
31 December 2011	RMB1.00 : RM0.4734
31 December 2012	RMB1.00 : RM0.4899
30 June 2013	RMB1.00 : RM0.5012
31 December 2011	USD1.00 : RM3.0536
31 December 2012	USD1.00 : RM3.0724
30 June 2013	USD1.00 : RM3.0958

Financial period/years ended (closing rate)

31 December 2010	RMB1.00 : RM0.4674
31 December 2011	RMB1.00 : RM0.5034
31 December 2012	RMB1.00 : RM0.4913
30 June 2013	RMB1.00 : RM0.5149
31 December 2011	USD1.00 : RM3.1633
31 December 2012	USD1.00 : RM3.0460
30 June 2013	USD1.00 : RM3.1785



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

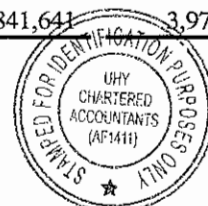
KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. Proforma Consolidated Statement of Comprehensive Income for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013

4.1 The proforma consolidated statement of comprehensive income of Kanger Group for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013 are set out below, which have been prepared for illustration purposes assuming that Kanger Group had been existence throughout the financial years/period under review.

	----- Proforma -----			
	----- FYE 31 December -----			FPE 30 June
	2010	2011	2012	2013
	RM	RM	RM	RM
Revenue	14,835,819	23,411,242	38,556,417	21,378,403
Cost of sales	<u>(12,469,982)</u>	<u>(18,486,692)</u>	<u>(27,582,650)</u>	<u>(17,083,834)</u>
Gross profit	2,365,837	4,924,550	10,973,767	4,294,569
Other income	215,239	424,076	495,572	171,426
Administrative expenses	(656,366)	(1,095,889)	(1,898,871)	(881,330)
Selling and distribution expenses	(459,316)	(557,982)	(754,265)	(225,872)
Other operating expenses	(4,402)	(4,816)	(94,706)	(10,024)
Finance costs	<u>(493,452)</u>	<u>(617,473)</u>	<u>(1,089,868)</u>	<u>(365,493)</u>
Profit before taxation	967,540	3,072,466	7,631,629	2,983,276
Taxation	<u>(337)</u>	<u>(790,979)</u>	<u>(1,261,927)</u>	<u>(466,473)</u>
Profit after taxation	967,203	2,281,487	6,369,702	2,516,803
Other comprehensive income				
Foreign exchange translation, representing other comprehensive income for the financial years/period, net of tax	<u>(259,846)</u>	<u>582,998</u>	<u>(528,061)</u>	<u>1,453,897</u>
Total comprehensive income for the financial years/period	<u>707,357</u>	<u>2,864,485</u>	<u>5,841,641</u>	<u>3,970,700</u>
Profit after taxation and total comprehensive income attributable to owners of the parent	<u>707,357</u>	<u>2,864,485</u>	<u>5,841,641</u>	<u>3,970,700</u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD

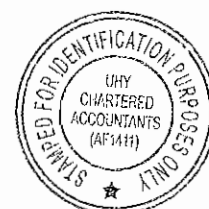
NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. Proforma Consolidated Statement of Comprehensive Income for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013 (Cont'd)

	----- Proforma ----->			
	----- FYE 31 December ----->			FPE 30 June
	2010	2011	2012	2013
	RM	RM	RM	RM
Earnings before interest, taxation and depreciation	<u>1,992,577</u>	<u>4,226,793</u>	<u>9,617,152</u>	<u>3,823,629</u>
Gross profit margin (%)	15.95	21.03	28.46	20.09
Profit before tax margin (%)	6.52	13.12	19.79	13.95
Profit after tax margin (%)	6.52	9.75	16.52	11.77
Effective tax rate (%)	0.03	25.74	16.54	15.64
Gross earning per share (sen)	0.68	1.41	3.14	2.45 *
Net earnings per share (sen)	0.28	0.65	1.82	1.44 *
Diluted net earnings per share (sen)	0.22	0.53	1.48	1.17 *

* Based on the annualised earnings.

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11. **PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**

KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

4. Proforma Consolidated Statement of Comprehensive Income for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013 (Cont'd)

4.2 Notes to the proforma consolidated statement of comprehensive income are as follows:

4.2.1 For the purpose of presentation, all items in the consolidated statement of comprehensive income were translated using the average exchange rates applicable for the respective financial years/period.

4.2.2 The gross profit margin is computed by dividing the gross profit by the revenue earned in the respective financial years/period.

4.2.3 The profit before tax margin is computed by dividing the profit before taxation by the revenue earned in the respective financial years/period.

4.2.4 The profit after tax margin is computed by dividing the profit after taxation by the revenue earned in the respective financial years/period.

4.2.5 The gross earnings per share is computed by dividing the profit before taxation by the number of ordinary shares assumed to be in issue of 350,000,000 Kanger Shares.

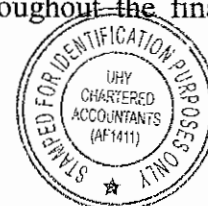
4.2.6 The net earnings per share is computed by dividing the profit after taxation by the number of ordinary shares assumed to be in issue of 350,000,000 Kanger Shares.

4.2.7 The diluted net earnings per share is computed by dividing profit after taxation by the enlarged number of ordinary shares after the Listing Scheme of 430,000,000 Kanger Shares.

4.2.8 All inter-company transactions are eliminated on consolidation and the consolidated results reflect external transactions only.

4.2.9 There was no share of profits of joint venture or associates throughout the financial years/period under review.

4.2.10 There were no exceptional or extraordinary items throughout the financial years/period under review.



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

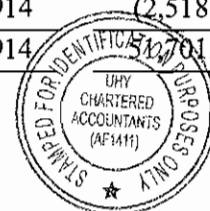
KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statement of Financial Position as at 30 June 2013

The proforma consolidated statement of financial position of Kanger International as at 30 June 2013 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Listing Scheme were completed on that date.

	Note	Kanger International Berhad as at 30 June 2013 RM	After Acquisitions RM	<----- Proforma ----->	
				I After Public Issue RM	II After Proforma I and Utilisation of Proceeds from the Public Issue RM
Non-Current Assets					
Property, plant and equipment	5.2	-	11,611,419	11,611,419	12,611,419
Development expenditure	5.3	-	-	-	2,000,000
		-	11,611,419	11,611,419	14,611,419
Current Assets					
Inventories	5.4	-	15,105,527	15,105,527	15,105,527
Trade and other receivables	5.5	-	11,176,092	11,176,092	11,176,092
Fixed deposit with a licensed bank	5.6	-	242,003	242,003	242,003
Cash and bank balances	5.7	2	9,963,152	29,963,152	18,163,152
		2	36,486,774	56,486,774	44,686,774
Total Assets		2	48,098,193	68,098,193	59,298,193
Equity					
Share capital	5.8	2	35,000,000	43,000,000	43,000,000
Share premium	5.9	-	-	12,000,000	11,220,000
Reserves	5.10	-	1,914	1,914	(2,518,086)
Total Equity		2	35,001,914	55,001,914	51,701,914



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)

5. Proforma Consolidated Statement of Financial Position as at 30 June 2013 (Cont'd)

	Note	Kanger International Berhad as at 30 June 2013 RM	After Acquisitions RM	<----- Proforma ----->	
				I After Public Issue RM	II After Proforma I and Utilisation of Proceeds from the Public Issue RM
Current Liabilities					
Trade and other payables	5.11	-	1,154,037	1,154,037	1,154,037
Amount owing to director		-	353,630	353,630	353,630
Bank borrowings	5.12	-	11,147,585	11,147,585	5,647,585
Tax payable	5.13	-	441,027	441,027	441,027
Total Liabilities		-	<u>13,096,279</u>	<u>13,096,279</u>	<u>7,596,279</u>
Total Equity and Liabilities		<u>2</u>	<u>48,098,193</u>	<u>68,098,193</u>	<u>59,298,193</u>
Net assets		2	35,001,914	55,001,914	51,701,914
Number of ordinary shares		2	350,000,000	430,000,000	430,000,000
Net assets attributable to equity holders per ordinary share (sen)		100	10.00	12.79	12.02



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)5. Proforma Consolidated Statement of Financial Position as at 30 June 2013
(Cont'd)5.1 Proforma Adjustments to the Proforma Consolidated Statement of Financial
Position**Proforma I**

Proforma I incorporates the effects after the incorporation of the Public Issue.

Upon completion of the Public Issue, the issued and paid-up share capital of the Company will increase from RM35,000,000 comprising 350,000,000 Kanger Shares to RM43,000,000 comprising 430,000,000 Kanger Shares.

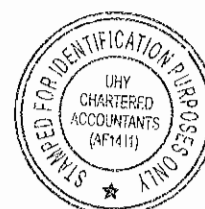
Proforma II

Proforma II incorporates the effects of Proforma I and after the Listing and the proposed utilisation of proceeds from the Public Issue.

The gross proceeds arising from the Public Issue will be utilised by Kanger Group in the following manner:

	RM'000	%
Capital expenditure	1,000	5.0
Research and development expenditure	2,000	10.0
Repayment of borrowings	5,500	27.5
Working capital	8,200	41.0
Estimated listing expenses*	3,300	16.5
Total gross proceeds	20,000	100.0

* The listing expenses are estimated to be RM3,300,000, of which an amount of RM780,000 in respect of share issuance expenses will be set off against the share premium account and the balance of RM2,520,000 will be charged to the statement of comprehensive income.



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)****5. Proforma Consolidated Statement of Financial Position as at 30 June 2013 (Cont'd)****5.2 Property, Plant and Equipment**

	Cost RM	Accumulated Depreciation RM	Carrying Amount RM
At 30 June 2013	-	-	-
Acquisitions			
- Leasehold land	3,386,849	247,175	3,139,674
- Leasehold buildings	3,502,049	579,321	2,922,728
- Plant and machinery	4,908,823	2,153,414	2,755,409
- Office equipment	160,409	93,713	66,696
- Motor vehicles	152,153	143,602	8,551
- Tools and equipment	1,441,891	742,553	699,338
- Capital in progress	2,019,023	-	2,019,023
As per Proforma I	15,571,197	3,959,778	11,611,419
Proposed utilisation of proceeds from the Public Issue	1,000,000	-	1,000,000
As per Proforma II	16,571,197	3,959,778	12,611,419

5.3 Development Expenditure

	RM
As at 30 June 2013/As per Proforma I	-
Proposed utilisation of proceeds from the Public Issue	2,000,000
As per Proforma II	2,000,000



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)5. Proforma Consolidated Statement of Financial Position as at 30 June 2013
(Cont'd)

5.4 Inventories

	RM
At cost	
Raw materials	70,407
Work-in-progress	7,760,464
Finished goods	7,274,656
As per Proforma I / II	<u>15,105,527</u>

5.5 Trade and Other Receivables

	RM
At 30 June 2013	
Deferred expenditure	-
Proposed Acquisitions	
Trade receivables	
- third parties	7,418,497
Other receivables	
Deferred expenditure	949,733
Other receivables - third parties	2,721,455
Deposits	66,776
Prepayments	19,631
	<u>3,757,595</u>
As per Proforma I / II	<u>11,176,092</u>

5.6 Fixed Deposit with a Licensed Bank

	RM
As at 30 June 2013	-
Proposed Acquisitions	242,003
As per Proforma I / II	<u>242,003</u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD
NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)

5. Proforma Consolidated Statement of Financial Position as at 30 June 2013 (Cont'd)

5.7 Cash and Bank Balances

Movements in cash and bank balances are as follows:

	RM
At 30 June 2013	2
Proposed Acquisitions	9,963,150
	<u>9,963,152</u>
Public Issue	20,000,000
As per Proforma I	29,963,152
Proposed utilisation of proceeds from the Public Issue	<u>(11,800,000)</u>
As per Proforma II	<u>18,163,152</u>

5.8 Share Capital

Movements in share capital account are as follows:

	RM
At 30 June 2013	2
Proposed Acquisitions	34,999,998
	<u>35,000,000</u>
Public Issue	8,000,000
As per Proforma I / II	<u>43,000,000</u>



11. **PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)****KANGER INTERNATIONAL BERHAD****NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)****5. Proforma Consolidated Statement of Financial Position as at 30 June 2013
(Cont'd)****5.9 Share Premium**

Movements in share premium account are as follows:

	RM
At 30 June 2013	-
Public Issue	12,000,000
As per Proforma I	<u>12,000,000</u>
Proposed utilisation of proceeds from the Public Issue	(780,000)
As per Proforma II	<u><u>11,220,000</u></u>

The share premium is arrived at after accounting for the premium received (less listing expenses of RM780,000) over the nominal value of shares issued to the public.

5.10 Reserves

	Note	RM
At 30 June 2013		-
Acquisitions		
- Merger deficit	5.10(a)	(12,805,326)
- Revaluation reserve		787,738
- Exchange translation reserve	5.10(b)	1,100,448
- Retained earnings	5.10(c)	<u>10,919,054</u>
As per Proforma I		1,914
Proposed utilisation of proceeds from the Public Issue	5.10(c)	(2,520,000)
As per Proforma II		<u><u>(2,518,086)</u></u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)5. Proforma Consolidated Statement of Financial Position as at 30 June 2013
(Cont'd)

5.10 Reserves (Cont'd)

- (a) This represents the merger reserve arising from the difference between the nominal value of shares issued and the nominal value of shares of subsidiary companies acquired under the pooling of interests method of accounting.
- (b) Exchange translation reserve

The exchange translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

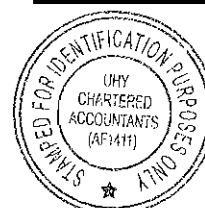
- (c) Retained earnings

Movements in retained earnings are as follows:

	RM
As per Proforma I	10,919,054
Proposed utilisation of proceeds from the Public Issue	(2,520,000)
As per Proforma II	<u>8,399,054</u>

5.11 Trade and Other Payables

	RM
At 30 June 2013	-
Proposed Acquisitions	
Trade payables - third parties	157,076
Other payables	
- Other payables - third parties	943,888
- Accruals	53,073
	<u>996,961</u>
As per Proforma I / II	<u>1,154,037</u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)****5. Proforma Consolidated Statement of Financial Position as at 30 June 2013
(Cont'd)****5.12 Bank Borrowings**

	RM
At 30 June 2013	-
Acquisitions	
Bills payables	4,634,100
Term loans	6,513,485
	<u>11,147,585</u>
Proposed utilisation of proceeds from the Public Issue	<u>(5,500,000)</u>
As per Proforma I / II	<u>5,647,585</u>

5.13 Tax Payable

	RM
At 30 June 2013	-
Acquisitions	441,027
As per Proforma I / II	<u>441,027</u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION
(CONT'D)

6. Proforma Consolidated Statement of Cash Flows

The proforma consolidated statement of cash flows for the FPE 30 June 2013 has been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that Kanger Group had been in existence since the beginning of the FPE 30 June 2013 and the Listing Scheme has been completed on that date.

	RM
Cash Flows From Operating Activities	
Profit before taxation	2,983,276
Adjustments for:	
Depreciation of property, plant and equipment	474,859
Interest expense	365,493
Interest income	(43,889)
Operating profit before working capital changes	<u>3,779,739</u>
Decrease in working capital	
Inventories	3,795,014
Trade and other receivables	(2,783,037)
Trade and other payables	822,858
Amount owing to Director	239,599
	<u>2,074,434</u>
Cash generated from operations	5,854,173
Tax paid	(730,749)
Interest paid	(365,493)
Interest received	43,889
	<u>(1,052,353)</u>
Net cash generated from operating activities	<u>4,801,820</u>
Cash Flows From Investing Activities	
Development expenditure	(2,000,000)
Purchase of property, plant and equipment	(1,017,203)
Net cash used in investing activities	<u>(3,017,203)</u>

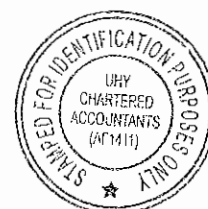


11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

KANGER INTERNATIONAL BERHAD**NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**

6. Proforma Consolidated Statement of Cash Flows (Cont'd)

	RM
Cash Flows From Financing Activities	
Proceeds from Public Issue	20,000,000
Drawdown of term loans	4,527,065
Repayment of bank borrowings	(16,798,000)
Payment of listing expenses	(3,300,000)
Net cash generated from financing activities	<u>4,429,065</u>
Net increase in cash and cash equivalents	6,213,682
Effect of currency fluctuation	616,466
Cash and cash equivalents at beginning of the financial period	<u>11,575,007</u>
Cash and cash equivalents at end of the financial period	<u><u>18,405,155</u></u>
Cash and cash equivalents at end of the financial period comprises:	
Cash and bank balances	18,163,152
Fixed deposit with a licensed bank	242,003
	<u><u>18,905,155</u></u>



11. PROFORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**11.5 CAPITALISATION AND INDEBTEDNESS**

The following table sets out our proforma consolidated cash and cash equivalents, capitalisation and indebtedness as at 30 June 2013 on the assumption that our Group's current structure had been in existence as at that date and adjusted for our Public Issue and utilisation of proceeds.

	Proforma As at 30 June 2013 RM'000	After Public Issue and Utilisation of Proceeds RM'000
Cash and bank balances	9,963	18,163
Fixed deposit with a licensed bank	242	242
	10,205	18,405
Indebtedness		
<i>Current</i>		
<i>Secured and guaranteed</i>		
Bills payable	4,634	4,634
Term loans	6,513	1,013
Total indebtedness	11,147	5,647
Shareholders' equity	35,002	52,202
Total capitalisation and indebtedness	46,149	57,849
Debts to equity ratio (times)	0.32	0.11

The indirect and/or contingent liabilities of our Group are set out in section 12.3.6 of this Prospectus.

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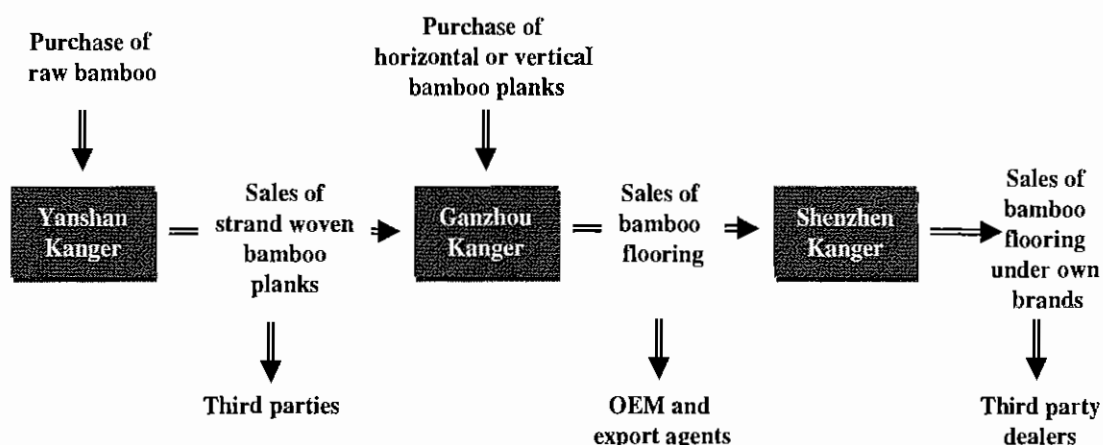
12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our past financial condition and results of operations should be read in conjunction with the notes and assumptions included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from those stated in such forward-looking statements. Factors that could cause our future results to differ significantly from those stated in these forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Prospectus, particularly in Section 4 'Risk Factors' of this Prospectus.

12.1 OVERVIEW

Our Company and subsidiary company, HK Kanger, are principally investment holding companies, whereby our Group's revenue is mainly derived through our PRC subsidiary companies through the manufacturing and trading of bamboo flooring and related products as follows:



Our export sales are channelled through our export agents, CNBMIT Co., Ltd and Foshan Everlasting Enterprise Co., Ltd in order for us to utilise their freight forwarding resources and facilitate custom clearance as well as to enjoy custom rebates. Under these arrangements, our export sales are invoiced to either of these two (2) export agents who will then invoice our overseas customers on the same terms and conditions. Upon receipt of payments from our overseas customers, our export agents will remit the funds to us after deduction of handling charges. In addition, our export agents, who are also our customers, purchase our products for their own customers which are recorded as PRC sales.

During the financial years and period under review, our Malaysian subsidiary company, KAR Masterpiece, which is principally involved in R&D activities in relation to bamboo flooring and related products, also generated a revenue of approximately RM77,000 in the FYE 31 December 2011 through sales of our Group's bamboo flooring in Malaysia.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Revenue

Our Group's revenue is principally derived from the manufacturing and trading of horizontal and vertical bamboo flooring as follows:

	Proforma			
	FYE 31 December			FPE 30 June
	2010	2011	2012	2013
	%	%	%	%
Horizontal and vertical bamboo flooring	91	89	84	60
Strand woven bamboo flooring	-	7	14	34
Strand woven bamboo planks	-	3	1	6
Others*	9	1	1	-
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Note:

* Primarily consist of bamboo flooring accessories.

However, with the launch of our strand woven bamboo flooring under our brand 'KAR Masterpiece' in 2011 and the opening of our first 'KAR Masterpiece' retail store in 2012, the contribution to our Group's revenue from the sales of strand woven bamboo flooring has increased from 7% in the FYE 31 December 2011 to 34% in the FPE 30 June 2013.

The majority of our Group's revenue is presently derived from the PRC market, which contributed 80% of our total revenue for the FPE 30 June 2013 as follows:

	Proforma			
	FYE 31 December			FPE 30 June
	2010	2011	2012	2013
	%	%	%	%
PRC	50	56 [^]	51	80
Exports:				
- Turkmenistan	6	15	12	5
- United Arab Emirates	5	8	9	6
- Hong Kong	-	-	5	1
- Romania	11	7	5	4
- USA	8	2	2	-
- Others*	20	12	16	4
	<u>50</u>	<u>44</u>	<u>49</u>	<u>20</u>
	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

Notes:

[^] Include sales of bamboo flooring by KAR Masterpiece in Malaysia of approximately RM77,000.

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

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Cost of sales

Cost of sales comprises of materials costs, direct labour costs and production overheads as follows:

	Proforma							
	FYE 31 December						FPE 30 June	
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials								
- Bamboo and other production materials	11,394	92	17,040	92	25,304	92	16,304	95
- Accessories	27	*	-	-	247	1	-	-
Direct labour	384	3	519	3	925	3	273	2
Production overheads	665	5	928	5	1,107	4	507	3
Total	12,470	100	18,487	100	27,583	100	17,084	100

Note:

* Less than 1%.

Bamboo and other production materials, which mainly comprise of raw bamboo and horizontal and vertical bamboo planks, constitute the major component of our cost of sales, that is 92% of our cost of sales for the three (3) FYE 31 December 2010 to 2012 and 95% of our cost of sales for the FPE 30 June 2013. The other production materials mainly comprise of adhesives and paints.

Direct labour costs comprise of wages and other staff related costs for our production staff, whilst production overheads mainly comprise of depreciation, maintenance and utilities for our manufacturing facilities.

Other operating income

Other operating income comprises the following:

	Proforma							
	FYE 31 December						FPE 30 June	
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	54	25	32	8	42	8	87	51
Government grant [^]	118	55	385	91	369	74	-	-
Others*	43	20	7	1	85	18	84	49
Total	215	100	424	100	496	100	171	100

Notes:

[^] Grant given by the Development Zone Planning Agency (开发区发展规划局) and Development Finance Bureau (开发区财政局) in relation to Ganzhou Kanger's operations in Ganzhou Industrial Development Zone as well as, prompt tax payments and interest payments by the company. The grant is a means by the local authority to promote the local economy, whereby there is no definite eligibility criteria nor duration for the grant entitlement as it was given at the local authority's discretion.

* Includes realised foreign exchange gains.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Expenses

The other components of our expenses incurred during the financial years/period under review are as follows:

	Proforma							
	FYE 31 December						FPE 30 June	
	2010		2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative expenses	656	41	1,096	36	1,899	37	881	45
Selling and distribution expenses	459	28	558	18	754	15	226	12
Other operating expenses	4	-	5	-	95	2	10	-
Finance costs	493	31	617	20	1,099	21	366	19
Tax expense	*	*	791	26	1,262	25	466	24
Total	1,612	100	3,067	100	5,109	100	1,949	100

Note:

* Less than RM1,000 or 1%.

Administrative expenses

Administrative expenses, which constituted approximately 4% to 5% of our revenue for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013, mainly comprise directors and staff remuneration (excluding production staff), and depreciation of property, plant and equipment (excluding our manufacturing facilities).

Selling and distribution expenses

Selling and distribution expenses, which constituted approximately 1% to 3% of our revenue for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013, mainly comprise transportation and handling expenses for our products and/or materials, travelling expenses incurred by our sales personnel, trade exhibition expenses, promotion and marketing expenses, and warehouse rental.

Other operating expenses

Other operating expenses, which constituted less than 1% of our revenue for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013, mainly comprise donations.

Finance costs

Finance costs, which constituted approximately 2% to 3% of our revenue for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013, comprise interest expenses incurred on short-term loans, bills payable and receivables factoring.

Tax expenses

Tax expenses comprise current year provision for taxation, including any under or over provision of taxation in prior years.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.1.1 Significant factors affecting our profits

The main factors that have affected and are expected to continue to affect our profits include but are not limited to the following:

(i) Growth

Our growth is largely driven by the following:

- Sustained growth in the Chinese economy leading to more affluent consumers who possess more readiness and ability to spend on building and refurbishing areas for greater comfort and pleasure;
- Sustained growth in China's property construction and real estate market, a market that the bamboo flooring market is dependent on for the consumption of its products;
- Changing consumer preference in favour of sustainable flooring material; and
- Improving Chinese bamboo flooring exports underpinned by the recovery of the global economy.

(Source: IMR Report)

Please refer to Section 7 of this Prospectus for further details of the demand and supply conditions for our products.

(ii) Tax consideration

The following table sets out the comparison between our effective and statutory tax rates for the three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013:

	Proforma			
	FYE 31 December			FPE 30 June
	2010	2011	2012	2013
	%	%	%	%
Effective tax rate	*	26	17	16
Statutory tax rate	25	25	15 – 25	15 – 25

Note:

* 0.03%.

The PRC and Malaysian companies within our Group are subject to tax at the prevailing statutory tax rate of 25%, save for Ganzhou Kanger which enjoys a preferential tax rate of 15% commencing from the FYE 31 December 2012 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). The period of Ganzhou Kanger's preferential tax rate is not stipulated. Therefore, enterprises which meet the criteria for the preferential tax rate, such as being an enterprise registered and its main operations located in the areas stipulated, will be able to enjoy it for as long as the relevant law is not revoked or changed by the PRC government.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

To date, only Ganzhou Kanger meets the criteria for the preferential tax rate as the rest of the PRC companies within our Group are not located in the areas stipulated. HK Kanger is subject to tax at the prevailing statutory tax rate of 16.5%.

We recorded minimal tax expenses for the FYE 31 December 2010 mainly due to the utilisation of unabsorbed tax losses brought forward. The slightly higher effective tax rate for the FYE 31 December 2011 was mainly due to certain expenses being disallowed for tax purposes whilst the lower effective tax rate for the FYE 31 December 2012 and FPE 30 June 2013 was mainly due to the preferential tax rate enjoyed by Ganzhou Kanger.

During the financial years/period under review, HK Kanger was not subject to tax as the company had not commenced operations. Similarly, KAR Masterpiece was not subject to tax during the FYE 30 June 2011 to 2013 as the company was in a tax loss position.

(iii) Competitive strengths

Our competitive strengths which have enabled us to compete effectively in the industry that we are operating in include our wide distribution network, quality 'green' products and product development and innovation.

Please refer to Section 6.14 of this Prospectus for further details of our competitive strengths.

(iv) Dependency on major customers

We have been dependent on one of our major customers, namely B&Q China which contributed to 41.25%, 24.84%, 13.40% and 11.82% of our total revenue for the FYE 31 December 2010 to 2012 and FPE 30 June 2013 respectively. As such, 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) 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.

Please refer to Section 4.1 of this Prospectus for further information on our dependency on our major customers.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.2 RESULTS OF OPERATIONS

The following is a segmental analysis of our results for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 based on the assumption that our current Group structure has been in existence throughout the financial years/period under review.

12.2.1 Revenue

(i) By company

	<----- Proforma ----->					
	<----- Audited FYE 31 December ----->					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
Ganzhou Kanger	10,153	68	16,437	70	27,644	72
Shenzhen Kanger	4,683	32	6,338	27	10,551	27
Yanshan Kanger	-	-	559	3	361	1
KAR Masterpiece	-	-	77*	**	-	-
HK Kanger	-	-	-	-	-	-
	14,836	100	23,411	100	38,556	100

	<----- Proforma ----->			
	Unaudited		Audited	
	FPE 30 June 2012		FPE 30 June 2013	
	RM'000	%	RM'000	%
Ganzhou Kanger	15,384	76	15,778	74
Shenzhen Kanger	4,581	23	4,307	20
Yanshan Kanger	218	1	1,293	6
KAR Masterpiece	-	-	-	-
HK Kanger	-	-	-	-
	20,183	100	21,378	100

Notes:

* A one-off sales of sample products.

** Less than 1%.

(ii) By product

	<----- Proforma ----->					
	<----- Audited FYE 31 December ----->					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
Horizontal and vertical bamboo flooring	13,502	91	20,963	90	32,257	84
Strand woven bamboo flooring	-	-	1,590	7	5,528	14
Strand woven bamboo planks	-	-	559	2	361	1
Others*	1,334	9	299	1	410	1
	14,836	100	23,411	100	38,556	100

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	Proforma			
	Unaudited		Audited	
	FPE 30 June 2012		FPE 30 June 2013	
	RM'000	%	RM'000	%
Horizontal and vertical bamboo flooring	17,540	87	12,916	60
Strand woven bamboo flooring	2,425	12	7,170	34
Strand woven bamboo planks	218	1	1,293	6
Others*	-	-	-	-
	<u>20,183</u>	<u>100</u>	<u>21,378</u>	<u>100</u>

Note:

* Primarily consist of bamboo flooring accessories.

(iii) By geographical location

	Proforma					
	Audited FYE 31 December					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
PRC	7,474	50	13,088 [^]	56	19,760	51
Exports:						
- Turkmenistan	878	6	3,406	15	4,544	12
- United Arab Emirates	751	5	1,762	7	3,519	9
- Hong Kong	-	-	-	-	2,056	5
- Romania	1,548	11	1,690	7	1,879	5
- USA	1,230	8	373	2	531	2
- Others*	2,955	20	3,092 [^]	13	6,267	16
	<u>7,362</u>	<u>50</u>	<u>10,323</u>	<u>44</u>	<u>18,796</u>	<u>49</u>
	<u>14,836</u>	<u>100</u>	<u>23,411</u>	<u>100</u>	<u>38,556</u>	<u>100</u>

	Proforma			
	Unaudited		Audited	
	FPE 30 June 2012		FPE 30 June 2013	
	RM'000	%	RM'000	%
PRC	16,128	80	17,027	80
Exports:				
- Turkmenistan	1,065	5	1,114	5
- United Arab Emirates	1,446	7	1,290	6
- Hong Kong	1,234	6	293	1
- Romania	-	-	879	4
- USA	-	-	-	-
- Others*	310	2	775	4
	<u>4,055</u>	<u>20</u>	<u>4,351</u>	<u>20</u>
	<u>20,183</u>	<u>100</u>	<u>21,378</u>	<u>100</u>

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Notes:

^ Includes sales of bamboo flooring by KAR Masterpiece in Malaysia of approximately RM77,000.

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

12.2.2 GP

(i) By company

	Proforma					
	Audited FYE 31 December					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
Ganzhou Kanger	1,642	69	3,605	73	8,680	79
Shenzhen Kanger	724	31	876	18	2,039	19
Yanshan Kanger	-	-	420	9	254	2
KAR Masterpiece	-	-	23	*	-	-
HK Kanger	-	-	-	-	-	-
	2,366	100	4,924	100	10,973	100

	Proforma			
	Unaudited		Audited	
	FPE 30 June 2012		FPE 30 June 2013	
	RM'000	%	RM'000	%
Ganzhou Kanger	2,701	68	3,068	71
Shenzhen Kanger	1,090	28	886	21
Yanshan Kanger	146	4	341	8
KAR Masterpiece	-	-	-	-
HK Kanger	-	-	-	-
	3,937	100	4,295	100

Note:

* Less than 1%.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

(ii) By product

	Proforma					
	Audited FYE 31 December					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
Horizontal and vertical bamboo flooring	2,309	98	4,316	88	8,082	74
Strand woven bamboo flooring	-	-	584	12	2,533	23
Strand woven bamboo planks	-	-	11	**	254	2
Others*	57	2	13	**	104	1
	2,366	100	4,924	100	10,973	100

	Proforma			
	Unaudited FPE 30 June 2012		Audited FPE 30 June 2013	
	RM'000	%	RM'000	%
Horizontal and vertical bamboo flooring	3,198	83	2,680	62
Strand woven bamboo flooring	594	11	1,273	30
Strand woven bamboo planks	146	6	341	8
Others*	-	-	-	-
	3,938	100	4,295	100

Notes:

* Primarily consist of bamboo flooring accessories.

** Less than 1%.

(iii) By geographical location

	Proforma					
	Audited FYE 31 December					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
PRC	1,394	59	3,728	76	6,883	63
Exports:						
- Turkmenistan	29	1	486	10	921	8
- United Arab Emirates	170	7	148	3	731	7
- Hong Kong	-	-	-	-	379	3
- Romania	206	9	266	5	427	4
- USA	180	8	36	1	136	1
- Others*	387	16	260^	5	1,496	14
	972	41	1,196	24	4,090	37
	2,366	100	4,924	100	10,973	100

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	Proforma			
	Unaudited FPE 30 June 2012		Audited FPE 30 June 2013	
	RM'000	%	RM'000	%
PRC	3,079	78	3,293	77
Exports:				
- Turkmenistan	218	6	266	6
- United Arab Emirates	324	8	448	10
- Hong Kong	247	6	76	2
- Romania	-	-	136	3
- USA	-	-	-	-
- Others*	70	2	76	2
	859	22	1,002	23
	3,938	100	4,295	100

Notes:

^ Includes GP generated by KAR Masterpiece in Malaysia of approximately RM23,000.

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

12.2.2.1 GP margin

(i) By company

	Proforma		
	Audited FYE 31 December		
	2010 %	2011 %	2012 %
Ganzhou Kanger	16	22	31
Shenzhen Kanger	15	14	19
Yanshan Kanger	-	75	70
KAR Masterpiece	-	30	-
HK Kanger	-	-	-
Group GP Margin	16	21	28

	Proforma	
	Unaudited FPE 30 June 2012	Audited FPE 30 June 2013
	%	%
Ganzhou Kanger	18	19
Shenzhen Kanger	24	21
Yanshan Kanger	67	26
KAR Masterpiece	-	-
HK Kanger	-	-
Group GP Margin	20	20

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

(ii) By product

	<----- Proforma ----->		
	<----- Audited FYE 31 December ----->		
	2010	2011	2012
	%	%	%
Horizontal and vertical bamboo flooring	17	21	25
Strand woven bamboo flooring	-	37	46
Strand woven bamboo planks	-	2	70
Others*	4	4	25
Group GP Margin	16	21	28

	<----- Proforma ----->	
	Unaudited	Audited
	FPE 30 June 2012	FPE 30 June 2013
	%	%
Horizontal and vertical bamboo flooring	18	21
Strand woven bamboo flooring	24	18
Strand woven bamboo planks	67	26
Others*	-	-
Group GP Margin	20	20

Note:

* Primarily consist of bamboo flooring. Accessories.

(iii) By geographical location

	<----- Proforma ----->		
	<----- Audited FYE 31 December ----->		
	2010	2011	2012
	%	%	%
PRC	19	28	35
Exports:			
- Turkmenistan	3	14	20
- United Arab Emirates	23	8	21
- Hong Kong	-	-	18
- Romania	13	16	23
- USA	15	10	26
- Others	13	8	24
Group GP Margin	16	21	28

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

	Proforma	
	Unaudited FPE 30 June 2012 %	Audited FPE 30 June 2013 %
PRC	19	19
Exports:		
- Turkmenistan	20	24
- United Arab Emirates	22	35
- Hong Kong	20	26
- Romania	-	15
- USA	-	-
- Others*	23	10
Group GP Margin	20	20

12.2.3 PBT

(i) By company

	Proforma					
	2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%
Ganzhou Kanger	942	97	2,800	91	6,368	83
Shenzhen Kanger	25	3	75	3	755	10
Yanshan Kanger	-	-	223	7	734	10
KAR Masterpiece	-	-	(25)	(1)	(227)	(3)
HK Kanger	-	-	-	-	2	*
	967	100	3,073	100	7,632	100

	Proforma			
	Unaudited FPE 30 June 2012		Audited FPE 30 June 2013	
	RM'000	%	RM'000	%
Ganzhou Kanger	1,850	69	2,526	85
Shenzhen Kanger	407	15	332	11
Yanshan Kanger	450	17	169	6
KAR Masterpiece	(28)	(2)	(43)	(2)
HK Kanger	(2)	*	(1)	*
	2,677	100	2,983	100

Note:

* Less than 1%.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(ii) By product and geographical location

The segmental analysis of PBT by product and geographical location is not readily available for our Group as we are unable to segregate operating expenses on the basis of product and geographical location.

12.2.4 Commentary on our Group's past operating results

(i) FYE 31 December 2009 compared to FYE 31 December 2010

Revenue

Our revenue decreased by 3% or RM0.5 million from RM15.3 million in the FYE 31 December 2009 to RM14.8 million in the FYE 31 December 2010. The decrease in sales was attributable to a foreign exchange translation difference, whereby the average exchange rate for 2010 was RMB1.00:RM0.4748 as compared to RMB1.00:RM0.5157 for 2009. Excluding the foreign exchange translation difference, we recorded an increase in sales of 5% or RMB1.5 million from RMB29.7 million in the FYE 31 December 2009 to RMB31.2 million in the FYE 31 December 2010. The increase in revenue was mainly due to an increase in our export sales amounting to RMB3.7 million arising from amongst others, customers referrals and posting of our products on business-to-business websites. However, the additional export sales was partially off-set by a decline in sales to our major customer, B&Q China amounting to RMB2.4 million due to its 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 43 stores as at 31 December 2010.

GP and GP Margin

Our GP increased by 243% or RM1.7 million from RM0.7 million in the FYE 31 December 2009 to RM2.4 million in the FYE 31 December 2010, whilst our GP margin improved from 5% in the FYE 31 December 2009 to 16% in the FYE 31 December 2010. Our improved GP and GP margin was mainly due to the following:

- Increase in our average selling price by 11% from RMB96 per sq m in the FYE 31 December 2009 to RMB107 per sq m in the FYE 31 December 2010 mainly as a result of the launch of two (2) new series of horizontal and vertical bamboo flooring with selling prices ranging from RMB103 sq m to RMB171 sq m; and
- Reduction in our average production costs that is, labour costs and production overheads, by 2% from RMB13.24 per sq m in the FYE 31 December 2009 to RMB12.92 per sq m in the FYE 31 December 2010 arising from improved production efficiency when we moved to our new manufacturing facility in Ganzhou. The improved production efficiency was mainly as a result of less labour requirement arising from the installation of new machinery and equipment, such as a trimmer machine, as well as an improvement in our manufacturing process flow.

Administrative Expenses

Our administrative expenses decreased by 13% or RM0.1 million from RM0.8 million in the FYE 31 December 2009 to RM0.7 million in the FYE 31 December 2010 mainly as a result of a write-off of pre-operating expenses in 2009 amounting to RM0.05 million.

Selling and Distribution Expenses

Our selling and distribution expenses were relatively constant for the FYE 31 December 2010 as compared to the FYE 31 December 2009.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)**Finance Costs**

Finance costs increased by 25% or RM0.1 million from RM0.4 million in the FYE 31 December 2009 to RM0.5 million in the FYE 31 December 2010 mainly due to higher interest incurred from higher utilisation of receivables factoring facility following the higher sales generated during the year.

PAT

We turned around from a loss after taxation position of RM0.9 million in the FYE 31 December 2009 to a PAT of RM1.0 million in the FYE 31 December 2010. The increase in our PAT by 225% or RM1.9 million is in line with our improved GP and GP margin.

(ii) FYE 31 December 2010 compared to FYE 31 December 2011**Revenue**

Our revenue increased by 58% or RM8.6 million from RM14.8 million in the FYE 31 December 2010 to RM23.4 million in the FYE 31 December 2011 mainly due to an increase in the quantity of bamboo flooring sold from 0.3 million sq m in the FYE 31 December 2010 to 0.4 million sq m in the FYE 31 December 2011. The increase in quantity sold was mainly driven by the following:

- Increase in our export sales amounting to RM2.9 million mainly as a result of our participations at the China Import and Export Fair in Guangzhou which enabled us to showcase our products to local and foreign participants; and
- A new major customer, Huzhou Yue Jinge Wood Co., Ltd, secured during the year who contributed sales of RM4.5 million.

In addition, we also recorded an increase in average selling price of our horizontal and vertical bamboo flooring by 5% from RMB107 per sq m in 2010 to RMB112 per sq m in 2011. The increase in average selling price was due to amongst others, higher sales volume of the two (2) new series of bamboo flooring launched in 2010.

GP and GP Margin

Our GP increased by 104% or RM2.5 million from RM2.4 million in the FYE 31 December 2010 to RM4.9 million in the FYE 31 December 2011, whilst our GP margin improved from 16% in the FYE 31 December 2010 to 21% in the FYE 31 December 2011. Our improved GP and GP margin was mainly due to an increase in average selling price of our horizontal and vertical bamboo flooring by 5% during the year.

In addition, we also launched five (5) new series of strand woven bamboo flooring during the year which commanded a higher GP margin of 37%.

Administrative Expenses

Our administrative expenses increased by 57% or RM0.4 million from RM0.7 million in the FYE 31 December 2010 to RM1.1 million in the FYE 31 December 2011 mainly as a result of increased staff costs of RM0.1 million arising from the recruitment of an additional key management personnel as well as higher bank charges of RM0.2 million incurred from the higher utilisation of receivables factoring facility during the year.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Selling and Distribution Expenses

Our selling and distribution expenses increased by 20% or RM0.1 million from RM0.5 million in the FYE 31 December 2010 to RM0.6 million in the FYE 31 December 2011 mainly as a result of higher transportation costs arising from an increase in our sales.

Finance Costs

Finance costs increased by 20% or RM0.1 million from RM0.5 million in the FYE 31 December 2010 to RM0.6 million in the FYE 31 December 2011 mainly due to higher interest incurred from higher utilisation of receivables factoring facility following the higher sales generated during the year.

PAT

PAT increased by 130% or RM1.3 million from RM1.0 million in the FYE 31 December 2010 to RM2.3 million in the FYE 31 December 2011, which is in line with our improved GP and GP margin.

(iii) FYE 31 December 2011 compared to FYE 31 December 2012

Revenue

Our revenue increased by 64% or RM15.1 million from RM23.4 million in the FYE 31 December 2011 to RM38.5 million in the FYE 31 December 2012 mainly due to an increase in the quantity of bamboo flooring sold from 0.4 million sq m in the FYE 31 December 2011 to 0.6 million sq m in the FYE 31 December 2012. The increase in quantity sold was mainly driven by the following:

- Increase in our export sales amounting to RM8.6 million mainly as a result of our participation at the China Import and Export Fair in Guangzhou which enabled us to showcase our products to local and foreign participants; and
- Securing the tender for supply of bamboo flooring for three (3) refurbishment projects which generated revenue totalling RM3.2 million during the year.

In addition, we also recorded an increase in average selling price of our horizontal and vertical bamboo flooring by 15% from RMB112 per sq m in 2011 to RMB129 per sq m in 2012. The increase in average selling price was due to amongst others, our marketing strategy to promote sales of those series of bamboo flooring with better features and/or aesthetics and higher selling prices.

GP and GP Margin

Our GP increased by 122% or RM6.0 million from RM4.9 million in the FYE 31 December 2011 to RM10.9 million in the FYE 31 December 2012 whilst our GP margin improved from 21% in the FYE 31 December 2011 to 28% in the FYE 31 December 2012. Our improved GP and GP margin was mainly due to the following:

- Increase in the average selling price of our horizontal and vertical bamboo flooring by 15% during the year;
- Higher sales of our strand woven bamboo flooring, from RM1.6 million in the FYE 31 December 2011 to RM5.5 million in the FYE 31 December 2012, which command a higher GP margin; and

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

- Reduction in our production costs for strand woven bamboo flooring from RMB13.6 per sq m in the FYE 31 December 2011 to RMB11.51 per sq m in the FYE 31 December 2012 mainly as a result of economies of scale.

The substantial increase in the GP margin for our strand woven bamboo planks from 2% in the FYE 31 December 2011 to 70% in the FYE 31 December 2012 was mainly due to economies of scale and improved efficiencies as we only commenced production of the planks in 2011. Pursuant to the above, our production cost for the planks decreased from RMB548 per sq m in the FYE 31 December 2011 to RMB107 per sq m, that is approximately a 80% reduction in costs.

Administrative Expenses

Our administrative expenses increased by 73% or RM0.8 million from RM1.1 million in the FYE 31 December 2011 to RM1.9 million in the FYE 31 December 2012 mainly as a result of increased staff costs of RM0.4 million arising from an increase in head count (excluding our production staffs) from 54 personnel as at 31 December 2011 to 81 personnel as at 31 December 2012. The increase in head count was due to amongst others, the expansion of our Sales and Marketing Department as part of our marketing strategy to increase our sales channels and thereby increase our sales.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 33% or RM0.2 million from RM0.6 million in the FYE 31 December 2011 to RM0.8 million in the FYE 31 December 2012 mainly as a result of higher transportation costs of RM0.1 million arising from an increase in our sales as well as higher promotional expenses of RM0.1 million arising from promotional activities undertaken at the B&Q stores.

Financial Costs

Finance costs increased by 83% or RM0.5 million from RM0.6 million in the FYE 31 December 2011 to RM1.1 million in the FYE 31 December 2012 mainly due to an increase in our interest bearing borrowings by 52% or RM4.6 million.

PAT

PAT increased by 232% or RM5.3 million from RM2.3 million in the FYE 31 December 2011 to RM6.3 million in the FYE 31 December 2012, which is in line with our improved GP and GP margin.

(iv) FPE 30 June 2012 compared to FPE 30 June 2013

Revenue

Our revenue increased by 6% or RM1.2 million from RM20.2 million in the FPE 30 June 2012 to RM21.4 million in the FPE 30 June 2013 mainly as a result of our efforts to clear our existing inventories of strand woven bamboo products which were not produced using our own water-based adhesive as mentioned below.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

GP and GP Margin

Our GP increased by 10% or RM0.4 million from RM3.9 million in the FPE 30 June 2012 to RM4.3 million in the FPE 30 June 2013 mainly as a result of the increase in our revenue.

Whilst our overall GP margin remained constant, the GP margin for our horizontal and vertical bamboo flooring increased from 18% in the FPE 30 June 2012 to 21% in the FPE 30 June 2013 mainly as a result of an increase in the average selling price of our horizontal and vertical bamboo flooring by 15% from RMB119 per sq m in the FPE 30 June 2012 to RMB137 per sq m in the FPE 30 June 2013. The increase in average selling price was due to amongst others, our marketing strategy to promote sales of those series of bamboo flooring with better features and/or aesthetics and higher selling prices.

This increase in GP margin was however offset by a decrease in the GP margin of our strand woven bamboo planks and flooring from 67% and 24% in the FPE 30 June 2012 to 26% and 18% in the FPE 30 June 2013 respectively. This was mainly due to a decrease in the average selling price of our strand woven bamboo planks from RMB107 per sq m in the FPE 30 June 2012 to RMB89 per sq m in the FPE 30 June 2013, and our strand woven bamboo floorings from RMB306 per sq m in the FPE 30 June 2012 to RMB293 per sq m in FPE 30 June 2013. This decrease was a result of our efforts to clear our existing inventories of strand woven bamboo products which were not produced using our own water-based adhesive following our strategy to introduce more 'green' strand woven bamboo products by using our own water based adhesive.

Administrative Expenses

Our administrative expenses increased by 13% or RM0.1 million from RM0.8 million in the FPE 30 June 2012 to RM0.9 million in the FPE 30 June 2013 mainly as a result of increased staff costs of RM0.1 million arising from an increase in head count (excluding our production staffs) from 51 personnel as at 30 June 2012 to 58 personnel as at 30 June 2013. The increase in head count was due to amongst others, the expansion of our Sales and Marketing Department as part of our marketing strategy to increase our sales channels and thereby increase our sales.

Selling and Distribution Expenses

Our selling and distribution expenses increased by 33% or RM0.1 million from RM0.1 million in the FPE 30 June 2012 to RM0.2 million in the FPE 30 June 2013 mainly as a result of higher promotional expenses of RM0.01 million arising from promotional activities undertaken at the B&Q stores.

Financial Costs

There is no significant change in finance costs during the FPE 30 June 2013 as compared to the preceding period.

PAT

PAT increased by 19% or RM0.4 million from RM2.1 million in the FPE 30 June 2012 to RM2.5 million in the FPE 30 June 2013, which is in line with our improved GP.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

(v) General information for the FYE 31 December 2010 to 31 December 2012 and FPE 30 June 2013

Impact from foreign currency exchange rates

All of our sales and purchases are denominated in RMB, save for the minimal sales recorded by KAR Masterpiece in the FYE 31 December 2011 which is denominated in RM. As such, our exposure to foreign exchange risks is minimal.

Therefore, we do not require any hedging policy nor have we entered into any forward foreign currency exchange contract.

However, our results were impacted by foreign exchange translation differences arising from the translation of the audited financial statements of Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger, which are denominated in RMB, into RM using the following exchange rates:

<u>FYE</u>	<u>Average rate</u>
31 December 2010	RMB1.00 : RM0.4748
31 December 2011	RMB1.00 : RM0.4734
31 December 2012	RMB1.00 : RM0.4899
<u>FPE</u>	<u>Average rate</u>
30 June 2012	RMB1.00 : RM0.4872
30 June 2013	RMB1.00 : RM0.5012

Impact from interest rates

Our gearing stands at 0.3 times as at 30 June 2013. All our borrowings as at 30 June 2013 are interest bearing obligations based on fixed rates. Thus, any interest rate hike will affect our finance costs, which constituted approximately 2% of our total costs for the FPE 30 June 2013. As part of our cash flow management, we will monitor and plan our capital expenditure and financing options accordingly and weigh our options for each funding requirement at that point in time.

Impact from commodity prices and/or inflation

There is no material impact from commodity prices and/or inflation on our financial performance for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013. Notwithstanding that, we can generally pass on the effect of higher production costs due to inflation to our customers. However, there is no assurance that our business will not be adversely affected by the impact from commodity prices and/or inflation in the future.

Government, economic, fiscal or monetary policies

Risks relating to political, economic and regulatory policies which may materially affect our business and financial performance are set out in Section 4 of this Prospectus.

Save for a change in government regulations in relation to the products that we sell and/or the statutory tax rates, we do not foresee any material impact arising from government, economic, fiscal or monetary policies that could materially affect our operations and financial performance.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working Capital

We financed our operations through a combination of shareholders' equity, internally generated funds and bank borrowings.

As at 30 June 2013, we have cash and bank balances, including fixed deposits, of RM13.3 million. In addition, we have a healthy current ratio of 2.8 times as at 30 June 2013, whereby every RM1.00 in current liability is matched against RM2.79 in current assets.

Our Board is of the opinion that, after taking into consideration our cash and bank balances (including fixed deposits), the expected funds to be generated from our operating activities and net proceeds to be raised from our Public Issue, our Group will have adequate working capital for our present and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus.

12.3.2 Cash Flow Summary

The following table sets out the summary of our proforma consolidated statement of cash flows for the FPE 30 June 2013, which has been prepared for illustrative purposes only based on the assumption that our Group's current structure has been in existence since the beginning of the period and our Public Issue and utilisation of proceeds had been completed on that date, and should be read in conjunction with the notes and assumptions included in the Reporting Accountants' Letter on Proforma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	RM'000
Net cash generated from operating activities	4,802
Net cash used in investing activities	(3,017)
Net cash generated from financing activities	4,429
Net increase in cash and cash equivalents	6,214
Cash and cash equivalents at beginning of the financial period	11,575
Effect of currency fluctuation	616
Cash and cash equivalents at end of the financial period	18,405

Net cash generated from operating activities

During the FPE 30 June 2013, we generated a cash inflow of RM4.8 million from our operating activities mainly due to the following:

- higher sales during the year coupled with our improved credit control which garnered us cash receipts from customers of approximately RM3.8 million;
- payment to suppliers amounting to approximately RM0.1 million; and
- payment of income taxes totalling RM0.7 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Net cash used in investing activities

During the FPE 30 June 2013, we incurred a net cash outflow of approximately RM3.0 million in our investing activities mainly due to acquisition of property, plant and equipment amounting to RM1.0 million and R&D expenditure of RM2.0 million.

Net cash generated from financing activities

During the FPE 30 June 2013, we received a net cash inflow of RM4.4 million from our financing activities from the net proceeds from our Public Issue of RM16.7 million, which was partially offset by a net repayment of our borrowings amounting to RM12.3 million.

Save as disclosed in Section 12.7 of this Prospectus, there is no legal, financial or economic restrictions on the ability of our subsidiary companies to transfer funds to our Company in the form of cash dividends, loans or advances. Thus, we are confident we can meet our cash obligations as and when the need arises.

12.3.3 Borrowings

As at 30 June 2013, our borrowings, which are all secured PRC borrowings and interest bearing are as follows:

	Payable within 12 months RM'000
Borrowings	
- Short-term loan	6,513
- Bills payable	4,634
Total	11,147
Gearing*	0.3 times

Note:

* Calculated based on our proforma shareholders funds after the Acquisitions but before our Public Issue and utilisation of proceeds.

The details of the types of financial instruments that we use and their balances as at the LPD are as follows:

Type of Financial Instruments	Tenure	Interest Rate	Balance as at the LPD RM'000
Short-term loan	9/1/2013 to 29/8/2014	6.60% to 10.80%	8,676
Bills payable	11/4/2013 to 18/1/2014	2.30%	5,406
			14,082

As at 30 June 2013, we have cash and bank balances, including fixed deposits, of RM13.2 million and our interest coverage ratio is 10 times.

As at the LPD, we do not have any non-PRC borrowings. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the FYE 31 December 2010 to 2012, FPE 30 June 2013 and up to the LPD.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

As at the LPD, neither our Company nor any of our subsidiary companies is in breach of any terms and conditions or covenants associated with any credit arrangements or bank loans which can materially affect our financial position and results or business operations or the investments by holders of securities in us.

Currently, our Group does not have any interest rate hedging policy. We will monitor the interest rate movement and will take the necessary steps to minimise interest rate risk whenever deemed appropriate such as implementing a hedge policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rates borrowings where necessary. However, no assurance can be given that any future significant movement in interest rates will not have a material impact on our business, operating results and financial position.

12.3.4 Material Capital Commitments

Save as disclosed below, as at the LPD, there is no material capital commitment incurred or known to be incurred by us or by our subsidiary companies, which upon becoming enforceable, may have a material impact on our financial position:

	As at the LPD RM'000
Property, plant and equipment	
- Authorised and contracted for	1,053
- Authorised but not contracted for	-
	1,053

12.3.5 Material Litigation

As at the LPD, neither we nor our subsidiary companies are engaged in any litigation, claims or arbitration, either as plaintiff or defendant, which may have a material effect on our financial position or business.

12.3.6 Contingent Liabilities

As at the LPD, our Board is not aware of any indirect and/or material contingent liability which has become enforceable or is likely to become enforceable, which in the opinion of our Board, will or may substantially affect our ability to meet our obligations as and when they fall due.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.4 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

Save as disclosed below, we have not incurred any other material capital expenditures and divestitures in the past three (3) FYE 31 December 2010 to 2012 and up to the LPD:

	<----- FYE 31 December ----->			Up to the LPD
	2010 RM'000	2011 RM'000	2012 RM'000	
Leasehold land	2,481	-	-	-
Leasehold building	53	736	152	-
Office equipment	23	25	20	11
Plant and machinery	57	1,957	221	33
Capital in progress	100	-	2,060	-
Total expenditures	2,714	2,718	2,453	44

There are no divestitures currently in progress, within or outside China. For material capital commitments, please refer to Section 12.3.4 of this Prospectus.

12.5 KEY FINANCIAL RATIOS

12.5.1 Trade Receivables

A summary of our trade receivables for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 is set out below:

	<----- Audited FYE 31 December ----->			FPE 30 June
	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000
Trade receivables	3,486	6,637	4,666	7,418
Revenue	14,836	23,411	38,556	21,378
% of trade receivables to revenue	23	28	12	35
Trade receivables turnover period (days)	86	103	44	62

The normal credit period generally granted to our customers ranges from 30 days to 90 days. Our credit terms to customers are assessed and approved on a case by case basis. Historically, our trade receivables turnover period falls within the credit period granted to our customers, save for the FYE 31 December 2011 which has a trade receivables turnover period of 103 days. The higher trade receivables turnover period in the FYE 31 December 2011 was mainly due to higher sales achieved towards the end of the year.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

We have implemented several measures to improve the collection of our trade debts. The measures taken to improve our credit control include the following:

- implementation of a creditability assessment of our customers and setting the appropriate credit term based thereon;
- encouraging cash transactions with our customers; and
- close monitoring of our accounts receivable schedule.

As a result of the measures taken, we managed to reduce our trade receivables turnover period to 44 days in the FYE 31 December 2012.

The increase in trade receivables turnover period to 62 days in the FPE 30 June 2013 was mainly due to higher sales were generated in the second quarter of 2013.

As at the LPD, we have not experienced any instances of significant bad debts for the financial years and period under review. We will assess the impairment of trade receivables on an individual customer basis and impair trade receivable balances which have exceeded the credit term granted by more than six (6) months.

As at 30 June 2013, our net trade receivables amounted to RM7.4 million which can be analysed as follows:

	< -- Within credit period (days) -- >			Exceeding	Total
	0 – 30	31 – 60	61 – 90	credit period	
	RM'000	RM'000	RM'000	(days)	
Trade receivables	676	3,907	2,832	Over 90	7,418
Less: Impairment	-	-	-	RM'000	-
Net trade receivables	676	3,907	2,832		7,418
% of total trade receivables	9	53	38	*	100

Note:

* Less than 1%.

As at the LPD, we have collected all of the trade receivables outstanding as at 30 June 2013.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.5.2 Trade Payables

A summary of our trade payables for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 is set out below:

	<-----Audited FYE 31 December----->			FPE 30 June
	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000
Trade payables	1,361	3,973	246	157
Cost of sales	12,470	18,487	27,583	17,084
% of trade payables to cost of sales	11	21	1	1
Trade payables turnover period (days)	40	78	3	2

The normal credit terms granted by our suppliers ranges from 0 days to 90 days. Our trade payables turnover period ranged from 2 days to 78 days during the financial years and period under review. The high trade payables turnover period of 78 days during the FYE 31 December 2011 was mainly due to payments to certain suppliers being made towards the end of the credit term as a result of earmarking some of our funds for the purchase of plant and machinery for our new production facilities in Ganzhou which totalled RM2.0 million during the year.

Following the implementation of several measures to further improve our relationship with our suppliers, such as the close monitoring of our account payables schedule as well as more prompt payments to certain of our suppliers when we have surplus funds on hand to secure our bamboo materials supply in advance as mentioned in Section 12.5.3 below, our trade payables turnover period was reduced to 3 days and 2 days during FYE 31 December 2012 and FPE 30 June 2013 respectively. Going forward, we will continue to monitor our account payables schedule closely and make prompt payments to our suppliers when we have surplus funds on hand to maintain our relationship with our suppliers.

As at 30 June 2013, our trade payables amounted to approximately RM0.2 million which can be analysed as follows:

	<--- Within credit period (days)--->			Exceeding credit period (days)	Total
	0 - 60	61 - 90	Over 90	Over 90	
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	157	-	-	-	157
% of total trade payables	100	-	-	-	100

As at the LPD, all the above outstanding trade payables have been settled.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

12.5.3 Inventories

A summary of our inventories for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2013 is set out below:

	<----- Audited FYE 31 December ----->			FPE 30 June
	2010	2011	2012	2013
	RM'000	RM'000	RM'000	RM'000
Raw materials	-	189	201	70
Semi-finished goods	4,104	7,605	9,416	7,761
Finished goods	6,264	8,929	8,421	7,275
	10,368	16,723	18,038	15,106
Cost of sales	12,470	18,487	27,583	17,084
% of inventories to cost of sales	83	90	65	88
Inventories turnover period (days)	303	330	239	161

Our inventories are carried at cost and there is no write down of the inventories for the financial years/period under review.

Historically, our high inventories turnover period was mainly due to the following:

- Our manufacturing process period of up to 45 days and up to 15 days at our Yanshan and Ganzhou plants respectively;
- Consignment inventories at B&Q stores; and
- Higher stockpile at the end of the year in anticipation of lower supply of raw bamboo and horizontal and vertical bamboo planks during the spring season from January to March as bamboo cutters are not encouraged to harvest bamboo to avoid potential damage to the growth of new bamboo or shoots during this season.

The higher trade inventories turnover period in the FYE 31 December 2011 of 330 days was mainly due to the commencement of our strand woven bamboo planks manufacturing at our Yanshan plant which require a longer processing period.

We have implemented several measures to improve our inventory holding level. The measures taken include the following:

- improvement to our manufacturing processes to reduce the production period; and
- payment of deposits to our suppliers for advance booking, whereby the bamboo materials will only be delivered to us when required. This payment of deposits is to secure our supply of bamboo materials rather than stockpiling in anticipation of lower levels of available bamboo materials during the spring season when bamboo cutters are not encouraged to harvest bamboo. The amount of deposit payment is not fixed and is dependent on the amount of funds we have on hand, whereby we will monitor the amount of funds available before making any deposit payment.

Pursuant thereto, we managed to reduce our inventories turnover period to 239 days and 161 days in the FYE 31 December 2012 and FPE 30 June 2013 respectively.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Our stockholding policy focuses on adequacy, timeliness, marketability and safety. We monitor our inventories daily and inventory levels are adjusted according to the products' seasonality and sales patterns. Going forward, we are further improving our inventory holding level through amongst others, reducing the inventory level for the slower-moving series and/or colour of our products.

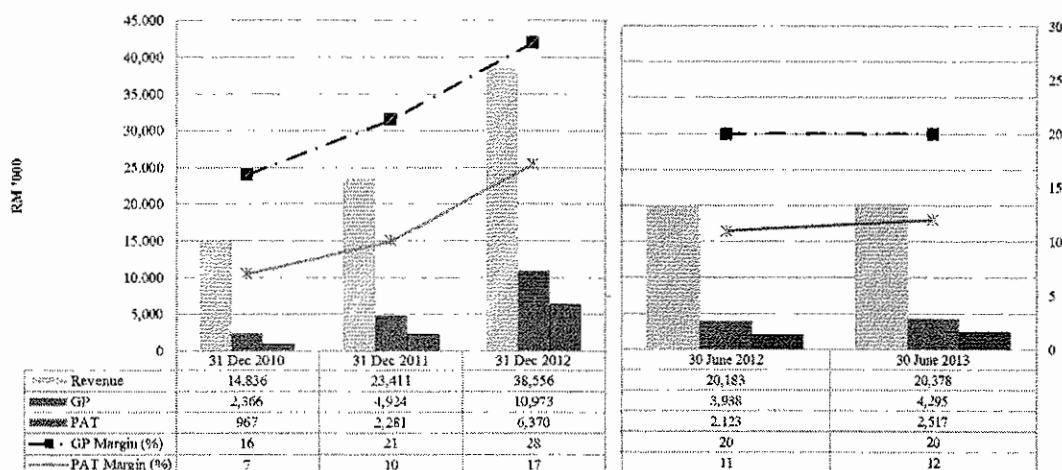
Our Board is of the opinion that there are no significant slow-moving or obsolete inventories as at 30 June 2013 as our inventories are non-perishable and we continue to sell these inventories to our customers. Further, if necessary, we can improve the aesthetics of our products to cater for our customers' requirements by re-sanding, re-polishing and/or re-coating our products.

12.6 SIGNIFICANT TRENDS

12.6.1 Revenue and Business and Financial Prospects

The following discussion regarding industry trends includes forward looking statements that involve risks and uncertainties. Actual results may differ materially from those projected in these forward looking statements.

Based on our financial performance for the past three (3) FYE 31 December 2010 to 2012 and FPE 30 June 2012 and 2013, the following trends were observed:



We recorded a growth in revenue from RM14.8 million in the FYE 31 December 2010 to RM38.6 million in the FYE 31 December 2012. The revenue growth of 161% over this period was mainly due to our continued efforts to widen our sales channels in the PRC market and our success in penetrating the export markets as well as our product development and innovation initiatives which enabled us to launch seven (7) new series of bamboo flooring during the financial years under review.

Our Board is optimistic that our growth momentum is sustainable in the next few years based on the following factors:

- According to the market research conducted by Protégé, China's bamboo flooring market is valued at RMB3.37 billion in 2012. The bamboo flooring market is forecast to exhibit growth with the CAGR for the year 2012 to 2017 estimated at 8.4%, whereby the market is estimated to be valued at RMB5.04 billion in 2017;
- Greater affluence among consumers in China resulting in increasing demand for higher quality and variety in products;

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

- Increasing demand for building materials arising from the extensive development in China's construction industry as supported by the initiatives in China's 12th Five-Year Plan; and
- Changing consumer preference for sustainable flooring materials, both within PRC and internationally outside of PRC.

(Source: IMR Report)

Our GP margin improved during the financial years under review from 16% in the FYE 31 December 2010 to 28% in the FYE 31 December 2012. This was mainly due to the launch of new series of bamboo flooring with improved features and/or aesthetics at higher selling prices, particularly our strand woven bamboo flooring under our brand 'KAR Masterpiece' as well as a reduction in our production cost due to economies of scale. However, our GP margin decreased to 20% in the FPE 30 June 2013 mainly as a result of our efforts to clear our existing inventories of strand woven bamboo products which were not produced using our own water-based adhesive at lower selling price. This in line with our strategy to introduce more 'green' strand woven bamboo products by using our own water-based adhesive. Going forward, our Board expects improvements in our GP margin to be possible as the proportion of sales of strand woven bamboo flooring and related products increases in relation to our total revenue as well as the launch of new products.

12.6.2 Order Book

The nature of our business is such that the majority of our sales are based on order-by-order basis. Nevertheless, as at the LPD, we have outstanding purchase orders from our customers amounting to RM2.5 million as follows:

- Project tenders totalling RM0.6 million;
- B&Q China's purchase orders amounting to RM0.9 million; and
- Other customers' purchase orders amounting to RM1.0 million.

These orders are expected to be fulfilled before the end of the FYE 31 December 2013.

12.6.3 Directors' Declaration on our Group's Financial Performance

As at the LPD, our operations have not been and are not expected to be affected by any of the following:

- known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have a material impact on our financial performance, position and operations other than those discussed in this section and Sections 4, 6 and 7 of this Prospectus;
- unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this section and Section 4 of this Prospectus;
- known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our revenue and/or profits, save for those that have been disclosed in this section and Sections 4, 6 and 7 of this Prospectus;
- known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material impact on our liquidity and capital resources other than those discussed in this section and Sections 4, 6 and 7 of this Prospectus;
- known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of our future financial performance and position other than those discussed in this section and Section 4 of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Cont'd)

Based on the outlook of the bamboo flooring market in China as set out in Section 7 of this Prospectus, our competitive strengths as set out in Section 6.14 of this Prospectus and our future plans as set out in Section 6.15.1 of this Prospectus, our Board is optimistic about the future prospects of our Group.

12.7 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.

12.8 FUTURE FINANCIAL INFORMATION

There is no future financial information for the FYE 31 December 2013 which has been prepared for inclusion in this Prospectus.

Our Board is not aware of any material adverse information or known facts about our liquidity, capital resources and future results of operations which would reasonably have any material adverse effect on our financial condition and results which would make the historical information herein irrelevant to investors' evaluation.

13. ACCOUNTANTS' REPORT



14 NOV 2013

The Board of Directors
Kanger International Berhad
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Dear Sirs,

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**KANGER INTERNATIONAL BERHAD (“KANGER INTERNATIONAL” or “the Company”)
ACCOUNTANTS' REPORT**

1. PURPOSE OF REPORT

This report has been prepared by UHY, Malaysia, an international accounting firm of chartered accountants registered in Malaysia and an approved company auditor, for inclusion in the Prospectus of Kanger International in connection with the listing of and quotation for the enlarged issued and paid-up share capital of Kanger International on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”). Details of the listing scheme are disclosed in Section 2 of this report.

2. DETAILS OF THE LISTING SCHEME

2.1 Acquisitions

In conjunction with the Listing, Kanger International undertook the acquisitions as detailed below:

(a) Acquisition of the entire issued and paid-up share capital in Kanger Investment (HK) Limited (“HK Kanger”) 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 349,990,960 new ordinary shares of RM0.10 each in Kanger International (“Kanger share”) at an issue price of RM0.10 per Kanger share. The acquisition of HK Kanger also entails the acquisition of the wholly owned subsidiaries of HK Kanger as follows:

- the entire issued and paid-up share capital in Ganzhou Kanger Industrial Co., Ltd. (“Ganzhou Kanger”) comprising 14,000,000 ordinary shares of RMB1 each;
- the entire issued and paid-up share capital in Shenzhen Kanger Bamboo Wood Co., Ltd. (“Shenzhen Kanger”) comprising 10,000,000 ordinary shares of RMB1 each;
- the entire issued and paid-up share capital in Yanshan (County) Kanger Bamboo Industry Co. Limited (“Yanshan Kanger”) comprising 6,000,000 ordinary shares of RMB1 each, and

13. ACCOUNTANTS' REPORT (Cont'd)



2. DETAILS OF THE LISTING SCHEME (CONT'D)

2.1 Acquisitions (Cont'd)

In conjunction with the listing, Kanger International undertook the acquisitions as detailed below: (Cont'd)

- (b) Acquisition of the entire issued and paid-up share capital in KAR Masterpiece Sdn. Bhd. ("KAR Masterpiece") comprising 200,000 ordinary shares of RM1 each for a total purchase consideration of RM2, which was wholly satisfied by the issuance of 20 new Kanger shares at an issue price of RM0.10 per Kanger share.

(collectively known as the "Acquisitions").

2.2 Public Issue

Public Issue of 80,000,000 new shares to be issued ("IPO Shares") will be allocated in the manner explained below, which is subject to clawback and reallocation ("Public Issue").

2.2.1 Public

11,000,000 IPO Shares, representing approximately 2.56% of the 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.

2.2.2 Selected investors via placement

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

The basis of allocation for the IPO Shares shall take into account the desirability of distributing the IPO Shares to a reasonable number of applicants with a view of broadening the shareholders base to meet the public spread requirements as per ACE Market Listing Requirements of Bursa Securities, as amended from time to time ("Listing Requirements") and to establish a liquid and adequate market for the IPO Shares. Applicants will be selected in a fair and equitable manner to be determined by the Board of Directors of Kanger International ("the Board").

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

2.3 Listing and Quotation

Subsequent to the completion of the Public Issue, Kanger International will seek a listing of and quotation for its entire enlarged issued and paid-up share capital of RM43,000,000 comprising 430,000,000 Kanger shares on the ACE Market of Bursa Securities.

13. ACCOUNTANTS' REPORT (Cont'd)



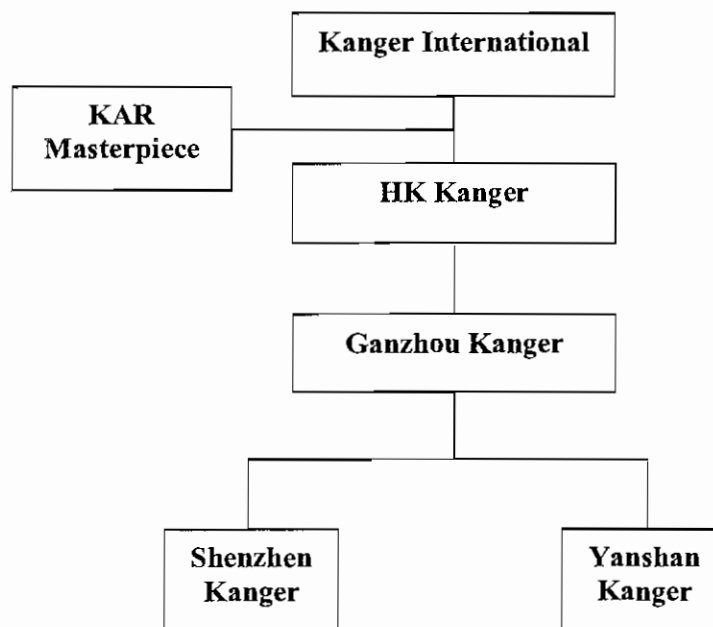
3. GENERAL INFORMATION

3.1 Background

Kanger International, domiciled in Malaysia, was incorporated under the Companies Act, 1965 on 27 August 2012 under the name of Kanger International Sdn. Bhd. On 5 February 2013, Kanger International had changed its status from a private limited company to a public limited company and hence changed its company name from Kanger International Sdn. Bhd. to Kanger International. Kanger International currently is dormant company. The intended principal activity for Kanger International is as an investment holding company.

3.2 Group Structure

The group structure of Kanger International and its subsidiary companies as at the date of this report is as follows:



13. ACCOUNTANTS' REPORT (Cont'd)



3. GENERAL INFORMATION (CONT'D)

3.3 Subsidiary Companies

As at the date of this report, the subsidiary companies of Kanger International are as follows:

Company	Date of Incorporation	Country of Incorporation	Effective Equity Interest (%)	Principal Activities
HK Kanger	16 April 2011	Hong Kong	100	Investment holding company
KAR Masterpiece	7 June 2010	Malaysia	100	Research and development and trading of bamboo flooring and related products
Subsidiary Company of HK Kanger				
Ganzhou Kanger	27 March 2000	China	100	Manufacturing and trading of bamboo flooring and related products
Subsidiary Companies of Ganzhou Kanger				
Shenzen Kanger	9 September 2004	China	100	Trading of bamboo flooring and related products
Yanshan Kanger	6 November 2008	China	100	Manufacturing and trading of bamboo flooring and related products

3.4 Share capital history of subsidiary companies

3.4.1 KAR Masterpiece

Date of Allotment	No. of Ordinary Shares	Par Value RM	Total Issued and Paid-up Share Capital RM	---- Cumulative Total----	
				No. of Ordinary Shares	Total Issued and Paid-up Share Capital RM
7 June 2010	100	1	100	100	100
21 June 2010	19,900	1	19,900	20,000	20,000
5 November 2012	180,000	1	180,000	200,000	200,000

13. ACCOUNTANTS' REPORT (Cont'd)



3. GENERAL INFORMATION (CONT'D)

3.4 Share capital history of subsidiary companies (Cont'd)

3.4.2 HK Kanger

Date of Allotment	No. of Ordinary Shares	Par Value HKD	Total Issued and Paid-up Share Capital HKD	---- Cumulative Total----	
				No. of Ordinary Shares	Total Issued and Paid-up Share Capital HKD
16 April 2011	10,000	1	10,000	10,000	10,000
24 October 2012	37,000,000	1	37,000,000	37,010,000	37,010,000
29 October 2012	1,417,500	1	1,417,500	38,427,500	38,427,500
29 October 2012	15,000,000	1	15,000,000	53,427,500	53,427,500

3.4.3 Ganzhou Kanger (subsidiary of HK Kanger)

Date of Allotment	No. of Ordinary Shares	Par Value RMB	Total Issued and Paid-up Share Capital RMB	---- Cumulative Total----	
				No. of Ordinary Shares	Total Issued and Paid-up Share Capital RMB
16 March 2000	5,000,000	1	5,000,000	5,000,000	5,000,000
3 July 2007	^(1,596,800)	1	^(1,596,800)	3,403,200	3,403,200
9 May 2008	7,596,800	1	7,596,800	11,000,000	11,000,000
6 January 2012	3,000,000	1	3,000,000	14,000,000	14,000,000
14 March 2012	*	*	*	*	USD2,100,980

Notes:

* On 9 December 2011, the original shareholders of Ganzhou Kanger and HK Kanger entered into a share transfer agreement, under which the original shareholders transferred their entire equity interest 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 after registering the change with State Administration for Industry and Commerce of the People's Republic of China ("SAIC") of Ganzhou Province of China.

^ Reduction in paid up capital as approved by the shareholders of HK Kanger.

13. ACCOUNTANTS' REPORT (Cont'd)



3. GENERAL INFORMATION (CONT'D)

3.4 Share capital history of subsidiary companies (Cont'd)

3.4.4 Shenzhen Kanger (subsidiary of Ganzhou Kanger)

Date of Allotment	No. of Ordinary Shares	Par Value RMB	Total Issued and Paid-up Share Capital RMB	---- Cumulative Total----	
				No. of Ordinary Shares	Total Issued and Paid-up Share Capital RMB
9 September 2004	1,000,000	1	1,000,000	1,000,000	1,000,000
19 May 2006	9,000,000	1	9,000,000	10,000,000	10,000,000

3.4.5 Yanshan Kanger (subsidiary of Ganzhou Kanger)

Date of Allotment	No. of Ordinary Shares	Par Value RMB	Total Issued and Paid-up Share Capital RMB	---- Cumulative Total----	
				No. of Ordinary Shares	Total Issued and Paid-up Share Capital RMB
6 November 2008	3,000,000	1	3,000,000	3,000,000	3,000,000
22 February 2012	3,000,000	1	3,000,000	6,000,000	6,000,000

3.5 Share Capital

Kanger International was incorporated with an authorised share capital of RM100,000 comprising 100,000 ordinary shares of RM1 each, of which 2 ordinary shares of RM1 each were subscribed for on the date of incorporation.

As at the date of this report, the authorised share capital of Kanger International has increased from RM100,000 to RM50,000,000 whilst the issued and paid-up share capital of Kanger International was increased from RM2 to RM35,000,000.

13. ACCOUNTANTS' REPORT (Cont'd)



3. GENERAL INFORMATION (CONT'D)

3.5 Share Capital (Cont'd)

The changes in Kanger International's issued and paid-up share capital since its date of incorporation and up to the date of this report were as follows:

Date of Allotment	Consideration	No. of Ordinary Shares	Par Value RM	--- Cumulative Total---			
				Total Issued and Paid-up Share Capital RM	No. of Ordinary Shares	Total Issued and Paid-up Share Capital RM	
27 August 2012	Cash	2	1	2	2	2	
25 January 2013	Share split	-	0.10	2	20	2	
30 September 2013	Shares issued as consideration for the acquisition of HK Kanger	349,999,960	0.10	34,999,996	349,999,980	34,999,998	
30 September 2013	Shares issued as consideration for the acquisition of KAR Masterpiece	20	0.10	2	350,000,000	35,000,000	

3.6 Dividend

No dividend was declared by Kanger International since the date of incorporation.

4. RELEVANT FINANCIAL YEARS/PERIODS AND AUDITORS

The relevant financial years/periods of the audited financial statements/ separate financial statements presented for the purpose of this report ("Relevant Financial Years/Periods") and the auditors of the respective subsidiary companies within Kanger group ("Group") for the Relevant Financial Years/Periods are set out below:

Company	Relevant Financial Year/Period	Auditors	Auditor's Report
Kanger International	Financial Period ("FP") from 27 August 2012 to 30 June 2013	UHY, Malaysia	Appendix I
HK Kanger	FP from 16 April 2011 to 30 September 2012	Baililai International Group (HK) Limited	Appendix II
	FP from 1 October 2012 to 31 December 2012; FP from 1 January 2013 to 30 June 2013 ("FPE 2013")	UHY, Malaysia	Appendix III
Ganzhou Kanger	Financial Year Ended ("FYE") 31 December 2010 ("FYE 2010"); FYE 31 December 2011 ("FYE 2011"); FYE 31 December 2012 ("FYE 2012"); FPE 2013	UHY, Malaysia	Appendix IV

13. ACCOUNTANTS' REPORT (Cont'd)



4. RELEVANT FINANCIAL YEARS/PERIODS AND AUDITORS (CONT'D)

Company	Relevant Financial Year/Period	Auditors	Auditor's Report
Shenzhen Kanger	FYE 2010 ; FYE 2011; FYE 2012; FPE 2013	UHY, Malaysia	Appendix V
Yanshan Kanger	FYE 2011; FYE 2012; FPE 2013	UHY, Malaysia	Appendix VI
KAR Masterpiece	FP from 7 June 2010 to 30 June 2011; FYE 30 June 2012;	Mohamed, Yeng & Co	Appendix VII
	FP from 1 July 2012 to 31 December 2012; FPE 2013	UHY, Malaysia	Appendix VIII

The audited financial statements/separate financial statements of the respective subsidiary companies of Kanger International for the Relevant Financial Years/Periods were reported upon without any audit qualification, except for:

- a) **HK Kanger**
The audited financial statements for the FP from 16 April 2011 to 30 September 2012 contained an audit qualification where HK Kanger did not prepare consolidated financial statements as HK Kanger is the holding company for Ganzhou Kanger. ⁽¹⁾
- b) **KAR Masterpiece**
The audited financial statements for the FYE 30 June 2012 contained an audit qualification where the auditors were not invited to observe the inventory count, coupled with no proper inventory record maintained. Hence, the auditors were unable to satisfy themselves as to the physical existence of the inventories. ⁽²⁾

⁽¹⁾ The separate financial statements for the FP from 1 October 2012 to 31 December 2012 and FPE 30 June 2013 were not subject to any qualification as HK Kanger had elected to prepare separate financial statements for the purpose of the proposed listing of and quotation for the entire enlarged issued and paid-up share capital of Kanger International on the ACE Market of Bursa Securities.

⁽²⁾ The auditors report issued by UHY for the FP from 1 July 2012 to 31 December 2012 was unqualified as the auditors were able to satisfy themselves as to the appropriateness of opening inventories brought forward from FYE 30 June 2012.

13. ACCOUNTANTS' REPORT (Cont'd)



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Kanger International is a public limited company incorporated under the Companies Act, 1965 and domiciled in Malaysia since 27 August 2012. There were no consolidated financial statements prepared for Kanger International and its subsidiary companies ("Group") for the relevant financial years/periods as the Group was not in existence as at the end of these financial years/periods.

Accordingly, for the purpose of this report, we have presented the financial information of Kanger International and the financial information of HK Kanger, Ganzhou Kanger, Shenzhen Kanger, Yanshan Kanger as well as KAR Masterpiece (collectively known as "Relevant Companies") individually for the FYE 2010, 2011 and 2012 and FPE 2013, except for:

- (i) Kanger International, where the financial information presented are for FP from 27 August 2012 to 30 June 2013;
- (ii) HK Kanger, where the financial information presented are for FP from 16 April 2011 to 30 September 2012, FP from 1 October 2012 to 31 December 2012, FPE 2013; and
- (iii) KAR Masterpiece, where the financial information presented are for FP from 7 June 2010 to 30 June 2011, FYE 30 June 2012, FP from 1 July 2012 to 31 December 2012 and FPE 2013

in Section 7, which are extracted from their audited financial statements, modified as appropriate, for the purpose of this report.

This report is prepared on a basis consistent with the accounting policies adopted by the Group as disclosed in Note 5.2 of this report.

5.1 Conversion rate

In preparing this report, HK Kanger has converted all figures stated in United States Dollar ("USD") into Ringgit Malaysia ("RM") based on the following exchange rates:

	FYE2011 RM	FYE2012 RM	FPE2013 RM
Statement of comprehensive income based on average rates for the relevant years/period			
USD	3.0536	3.0724	3.0980
Statement of financial position based on closing rates at the respective reporting dates			
USD	3.1633	3.0460	3.1605

In preparing this report, Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger has converted all figures stated in Renminbi ("RMB") into Ringgit Malaysia ("RM") based on the following exchange rates:

	FYE2010 RM	FYE2011 RM	FYE2012 RM	FPE2013 RM
Statement of comprehensive income based on average rates for the relevant years/period				
RMB	0.4748	0.4734	0.4899	0.5012
Statement of financial position based on closing rates at the respective reporting dates				
RMB	0.4674	0.5034	0.4913	0.5149

13. ACCOUNTANTS' REPORT (Cont'd)



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.1 Conversion rate (Cont'd)

No translation or conversion required for KAR Masterpiece as KAR Masterpiece is operating in Malaysia and the financial statements were prepared in RM.

The functional currency of each of the Relevant Companies' entity is the currency of the primary economic environmental in which that entity operates.

The consolidated financial statements are presented in RM which is the Relevant Companies' presentation currency.

The translation from USD to RM for HK Kanger and the translation from RMB to RM for Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger for this report are to comply with the requirements of Prospectus Guidelines - Paragraph 13.12 where all financial statements prepared in currency other than RM must be translated into RM.

5.2 Basis of preparation

The financial statements of the Group have been prepared on the historical cost convention except as disclosed in the notes to the financial statements and in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

The Group has not applied the following MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the Relevant Companies:

		Effective dates for financial periods beginning on or after
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9 (IFRS 9 (2009))	Financial Instruments (IFRS 9 issued by IASB in November 2009)	1 January 2015
MFRS 9 (IFRS 9 (2010))	Financial Instruments (IFRS 9 issued by IASB in October 2010)	1 January 2015

(a) Statement of compliance

The possible financial impacts of initial application of MFRSs, which will be applied retrospectively is as follows:

MFRS 9 Financial Instruments

MFRS 9 (IFRS 9 (2009)) replaces the guidance in MFRS 139 Financial Instruments: Recognition and Measurement on classification and measurement of financial asset. MFRS 9 requires financial asset to be measured at fair value or amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument.

13. ACCOUNTANTS' REPORT (Cont'd)



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of preparation (Cont'd)

(a) Statement of compliance (Cont'd)

MFRS 9 Financial Instruments (Cont'd)

MFRS 9 (IFRS 9 (2010)) includes the requirements for the classification and measurement of financial liabilities and for derecognition. Measurement for financial liability designated as at fair value through profit or loss, requires the amount of change in the fair value of the financial liability, that is attributable to the change of credit risk of that liability, to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss.

Under MFRS 139, the entire amount of the change in fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The adoption of MFRS 9 will result in a change in accounting policy. The Group is currently examining the financial impact of adopting MFRS 9.

(b) Functional and presentation currency

The financial statements/separate financial statements are presented in Renminbi (RMB), United States Dollar (USD) and Ringgit Malaysia (RM), of which RMB is the functional currency for Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger, USD is the functional currency for HK Kanger and RM is the functional currency for the Company and KAR Masterpiece.

(c) Significant accounting estimates and judgements

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on historical experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the end of the reporting period that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year/period are set out below:

(i) Depreciation of property, plant and equipment

The costs of property, plant and equipment are depreciated on a straight-line basis over the useful lives of the property, plant and equipment. Management estimates the useful lives of the property, plant and equipment as stated in Note 5.2(d)(iii). These are common life expectancies applied in the industries. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment are disclosed in Notes 7.3.5.5, 7.4.5.5, 7.5.5.5 and 7.6.5.4.

13. ACCOUNTANTS' REPORT (Cont'd)


5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
5.2 Basis of preparation (Cont'd)
(c) Significant accounting estimates and judgements (Cont'd)
(ii) Income taxes

There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is involved especially in determining tax base allowances and deductibility of certain expenses in determining the Group-wide provision for income taxes. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax provisions in the financial year/period in which such determination is made.

(d) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 5.2(f).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Capital work-in-progress is stated at cost. Cost comprises the direct expenditure incurred on the construction and commissioning of the capital assets, including the interest cost on borrowings taken to finance the capital work-in-progress.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised as profit or loss incurred.

(iii) Depreciation

Depreciation of property, plant and equipment is recognised in the statement of comprehensive income on a straight-line basis over the estimated useful lives of property, plant and equipment.

13. ACCOUNTANTS' REPORT (Cont'd)



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of preparation (Cont'd)

(d) Property, plant and equipment (Cont'd)

(iii) Depreciation (Cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	Remaining lease period
Buildings	20 years
Tools and equipment	3 - 10 years
Motor vehicles	5 years
Office equipment	3 - 10 years
Plant and machinery	3 - 10 years

Capital work-in-progress is not depreciated until its completion and availability for commercial use.

The depreciable amount is determined after deducting the residual value.

Depreciation methods, useful lives and residual values are reassessed at each reporting period.

(iv) Derecognition

Upon disposal of an asset, the difference between the net disposal proceeds and the carrying amount of the assets is charged or credited to the statement of comprehensive income.

(e) Investments in subsidiaries

Investments in subsidiaries is stated at cost less accumulated impairment, if any. The policy of recognition and measurement of impairment losses is in accordance with Note 5.2(f).

On disposal of an investment, the difference between net proceeds and its carrying amount is recognised as profit or loss incurred.

(f) Impairment of non-financial assets

The carrying amounts of assets except for inventories are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount would be estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised as profit or loss in the period in which it arises.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Basis of preparation (Cont'd)****(f) Impairment of non-financial assets (Cont'd)**

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increases.

(g) Financial assets

Financial assets are recognised on the statement of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

(i) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing more than 12 months after the end of the reporting period of which are presented as non-current assets.

(ii) Recognition and initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(iii) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

13. ACCOUNTANTS' REPORT (Cont'd)


5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
5.2 Basis of preparation (Cont'd)
(g) Financial assets (Cont'd)
(iv) Impairment

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Loans and receivables

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in statement of comprehensive income.

If in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in statement of comprehensive income.

When the asset becomes uncollectible, it will be written off against the related accumulated impairment losses account. Subsequent recoveries of amounts previously written off are recognised against the same line item in the statement of comprehensive income.

(v) Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition disposal of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in statement of comprehensive income.

(h) Determination of fair value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value is measured in accordance with the valuation methodologies as set out in Notes 7.1.5.4, 7.2.5.8, 7.3.5.22, 7.4.5.19, 7.5.5.20 and 7.6.5.10.

Investments in unquoted equity instruments whose fair value cannot be reliably measured are measured at cost, and assessed for impairment at the end of each reporting year/period.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Basis of preparation (Cont'd)****(i) Basis of consolidation**

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies through equity accounting, which are made up to the end of the financial year/period.

In the Company's separate financial statements, investments in subsidiary companies are stated at cost less impairment losses in accordance with Note 5.2(f). On disposal of these investments, the difference between the net disposal proceeds and the carrying amount is recognised in the statements of comprehensive income.

Subsidiary companies are those companies in which the Group has long term equity interest and has the power, directly or indirectly, to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one half of the voting rights.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for acquisition of a subsidiary is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition related costs are expensed off in the statement of comprehensive income as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired (i.e. a bargain purchase), the gain is recognised in statement of comprehensive income.

In a business combination achieved in stages, the previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in the statement of comprehensive income.

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interest are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statements of comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Basis of preparation (Cont'd)****(i) Basis of consolidation (Cont'd)**

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

Changes in the Company owners' ownership in a subsidiary company that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary company. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the parent.

All earnings and losses of the subsidiary company are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years/periods is not restated.

Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(j) Financial liabilities

The Group classifies its financial liabilities as other financial liabilities. Management determines the classification of its financial liabilities at initial recognition. Financial liabilities are recognised on the statements of financial position when, and only when the Group becomes a party to the contractual provisions of the financial instrument.

All financial liabilities are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method.

Other financial liabilities are non-derivatives financial liabilities. The Group's other financial liabilities comprise trade and other payables and borrowings. Financial liabilities are classified as current liabilities; except for maturities more than 12 months after the end of the reporting period, in which case they are classified as non-current liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)


5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
5.2 Basis of preparation (Cont'd)
(k) Inventories

Inventories are valued at the lower of cost and net realisable value after adequate impairment has been made for all deteriorated, damaged, obsolete or slow-moving inventories.

Cost is determined using the weighted average method. The cost of raw materials comprises the original cost of purchase plus the cost of bringing the inventories to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

(m) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time the assets are substantially ready for their intended use or sale.

When the borrowings are made specifically for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of funds drawn down from that borrowing facility.

When the borrowings are made generally, and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation are determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the borrowings that are outstanding during the financial year/period.

All other borrowing costs are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

(n) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Cost directly attributable to the issuance of the shares is accounted for as a deduction from share premium, otherwise, it is charged to the statement of comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Basis of preparation (Cont'd)****(n) Share capital (Cont'd)**

Dividends on ordinary shares, when declared or proposed by the Directors of the Company are disclosed in the notes to the financial statements. Upon approval and when paid, such dividends will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year/period in which the dividends are paid.

(o) Revenue

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of the revenue can be measured reliably.

(i) Goods sold

Revenue from sales of goods is measured at the fair value of the consideration receivable and is recognised when significant risk and rewards have been transferred to the buyer, if any, net of sales tax, discounts and returns.

(ii) Interest income

Interest income is recognised using the effective interest method.

(p) Income taxes

Income tax on the profit or loss for the financial year/period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial year/period and is measured using the tax rates that have been enacted at the end of the reporting year/period.

Deferred tax is recognised on the liability method for all temporary differences between the carrying amount of an assets or liabilities in the statement of financial position and its tax base at the end of the reporting year/period. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax asset and liability is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it becomes probable that sufficient future taxable profit will be available.

Deferred tax is recognised in the statement of comprehensive income, except when it arises from a transaction which is recognised directly in equity, and accordingly the deferred tax is also charged or credited directly in equity.

13. ACCOUNTANTS' REPORT (Cont'd)

**5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****5.2 Basis of preparation (Cont'd)****(q) Foreign currencies translation****(i) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the rate at the date of transaction.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in statement of comprehensive income for the reporting period. Exchange differences arising on the translation of non-monetary items carried at fair value are included statement of comprehensive income for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011, the date of transition to MFRS, which are treated as assets and liabilities of the Company. Income and expenses items are translated at the average rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rate at the dates of the transactions are used. Exchange differences arising on the translation are recognised in other comprehensive income.

On disposal of a foreign operation, the cumulative amount of exchange differences relating to that foreign operation, recognised as other comprehensive income and accumulated in equity shall be reclassified to statement of comprehensive income when the gain or loss on disposal is recognised.

13. ACCOUNTANTS' REPORT (Cont'd)



5. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

5.2 Basis of preparation (Cont'd)

(r) Employee benefits

(i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year/period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employee Provident Fund ("EPF"). Some of the Group's foreign subsidiary companies also make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in the statement of comprehensive income as incurred. Once the contributions have been paid, the Group has no further payment obligations.

6. FINANCIAL INFORMATION AND LIMITATION

Kanger International is a public limited company incorporated under the Companies Act, 1965 and domiciled in Malaysia since 27 August 2012. There were no consolidated financial statements prepared for the Group for FYE 2010, 2011, 2012 and FPE 2013 as the Group was not in existence as at the end of these financial years/period.

The financial information of the Group as presented in Note 7 for FYE 2010, 2011, 2012 and FPE 2013 are extracted from its subsidiary companies' audited financial statements, modified as appropriate, for the purpose of this report.

The scope of work conducted in the preparation of this report does not constitute an audit in accordance with the approved standards of auditing in Malaysia. Except where otherwise explicitly stated, information contained in this report was not independently verified by us. In preparing this report, we have relied upon information and representations given to us by Directors, officers and employees of the respective companies and sought explanations for apparent discrepancies, if any.

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Kanger International

7.1.1 Statement of Comprehensive Income

	Note	27.8.2012 to 30.6.2013 RM
Revenue		-
Administrative expenses	7.1.5.1	-
Results for the financial period, representing total comprehensive income for the financial period		<u>-</u>

7.1.2 Statement of Financial Position

	Note	30.6.2013 RM
Current Asset		
Cash and bank balances		<u>2</u>
Total Asset		<u>2</u>
Equity		
Share capital	7.1.5.2	2
Retained earnings		<u>-</u>
Total Equity		<u>2</u>

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Kanger International (Cont'd)

7.1.3 Statement of Cash Flows

	27.8.2012 to 30.6.2013 RM
Cash Flows from Operating Activity	
Profit before taxation	-
Net changes of cash flows from operating activity	-
Cash Flows From Financing Activity	
Proceeds from issuance of shares	2
Net cash generated from financing activity	2
Net increase in cash and cash equivalents	2
Cash and cash equivalents at end of beginning of the financial period	-
Cash and cash equivalents at end of end of the financial period	2
Cash and cash equivalents at end of the financial period comprises:	
Cash and bank balances	2

7.1.4 Statement of Changes in Equity

	Share Capital RM	Retained Earnings RM	Total RM
At date of incorporation	2	-	2
Results for the financial period, representing total comprehensive income for the financial period	-	-	-
At 30 June 2013	2	-	2

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Kanger International (Cont'd)

7.1.5 Notes to the Financial Statements

7.1.5.1 Administrative Expenses

No incorporation and other administrative expenses incurred as the expenses were absorbed by Kar Masterpiece.

7.1.5.2 Taxation

No provision for taxation for the financial period was made as Kanger International does not generate any taxable profits.

7.1.5.3 Share Capital

	Number of shares Units	Amount RM
Authorised		
<i>Ordinary shares of RM1.00 each</i>		
At date of incorporation	100,000	100,000
<i>Ordinary shares of RM0.10 each</i>		
Share split	900,000	-
	1,000,000	100,000
Created during the period	499,000,000	49,900,000
At 30 June 2013	500,000,000	50,000,000
Issued and fully paid		
<i>Ordinary shares of RM1.00 each</i>		
At date of incorporation	2	2
<i>Ordinary shares of RM0.10 each</i>		
Share split	18	-
At 30 June 2013	20	2

The holders of ordinary shares are entitled to receive dividends as and when declared by the Kanger International. All ordinary shares carry one vote per share without restrictions and rank equally with regard to Kanger International residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Kanger International (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

7.1.5.4 Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 5.2 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised. The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and Receivables	Other Financial Liabilities at Amortised Cost	Total
	RM	RM	RM
30.6.2013			
Financial Asset			
Cash and bank balances	2	-	2
Total Financial Asset	2	-	2

(b) Capital risk management objectives and policies

Kanger International's Management manages its capital to ensure that Kanger International is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value. The Management reviews the capital structure by considering the cost of capital and the risks associated with the capital.

The capital of Kanger International consists of issued shares capital and cash and cash equivalents.

(c) Financial risk management objectives and policies

Kanger International's financial risk management policy is to ensure that adequate financial resources are available for the development of Kanger International's operations whilst managing its financial risks, which represents credit risk. Kanger International operates within clearly defined guidelines that are approved by the Board and Kanger International's policy is not to engage in speculative transactions.

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.1 Kanger International (Cont'd)

7.1.5 Notes to the Financial Statements (Cont'd)

7.1.5.4 Financial Instruments (Cont'd)

(d) Credit risk

The carrying amounts of the financial assets recorded on the statement of financial position at the end of the reporting period represents Kanger International's maximum exposure to credit risk in relation to financial assets. No financial assets carry a significant exposure to credit risk.

(e) Fair values of financial assets and financial liabilities

The fair values of financial instruments refer to the amounts at which the instruments could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction. Fair values have been arrived at based on prices quoted in an active, liquid market or estimated using certain valuation techniques such as discounted future cash flows based upon certain assumptions. Amount derived from such methods and valuation technique are inherently subjective and therefore do not necessarily reflect the amounts that would be received or paid in the event of immediate settlement of the instruments concerned.

On the basis of amount estimated from the methods and techniques as mentioned in the preceding paragraph, the carrying amount of the various financial assets reflected on the statement of financial position approximate their fair values.

The methodologies used in arriving at the fair values of the principal financial assets and financial liabilities of Kanger International are as follows:

Cash and cash equivalents

The carrying amounts are considered to approximate the fair values as they are within the normal credit terms or they have short-term maturity period.

7.1.5.5 Comparative Figures

No comparative figures are available as these are the first financial statements of Kanger International.

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS

7.2 HK Kanger

7.2.1 Statement of Comprehensive Income

Note	16.4.2011 to 30.9.2012		1.10.2012 to 31.12.2012		1.1.2013 to 30.6.2013	
	USD	RM	USD	RM	USD	RM
Revenue	-	-	-	-	-	-
Other income	783	2,421	2,081	6,414	-	-
Administrative expenses	(2,259)	(6,985)	-	-	(2)	(6)
Net (loss)/profit for the financial period, representing total comprehensive income for the financial period	(1,476)	(4,564)	2,081	6,414	(2)	(6)
Other comprehensive income - Foreign currency translation	-	(473)	-	(330,564)	-	573,530
Total comprehensive income for the financial period	(1,476)	(5,037)	2,081	(324,150)	(2)	573,524

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.2 Statement of Financial Position

Note	30.9.2012		31.12.2012		30.6.2013	
	USD	RM	USD	RM	USD	RM
Non-Current Asset						
Investments in subsidiary companies	2,100,980	6,452,515	2,100,980	6,452,515	2,100,980	6,452,515
Current Assets						
Other receivables	-	-	-	-	150,000	477,212
Amounts owing by subsidiary companies	-	-	4,227,335	12,942,345	4,560,313	14,508,237
Cash and bank balances	225,169	691,538	558,963	1,711,313	75,983	241,733
	225,169	691,538	4,786,298	14,653,658	4,786,296	15,227,182
Total Assets	2,326,149	7,144,053	6,887,278	21,106,173	6,887,276	21,679,697
Equity						
Share capital	1,287	4,456	6,886,673	21,434,887	6,886,673	21,434,887
Exchange translation reserve	-	(473)	-	(330,564)	-	242,966
(Accumulated losses)/Retained earnings	(1,476)	(4,564)	605	1,850	603	1,844
Total Equity	(189)	(581)	6,887,278	21,106,173	6,887,276	21,679,697
Current Liabilities						
Accruals	870	2,672	-	-	-	-
Amount owing to a related company	1,329	4,082	-	-	-	-
Amount owing to a Director	2,324,139	7,137,880	-	-	-	-
	2,326,338	7,144,634	-	-	-	-
	2,326,149	7,144,053	6,887,278	21,106,173	6,887,276	21,679,697

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.3 Statement of Cash Flows

	16.4.2011 to 30.9.2012		1.10.2012 to 31.12.2012		1.1.2013 to 30.6.2013	
	USD	RM	USD	RM	USD	RM
Cash Flows from Operating Activities						
Net (loss)/profit for the financial period	(1,476)	(4,564)	2,081	6,414	(2)	(6)
Adjustments for:						
Interest income	(783)	(2,405)	(2,081)	(6,414)	-	-
Operating loss before working capital changes	(2,259)	(6,969)	-	-	(2)	(6)
Decrease/(Increase) in working capital						
Other receivables	-	-	-	-	(150,000)	(477,212)
Amount owing by subsidiary companies	-	-	(6,552,803)	(20,061,963)	(332,978)	(1,059,340)
Accruals	870	2,672	(870)	(2,663)	-	-
Amount owing by related company	1,329	4,082	-	-	-	-
Amount owing by a Director	2,324,139	7,137,880	-	-	-	-
Cash generated from/(used in) operations	2,326,338	7,144,634	(6,553,673)	(20,064,626)	(482,978)	(1,536,552)
Interest received	783	2,421	2,081	6,414	-	-
Net cash generated from/(used in) operating activities	2,324,862	7,140,086	(6,551,592)	(20,058,212)	(482,980)	(1,536,558)

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.3 Statement of Cash Flows (Cont'd)

	16.4.2011 to 30.9.2012		1.10.2012 to 31.12.2012		1.1.2013 to 30.6.2013	
	USD	RM	USD	RM	USD	RM
Cash Flows from Investing Activity						
Investments in subsidiary companies	(2,100,980)	(6,452,515)	-	-	-	-
Net cash used in investing activity	(2,100,980)	(6,452,515)	-	-	-	-
Cash Flows From Financing Activity						
Proceeds from issuance of shares	1,287	3,953	6,885,386	21,080,195	-	-
Net cash generated from financing activity	1,287	3,953	6,885,386	21,080,195	-	-
Net increase/(decrease) in cash and cash equivalents	225,169	691,524	333,794	1,021,983	(482,980)	(1,536,558)
Effects of exchange rate changes	-	14	-	(2,208)	-	66,978
Cash and cash equivalents at beginning of the financial period	-	-	225,169	691,538	558,963	1,711,313
Cash and cash equivalents at end of the financial period	225,169	691,538	558,963	1,711,313	75,983	241,733

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.4 Statement of Changes in Equity

	Share Capital		Exchange Translation Reserve		Accumulated Losses		Total	
	USD	RM	USD	RM	USD	RM	USD	RM
At date of incorporation	1,287	4,456	-	-	-	-	1,287	4,456
Foreign currency translation differences, representing other comprehensive income for the period	-	-	-	(473)	-	-	-	(473)
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	-	(1,476)	(4,564)	(1,476)	(4,564)
At 30 September 2012	1,287	4,456	-	(473)	(1,476)	(4,564)	(189)	(581)

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.4 Statement of Changes in Equity (Cont'd)

	Share Capital		Exchange Translation Reserve		(Accumulated Losses)/ Retained Earnings		Total	
	USD	RM	USD	RM	USD	RM	USD	RM
At 1 October 2012	1,287	4,456	-	(473)	(1,476)	(4,564)	(189)	(581)
Issuance of shares	6,885,386	21,430,431	-	-	-	-	6,885,386	21,430,431
Foreign currency translation differences, representing other comprehensive income for the period	-	-	-	(330,091)	-	-	-	(330,091)
Net profit for the financial period, representing total comprehensive income for the financial period	-	-	-	-	2,081	6,414	2,081	6,414
At 31 December 2012	6,886,673	21,434,887	-	(330,564)	605	1,850	6,887,278	21,106,173

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.4 Statement of Changes in Equity (Cont'd)

	Share Capital		Exchange Translation Reserve		Retained Earnings		Total	
	USD	RM	USD	RM	USD	RM	USD	RM
At 1 January 2013	6,886,673	21,434,887	-	(330,564)	605	1,850	6,887,278	21,106,173
Foreign currency translation differences, representing other comprehensive income for the period	-	-	-	573,530	-	-	-	573,530
Net loss for the financial period, representing total comprehensive income for the financial period	-	-	-	-	(2)	(6)	(2)	(6)
At 30 June 2013	6,886,673	21,434,887	-	242,966	603	1,844	6,887,276	21,679,697

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.5 Notes to the Financial Statements

7.2.5.1 Net (Loss)/Profit for the Period

Net (loss)/profit for the period is derived after charging/(crediting):

	16.4.2011 to 30.9.2012		1.10.2012 to 31.12.2012		1.1.2013 to 30.6.2013	
	USD	RM	USD	RM	USD	RM
Auditor's remuneration	870	2,690	-	-	-	-
Preliminary expenses	918	2,838	-	-	-	-
Interest income	(783)	(2,405)	(2,081)	(6,414)	-	-

7.2.5.2 Investments in Subsidiary Companies

(a) Investments in subsidiary companies

	30.9.2012		31.12.2012		30.6.2013	
	USD	RM	USD	RM	USD	RM
Unquoted shares, at cost						
Outside Malaysia	2,100,980	6,452,515	2,100,980	6,452,515	2,100,980	6,452,515

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

7.2.5.2 Investments in Subsidiary Companies (Cont'd)

(b) The subsidiary companies and shareholdings therein are as follows:

Name of company	Country of incorporation	Effective interest		Principal activities
		30.6.2013 %	31.12.2012 30.9.2012 %	
Direct holding: Ganzhou Kanger	China	100	100	Manufacturing and trading of bamboo flooring related products
Indirect holding: Subsidiary companies of Ganzhou Kanger				
Shenzen Kanger	China	100	100	Trading of bamboo flooring related products
Yanshan Kanger	China	100	100	Manufacturing and trading of bamboo flooring related products

The investments in subsidiary companies are accounted based on cost method.

All the financial statements/separate financial statements of the subsidiary companies are audited by UHY Malaysia, solely for the purpose of the preparation of the Proforma Consolidated Financial Statements of Kanger International for its listing, which involved HK Kanger and its subsidiary companies. For this purpose, HK Kanger elects to present the separate financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)



7. HISTORICAL FINANCIAL STATEMENTS (CONT'D)

7.2 HK Kanger (Cont'd)

7.2.5 Notes to the Financial Statements (Cont'd)

7.2.5.3 Amounts owing by Subsidiary Companies

Amounts owing by subsidiary companies, namely Ganzhou Kanger, Shenzhen Kanger and Yanshan Kanger, represent unsecured, interest free advances and are repayable on demand.

7.2.5.4 Share Capital

Ordinary shares of HK\$1 each

Authorised

At date of incorporation/1 October/1 January
Created during the period
At 30 September/31 December/30 June

		<-----Number of shares----->	
	30.9.2012	31.12.2012	30.6.2013
	Units	Units	Units
	10,000	10,000	53,427,500
	-	53,417,500	-
	<u>10,000</u>	<u>53,427,500</u>	<u>53,427,500</u>
Issued and fully paid			
At date of incorporation/1 October/1 January	10,000	10,000	53,427,500
Issued during the period	-	53,417,500	-
At 30 September/31 December/30 June	<u>10,000</u>	<u>53,427,500</u>	<u>53,427,500</u>