

6. INFORMATION ON OUR GROUP

6.1 HISTORY AND PRINCIPAL ACTIVITIES

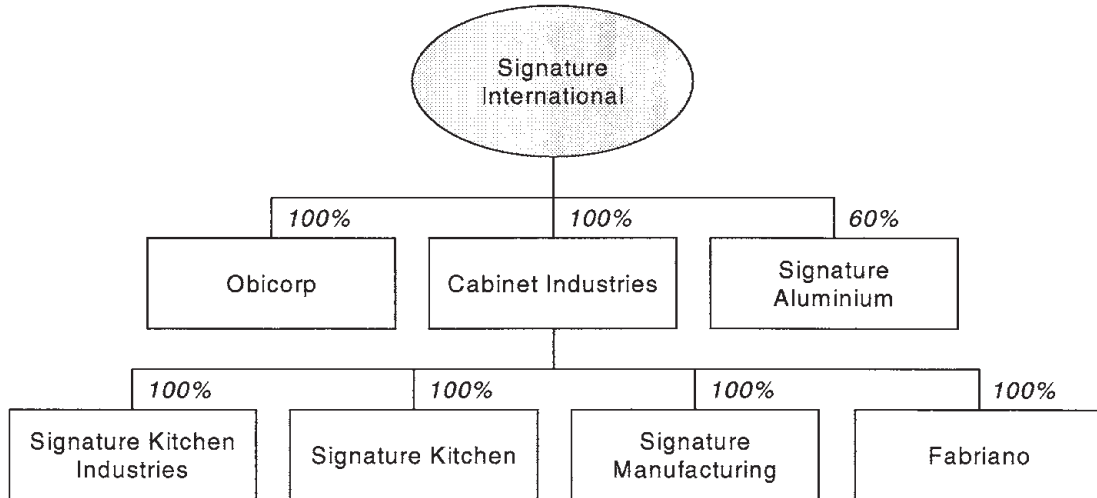
Our Company was incorporated in Malaysia under the Act on 23 November 2006 as a private limited company under the name of Signature International Sdn Bhd. Our Company was subsequently converted into a public limited company on 13 April 2007. Our Company was established as an investment holding company to facilitate our Listing exercise and a summary of the principal activities and details of our subsidiary companies are as follows:

Name of Company	% held	Date of incorporation	Date of commencement	Principal activities
<i>Our Subsidiary Companies</i>				
Cabinet Industries	100	14 May 1994	31 December 1994	Design, marketing and distribution of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances
Obicorp	100	23 August 2002	1 December 2002	Marketing and distribution of Built-In Kitchen Appliances and White Goods
Signature Aluminium	60	4 March 2005	4 March 2005	Manufacture of glass and aluminium products
Signature Kitchen Industries	100	14 April 1999	1 March 2000	Ceased operations
Signature Manufacturing	100	8 July 2005	11 January 2006	Manufacturing of Kitchen Systems and Wardrobe Systems
Signature Kitchen	100	5 July 2002	26 February 2006	Retailing of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances
Fabriano	100	25 May 2001	25 May 2001	Investment holding

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6. INFORMATION ON OUR GROUP (Cont'd)

Our Group's corporate structure is depicted as follows:



Mr Tan Kee Choong, the Managing Director of our Company, and Mr Chooi Yoey Sun, the Executive Director of our Company are the founders of our Group. Both founders have been instrumental in the success, growth and development of our Group. Mr Tan Kee Choong and Mr Chooi Yoey Sun bring with them approximately 17 years and 13 years of experience in the management and marketing of Kitchen Systems respectively.

The history of our business can be traced back to 1994 with the incorporation of Cabinet Industries. Cabinet Industries was initially involved in the supply and installation of Kitchen Systems for the consumer market.

In 1994, our Group opened our first showroom and office in Sri Damansara, Selangor. Since the commencement of our Group's operations in 1994, we have established 21 retail showrooms in major cities and towns in Malaysia operating under the 'Signature Kitchen' brand name as at 20 November 2007. Of these local retail showrooms, 7 are fully owned by our Group and the remaining 14 are managed and fully owned by appointed dealers. In addition, our Group has another 7 retail showrooms overseas operating under the 'Signature Kitchen' brand name, all of which are managed and fully owned by appointed dealers.

Subsequently in 1999, our Group expanded into the manufacturing of Kitchen Systems through our subsidiary company, Signature Kitchen Industries. All of our Group's manufacturing activities have been transferred to Signature Manufacturing in January 2006.

In 2002, our Group incorporated Obicorp to undertake marketing and distribution of Built-In Kitchen Appliances and White Goods to complement our Kitchen Systems business. In 2003, Obicorp has been appointed as a distributor for the complete range of "Ariston" and "Indesit" brands of Built-In Kitchen Appliances and White Goods in Malaysia, which are part of the components used in our Group's Kitchen Systems. Obicorp is also a distributor of our own brand of Built-In Kitchen Appliances called "Sasaki".

In 2002, our Group also incorporated Signature Kitchen, which commenced operations in 2006 focusing on the retailing of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances.

In 2003, Cabinet Industries won the Golden Bull Award 2003 for Malaysia 100 Outstanding Small Medium Enterprise by Nanyang Siang Pau Sdn Bhd.

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

As part of our Group's strategy to expand our retail presence overseas, our Group appointed a dealer in Bangkok, Thailand in 2003. In 2004, our Group has also appointed dealers in Brunei, Philippines, Pakistan and Sri Lanka as part of our overseas expansion. These dealers are focused on sales and marketing activities, as well as operating their own retail showrooms of Kitchen Systems under the "Signature Kitchen" brand name.

In 2005, our Group incorporated Signature Aluminium jointly with Ang Chek Peow to support our Kitchen Systems business. The company commenced operations in the same year as a manufacturer of glass and manufacturer of aluminium products, which are part of the components used in the manufacturing of Kitchen Systems. In 2006, our Group commenced operations in our current premises in Kota Damansara, Selangor, which house our head office, manufacturing operations and retail showroom, with a built-up area of 98,043 square feet.

As a testimony of our Group's emphasis on quality, Signature Manufacturing achieved ISO 9001:2000 from Standards and Industrial Research Institute of Malaysia (SIRIM) in relation to Quality Management Systems for the manufacturing of cabinets used in kitchen and bedroom in 2006.

In 2006, Signature Manufacturing was granted pioneer status by the MITI for the production of 'Wooden Furniture' and 'Wooden Furniture Parts'. In the same year in 2006, our subsidiary companies received the following awards:

- Cabinet Industries was awarded the Enterprise 50 award organised by Deloitte Kassim Chan and Small and Medium Industries Development Corporation;
- Obicorp received the New Product Award for Drawing Cooling Refrigerator in the DEX06 and ARCHITEX06 exhibition in 2006; and
- Obicorp also received Gold Award under the open space category in the DEX06 and ARCHITEX06 exhibition.

Further, Cabinet Industries won third prize in Mieco Chipboard Berhad Designer's Choice Award under the kitchen furniture category in the Malaysian International Furniture Fair in 2007.

To date, our Group has established itself as a major designer, manufacturer and retailer of Kitchen Systems. For the FYE 30 June 2007, we achieved a consolidated revenue of RM85.15 million and a consolidated PATMI of RM10.99 million.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.2 SHARE CAPITAL

The present authorised share capital of Signature International is RM100,000,000 comprising 200,000,000 Shares, while the present issued and paid-up share capital of Signature International is RM31,154,600 comprising 62,309,200 Shares. Upon completion of the IPO, the enlarged issued and paid-up share capital of Signature International will be RM40,000,000 comprising 80,000,000 Shares.

Details of the changes in the issued and paid-up share capital of our Company since incorporation are as follows:

Date of allotment	No. of Shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
23.11.2006	2	1.00	Subscribers' shares	2
04.01.2007	-	0.50	Subdivision of par value from RM1.00 to RM0.50	2
20.11.2007	59,873,192	0.50	Shares issued as consideration for the Acquisitions	29,936,598
20.11.2007	2,436,004	0.50	Shares issued for the Debt Settlement	31,154,600

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital in Signature International.

6.3 INFORMATION ON OUR SUBSIDIARY COMPANIES

6.3.1 Cabinet Industries

(i) History and Business

Cabinet Industries was incorporated in Malaysia under the Act on 14 May 1994 as a private limited company. Cabinet Industries commenced its operations on 31 December 1994 and is principally involved in the design, marketing and distribution of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances.

(ii) Share Capital

Cabinet Industries's present authorised share capital is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each, of which RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

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6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of Cabinet Industries since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
14.05.1994	2	1.00	Subscribers' shares	2
12.08.1994	49,998	1.00	Cash	50,000
25.05.1998	50,000	1.00	Cash	100,000
17.02.2000	200,000	1.00	Bonus issue of 2 new ordinary shares for every 1 existing ordinary share held	300,000
28.06.2001	300,000	1.00	Cash	600,000
18.04.2002	400,000	1.00	Bonus issue of 2 new ordinary shares for every 3 existing ordinary shares held	1,000,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Cabinet Industries.

(iii) Substantial Shareholder

Cabinet Industries is 100% owned by Signature International. For further details on the substantial shareholders of Signature International, please refer to Section 9.1.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Cabinet Industries has four subsidiary companies, namely Signature Kitchen, Signature Kitchen Industries, Signature Manufacturing and Fabriano. Meanwhile, Cabinet Industries does not have any associated company.

The details of Signature Kitchen, Signature Kitchen Industries, Signature Manufacturing and Fabriano are set out in Sections 6.3.1.1 to 6.3.1.4 below.

6.3.1.1 Signature Kitchen

(i) History and Business

Signature Kitchen was incorporated in Malaysia under the Act on 5 July 2002 as a private limited company. Signature Kitchen commenced its operations on 26 February 2006 and is principally involved in retailing of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances.

(ii) Share Capital

Signature Kitchen's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM150,000 comprising 150,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of Signature Kitchen since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
05.07.2002	2	1.00	Subscribers' shares	2
28.06.2006	149,998	1.00	Cash	150,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Signature Kitchen.

(iii) Substantial Shareholder

Signature Kitchen is 100% owned by Cabinet Industries. For further details on the substantial shareholders of Cabinet Industries, please refer to Section 6.3.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Signature Kitchen does not have any subsidiary or associated company.

6.3.1.2 Signature Kitchen Industries

(i) History and Business

Signature Kitchen Industries was incorporated in Malaysia under the Act on 14 April 1999 as a private limited company under the name of Modular Diversified Sdn Bhd. The company subsequently assumed its present name on 14 August 2004. Signature Kitchen Industries commenced its operations on 1 March 2000 and was previously involved in the manufacturing of Kitchen Systems and Wardrobe Systems. As part of the internal reorganisation of the Cabinet Industries Group, Signature Kitchen Industries ceased its manufacturing operations in January 2006 following the transfer of all its manufacturing activities to Signature Manufacturing.

(ii) Share Capital

Signature Kitchen Industries's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM500,000 comprising 500,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

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6. INFORMATION ON OUR GROUP (Cont'd)

The changes in the issued and paid-up share capital of Signature Kitchen Industries since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
14.04.1999	2	1.00	Subscribers' shares	2
28.03.2000	199,998	1.00	Cash	200,000
20.11.2002	100,000	1.00	Cash	300,000
27.07.2004	200,000	1.00	Cash	500,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Signature Kitchen Industries.

(iii) Substantial Shareholder

Signature Kitchen Industries is 100% owned by Cabinet Industries. For further details on the substantial shareholders of Cabinet Industries, please refer to Section 6.3.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Signature Kitchen Industries does not have any subsidiary or associated company.

6.3.1.3 Signature Manufacturing

(i) History and Business

Signature Manufacturing was incorporated in Malaysia under the Act on 8 July 2005 as a private limited company. Signature Manufacturing commenced its operations on 11 January 2006 and is principally involved in the manufacturing of Kitchen Systems and Wardrobe Systems.

(ii) Share Capital

Signature Manufacturing's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM350,000 comprising 350,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of Signature Manufacturing since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
08.07.2005	2	1.00	Subscribers' shares	2
22.02.2006	349,998	1.00	Cash	350,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Signature Manufacturing.

6. INFORMATION ON OUR GROUP (Cont'd)

(iii) Substantial Shareholder

Signature Manufacturing is 100% owned by Cabinet Industries. For further details on the substantial shareholders of Cabinet Industries, please refer to Section 6.3.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Signature Manufacturing does not have any subsidiary or associated company.

6.3.1.4 Fabriano

(i) History and Business

Fabriano was incorporated in Malaysia under the Act on 25 May 2001 as a private limited company under the name of Homestead Sales & Service Sdn Bhd. The company assumed its present name on 24 May 2003. Fabriano commenced its operations on 25 May 2001 and was previously involved in the retailing of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances.

As part of the internal reorganisation of the Cabinet Industries Group, Fabriano ceased its retailing and distribution operations in December 2005. Later in September 2006, Fabriano was reactivated as an investment holding company for the Signature Group's expansion overseas.

(ii) Share Capital

Fabriano's present authorised share capital is RM100,000 comprising 100,000 ordinary shares of RM1.00 each, of which RM100,000 comprising 100,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of Fabriano since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
25.05.2001	2	1.00	Subscribers' shares	2
28.05.2001	998	1.00	Cash	1,000
20.08.2001	49,000	1.00	Cash	50,000
04.09.2006	50,000	1.00	Cash	100,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Fabriano.

(iii) Substantial Shareholder

Fabriano is 100% owned by Cabinet Industries. For further details on the substantial shareholders of Cabinet Industries, please refer to Section 6.3.1 of this Prospectus.

6. INFORMATION ON OUR GROUP (Cont'd)

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Fabriano does not have any subsidiary or associated company.

6.3.2 Obicorp

(i) History and Business

Obicorp was incorporated in Malaysia under the Act on 23 August 2002 as a private limited company. Obicorp commenced its operations on 1 December 2002 and is principally involved in marketing and distribution of Built-In Kitchen Appliances and White Goods.

(ii) Share Capital

Obicorp's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM250,000 comprising 250,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of Obicorp since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
23.08.2002	2	1.00	Subscribers' shares	2
23.09.2002	1	1.00	Cash	3
06.11.2002	99,997	1.00	Cash	100,000
17.08.2004	150,000	1.00	Cash	250,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Obicorp.

(iii) Substantial Shareholder

Obicorp is 100% owned by Signature International. For further details on the substantial shareholders of Signature International, please refer to Section 9.1.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Obicorp does not have any subsidiary or associated company.

6.3.3 Signature Aluminium

(i) History and Business

Signature Aluminium was incorporated in Malaysia under the Act on 4 March 2005 as a private limited company. Signature Aluminium commenced its operations on 4 March 2005 and is principally involved in the manufacturing of glass and aluminium products.

6. INFORMATION ON OUR GROUP (Cont'd)

(ii) Share Capital

Signature Aluminium's present authorised share capital is RM500,000 comprising 500,000 ordinary shares of RM1.00 each, of which RM200,000 comprising 200,000 ordinary shares of RM1.00 each are currently issued and credited as fully paid-up.

The changes in the issued and paid-up share capital of Signature Aluminium since its incorporation are as follows:

Date of allotment	No. of shares allotted	Par value (RM)	Consideration	Cumulative total (RM)
04.03.2005	2	1.00	Subscribers' shares	2
07.04.2005	199,998	1.00	Cash	200,000

As at the date of this Prospectus, there are no outstanding warrants, options, convertible securities or uncalled capital of Signature Aluminium.

(iii) Substantial Shareholders

Details of the substantial shareholders of Signature Aluminium are as follows:

Name	<-----Shareholding in Signature Aluminium----->			
	<-----Direct----->		<-----Indirect----->	
	No. of shares	%	No. of shares	%
Signature International	120,000	60	-	-
Ang Chek Peow	80,000	40	-	-
Tan Kee Choong	-	-	120,000 ^(a)	60
Chooi Yoey Sun	-	-	120,000 ^(a)	60

Note:

(a) Deemed interest by virtue of his interest in Signature International pursuant to Section 6A of the Act.

For further details on the substantial shareholders of Signature International, please refer to Section 9.1.1 of this Prospectus.

(iv) Subsidiary and Associated Company

As at the date of this Prospectus, Signature Aluminium does not have any subsidiary or associated company.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4 FLOTATION SCHEME

For the purpose of our Listing on the Second Board of Securities Exchange, we are undertaking the Flotation Scheme, which encompasses the following:

6.4.1 Acquisitions

6.4.1.1 Acquisition of Cabinet Industries

Pursuant to a share sale agreement dated 5 July 2007 entered into between our Company and the vendors of Cabinet Industries, we acquired the entire issued and paid-up share capital of Cabinet Industries comprising 1,000,000 ordinary shares of RM1.00 each for a purchase consideration of RM27,379,019 satisfied by the issuance of 54,758,038 new Shares at an issue price of RM0.50 per Share to the vendors of Cabinet Industries.

The purchase consideration of RM27,379,019 was arrived at on a willing-buyer willing-seller basis and represents a discount of approximately RM0.73 million (or approximately 2.6%) from the audited consolidated net assets of Cabinet Industries as at 30 June 2007 of RM28.11 million.

The Acquisition of Cabinet Industries was completed on 20 November 2007.

6.4.1.2 Acquisition of Obicorp

Pursuant to a share sale agreement dated 5 July 2007 entered into between our Company and Mr. Tan Kee Choong and Mr. Chooi Yoey Sun, we acquired the entire issued and paid-up share capital of Obicorp comprising 250,000 ordinary shares of RM1.00 each for a purchase consideration of RM2,221,845 satisfied by the issuance of 4,443,690 new Shares at an issue price of RM0.50 per Share to the vendors of Obicorp.

The purchase consideration of RM2,221,845 was arrived at on a willing-buyer willing-seller basis and represents the audited net assets of Obicorp as at 30 June 2007 of RM2.22 million.

The Acquisition of Obicorp was completed on 20 November 2007.

6.4.1.3 Acquisition of Signature Aluminium

Pursuant to a share sale agreement dated 5 July 2007 entered into between our Company and Mr. Tan Kee Choong and Mr. Chooi Yoey Sun, we acquired 60% of the issued and paid-up share capital of Signature Aluminium comprising 120,000 ordinary shares of RM1.00 each for a purchase consideration of RM335,732 satisfied by the issuance of 671,464 new Shares at an issue price of RM0.50 per Share to the vendors of Signature Aluminium.

The purchase consideration of RM335,732 was arrived at on a willing-buyer willing-seller basis and represents 60% of the audited net assets of Signature Aluminium as at 30 June 2007 of RM0.56 million.

The Acquisition of Signature Aluminium was completed on 20 November 2007.

6. INFORMATION ON OUR GROUP (Cont'd)

6.4.2 Debt Settlement

There were previously amounts owing by Cabinet Industries and Signature Manufacturing to the Promoters which were outstanding as follows:

	Amount owing by Cabinet Industries ("CISB Debt")	Amount owing by Signature Manufacturing ("SMSB Debt")	Total
Tan Kee Choong	496,251	125,000	621,251
Chooi Yoey Sun	471,751	125,000	596,751
	968,002	250,000	1,218,002

On 5 July 2007, our Company, Cabinet Industries, Signature Manufacturing, Mr. Tan Kee Choong and Mr. Chooi Yoey Sun entered into a novation agreement, whereby Mr. Tan Kee Choong and Mr. Chooi Yoey Sun have agreed to release and discharge:

- (i) Cabinet Industries from its obligation to pay interest on and to repay the CISB Debt to the Promoters and accepted our Company's undertaking to be bound in lieu of Cabinet Industries, to repay the CISB Debt owing to the Promoters by issuing 1,936,004 new Shares to the Promoters at an issue price of RM0.50 per Share; and
- (ii) Signature Manufacturing from its obligation to pay interest on and to repay the SMSB Debt to the Promoters and accepted our Company's undertaking to be bound in lieu of Signature Manufacturing, to repay the SMSB Debt owing to the Promoters by issuing 500,000 new Shares to the Promoters at an issue price of RM0.50 per Share.

The Debt Settlement was completed on 20 November 2007.

6.4.3 IPO

6.4.3.1 Public Issue

Pursuant to this Prospectus, we will undertake a public issue of 17,690,800 new Shares, representing approximately 22.1% of the enlarged issued and paid-up share capital of our Company, at an IPO Price of RM1.25 per Issue Share, whereby:

- (a) 6,000,000 Issue Shares, representing 7.5% of the enlarged issued and paid-up share capital of our Company, will be made available for application by Malaysian public, of which at least 30% is to be set aside strictly for Bumiputera applicants;
- (b) 1,300,000 Issue Shares, representing approximately 1.6% of the enlarged issued and paid-up share capital of our Company, have been reserved for application by the eligible employees of our Group and persons who have contributed to the success of our Group;
- (c) 7,700,000 Issue Shares, representing approximately 9.6% of our enlarged issued and paid-up share capital of our Company, have been reserved for selected investors identified by the Sole Placement Agent; and
- (d) 2,690,800 Issue Shares, representing approximately 3.4% of the enlarged issued and paid-up share capital of the Company, have been reserved for Bumiputera investors approved by the MITI for the purpose of compliance with the National Development Policy.

Upon completion of the Public Issue, the issued and paid-up share capital of our Company will increase from RM31,154,600 comprising 62,309,200 Shares to RM40,000,000 comprising 80,000,000 Shares.

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

6.4.3.2 Offer for Sale

In conjunction with the IPO, the Offerors will collectively make an offer for sale of 2,119,246 Offer Shares, representing approximately 2.6% of the enlarged issued and paid-up share capital of our Company, at an IPO Price of RM1.25 per Offer Share to Bumiputera investors approved by the MITI for the purpose of compliance with the National Development Policy.

The details of the Offer for Sale are as follows:

Name of Offerors	No. of Offer Shares	%⁽¹⁾
Tan Kee Choong	1,084,068	1.4
Chooi Yoey Sun	1,035,178	1.2
Total	<u>2,119,246</u>	<u>2.6</u>

Note:

(1) *Calculated based on the enlarged issued and paid-up share capital of our Company of 80,000,000 Shares.*

The Offer for Sale is a subject of this Prospectus.

6.4.4 Listing on Securities Exchange

Approval-in-principle has been obtained from Securities Exchange on 7 December 2007 for the admission of our Company to the Official List of the Second Board of Securities Exchange and for permission to deal in and for the quotation of the entire enlarged issued and paid-up share capital of our Company of RM40,000,000 comprising 80,000,000 Shares. Official quotation will commence after the receipt of confirmation from Bursa Depository that all CDS Accounts of the successful applicants have been duly credited and an undertaking that notices of allotment will be issued and despatched to all successful applicants.

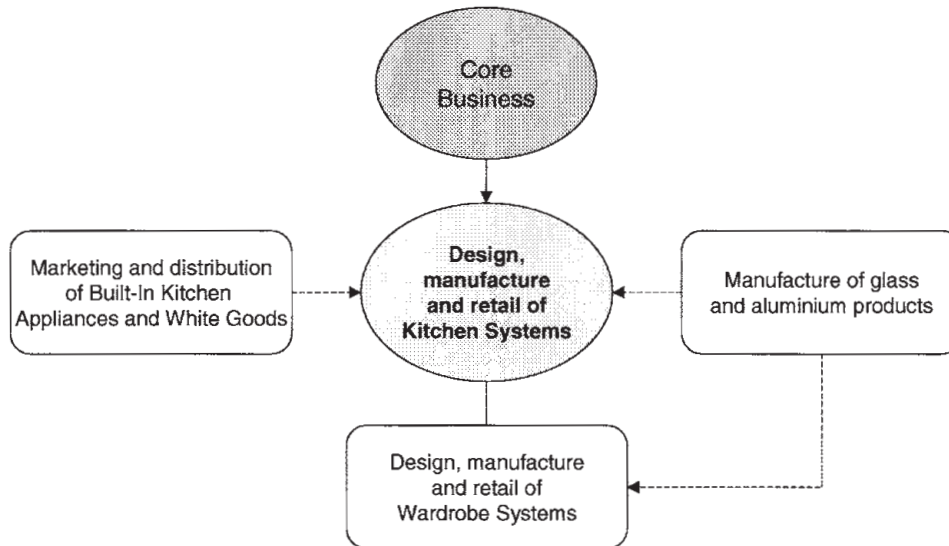
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7. BUSINESS OVERVIEW

7.1 OUR BUSINESS OVERVIEW AND STRATEGY

7.1.1 Core and Secondary Business Activities

The core and secondary business activities of our Group are depicted in the diagram below:



The core business activities of our Group are in the design, manufacture and retail of Kitchen Systems. The secondary business activities of our Group include:

- Design, manufacture and retail of Wardrobe Systems;
- Marketing and distribution of Built-In Kitchen Appliances and White Goods; and
- Manufacture of glass and aluminium products.

A Kitchen System has various components that make up a complete and functional kitchen. A Kitchen System essentially includes cabinets, storage areas and countertops as the basic components and may include kitchen islands and other fittings, accessories and appliances such as kitchen sinks, cooking hobs, ovens, extractor hoods, dishwashing machines and refrigerators.

Our Group specialises in providing total solutions in Kitchen Systems incorporating design, manufacturing and installation of complete and customised Kitchen System that is fully equipped with all the necessary fittings, accessories and appliances. Manufacturing of Kitchen and Wardrobe Systems refers to the use of raw materials including wood-based panels, and semi-finished products such as cabinet carcasses to produce the final Kitchen and Wardrobe Systems. We have our own in-house design capabilities to create a range of models or series of Kitchen Systems, incorporating the use of different materials, aesthetic designs, colours, textures, finishing, fixtures and accessories. Our Group's Kitchen Systems are displayed in our Group's network of retail showrooms in Malaysia and overseas.

We also undertake marketing and distribution of Built-In Kitchen Appliances and White Goods. These items are used as part of our total Kitchen System solutions, as well as for resale through electrical appliances retail outlets throughout Malaysia.

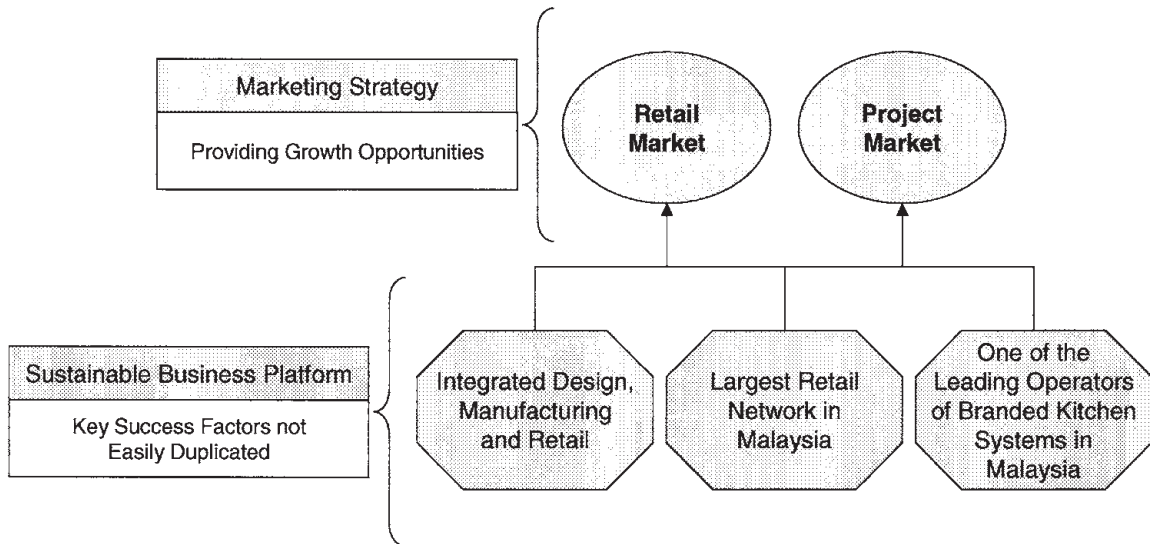
Part of our business is also in the manufacture of glass and aluminium products. These items are used as part of our total Kitchen System solutions, as well as sold to external customers for various applications.

7. BUSINESS OVERVIEW (Cont'd)

To extend from our success in Kitchen Systems, we also design, manufacture and retail Wardrobe Systems, which are sold under our own brand names including “Bonanza”, “Stilista” and “Stello”.

7.1.2 Overall Business Strategy

Our Group’s overall business strategy can be depicted in the diagram below:



Our Group’s overall business strategy is based on a two-prong approach in servicing a wide market spectrum including the retail market and the project market. The strategy to target the retail and project markets represents a comprehensive coverage of the total market for our Group’s products and services. Our business strategy has two advantages where the retail market provides us with premium pricing, while the project market gives our Group the volume of work to achieve economies of scale.

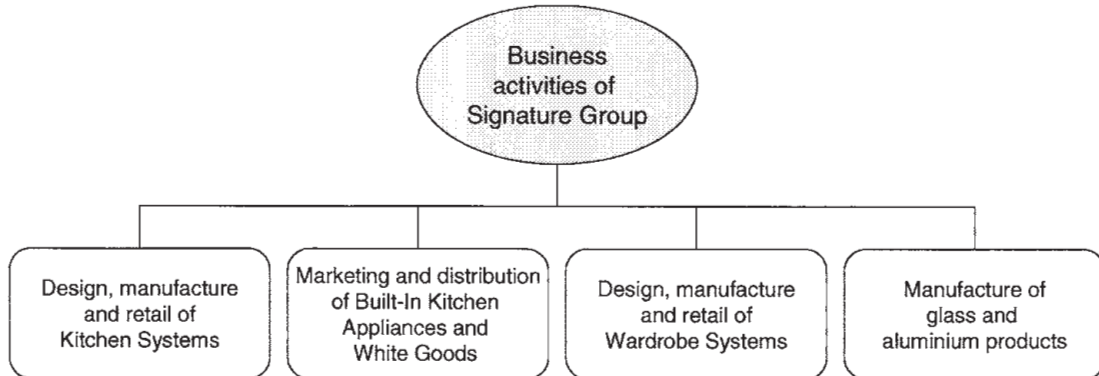
Our marketing strategy is supported by the following platform, which comprise our Group’s key success factors:

- **Integrated design, manufacturing and retailing** enables our Group to provide customers with total solutions in Kitchen Systems. More importantly, this integration enables our Group to control the value-added chain from design, product innovation, manufacturing and retailing, to maximise on profitability and quality control.
- **Largest retail network in Malaysia.** Being a primarily consumer related product, our Group’s extensive retail network will ensure that our products have extensive reach to the end-users, which are consumers. As at 20 November 2007, our Group has the largest retail network of Kitchen Systems in Malaysia based on 21 retail showrooms in Malaysia (of which 7 retail showrooms are owned by our Group while the remaining 14 retail showrooms are managed and fully owned by our appointed dealers) (*Source: Independent Assessment of Kitchen Systems Industry undertaken by Vital Factor*).
- **One of the leading operators of Branded Kitchen Systems in Malaysia.** Our Group is one of the leading operators of Branded Kitchen Systems in Malaysia (*Source: Independent Assessment of Kitchen Systems Industry undertaken by Vital Factor*).

7. BUSINESS OVERVIEW (Cont'd)

7.2 OUR BUSINESS ACTIVITIES, PRODUCTS AND SERVICES

Our Group's business activities can be depicted as follows:



The principal business activities of our Group are in the design, manufacture and retail of Kitchen Systems. Our secondary business activities include:

- Marketing and distribution of Built-In Kitchen Appliances and White Goods;
- Design, manufacture and retail of Wardrobe Systems; and
- Manufacture of glass and aluminium products.

Our Group operates from our head office and manufacturing plant in Kota Damansara, Selangor and our business activities are supported by our in-house facilities and capabilities as follows:

- Design capabilities comprising a team of two in-house designers that are focused on R&D of new series of Kitchen Systems and Wardrobe Systems; and
- Manufacturing plant for the production of Kitchen Systems, Wardrobe Systems and glass and aluminium products.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.2.1 Existing Business Activities, Products and Services

7.2.1.1 Design, Manufacturing and Retail of Kitchen Systems

(a) Design and Manufacturing Activities

One of the core competencies of our Group is in the design, manufacture and retail of Kitchen Systems. The Kitchen Systems design and manufacturing activities of our Group are currently undertaken by the following subsidiary companies:

Our subsidiary companies	Activities
Cabinet Industries*	Design of Kitchen Systems and Wardrobe Systems
Signature Manufacturing	Manufacturing of Kitchen Systems and Wardrobe Systems

Note:

* *Also involved in the marketing and distribution of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances.*

Currently, our Group provides a total solution in Kitchen Systems incorporating design, manufacturing and installation of complete and customised Kitchen System that is fully equipped with all the necessary fittings, accessories and built-in appliances. Manufacturing of Kitchen and Wardrobe Systems refers to the use of raw materials including wood-based panels, and semi-finished products such as cabinet carcasses to produce the final Kitchen and Wardrobe Systems. Our Kitchen Systems are marketed under “Signature Kitchen”, our own brand name which is a registered trademark. Our Group markets our Kitchen Systems to the consumer market through retail showrooms. In addition to the consumer market, we also tender for projects, which include apartments, residential housing projects and others. Cabinet Industries is the marketing arm for our Group’s Kitchen Systems and Wardrobe Systems in the project market.

Our Group’s in-house design and manufacturing capabilities include the following:

- design and development of Kitchen Systems including overall kitchen layout design, design of different models or series of Kitchen Systems, profile design of cabinet door fronts;
- development of prototype of Kitchen Systems for marketing and testing purposes;
- manufacturing of cabinet doors for Kitchen Systems supported by in-house manufacture of glass and aluminium products; and
- finishing processes.

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

Some of the samples of Kitchen Systems that have been successfully designed and commercialised by our Group are depicted as follows:



Bello Series



Carino Series



Finoline Series



Intimo Series



Modena Series



Rosa Series



Severo Series



Venato Series

These in-house designs of Kitchen Systems are proprietary to our Group. Since the commencement of our Group's operations in 1994, we have developed 25 designs of Kitchen Systems, of which 8 are active designs. One design of a Kitchen System is equivalent to one series. Within each design of our Kitchen System, there is a choice of 12 types of different materials with at least a range of 2 to 20 colours for each type of material.

7. BUSINESS OVERVIEW (Cont'd)

Our Group has a team of two in-house designers focusing on R&D of new designs of Kitchen Systems including design of kitchen layout, development of new models or series of Kitchen Systems and Wardrobe Systems and profile design of cabinet door fronts. Our design team is headed by our Managing Director, Mr Tan Kee Choong.

In addition, we have the capabilities to manufacture Kitchen Systems using the following types of materials:

- Solid wood;
- Lacquered door that is normally made from MDF panel or composite boards, painted with polyurethane paint with glossy or matte finishing;
- Veneered door made of a panel whose surface is covered or is laminated with a thin sheet of decorative wood sheet;
- Melamine and plastic laminated door, where MDF or composite panel is laminated with a decorative plastic or melamine materials. This type of laminated door normally increases the resistance to liquids, bumps and scratches;
- Glass materials, where cabinets with glass can be ribbed or etched with a vertical, horizontal, or diagonal angle.

Our in-house manufacturing capabilities are focused on the production of cabinet doors, which is the most critical component of the entire Kitchen System. Some of the styles of cabinet door fronts produced by our Group include:

(i) Inset Cabinet Doors

Inset doors are designed to sit within the rails and stiles of the cabinet frame. This type of doors is normally assembled to a framed construction.

(ii) Lipped Cabinet Doors

Lipped doors are similar to inset doors where a part of the door still sits within the cabinet frame. Along the entire back edge, a groove is made to fit over the face frame, which allows part of the door to rest in the cabinet. This would need some sort of knob or door pull to open the doors and drawers.

(iii) Partial Overlay Door

Partial overlay doors are normally mounted on the face frame. Generally, overlay is used to describe the amount of the face frame that is covered by the cabinet door. The part of the frame that remains visible is called reveal. Partial overlay doors usually leave one inch of reveal on the face frame.

(iv) Full Overlay Door

Full overlay doors practically cover the entire reveal, where less than one-eighth of an inch is left on the face frame between the doors. Full overlay doors are generally found on frameless cabinets. Hinges are concealed with this type of door and door knobs or pulls are required to open the door.

7. BUSINESS OVERVIEW (Cont'd)

(v) Tambour Door

Tambour doors consist of several separate pieces that are aligned together and attached to a flexible backing sheet. This sheet is then installed on a track that allows it to pull up and down like a shade and also slide around a corner.

(b) Retail of Kitchen Systems

The retail of Kitchen Systems is part of our core business activities, which are managed by Signature Kitchen. Our retail activity is supported by a strong network of retail showrooms, comprising 21 retail showrooms in major cities and towns in Malaysia operating under the 'Signature Kitchen' brand name. Of these local retail showrooms, 7 are fully owned by our Group and the remaining 14 retail showrooms are managed and fully owned by appointed dealers. In addition, our Group has another 7 retail showrooms overseas operating under the 'Signature Kitchen' brand name, all of which are managed and fully owned by our appointed dealers.

As at 20 November 2007, we have 28 retail showrooms located in the following states and territory within Malaysia and overseas (including those retail showrooms managed and fully owned by our appointed dealers which are operating under the "Signature Kitchen" brand name exclusively):

	Number of retail showrooms
Malaysia	21
Selangor and Kuala Lumpur	10
Penang	2
Johor	1
Perak	1
Negeri Sembilan	1
Kelantan	1
Terrengganu	1
Sabah	2
Sarawak	2
Overseas	7
Thailand	2
Brunei	1
Philippines	1
India	1
Sri Lanka	1
Pakistan	1
TOTAL	28

For the FYE 30 June 2007, the design, manufacture and retail of Kitchen Systems contributed to approximately 62% of our total Group revenue.

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7. BUSINESS OVERVIEW (Cont'd)

7.2.1.2 Design, Manufacturing and Retail of Wardrobe Systems

Our Group's secondary activities are in the design, manufacture and retail of Wardrobe Systems. Similar to Kitchen Systems, the design and manufacturing of Wardrobe Systems are undertaken by our subsidiary companies, namely Cabinet Industries and Signature Manufacturing respectively.

Wardrobe System commonly refers to floor to ceiling closet systems, utilising wardrobe doors (either hinge, sliding or folding types) and consists of storage organising system, among many others, includes shelving and hanging areas, drawers, belt and tie storage, and shoe racks.

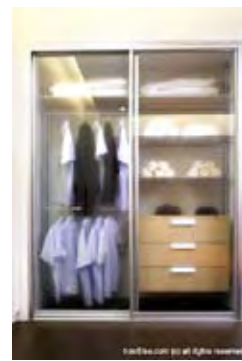
In general, there are two types of Wardrobe Systems:

- Conventional Wardrobe (known as Reach-In Wardrobe); and
- Walk-In Wardrobe.

Our Group designs and manufactures both the Reach-In Wardrobe and Walk-in Wardrobe systems. The following depicts a sample of our Wardrobe Systems:



Bonanza Series



Stilista Series



Stello Series

We have recently introduced the latest wardrobe series called "Stello". Within each series of Wardrobe System, we are able to provide a selection of a range of colour options and materials used.

For the FYE 30 June 2007, the design, manufacture and retail of Wardrobe Systems contributed to approximately 13% of our Group's total revenue.

7. BUSINESS OVERVIEW (Cont'd)

7.2.1.3 Marketing and Distribution of White Goods and Built-In Kitchen Appliances

We are in the business of marketing and distributing White Goods and Built-In Kitchen Appliances. These marketing and distribution activities are undertaken by our subsidiary companies, namely Cabinet Industries and Obicorp.

We hold the exclusive distribution rights for the following brands:

- Obicorp, our subsidiary company, is the exclusive distributor of “Ariston” and “Indesit” brands of Built-In Kitchen Appliances and White Goods in Malaysia.
- In addition, we have our own brand of Built-In Kitchen Appliances namely cooking hobs and extractor hoods under the “Sasaki” brand. The “Sasaki” brand of cooking hobs and extractor hoods are designed by our Group and manufactured by third parties.

The marketing and distribution of White Goods and Built-In Kitchen Appliances provides synergy to our core business activity and enables us to provide a one-stop total Kitchen Systems solution to our customers.

In addition to supporting our Group’s Kitchen Systems, Obicorp also markets and distributes Built-In Kitchen Appliances and White Goods through our own network of dealers which are electrical appliance retail outlets throughout Malaysia. As at 20 November 2007, we have approximately 110 dealers for our Built-In Kitchen Appliances and White Goods in Malaysia.

Obicorp’s range of White Goods and Built-In Kitchen Appliances includes:

- | | |
|-------------------------|---------------------------|
| - Extractor hoods; | - Washing machines |
| - Cooking hobs; | - Coffee making machines; |
| - Microwave ovens; | - Wine coolers; |
| - Ovens; | - Freezers; |
| - Dishwashing machines; | - Air conditioners; |
| - Refrigerators; | - Water heaters; |
| - Dryers. | |

The marketing and distribution of Built-In Kitchen Appliances and White Goods represented approximately 10% of our Group’s total revenue for the FYE 30 June 2007.

7.2.1.4 Manufacturing of Glass and Aluminium Products

Our Group is also involved in the manufacture of glass and aluminium products through Signature Aluminium. The manufacture of glass and aluminium products provides synergy to our Group’s design and manufacture of Kitchen Systems. Some of the extruded aluminium profiles that are used in the Kitchen Systems are specially designed and produced internally. Signature Aluminium services our internal Group’s requirements in Kitchen Systems and Wardrobe Systems as well as external customers.

For the FYE 30 June 2007, the manufacture of glass and aluminium products represented approximately 6% of our Group’s total revenue.

7. BUSINESS OVERVIEW (Cont'd)

7.2.2 New Design of Kitchen Systems and Wardrobe Systems

	Description	Estimated time of launching
<i>Kitchen Systems</i>		
Lucenta Series	'A clean and sleek contemporary kitchen that is in tune with the lifestyle of stylish young professionals who are after design and technology'	FYE 30 June 2008
Grande Series	'The essential kitchen that blends the beauty of classic style with today's sophisticated modern kitchen' which will suit home owners of all cultures and tastes'	FYE 30 June 2008
Elpenco Series	'The chic and practical kitchen that combines both style and function with a touch of European design'	FYE 30 June 2008
Membrane Door series	Uses membrane press door technology for cabinet doors fronts of the Kitchen System	FYE 30 June 2009
<i>Wardrobe Systems</i>		
Sistema Wardrobe	'A series of designs that uses high quality metal materials to provide an alternative to home owners'	FYE 30 June 2008
Santiano Wardrobe	'Adaptable to all needs of space and convenience, this series fulfills the need for space and habitability'	FYE 30 June 2008

7.3 OUR COMPETITIVE STRENGTHS

We believe that our key competitive strengths are as follows:

7.3.1 Integrated Designer, Manufacturer and Retailer of Kitchen Systems

We are an integrated designer, manufacturer and retailer of Kitchen Systems incorporating design of Kitchen Systems, manufacturing of cabinet doors fronts to downstream activities of retailing. This integration of activities not only enables our Group to maximise on economies of scale but also exercise control of the entire value chain to ensure quality.

7.3.2 One of the Leading Operators of Branded Kitchen Systems in Malaysia

Our Group is one of the leading operators of Branded Kitchen Systems in Malaysia. (Source: *Independent Assessment of Kitchen Systems Industry undertaken by Vital Factor*)

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7. BUSINESS OVERVIEW (Cont'd)

7.3.3 Product Quality

Our Group places significant emphasis on the quality of our products with the aim of achieving total customer satisfaction. This can be substantiated through the following:

- Stringent quality controls are implemented throughout the manufacturing process to ensure consistency in the finished quality of our products and this is reflected in the various quality checks that are undertaken in-house by the quality assurance team.
- The acceptance of our Group's Kitchen Systems in various export markets is a testimony of our ability to meet the standards of overseas customers.
- Signature Manufacturing is ISO 9001:2000 accredited.
- The one-year warranty against any defects for the Kitchen System reinforces the quality assurance we provide to our customers.

7.3.4 Established Track Record

An established track record is particularly important in securing project based customers in the property development sector. This is important in providing customers with the assurance that our Group has successfully undertaken projects of a similar size and volume. Similarly, an established track record is an important factor in providing assurance and confidence to customers. With approximately 12 years of experience as a designer, manufacturer and retailer of Kitchen Systems, our Group has established a market reputation as a major player in this industry.

7.3.5 One-stop Solution in Kitchen Systems

Our Group provides a one-stop solution in Kitchen Systems incorporating conceptual design, manufacturing and installation complete with all the required Built-In Kitchen Appliances to our customers. As Obicorp, our subsidiary company, is also an exclusive distributor of "Ariston" and "Indesit" and our own "Sasaki" brand of Built-In Kitchen Appliances, our customers have a wider choice of options without having the need to source externally for Built-In Kitchen Appliances.

7.3.6 Branding

Branding is a key area of differentiation among the manufacturers of Kitchen Systems. Our Group has been continually focusing on building the "Signature Kitchen" brand equity by promoting and increasing awareness of the brand. For the FYE 30 June 2007, our Group spent approximately RM0.79 million on advertising and promotions including, product advertisement, product brochure and leaflets, exhibitions, sales promotions and brand promotions.

7.3.7 Strong Network of Retail Showrooms

Our Group has an extensive network of retail showrooms. As at 20 November 2007, we have the largest retail network of showrooms in Malaysia based on 21 retail showrooms operating under the 'Signature Kitchen' brand name. Of these local retail showrooms, 7 are fully owned by our Group and the remaining 14 are managed and fully owned by appointed dealers (*Source: Independent Assessment of Kitchen Systems Industry undertaken by Vital Factor*). In addition, we have 7 overseas retail showrooms operating under the 'Signature Kitchen' brand name, all of which are managed and fully owned by appointed dealers. As Kitchen Systems is primarily a consumer related product, our Group's extensive retail network will ensure that our products have a wider reach to the end-customers, which are consumers and organisations.

7. BUSINESS OVERVIEW (Cont'd)

7.4 OUR KEY ACHIEVEMENTS AND MILESTONES

Under the stewardship and vision of our Board and our key management and key technical personnel, our Group has achieved the following major milestones in the course of our development:

Year	Achievements and Milestones
1994	<ul style="list-style-type: none"> ▪ Incorporation of Cabinet Industries. Initial business activity was in the supply and installation of Kitchen Systems for the consumer market. Established head office and first showroom in Sri Damansara.
1997	<ul style="list-style-type: none"> ▪ Opened a retail showroom in Klang. ▪ Secured projects in Petronas Twin Towers, Projek Lebuhraya Utara-Selation Berhad (PLUS) tollhouses and others.
2001	<ul style="list-style-type: none"> ▪ Commenced commercialisation of “Bonanza” range of Wardrobe Systems.
2002	<ul style="list-style-type: none"> ▪ Incorporated Obicorp as a marketing and distribution arm for White Goods and Built-In Kitchen Appliances. ▪ Incorporated Signature Kitchen, which commenced operations in 2006 focusing on the retailing of Kitchen Systems, Wardrobe Systems and Built-In Kitchen Appliances in Malaysia.
2003	<ul style="list-style-type: none"> ▪ Received Golden Bull Award organised by Nanyang Siang Pau Sdn Bhd. ▪ Appointed dealer for Kitchen Systems in Bangkok, Thailand and opened first retail showroom in Bangkok.
2004	<ul style="list-style-type: none"> ▪ Appointed overseas dealers of Kitchen Systems in Brunei, Philippines, Pakistan and Sri Lanka. ▪ Commenced commercialisation of “Stilista” range of Wardrobe Systems.
2005	<ul style="list-style-type: none"> ▪ Incorporated Signature Aluminium as a manufacturer of glass and aluminium products. ▪ Incorporated Signature Manufacturing as a manufacturer of Kitchen Systems and Wardrobe Systems ▪ Appointed two dealers of Kitchen Systems in Morocco and Mauritius. ▪ Introduced “Finoline”, “Venato”, “Bello”, “Intimo”, “Rosa”, “Severo”, “Modena” and “Carino” series in Kitchen Systems.
2006	<ul style="list-style-type: none"> ▪ Commenced operations from new premise in Kota Damansara. ▪ Signature Manufacturing was accredited ISO 9001:2000 Quality Management System by SIRIM QAS International Sdn Bhd. ▪ Signature Kitchen commenced operations. ▪ Introduced the “Stello” series in Wardrobe Systems. ▪ Signature Manufacturing received Pioneer Status from the MITI. ▪ Cabinet Industries awarded Enterprise 50 Award organised by Deloitte Kassim Chan, and Small and Medium Industries Development Corporation. ▪ Obicorp received Gold Award in the DEX06 and ARCHITEX06 Exhibition for Open Space Category. ▪ Obicorp received New Product Award for Drawing Cooling Refrigerator in the DEX06 and ARCHITEX06 Exhibition.
2007	<ul style="list-style-type: none"> ▪ Cabinet Industries awarded third prize in Mieco Chipboard Berhad Designer’s Choice Award under the kitchen furniture category in the Malaysian International Furniture Fair.

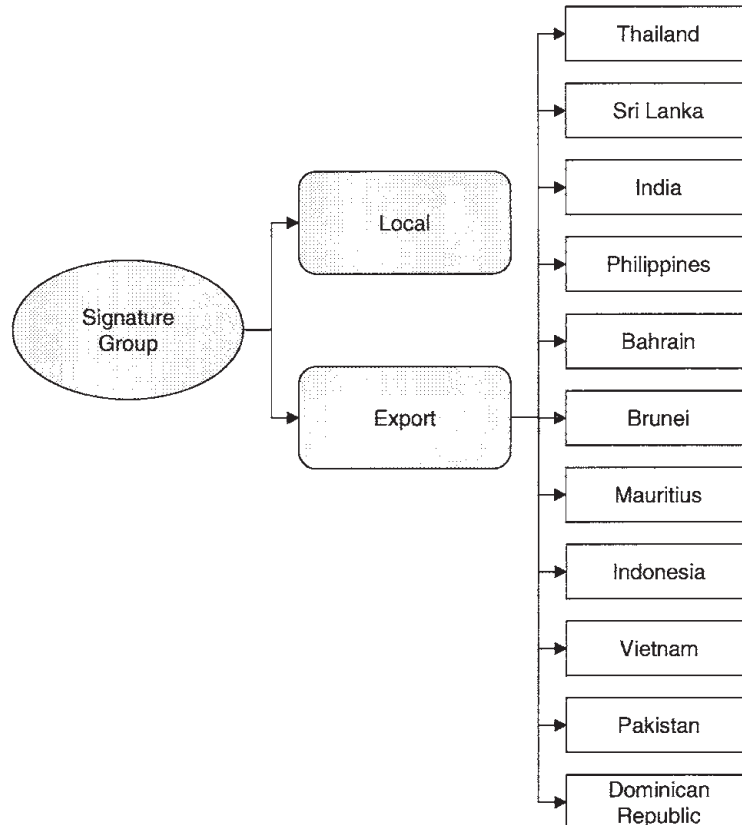
7. BUSINESS OVERVIEW *(Cont'd)*

7.5 OUR PRINCIPAL MARKETS AND SEASONALITY

7.5.1 Our Principal Markets

For the FYE 30 June 2007, the principal markets of our Group are as follows:

The local market contributed approximately 92% of our Group's total revenue for FYE 30 June 2007 and the remaining 8% was contributed by direct exports. Our Group exports mainly Kitchen Systems to service the orders from our own dealers in the retail market as well as residential housing projects overseas.



As at 20 November 2007, our Group has added three more export markets, namely Australia, Singapore and Republic of Maldives.

7.5.2 Seasonality

For our non-project or retail customers, demand for Kitchen Systems generally reaches its peak before festive seasons such as Christmas, Chinese New Year and Hari Raya and slows down between February and March. During the slower months, our Group manufactures to stock. During the peak period, we increase our working hours to cope with the demand.

7. BUSINESS OVERVIEW (Cont'd)

7.6 LOCATIONS OF OPERATIONAL FACILITIES

The operations of our Group are located at the following premises:

Location	Main Functions	Built-up Area (Square feet)	Address
Operations in Malaysia			
Selangor	Head Office and Retail Showroom	19,765	Lot 24, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
	Manufacturing Plant	78,278	Lot 24, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, 47810 Petaling Jaya, Selangor Darul Ehsan
	Retail Showroom	1,461	Lot S40, 2 nd Floor, 1-Utama Shopping Centre 1 Lebuhraya Bandar Utama, 47800 Petaling Jaya
Kuala Lumpur	Retail Showroom	829	Lot S-012, Second Floor, Mid Valley Megamall, Lingkaran Syed Putra, 59200 Kuala Lumpur
	Retail Showroom	1,924	No. 34, Jalan Wan Kadir 4, Taman Tun Dr. Ismail, 60000 Kuala Lumpur
Perak	Retail Showroom	1,200	No. 29, Jalan Sultan Azlan Shah Utara, Taman Ipoh Selatan, 31400 Ipoh
Penang	Retail Showroom	1,829	170-04-43/43A, Plaza Gurney, Persiaran Gurney, 10250 Penang
Johor	Retail Showroom	2,177	Lot F01, Jusco Shopping Centre, No. 1, Jalan Desa Tebrau, Taman Desa Tebrau, 81100 Johor Bahru.

The above table excludes the 14 retail showrooms in Malaysia which are managed and fully owned by our appointed dealers as well as the 7 retail showrooms in overseas which are managed and fully owned by our appointed dealers.

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7. BUSINESS OVERVIEW (Cont'd)

7.7 PRODUCTION ACTIVITIES

7.7.1 Manufacturing Capacity and Utilisation

The production output, capacity and utilisation of our Group's manufacturing facilities for the FYE 30 June 2007 is as follows:

Types of Products	Production for FYE 30 June 2007 ⁽¹⁾ (No. of Sets)	Annual Capacity ⁽²⁾ (No. of Sets)	Percentage Utilisation ⁽³⁾ (%)
Kitchen and Wardrobe Systems	4,318	10,991	39

Notes:

Signature Group runs on an average of 11 hours per day, 6 days per week.

- (1) Excluding Kitchen Systems and Wardrobe Systems manufactured by third party on the Signature Group's behalf for project customers.
- (2) Annual capacity is derived based on number of sets that could be produced within operating hours of 24 hours per day, 7 days a week and 52 weeks a year.
- (3) Percentage utilisation is calculated based on actual production divided by annual capacity.

For the FYE 30 June 2007, our Group utilised 39% of our manufacturing capacity, based on number of hours worked.

It is noted that a non-stop annual production capacity (based on 24 working hours' day and 7 working days week for an entire year) is particularly applicable to a business model of mass production of similar products. However in the case of our Group, our business model is to allow customers the benefit of having kitchen or wardrobe systems being designed and customised in line with their requirements. Thus a non-stop annual production capacity is less applicable.

Based on our Group's business model, our strategy is to operate on 1 shift per day (8 hours plus 3 hours overtime), six days per week to facilitate the production of customised kitchen and wardrobe systems based on requirements contained in its customers' confirmed orders.

7.7.2 Key Machinery and Equipment

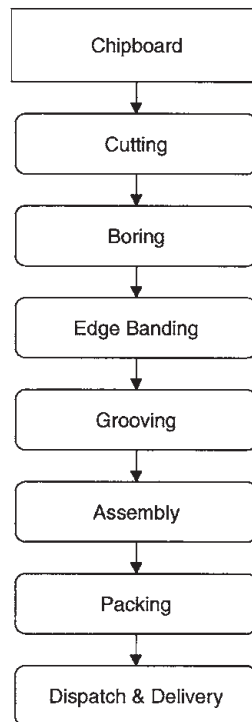
Set out below are the descriptions of some of the key machinery and equipment used by our Group:

Description / Existing use	Quantity (units)	Capacity	Net book value as at 30.06.07 (RM'000)
Panel sizer	1	12 – 15 metre/minute	78
Automatic edge banding machine	3	5 – 8 metre/minute	234
High gloss polisher	1	20 second/cycle	101
Multi-head borer	1	2840 rotation/minute	25
Screw compressor	1	1.65 – 10.58 metre ³ /minute	94
Spray booth	6	Efflux velocity: 15.23 metre/second	53
Sealer sander	1	11 metre/minute	55

7. BUSINESS OVERVIEW (Cont'd)

7.7.3 Production Process Flow

7.7.3.1 Manufacture of Chipboard-Based Kitchen Systems and Wardrobe Systems

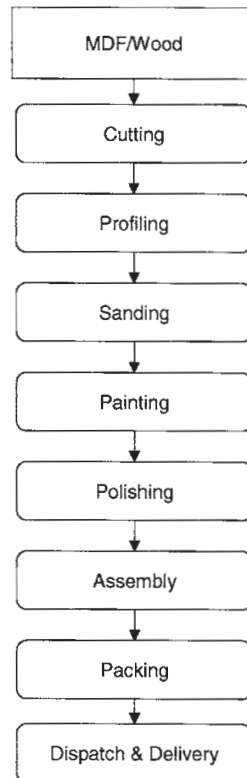


Chipboards, which are purchased as raw materials, are initially laminated with veneer as required. Prior to the manufacture of chipboard-based Kitchen Systems and Wardrobe Systems, all raw materials are checked for quality inspection. The laminated chipboards are then cut according to specified sizes and shapes using a cutting machine to form the panels for the Kitchen Systems and Wardrobe Systems.

Panels that have been cut for Kitchen Systems and Wardrobe Systems then go through the boring machine. The boring creates a space or bored shaped for the fitting of accessories such as white goods or basins. The panels then proceed to a process called 'Edge Banding'. This is a process whereby a strip or band of material is applied to seal or finish the exposed side of the edge.

The panels are then sent for groove cutting or grooving. The grooving process cuts various sizes of grooves for other panel fittings such as hinges, door handles and embedded bolts. The panels are then assembled and packed before despatch or delivery to our customers.

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7. BUSINESS OVERVIEW (Cont'd)**7.7.3.2 Manufacture of MDF/Wood-Based Kitchen Systems and Wardrobe Systems**

Our Group purchases MDF boards as a source of raw materials. MDF boards are similar to chipboard with the exception that it is a denser material. The manufacturing process of MDF boards and wood based boards are similar.

Prior to the manufacture of MDF boards and wood-based Kitchen Systems and Wardrobe Systems, all raw materials are checked for quality inspection. The MDF boards and wood-based boards are cut according to specified sizes and shapes using a cutting machine to form the panels for the Kitchen Systems and Wardrobe Systems.

The MDF or wood-based board panels are then sent for profiling. This process cuts the panels to its designed shapes and sizes. The panels are then sent for sanding to remove any foreign objects and to create a smooth surface on the panels before going through the painting process. Once the paint is dried, the panels go through the polishing process to smoothen the surface of the painted panels and to remove any dirt accumulated during the painting process. The panels are then assembled and packed before despatch or delivery to our customers.

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7. BUSINESS OVERVIEW (Cont'd)

7.8 SUPPLY OF RAW MATERIALS AND FINISHED PRODUCTS

The following are the major types of raw materials and finished products for the manufacturing and distribution operations of our Group, which individually accounted for 10% or more of our Group's total purchases:

Raw Materials and Finished Products	Percentage of Total Group Purchases	Sources of Supply	
		Local (%)	Import (%)
Raw Materials for the Manufacturing Operations	75.0	68.7	31.3
Wood and wood-based panels ¹	30.0	93.0	7.0
Accessories and Built-In Kitchen Appliances ²	19.4	29.0	71.0
Solid surface worktops	11.1	97.4	2.6
Others ³	14.5	49.6	50.4
Finished Products for the Distribution of Kitchen Appliances and White Goods	11.2	23.0	77.0
White Goods and kitchen appliances ⁴	11.2	23.0	77.0
External Services	13.8	100.0	-
Subcontractors fee ⁵	13.8	100.0	-
TOTAL	100.0	67.9	32.1

Notes:

¹ Wood and wood-based panels include MDF board, chipboard, plywood, oak wood, maple wood, pinewood, ash wood, and others.

² Accessories and kitchen appliances include those that are used as part of Kitchen Systems including built-in oven, microwave oven, extractor hood, cooking hobs, taps, sinks, baskets.

³ Others include kitchen concrete tabletops, metal products, aluminium materials, paint, glass materials, ceiling partition materials, coating and film materials, screws, hinges, drawer slides, packaging materials, silicon and plastic materials, spare parts for electrical appliances and other materials.

⁴ Include Built-In Kitchen Appliances.

⁵ Sub-contractor fees for the installation of Kitchen Systems and Wardrobe Systems.

* The above purchases exclude electricity.

For the FYE 30 June 2007, purchases of raw materials for our manufacturing operations accounted for 75.0% of our total Group purchases of raw materials, finished products and external services. This is followed by purchases of finished products which contributed 11.2% of our total Group purchases of raw materials, finished products and external services, namely electrical appliances for our Group's marketing and distribution operations. The remainder 13.8% was for subcontractor fees of installation of Kitchen Systems and Wardrobe Systems.

Local sources of supply of raw materials and finished products accounted for 67.9% of our Group's purchases of raw materials for the FYE 30 June 2007. About 32.1% of the purchases of raw materials and finished products were imported. These raw materials and finished products are for our Group's manufacturing and marketing and distribution operations.

7. BUSINESS OVERVIEW (Cont'd)

7.8.1 Raw Materials for Our Manufacturing Operations

Wood and Wood-based Panels

Wood and wood-based panels are the main raw materials used by our Group for the manufacturing of Kitchen Systems. Some of the wood and wood-based panels used by our Group include MDF, chipboard/particleboard, plywood, oak wood, maple wood, pine wood, ash wood, and others.

For the FYE 30 June 2007, purchases of wood and wood-based panels constituted the largest raw materials purchases for our Group's manufacturing operations accounting for 30.0% of our total Group purchases of raw materials, finished products and external services. Our Group sourced 93.0% of these materials from local producers and the remainder 7.0% were imported. The bulk of the wood-based panel products are available from local supply.

Thus far, our Group's management has not experienced any material shortages in the supply of wood and wood-based panels.

Accessories and Built-In Kitchen Appliances

Accessories and Built-In Kitchen Appliances are the next largest raw materials used in our Group's manufacturing operations accounting for 19.4% of our total Group's purchases of raw materials, finished products and external services. Some of the accessories and appliances used by our Group include those that are used as part of the Kitchen Systems such as built-in ovens, microwave ovens, extractor hoods, cooking hobs, taps, sinks, baskets, and others.

Our Group sourced 29.0% of these accessories and Built-In Kitchen Appliances from local supply whilst the remainder 71.0% were imported. The bulk of these imported items are Built-In Kitchen Appliances. The main reason our Group imports Built-In Kitchen Appliances from overseas is because Obicorp, our subsidiary company, is an exclusive distributor of "Ariston" and "Indesit" brands in Malaysia.

Thus far, our Group's management has not experienced any material shortages in the supply of accessories and Built-In Kitchen Appliances.

Solid Surface Worktops

For the FYE 30 June 2007, the purchase of solid surface worktops for our Group's manufacturing operations accounted for 11.1% of the total purchases of raw materials, finished products and external services. These materials are specifically used as countertops for Kitchen Systems. Our Group utilised 2.6% of imported solid surface worktops and 97.4% of locally produced solid surface worktops.

Thus far, our Group's management has not experienced any material shortages in the supply of accessories and kitchen appliances.

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7. BUSINESS OVERVIEW (Cont'd)

Other Raw Materials

Other minor raw materials used in our Group's manufacturing operations include:

- Kitchen concrete tabletops and metal products;
- Aluminium materials used as frames in cabinets of Kitchen Systems;
- Paint;
- Ceiling partition materials;
- Coating and film materials;
- Glass materials used in cabinets of Kitchen Systems; and
- Others include screws, hinges, drawer slides, packaging materials, spare parts for electrical appliances and silicon and plastic materials.

Thus far, our Group's management has not experienced any material shortages in the supply of all the above materials.

Volatility and Increase in Prices of Key Raw Material

Manufacturers of Kitchen Systems are dependent on wood and wood-based panel products especially MDF as a key raw material. If key raw material prices increase significantly, Kitchen Systems manufacturers may be uncompetitive. Alternatively, if manufacturers absorb some of the price increases, it would affect their profitability. Further, as wood-based panel products are commodities, their prices may be volatile, thus making it difficult for Kitchen Systems manufacturer to price their products effectively.

Set out below are some sample prices of MDF:

	MDF (RM per piece for 4' X 8')							
	4 millimetre		6 millimetre		9 millimetre		12 millimetre	
	Price	Growth	Price	Growth	Price	Growth	Price	Growth
Jan-04	11.70		15.61		22.40		28.00	
Jan-05	12.40	6.0%	16.30	4.4%	22.40	0.0%	29.00	3.6%
Jan-06	12.40	0.0%	16.30	0.0%	22.40	0.0%	29.00	0.0%
Jan-07	12.40	0.0%	16.30	0.0%	22.40	0.0%	29.00	0.0%

(Source: Malaysian Timber Industry Board)

As illustrated above, prices of MDF have remained stable from 2005 onwards. To a large extent, the stable price trend for MDF is attributed to the fact that MDF are mainly made from smaller diameter branches which are normally discarded. Thus, prices of MDF would not increase or fluctuate as much as other wood products like plywood or sawntimber. In addition, should the prices of MDF increase or fluctuate significantly, all manufacturers of Kitchen Systems are likely to be equally affected.

For our non-project customers, we believe that we are able to pass all or part of the additional costs arising from the price increases for wood and wood-based panel products to our non-project customers. For our project customers, we are exposed to higher risks of price fluctuation due to the long time lag between the time the price quotation is made for the project and the actual commencement of the manufacturing of Kitchen Systems and/or Wardrobe Systems for delivery and installation at the project site. We strive to cushion the effects of the price increases by holding higher level of inventories of the requisite raw materials at the time the project has been secured, to act as a buffer against any unfavourable price fluctuations during the gestation period.

7. BUSINESS OVERVIEW *(Cont'd)*

7.8.2 Finished Products for Marketing and Distribution Operations

For the FYE 30 June 2007, purchases of finished products namely White Goods and Built-In Kitchen Appliances accounted for 11.2% of our total purchases of raw materials, finished products and external services. These finished products are mainly for our Group's marketing and distribution operations, which are independent of Kitchen Systems.

Our Group sourced 77.0% of these finished products from imports, as Obicorp, our subsidiary company, is an exclusive distributor of "Ariston" and "Indesit" brands of White Goods and Built-In Kitchen Appliances in Malaysia. The remaining 23.0% are from local suppliers.

Thus far, our Group's management has not experienced any material shortages in the supply of White Goods and Built-In Kitchen Appliances for our marketing and distribution operations.

7.8.3 External Services

For the FYE 30 June 2007, sub-contractor fees accounted for 13.8% of the total purchases of raw materials, finished products and external services. These sub-contractor fees are for installation of Kitchen Systems and Wardrobe systems.

Our Group sources 100% of these external services from local contractors.

7.9 QUALITY CONTROLS

Our Group places significant emphasis on quality and adheres to stringent quality standards. This is reflected by the fact that Signature Manufacturing, our subsidiary company, achieved ISO 9001:2000 certification from SIRIM QAS International Sdn Bhd for the manufacture of cabinets used in the kitchen and bedroom.

Stringent quality controls are implemented throughout the manufacturing operations which includes:

- In-coming raw materials are visually inspected;
- A random sample of the product from each process will be selected for visual inspection;
- Once assembled, tests will be undertaken on the mechanisms to ensure that it is defect-free; and
- Final inspection on every piece is then checked before delivery.

As at 20 November 2007, our Group has two personnel in the Quality Assurance team focusing on ensuring that there is proper implementation and compliance with our internal quality control procedures. One of the personnel is also the coordinator for project-based customers. This person also undertakes joint inspection of the Kitchen Systems at site with the property developer for the final acceptance.

The internal quality processes provide our customers with the assurance of quality. The high standards of quality of our Group's Kitchen Systems are further reinforced by the fact that the Group provides a one year warranty against any defects.

7. BUSINESS OVERVIEW (Cont'd)

7.10 TECHNOLOGY AND R&D

7.10.1 Relevant Technologies

Kitchen Systems and Wardrobe Systems primarily utilises human and knowledge-based skills in the following area:

- Interior design
- Space planning and optimisation
- Craftsmanship
- Carpentry and joinery
- Metal works

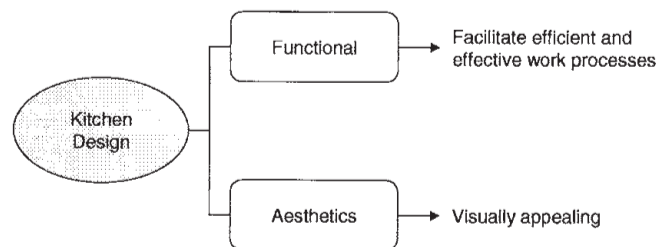
Some of the relevant technologies employed in the operations of Kitchen Systems and Wardrobe Systems include:

- Kitchen design
- Wardrobe design
- Mechanical joinery techniques
- Computerised management solutions

(i) Kitchen Design

Kitchen design is primarily the application of interior design skills and knowledge such that Kitchen Systems are accessible and useable by all people, regardless of height and age.

The overall kitchen design emphasises on functionality and aesthetics, which is depicted as follows:



The function of the Kitchen System refers to the creation of storage solutions and work area to facilitate effective and efficient work processes. The aesthetics of the Kitchen System refers to innovative designs and finishing that generate visual appeal.

The integration of both functional and aesthetics enable the Kitchen System to achieve the following design considerations:

- Create storage solutions and work area that blends in with the architectural styles, colours, and theme with function and purpose;
- Division of workplace and integrating them into the surrounding architecture. The major functional areas include:
 - Preparation, working and cooking areas
 - Storage, cabinets and refrigeration areas
 - Clean-up areas