

17. VALUATION CERTIFICATE

(Prepared for inclusion in the Prospectus)

03 DEC 2007

The Board of Directors
Signature International Berhad
Lot 24, Jalan Teknologi
Taman Sains Selangor 1
Kota Damansara
47810 Petaling Jaya
Selangor Darul Ehsan

**KGV-Lambert
Smith Hampton**

Dear Sirs,

**VALUATION OF PROPERTY FOR THE LISTING EXERCISE OF
SIGNATURE INTERNATIONAL BERHAD ON THE SECOND BOARD
OF BURSA MALAYSIA SECURITIES BERHAD**

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This certificate has been prepared for inclusion in this Prospectus to be dated **28 DEC 2007** in connection with the listing of Signature International Berhad on the Second Board of Bursa Malaysia Securities Berhad.

Pursuant to the instructions from Cabinet Industries Sdn Bhd ("CISB"), the wholly-owned subsidiary company of Signature International Berhad, to advise on the Market Value of Developer's Lot No 24, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan ("Subject Property"), we have inspected the Subject Property on May 11, 2007. The date of inspection is taken to be the date of valuation.

We have valued the Subject Property as listed in the following page and the valuation details of which are shown in our report. The Report has been prepared in accordance with the Guidelines on Asset Valuations for submission to the Securities Commission and is in compliance with the Malaysian Valuation Standards issued by the Boards of Valuers, Appraisers and Estate Agents.

The basis of valuation is the Market Value, defined as the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

We have adopted the Comparison Approach of Valuation together with the Investment Approach in arriving at the Market Value.

Our opinion of the Market Value of the Subject Property and other relevant details are shown in the following page. The Market Value of the Subject Property is RM11,025,000 (MALAYSIAN RINGGIT ELEVEN MILLION AND TWENTY FIVE THOUSAND ONLY).

Yours faithfully



SR ANTHONY CHUA KIAN BENG
B Surv (Hons) Ppty Mgmt, MIS(M)
Registered Valuer V445
Executive Director (Valuation)



ISO 9001

KGV-LAMBERT SMITH HAMPTON (M) SDN BHD
(125852-D)



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17. VALUATION CERTIFICATE (Cont'd)

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Property Identification	General Description of Property	Market Value
<p><u>Title No</u> At the time of inspection, our enquiries with the developer revealed that no separate individual title has been issued to the subject property yet.</p> <p><u>Lot No/Mukim/District/State</u> Developer's Lot No 24, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Mukim of Sungai Buloh, District of Petaling, Selangor Darul Ehsan</p> <p><u>Location of Property</u> Lot No 24, Jalan Teknologi Taman Sains Selangor 1 Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan</p> <p><u>Details on Tenure</u> By a copy of the Lease Agreement dated August 4, 2004 given to us by the registered proprietor, the subject property is leased by Perbadanan Kemajuan Negeri Selangor ("PKNS") to Cabinet Industries Sdn Bhd ("CISB") for a duration of 30 years, expiring on May 25, 2034.</p> <p><u>Category of Land use</u> Industry</p> <p><u>Registered Proprietor</u> Cabinet Industries Sdn Bhd</p> <p><u>Encumbrances</u> Pursuant to a letter of offer dated September 22, 2004 from Alliance Bank Malaysia Berhad and a deed of assignment dated November 23, 2004, the Lease Agreement dated August 4, 2004 was assigned by CISB to Alliance Bank Malaysia Berhad, pending the creation of a first legal charge over the lease, which is in turn pending issuance of the issue document of title in respect of the Subject Property.</p> <p><u>Restriction-in-Interest</u> The issue document of title, which may contain express or implied conditions and restrictions in interest that the relevant authority may at its discretion impose, has yet to be issued. The Lease Agreement dated August 4, 2004 entered into between PKNS and CISB includes special conditions imposed on CISB which prohibits CISB from sub-leasing, transferring, charging or selling the lease without first obtaining PKNS's written consent and approval.</p> <p><u>Occupancy</u> Owner-Occupied</p>	<p><u>Brief Description</u> A Single-Storey Detached Factory with a Double-Storey Front Office Annex and a Single-Storey Spray Paint Factory.</p> <p><u>Gross Building Area</u></p> <p>a) <u>Detached Factory</u> 5,976.0 square meter (64,327.2 square feet)</p> <p>b) <u>Office Annex</u> 1,836.2 square meter (19,765.3 square feet)</p> <p>c) <u>Spray Paint Factory</u> 1,296.0 square meter (13,950.5 square feet)</p> <p><u>Land Area</u> 16,187 square meter (4.00 acres or 174,240 square feet)</p> <p><u>Existing Use</u> The manufacturing activities in the buildings include making, assembling and storage of furniture components.</p> <p><u>Planning Details</u> Industrial Use. The Subject Property is issued with a Certificate of Fitness For Occupation bearing reference No 2022 dated May 19, 2006.</p>	<p><u>Valuation Date</u> May 11, 2007</p> <p><u>Method of Valuation</u> Comparison Approach and Investment Approach</p> <p><u>Market Value</u> RM11,025,000</p>

benchmark
IN QUALITY

ISO 9001

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY

(Prepared for inclusion in the Prospectus)



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

3 December 2007

The Board of Directors
Suite 13A.01 (A), Level 13A
Wisma Goldhill
67, Jalan Raja Chulan
50200 Kuala Lumpur

Dear Sirs/Madam

Vital Factor Consulting Sdn Bhd

(Company No.: 266797-T)

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Damansara Jaya
47400 Petaling Jaya
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Independent Assessment of the Kitchen Systems Industry

The following is a summary of the Independent Assessment of the Kitchen Systems Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the Prospectus of **Signature International Berhad** (herein together with all its subsidiaries will be referred to as Signature Group or the Group) in relation to its proposed listing on the Second Board of the Bursa Malaysia Securities Berhad.

1. BACKGROUND OF SIGNATURE GROUP

- Signature Group is principally involved in the Design, Manufacture and Retail of Kitchen Systems.
- Secondary business activities include:
 - Marketing and Distribution of Built-in Kitchen Appliances and White Goods;
 - Design, Manufacture and Retail of Wardrobe Systems;
 - Manufacture of Glass and Aluminium Products.
- For the financial year ended 30 June 2007, Signature Group's total revenue amounted to RM85.1 million.

2. INDUSTRY STRUCTURE

- The Kitchen Systems Industry in Malaysia is structured based on two segments as depicted in the diagram below:

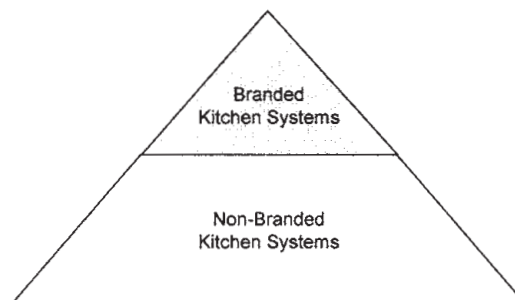


Figure 1 Different Segments of the Kitchen Systems Industry

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- **Non-Branded Kitchen Systems:** This comprises the largest category of operators within the Kitchen Systems Industry. Operators in this category are commonly individuals such as carpenters, sub-contractors, sole proprietors and tradesperson, all of whom may also work in conjunction with renovation and interior fit-out contractors. Some of these operators may have small workshops but they usually do not have any manufacturing facilities or retail showrooms. Most significantly is that this category of operators do not focus on their brand names and undertake virtually no marketing and promotions for their products and services or brand names.
- **Branded Kitchen Systems:** This is a significantly smaller group of operators comprising larger corporations in terms of turnover and number of employees. The key difference is that operators in this category invest significantly on their brands. They have manufacturing facilities, supported by design centres using Computer Aided Design Software and retail showrooms where potential customers are able to see and feel the actual Kitchen Systems they have available for sale.

The relatively lower number of operators in this category is due to the significantly higher investment costs in building brand equity, undertaking continuous advertising and promotions, as well as operating manufacturing and retail showrooms.

- As at 20 November 2007, Signature Group operates within the Branded Kitchen Systems sector of the market with 21 local 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 the Group and the remaining 14 are managed and fully owned by appointed dealers. In addition, the 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.
- As such, the report will focus mainly on the Branded Kitchen Systems sector of the market.

4. GOVERNMENT LEGISLATION, POLICIES AND INCENTIVES

Manufacturing Licence

- Application of a manufacturing licence under the Industrial Coordination Act, 1975 is mandatory for companies with shareholders' funds of RM2.5 million or above, or engaging 75 or more full-time employees (*Source: Malaysian Industrial Development Authority*).
- Signature Manufacturing Sdn Bhd, a subsidiary of Signature Group has obtained a manufacturing licence to manufacture 'Wooden Furniture' and 'Wooden Furniture Parts' from the Ministry of International Trade and Industry of Malaysia, which was issued on 9 August 2006.

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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Registration with Construction Industry Development Board

- With effect from 20 July 1995, it is mandatory under the Act of Parliament Act 520 (Act 520) for all builders, contractors and sub-contractors, whether local or foreign, to register with the Construction Industry Development Board Malaysia (CIDB) and comply with the provisions of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994, before undertaking or executing any construction work in Malaysia.
- Operators who are involved in undertaking Kitchen System works is classified under the interior decoration, including design, planning, decoration, and built-in fitments must be registered with CIDB.
- The Certification of Registration issued by the CIDB is valid for a minimum period of 1 year and a maximum term not exceeding 3 years, unless cancelled, suspended or revoked earlier by the CIDB.
- There are three categories of registration as follows:
 - Civil Engineering Construction;
 - Building Construction;
 - Mechanical and Electrical.
- The scope of registration is further classified into 7 grades and are differentiated by their respective tender capacities:

Grade	Tender Capacity (RM)
G1	Not exceeding 100,000
G2	Not exceeding 500,000
G3	Not exceeding 1 million
G4	Not exceeding 3 million
G5	Not exceeding 5 million
G6	Not exceeding 10 million
G7	No limit

Source: Construction Industry Development Board

Figure 3 CIDB Grade Classification

- Cabinet Industries Sdn Bhd, a subsidiary of Signature Group, is registered with the CIDB under Grade 7 in the Interior Decoration category of Building Construction. The registration is due for renewal on 30 May 2010.

Government Incentives

- Generally, the Malaysian Government provides incentives for companies listed as promoted activities or products under the Promotion of Investments Act 1986 including Pioneer Status, Investment Tax Allowance and Reinvestment Allowance.

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- The production of wood and wood products including wooden furniture and parts, is listed as a promoted activity/product eligible for consideration of Pioneer Status and Investment Tax Allowance under the Promotion of Investment Act 1986. A company eligible for Pioneer Status will enjoy a 5-year partial exemption from the payment of income tax (Source: Malaysian Industrial Development Authority)

- Some of the benefits of the respective incentives include:

Pioneer Status

- A company eligible for Pioneer Status will enjoy a 5-year partial exemption from the payment of income tax;

Investment Tax Allowance

- A company eligible for Investment Tax Allowance gets an allowance of 60% on its qualifying capital expenditure (such as factory, plant, machinery or other equipment used for approved project), which are incurred within five years from the date on that the first qualifying capital expenditure is incurred.

Reinvestment Allowance

- All manufacturing companies that have been in operation for at least 12 months and incur qualifying capital expenditure to expand production capacity, modernise and upgrade production facilities, diversify into related products, and automate its production facilities can obtain a Reinvestment Allowance.

(Source: Malaysian Industrial Development Authority)

- Signature Manufacturing Sdn Bhd, a subsidiary of Signature Kitchen Group has been granted pioneer status on 1 February 2006 by the Malaysian Industrial Development Authority.

Asean Free Trade Area

- ASEAN Free Trade Area (AFTA) was established in 1992 resulting in a reduction of import duties among ASEAN member countries. The full implementation of AFTA is realised through the Common Effective Preferential Tariff (CEPT) scheme.
- CEPT is the mechanism by which tariffs on goods traded within the ASEAN region, which meet a 40% ASEAN content, have been reduced to a range between 0% and 5% since 2003 (2006 for Vietnam, 2008 for Laos and Myanmar, and Cambodia by 2010).

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- An organisation or exporter is required to obtain approval from MITI for its application of CEPT scheme. Signature Group has obtained approval for the CEPT scheme from Ministry of International Trade and Industry (MITI) for the following subsidiaries:

Subsidiaries	Date of Approval	Effective Rate	Type of Products	Export Countries
Cabinet Industries Sdn Bhd	28 May 2004	5%	Kitchen Systems	Brunei, Indonesia, Philippines, Singapore, Thailand, Vietnam, and Cambodia
		5%	Wardrobe Systems	Brunei, Indonesia, Philippines, Singapore, Thailand, and Vietnam
Signature Manufacturing Sdn Bhd	26 January 2006	0%	Kitchen Systems	Brunei, Indonesia, Philippines, Singapore, Thailand, Vietnam, Laos, and Myanmar.
		0%	Wardrobe Systems	Brunei, Indonesia, Philippines, Singapore, Thailand, Vietnam, Laos and Myanmar.

Figure 4 Signature Group's approved CEPT scheme

Trademarks

- Under the Trade Marks Act 1976 and Trade Marks Regulations 1997, all trademarks have to be registered before a trademark can be adopted in relation to any goods or services. (Source: Trade Marks Act 1976 and Regulations, and Patents Act 1983 and Regulations)
- Only the owner of a trademark can register the trademark. The owner of a trademark may be an individual, partnership or company.
- The Registrar of Trade Marks, Intellectual Property Corporation of Malaysia (Perbadanan Harta Intelek Malaysia) is the authority for the registration of trademarks in Malaysia.
- Signature Group has taken steps to protect its trademarks in Malaysia and in other jurisdictions set out as below:



CABINET
INDUSTRIES SDN. BHD.
(300330-A)

SignatureKitchen®

SignatureWardrobe

Ideal transformation begins here...

SASAKI

Figure 5 Signature Group's Trademarks

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- The trademarks for “CABINET INDUSTRIES SDN. BHD. (300330-A)” and “SignatureKitchen” logos/trademarks have been registered in Malaysia under Class 20 by Cabinet Industries on 29 February 2000 and 15 October 2001 respectively.
- The trademark for “SASAKi” logo/trademark has been registered in Malaysia under Class 9 and Class 11 by Obicorp, both on 10 February 2004.
- Applications for the registration of “Signature Wardrobe” and “Ideal transformation begins here...” logos/trademarks have been made in Malaysia under Class 20 by Cabinet Industries on 4 October 2006. At present, the abovementioned applications made in Malaysia are still pending approval and/or registration.
- The trademarks for “Signature Kitchen” logos/trademarks have been registered in Singapore, Vietnam, Thailand and Indonesia under Class 20 by Cabinet Industries, which has taken effect from 6 May 2003, 13 May 2003, 17 July 2003 and 5 February 2004 respectively.
- Applications for the registration of “Signature Kitchen” logo/trademark have also been made in Philippines, Pakistan, Sri Lanka, India and China all under Class 20 by Cabinet Industries and at present, the abovementioned applications are still pending approval and/or registration in their respective jurisdictions.
- In relation to the logos/trademarks, which have been registered, the registration is for a period of ten years and these are all renewable.

5. ENVIRONMENTAL REGULATIONS

- As part of the process of manufacturing kitchen components, Signature Group creates paint sludge and used paint containers during the process of painting.
- The disposal of paint sludge falls under “sludges of inks, paints, pigments, lacquer, dye or varnish” of wastes which may contain either inorganic or organic constituents under the Environmental Quality Act 1974 and the Environmental Quality (Scheduled Waste) Regulations 2005.
- The disposal of paint containers falls under “disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes” under the Environmental Quality (Scheduled Waste) Regulations 2005.
- Signature Group has engaged the services of Kualiti Alam Sdn Bhd to collect the paint sludge and containers from the Group.
- During the manufacturing process, sawdust is also created from sawing, sanding and boring of laminated boards. To ensure a clean working environment in the factory, the Group has installed a dust collection system. The system serves to minimise air pollution, particularly from sawdust created during the manufacturing process.

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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6. SUPPLY

Local Supply

- As there are no direct data and statistics available on Kitchen Systems as a whole, data on the production and imports of Cabinets of a Kind Used in the Kitchen, which is a sub-set of Kitchen Systems, will be used as a proxy to provide an analysis of the performance of Kitchen Systems.
- Cabinets of a Kind Used in the Kitchen (wood or mainly of wood) represent one of the components of Kitchen Systems.
- Between 2002 and 2006, sales value of the Manufacture of Cabinets of a Kind Used in the Kitchen (wood or mainly of wood) increased at an average annual rate of 18.7%. *(Source: Department of Statistics)*
- In 2006, the sales value of the Manufacture of Cabinets of a Kind Used in the Kitchen (wood or mainly of wood) increased by 37.8% to approximately RM169.4 million. *(Source: Department of Statistics)*
- Between January and August 2007, the sales value of the Manufacture of Cabinets of a Kind Used in the Kitchen (wood or mainly wood) declined by 67.9% compared to the same period in 2006. *(Source: Department of Statistics)*

Supply from imports

- The import of Cabinets used in the Kitchen, a sub-set of Kitchen Systems is classified under Wooden Furniture of a Kind Used in the Kitchen.
- Between 2002 and 2006, the import value of Wooden Furniture of a Kind Used in the Kitchen increased at an average annual growth rate of 13.7%. *(Source: Department of Statistics)*
- In 2006, the import value of Wooden Furniture of a Kind Used in the Kitchen decreased by 1.9% to RM17.0 million. *(Source: Department of Statistics)*
- Between January and July 2007, the import value of Wooden Furniture of a Kind Used in the Kitchen reached approximately RM14.5 million, an increase of 95.3% compared to the same period in 2006. *(Source: Department of Statistics)*

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)


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7. SUPPLY DEPENDENCIES

- Generally, the major raw materials and finished products used in the manufacture of Kitchen Systems are:
 - wood and wood-based panel products including plywood, veneer sheets, medium density fibreboard (MDF), particleboard and laminated board;
 - kitchen appliances;
 - countertops;
 - fittings such as cabinet door handles, hinges, metal-based mechanisms;
 - others including paints and coatings, glass, aluminium, glue and other minor materials.

- The bulk of the wood-based panel products are available from local producers. Following are the estimated number of local producers of various wood-based panels in Malaysia in 2006:
 - 176 plywood/veneer mills;
 - 7 particle board/chipboard plants;
 - 8 MDF plants;
 - 41 laminated board plants.
 (Source: Ministry of Plantation Industries and Commodities)

- The availability of supply is further reflected in the following:
 - In 2006, sales value of the manufacture of veneer sheets and plywood increased by 27.6% to approximately RM7.8 billion.
 - Between January and July 2007, sales value of the manufacture of veneer sheets and plywood grew by 11.2% compared to the same period in 2006.
 - In 2006, sales value of the manufacture of laminated board, particleboard and other panels and board increased by 22.6% to RM1.8 billion.
 - Between January and July 2007, sales value of the manufacture of laminated board, particleboard and other panels and board increased by 11.8% compared to the same period in 2006.
 (Source: Department of Statistics)

- Kitchen appliances represent the next largest component of Kitchen Systems and this could include built-in ovens, microwave ovens, extractor hoods, cooking hobs, dishwasher and others. It is common industry practice to source these finished products from external manufacturers and installed them as part and parcel of the complete Kitchen System.

- These kitchen appliances are available from local manufacturers. In 2006, the local manufacture of domestic appliances, not elsewhere classified (including refrigerators, washing machines, food grinders, rice cookers, electric ovens, irons, coffee/tea makers and other household appliances) reached approximately RM2.0 billion, an increased of 206.1% compared to the previous year. (Source: Department of Statistics)

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- Between January and July 2007, the local manufacture of domestic appliances, not elsewhere classified, grew by 24.1% compared to the same period in 2006. (Source: Department of Statistics)
- Countertops come in different types of materials including marble, granite, laminated solid surface materials, tiles, silestone, solid wood, stainless steel and others depending on the requirements of customers. Depending on the type of materials, most of the countertops are available locally. However there is also ample supply from overseas sources.
- According to the Royal Customs and Excise Department of Malaysia, the import of countertops is classified under Particle Board and Similar Board of Other Ligneous Material.
- Between 2002 and 2006, the import value of Particle Board and Similar Board of Other Ligneous Material increased at an average annual rate of 135.7%. In 2006, the import value of Particle Board and Similar Board of Other Ligneous Material amounted to approximately RM6.9 million. (Source: Department of Statistics)
- Between January and July 2007, the import value of Particle Board and Similar Board of Other Ligneous Material reached approximately RM1.5 million, a decline of 66.2% compared to the same period in 2006. (Source: Department of Statistics)

8. EXPORT MARKET DEMAND

- The export of Cabinets used in the Kitchen, a sub-set of Kitchen Systems is classified under Wooden Furniture of a Kind Used in the Kitchen.
- Between 2002 and 2006, the export value of Wooden Furniture of a Kind Used in the Kitchen grew by 4.6%.
- In 2006, the export value of Wooden Furniture of a Kind Used in the Kitchen declined by 2.9% to RM586 million.
- Between January and July 2007, the export value of Wooden Furniture of a Kind Used in the Kitchen amounted to RM323.2 million, an increase of 28.1% compared to the same period in 2006.
(Source: Department of Statistics)

9. DEMAND DEPENDENCIES

- Demand for the Kitchen Systems Industry is ultimately dependent upon the consumers and their expenditure on household products and services such as Kitchen Systems. As such, some of the following factors that will impact on consumer demand and expenditure on Kitchen Systems include:
 - increasing affluence of the population;
 - the growing sophistication in lifestyles;
 - growth in disposable income;
 - general population growth.

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- The following section is an analysis of some of the demand dependencies of Kitchen Systems.

Monthly Household Income

Monthly Household Income Segmented by States

	1999	2004	Average Annual Growth Rate 1999 to 2004 %
Selangor	3,702	5,175	6.9
Wilayah Persekutuan Kuala Lumpur	4,105	5,011	4.1
Pulau Pinang	3,128	3,531	2.5
Johor	2,646	3,076	3.1
Negeri Sembilan	2,335	2,886	4.3
Melaka	2,260	2,792	4.3
Sarawak	2,276	2,725	3.7
Sabah	1,905	2,487	5.5
Pahang	1,482	2,410	10.2
Perak	1,743	2,207	4.8
Kedah	1,612	2,126	5.7
Perlis	1,431	2,046	7.4
Terengganu	1,599	1,984	4.4
Kelantan	1,314	1,829	6.8
Malaysia	2,472	3,249	5.6

Source: Ninth Malaysia Plan 2005-2010, Economic Planning Unit

Figure 6 Mean of Monthly Household Income Segmented by States

- Between 1999 and 2004, the mean monthly household income in Malaysia grew at an average annual rate of 5.6% reaching RM3,249 per month in 2004.
- Selangor, Wilayah Persekutuan Kuala Lumpur, Pulau Pinang and Johor accounted for the top four states with the highest mean monthly household income in Malaysia in 2004.
- Between 1999 and 2004, the mean monthly household income of Selangor and Wilayah Persekutuan Kuala Lumpur grew at an average annual rate of 6.9% and 4.1% respectively.

(Source: Ninth Malaysian Plan 2005 – 2010, Economic Planning Unit)

Average Monthly Household Expenditure

- Between 1998/1999 and 2004/2005, the average monthly expenditure per household increased at an average annual rate of 3.7% reaching RM1,953 per household in 2004/2005 (Source: Department of Statistics)

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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Population Growth

- Between 2002 and 2006, the population of Malaysia increased at an average annual rate of 2.1%.
- In 2006, the population of Malaysia grew by 1.9% to 26.6 million.
(Source: Department of Statistics)

10. COMPETITIVE NATURE AND INTENSITY

- All operators of Kitchen Systems operate under **normal** competitive conditions.
- As with most free enterprise environments, competition is based on number of factors, including:
 - Quality of products and services
 - Cost competitiveness
 - Prompt delivery schedules
 - Operator market reputation and track record
 - Reliability
- There are two categories of operators of Kitchen Systems in Malaysia and each category experience different levels of competitive intensity:
 - Non-Branded Kitchen Systems
 - Branded Kitchen Systems.

Non-Branded Kitchen Systems

- Competitive intensity within the Non-Branded Kitchen Systems is **high**.
- This is mainly substantiated by the following:
 - There are many operators within this segment, thus contributing to the overall competitive intensity;
 - Barriers to entry are relatively low and new entrants are constantly coming into the market, creating increased competition;
 - There are less product and service differentiations, thus most operators compete on price.

Branded Kitchen Systems

- Competitive intensity within the Branded Kitchen Systems is **moderate**.
- This is mainly substantiated by the following:
 - Operators within this sector are highly differentiated through the strengths of their brand equity. As such, operators with high brand equity would face lesser competitive intensity compared to those with lower brand equity.

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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- Operators with significant presence in the consumer market through their network of retail showrooms would place competitive pressure on operators with a small number of retail showrooms.
- Operators who export their products would not have to rely entirely on the local market. This will reduce the competitive pressure from them. In addition, serving more markets provide such operators with higher volume of work to obtain economies of scale to increase profit margin.
- Within the local Kitchen System Industry, there were approximately 80 operators that are able to manufacture and retail Branded Kitchen Systems in 2006. This somewhat reduces the intensity of competition in the industry. By comparison, the Non-branded Kitchen Systems sector has significantly more operators. *(Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd).*
- Signature Group operates within the Branded Kitchen Systems sector, which experience a lower competitive intensity compared to the Non-Branded Kitchen Systems sector.

11. MAJOR PLAYERS IN THE INDUSTRY

- Some of the operators within the Branded Kitchen Systems sector in Malaysia include the following:
 - Signature Group
 - Orakit Sdn Bhd (formerly known as Beauty Kitchen Sdn Bhd)
 - Winsco Design and Décor Sdn Bhd
 - J.S. Cabinet Industry Sdn Bhd
 - Equapac Sdn Bhd
 - Kian Classic Sdn Bhd
 - Bofi (Malaysia) Sdn Bhd
 - Chang Hsin Group*
 - The One Kitchen Studio Sdn Bhd
 - Ebac Kitchen Sdn Bhd
 - Chan Kitchen
 - Magic Kitchen
 - Twin Wood Kitchen Sdn Bhd
 - KJSB Industrial Corporation Sdn Bhd
 - Zeyco Marketing Sdn Bhd
 - Hosana Kitchen
 - SCI Cabinet Industry Sdn Bhd

*Note: The above is not an exhaustive list of all the operators of branded Kitchen Systems in Malaysia. * Incorporates Chang Hsin Enterprise Sdn Bhd and Chang Hsin Industry (M) Sdn Bhd*

(Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

18. EXECUTIVE SUMMARY OF THE INDEPENDENT ASSESSMENT OF THE KITCHEN SYSTEMS INDUSTRY (Cont'd)



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12. BARRIERS TO ENTRY

Non-Branded Kitchen Systems

- Barriers to entry for Non-Branded Kitchen Systems segment are **low**.
- This is mainly substantiated by the following factors:
 - Capital outlay is low as there is no need for large manufacturing plants or retail showrooms;
 - Operating cost is also low as Kitchen Systems are mainly customised, and raw materials and components may be purchased after obtaining confirmed orders;
 - Although it is a skilled profession, there are many people who are able to undertake the full cycle of manufacturing Kitchen Systems;
 - There are many operators in this segment of the industry.

Branded Kitchen Systems

- The barriers to entry for Branded Kitchen Systems are **moderate**.
- At end of 2006, there were approximately 80 operators in the Branded Kitchen Systems Industry with manufacturing and retailing operations in Malaysia. (*Source: Primary Market Research undertaken by Vital Factor Consulting Sdn Bhd*)
- Some considerations of barriers to entry into the Branded Kitchen Systems Industry include:
 - capital set-up costs;
 - established brand name;
 - government regulations;
 - technical skills and knowledge;
 - track record;
 - product quality.

Capital Set-up Costs

- The barriers to entry into the Kitchen Systems Industry based on capital requirements are moderate for integrated operators with manufacturing and retail facilities.
- The capital requirements of setting-up a small sized Kitchen Systems manufacturing facility would be approximately RM1 million (excluding land and building). This would include:
 - 1 unit of cutting machine
 - 1 unit of edge bending machine
 - 1 unit of boring machine
 - Other supporting machinery
 - Working capital is required to purchase raw materials

At this level of entry, the small sized establishment is expected to generate revenue of approximately RM6 million a year.