



Signature International Berhad

(Company No: 754118-K)

(Incorporated In Malaysia)

INTERIM FINANCIAL REPORT 31 DECEMBER 2018

The Board of Directors of Signature International Berhad (“SIB” or “the Company”) is pleased to announce the following unaudited consolidated results of SIB and its subsidiaries (collectively known as “the Group”) for the Year ended 31 December 2018.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

	Individual Period			Cumulative Period		
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Changes %	Preceding Year Current Year-to-date 31 Dec 2018 RM'000	Preceding Year Corresponding Year-to-date 31 Dec 2017 RM'000	Changes %
Revenue	40,974	55,450	-26.1%	81,719	107,706	-24.1%
Operating expenses	(40,025)	(49,484)	-19.1%	(78,648)	(98,617)	-20.2%
Other operating income	1,214	583	108.2%	1,833	995	84.2%
Profit from operations	2,163	6,549	-67.0%	4,904	10,084	-51.4%
Finance costs	(721)	(707)	2.0%	(1,398)	(1,497)	-6.6%
Profit before taxation	1,442	5,842	-75.3%	3,506	8,587	-59.2%
Tax expense	(637)	(1,519)	-58.1%	(1,348)	(2,553)	-47.2%
Profit after taxation	805	4,323	-81.4%	2,158	6,034	-64.2%
Other Comprehensive Income, Net of Tax						
Foreign currency translation	(1)	20	-106.4%	63	(13)	-582.4%
Total Comprehensive Income for the period	804	4,343	-81.5%	2,221	6,021	-63.1%

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

	Individual Period			Cumulative Period		
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Changes %	Preceding Year Current Year-to-date 31 Dec 2018 RM'000	Preceding Year Corresponding Year-to-date 31 Dec 2017 RM'000	Changes %
Profit after tax attributable to:-						
- Equity holders of the parent	499	3,989	-87.5%	1,795	5,817	-69.1%
- Non-controlling interest	306	334	-8.4%	363	217	67.3%
	<u>805</u>	<u>4,323</u>	<u>-81.4%</u>	<u>2,158</u>	<u>6,034</u>	<u>-64.2%</u>
Total Comprehensive Income attributable to: -						
- Equity holders of the parent	498	4,009	-87.6%	1,858	5,804	-68.0%
- Non-controlling interest	306	334	-8.4%	363	217	67.3%
	<u>804</u>	<u>4,343</u>	<u>-81.5%</u>	<u>2,221</u>	<u>6,021</u>	<u>-63.1%</u>
Earnings per share (sen)						
- Basic	<u>0.2</u>	<u>1.7</u>		<u>0.8</u>	<u>2.5</u>	
- Diluted	<u>0.2</u>	<u>1.7</u>		<u>0.8</u>	<u>2.5</u>	

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

	UNAUDITED	AUDITED
	As at	As at
	31 Dec 2018	30 Jun 2018
	RM'000	RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	85,969	86,888
Goodwill arising from Consolidation	395	395
Investment properties	58,392	58,185
Deferred tax asset	183	183
	<u>144,939</u>	<u>145,651</u>
Current Assets		
Inventories	8,727	9,625
Amount owing by contract customers	6,011	49,280
Trade receivables	70,155	87,586
Other receivables ,deposits and prepayment	4,023	6,523
Tax recoverable	4,017	4,217
Short-term investments	42,322	19,641
Fixed deposit with licensed banks	180	180
Cash and bank balances	14,701	14,609
	<u>150,136</u>	<u>191,661</u>
TOTAL ASSETS	<u>295,075</u>	<u>337,312</u>

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018 (CONT'D)

	UNAUDITED	AUDITED
	As at	As at
	31 Dec 2018	30 Jun 2018
	RM'000	RM'000
EQUITY AND LIABILITIES		
Equity		
Share capital	60,076	60,076
Share premium	1,196	1,196
Reserves	109,630	110,986
Shareholders' equity	170,902	172,258
Non-controlling interest	7,761	7,398
TOTAL EQUITY	178,663	179,656
Non-Current Liabilities		
Hire purchase payables	739	893
Term loans	45,571	48,723
Deferred taxation	656	656
	46,966	50,272
Current Liabilities		
Payables	47,767	64,441
Amount owing to contract customers	11,961	35,733
Provision for taxation	-	885
Hire purchase payables	586	586
Term loan	5,739	5,739
Dividend Payable	3,393	-
	69,446	107,384
TOTAL LIABILITIES	116,412	157,656
TOTAL EQUITY AND LIABILITIES	295,075	337,312
Net assets per ordinary share attributable to ordinary equity holders of the Company (RM)	0.76	0.74

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

	← Attributable to equity holders of the parent →							Attributable To owners of The Company RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Employee Share option Reserve RM'000	Exchange Translation Reserve RM'000	Retained Profits RM'000			
Balance at 1 July 2018	60,076	1,196	(11,586)	(28,123)	4,154	47	146,494	172,258	7,398	179,656
Profit after taxation for the financial year	-	-	-	-	-	-	1,795	1,795	363	2,158
Other comprehensive income for the financial year, net of tax; - foreign exchange translation	-	-	-	-	-	63	-	63	-	63
Total comprehensive income for the financial year	-	-	-	-	-	63	1,795	1,858	363	2,221
Contribution by and distribution to owners of the Company:										
Recognition of shares option expenses	-	-	-	-	179	-	-	179	-	179
Dividend - by the Company	-	-	-	-	-	-	(3,393)	(3,393)	-	(3,393)
Transfer to share premium for employees' share option exercised	-	-	-	-	179	-	(3,393)	(3,214)	-	(3,214)
At 31 Dec 2018	60,076	1,196	(11,586)	(28,123)	4,333	110	144,896	170,902	7,761	178,663

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED) (CONT'D)

	← Attributable to equity holders of the parent →							Attributable To owners of The Company RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Treasury Shares RM'000	Merger Deficit RM'000	Employee Share option Reserve RM'000	Exchange Translation Reserve RM'000	Retained Profits RM'000			
Balance at 1 July 2017	60,076	1,196	(10,034)	(28,123)	3,391	(200)	145,535	171,841	5,370	177,211
Profit after taxation for the financial year	-	-	-	-	-	-	5,817	5,817	217	6,034
Other comprehensive income for the financial year, net of tax; - foreign exchange translation	-	-	-	-	-	(13)	-	(13)	-	(13)
Total comprehensive income for the financial year	-	-	-	-	-	(13)	5,817	5,804	217	6,021
Contribution by and distribution to owners of the Company:										
Recognition of shares option expenses	-	-	-	-	436	-	-	436	-	436
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	307	307
Dividend - by the Company	-	-	-	-	-	-	(5,727)	(5,727)	-	(5,727)
	-	-	-	-	436	-	(5,727)	(5,291)	307	(4,984)
At 31 Dec 2017	60,076	1,196	(10,034)	(28,123)	3,827	(213)	145,625	172,354	5,894	178,248

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED)

	Current Period Ended 31 Dec 2018 RM'000	Preceding Period Ended 31 Dec 2017 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	3,506	8,587
Adjustments:		
Amortisation and depreciation	1,356	1,396
Allowance for impairment losses on trade receivables	250	-
(Gain)/Loss on disposal of plant and equipment	(68)	(113)
Interest expense	1,299	1,319
Interest income	(185)	(478)
Plant and equipment written off	108	-
ESOS / Share-based expenses	179	436
Unrealised loss/(gain) on foreign exchange	(39)	322
Reversal of allowance for impairment losses on trade receivables	(50)	-
Changes in working capital	6,356	11,469
Inventories	898	930
Receivables	19,731	(7,046)
Amount due from/(to) contract customers	19,497	3,277
Payables	(16,634)	6,643
Cash generated from operations	29,848	15,273
Interest received	185	478
Interest paid	(1,299)	(1,319)
Income tax paid	(2,033)	(1,115)
Net cash inflow from operating activities	26,701	13,317
CASH FLOWS (USED IN) / FROM INVESTING ACTIVITIES		
Additions of property, plant and equipment and prepaid lease rentals	(628)	(1,985)
Additional Purchase / works on investment properties	(1,427)	(96)
Acquisition of subsidiary, net of cash and cash equivalent	-	(573)
Proceeds from disposal of:		
- investment properties	1,220	-
- property, plant and equipment	150	248
Net cash used in investing activities	(685)	(2,406)



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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (UNAUDITED) (CONT'D)

	Current Period Ended 31 Dec 2018 RM'000	Preceding Period Ended 31 Dec 2017 RM'000
CASH FLOWS USED IN FINANCING ACTIVITIES		
Hire purchase repayment	(154)	(268)
Term loans repayment	(3,152)	(1,486)
Net cash used in financing activities	(3,306)	(1,754)
Effects of exchange rate changes on cash and cash equivalents	63	(13)
NET INCREASED IN CASH AND CASH EQUIVALENTS	22,710	9,157
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	34,250	30,299
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	57,023	39,443
Cash and cash equivalents comprise of:		
Short-term investments	42,322	24,654
Fixed deposit with licensed banks	180	175
Cash and bank balances	14,701	14,789
	57,203	39,618
Less: Fixed deposit pledged to a licensed bank	(180)	(175)
	57,023	39,443



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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

PART A: EXPLANATORY NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS 134 (“MFRS 134”)

1. Basis of Preparation

The financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2018 and the accompanying explanatory notes attached to the interim financial report.

2. Significant Accounting Policies

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 30 June 2018 except for the adoption of the following new MFRSs, amendments to MFRSs and IC Interpretations that are effective for financial statements effective from 1 July 2018, as disclosed below:-

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in July 2014)

MFRS 15 Revenue from Contracts with Customers

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 16 Leases	1 January 2019
MFRS 17 Insurance Contracts	1 January 2021
IC Interpretation 23 Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9: Prepayment Features with Negative Compensation	1 January 2019

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2. Significant Accounting Policies (Con'td)

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:- (Con'td)

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128: Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Annual Improvements to MFRS Standards 2015 – 2017 Cycles:	1 January 2019
<ul style="list-style-type: none"> • Amendments to MFRS 3 and MFRS 11: Previously Held in a Joint Operation • Amendments to MFRS 112: Income Tax Consequences of Payments on Financial Instruments Classified as Equity • Amendments to MFRS 123: Borrowing Costs Eligible for Capitalisation 	

The adoption of the above accounting standards and interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. Comments about Seasonal or Cyclical Factors

The business operations of the Group are not significantly affected by seasonal or cyclical factors other than the retail / non-project sector which is affected by the festive periods in Malaysia.

4. Items of an Unusual Nature

The results of the operations of the Group and of the Company during the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.



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5. Changes in Estimates

There were no estimates announced in regard of the current quarter results.

6. Changes in Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the period ended 31 December 2018.

For period to-date, the details of the treasury shares under share buy-back programme are as follows:-

	Price Per Share RM	Number of Shares Units	Total Consideration RM'000
Total Treasury shares			
Balance at 31 Dec 2018	0.52 - 1.40	14,117,100	11,586

7. Dividend Paid

No dividends were paid during the quarter under review.



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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8. Segmental Information

The Group	Design	Marketing	Manufacture	Interior	Others	Eliminations	The Group
	Manufacture and Retail Of Kitchen And Wardrobe Systems	Marketing and Distribution Of White Goods	Manufacture Of Glass and Aluminium Products				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Result for 3 months Quarter ended 31 December 2018							
REVENUE:							
External revenue	31,460	1,908	7,606	-	-	-	40,974
Inter-segment revenue	7,188	2,265	961	-	750	(11,163)	-
Total revenue	38,648	4,172	8,567	-	750	(11,163)	40,974
RESULTS							
Segment results	1,268	50	1,198	-	(353)	-	2,163
Finance costs	(155)	(27)	(18)	-	(521)	-	(721)
Profit from ordinary activities before taxation	1,113	23	1,180	-	(874)	-	1,442
Income tax expense							(637)
Profit from ordinary activities after taxation							805
Non-controlling interest							(306)
Net profit attributable to equity holders of the Company							499



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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

8. Segmental Information (Cont'd)

The Group	Design Manufacture and Retail Of Kitchen And Wardrobe Systems RM000	Marketing and Distribution Of White Goods RM000	Manufacture Of Glass and Aluminium Products RM000	Interior fit-out works RM000	Others RM000	Eliminations RM000	The Group RM000
Result for 3 months							
Quarter ended 31 December 2017							
REVENUE:							
External revenue	49,526	326	5,566	32	-	-	55,450
Inter-segment revenue	7,789	1,910	1,847	-	666	(12,212)	-
Total revenue	57,315	2,236	7,413	32	666	(12,212)	55,450
RESULTS							
Segment results	6,038	9	702	(3)	(197)	-	6,549
Finance costs	(172)	(2)	(13)	-	(520)	-	(707)
Profit from ordinary activities before taxation	5,866	7	689	(3)	(717)	-	5,842
Income tax expense	-	-	-	-	-	-	(1,519)
Profit from ordinary activities after taxation							4,323
Non-controlling interest							(334)
Net profit attributable to equity holders of the Company							3,989



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8. Segmental Information (Cont'd)

The Group	Design	Marketing	Manufacture	Interior	Others	Eliminations	The Group
	Manufacture and Retail Of Kitchen And Wardrobe Systems	Marketing and Distribution Of White Goods	Manufacture Of Glass and Aluminium Products				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Result for 6 months Quarter ended 31 December 2018							
REVENUE:							
External revenue	65,987	3,608	12,124	-	-	-	81,719
Inter-segment revenue	15,678	3,455	2,042	-	1,377	(22,551)	-
Total revenue	81,665	7,062	14,166	-	1,377	(22,551)	81,719
RESULTS							
Segment results	3,932	87	1,363	-	(478)	-	4,904
Finance costs	(286)	(30)	(28)	-	(1,054)	-	(1,398)
Profit from ordinary activities before taxation	3,646	57	1,335	-	(1,532)	-	3,506
Income tax expense							(1,348)
Profit from ordinary activities after taxation							2,158
Non-controlling interest							(363)
Net profit attributable to equity holders of the Company							1,795



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8. Segmental Information (Cont'd)

The Group	Design	Marketing	Manufacture	Interior	Others	Eliminations	The Group
	Manufacture and Retail Of Kitchen And Wardrobe Systems	and Distribution Of White Goods	Of Glass and Aluminium Products				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Result for 6 months							
Quarter ended 31 December 2017							
REVENUE:							
External revenue	98,145	1,316	8,213	32	-	-	107,706
Inter-segment revenue	14,511	2,642	2,370	-	1,376	(20,899)	-
Total revenue	112,656	3,958	10,583	32	1,376	(20,899)	107,706
RESULTS							
Segment results	9,991	49	415	(5)	(366)	-	10,084
Finance costs	(422)	(4)	(23)	-	(1,048)	-	(1,497)
Profit from ordinary activities before taxation	9,569	45	392	(5)	(1,414)	-	8,587
Income tax expense							(2,553)
Profit from ordinary activities after taxation							6,034
Non-controlling interest							(217)
Net profit attributable to equity holders of the Company							5,817

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8. Segmental Information (Cont'd)

The Group	Design							The Group
	Manufacture and Retail Of Kitchen And Wardrobe Systems	Marketing and Distribution Of White Goods	Manufacture Of Glass and Aluminium Products	Interior fit-out works	Others	Eliminations	RM000	
Assets and Liabilities	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000
As at 31 December 2018								
OTHER INFORMATION								
Segment assets	241,174	16,599	41,583	-	139,911	(148,392)	290,875	
Unallocated assets							4,200	
							<u>295,075</u>	
Segment liabilities	126,807	2,890	21,802	-	88,848	(124,591)	115,756	
Unallocated liabilities							656	
							<u>116,412</u>	

The Group	Design							The Group
	Manufacture and Retail Of Kitchen And Wardrobe Systems	Marketing and Distribution Of White Goods	Manufacture Of Glass and Aluminium Products	Interior fit-out works	Others	Eliminations	RM000	
Assets and Liabilities	RM000	RM000	RM000	RM000	RM000	RM000	RM000	RM000
As at 31 December 2017								
OTHER INFORMATION								
Segment assets	263,524	14,618	41,589	3,414	141,874	(150,957)	314,062	
Unallocated assets							4,031	
							<u>318,093</u>	
Segment liabilities	149,227	1,701	27,876	556	87,754	(127,926)	139,188	
Unallocated liabilities							657	
							<u>139,845</u>	

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9. Property, Plant and Equipment Valuation

There were no changes in the valuations of the Property, Plant and Equipment since the last audited financial statements. Upon transition to MFRS, the Group used the previous revaluation at or before the date of transition as deemed cost for property, plant and equipment.

10. Profit before taxation

Profit before taxation is arrived at after charging / (crediting):-

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Current Year-to-date 31 Dec 2018 RM'000	Preceding Year Corresponding Year-to-date 31 Dec 2017 RM'000
Profit before taxation is arrived at after charging :-				
Interest expense	653	652	1,299	1,319
Depreciation and amortisation	667	616	1,356	1,396
Provision for doubtful debts	250	-	250	-
Property, plant and equipment written off	108	-	108	-
ESOS / Share-based expenses	90	218	179	436
Profit before taxation is arrived at after Crediting :-				
Interest Income	(89)	(290)	(185)	(478)
Rental Income	(97)	(55)	(202)	(93)
Write-back of provision for doubtful debts	(50)	-	(50)	-
Gain on disposal of plant and equipment	(68)	(44)	(68)	(113)
(Gain) / loss on foreign exchange - realised	(43)	(118)	(43)	(124)
(Gain) / loss on foreign exchange - unrealised	(39)	392	(39)	322

11. Material Events Subsequent to the end of the interim period

There was no material events not reflected in the interim financial results.

12. Changes in the Composition of the Group

There were no changes in the composition of the Group during the quarter under review.



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13. Changes in Contingent Assets or Contingent Liabilities

As at 31 December 2018, corporate guarantees extended to licensed banks for credit facilities granted to the subsidiaries as follows:-

	Company	
	Current Year As At 31 Dec 2018 RM'000	Preceding Year As At 31 Dec 2017 RM'000
Corporate guarantee given to licensed banks for credit facilities granted to the subsidiaries	7,867	26,054
	<u>7,867</u>	<u>26,054</u>

14. Capital Commitments

Capital commitments for the purchase of property, plant and equipment and investment properties not provided for in the interim financial statements as at the balance sheet date were as follows:

	Current Year	Preceding Year
	As At 31 Dec 2018 RM'000	As At 31 Dec 2017 RM'000
Contracted but not provided for		
Purchase of property, plant and equipment	-	115
Purchase of investment properties	2,800	45,871
Total capital commitments	<u>2,800</u>	<u>45,986</u>



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PART B: EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD.

15. Review of Performance

- Current Quarter 3 months ended 31 December 2018

A summary of the financial results is set out below:-

	Individual Period		Changes %
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	
Revenue (External revenue)			
Design, Manufacture and Retail of Kitchen and Wardrobe Systems	31,460	49,526	-36.5%
Marketing and Distribution of White Goods	1,908	326	485.2%
Manufacture of Glass and Aluminium Products	7,606	5,566	36.7%
Interior fit-out works	-	32	100.0%
Others	-	-	0.0%
	40,974	55,450	-26.1%
Profit Before Tax			
Design, Manufacture and Retail of Kitchen and Wardrobe Systems	1,113	5,866	-81.0%
Marketing and Distribution of White Goods	23	7	228.6%
Manufacture of Glass and Aluminium Products	1,180	689	71.3%
Interior fit-out works	-	(3)	-100.0%
Others	(874)	(717)	21.9%
	1,442	5,842	-75.3%

The Group has recorded a decrease in revenue of RM14.5 million or -26.1%, from RM55.5 million in the preceding year corresponding quarter to RM41.0 million in the current quarter under review. The decrease was mainly due to lower project revenue contributed from Kitchen and Wardrobe segments.

The Group reported profit before taxation of RM1.4 million for current quarter as compared to profit before tax of RM5.8 million in the preceding year corresponding quarter. The decreased of RM4.4 million or -75.3% were due to the lower revenue recognized from the project segment and lower projects margin.

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NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT**15. Review of Performance (Cont'd)****- Current Quarter 3 months ended 31 December 2018****Kitchen and Wardrobe Systems**

This segment had shown a decrease in revenue of RM18.0 million or -36.5% from RM49.5 million in the preceding year corresponding quarter to RM31.5 million in the current quarter under review. The decrease was mainly due to lower project revenue contributed from Kitchen and Wardrobe segments.

The segment reported profit before taxation of RM1.1 million for current quarter as compared to profit before tax of RM5.9 million in the preceding year corresponding quarter. The decreased of RM4.8 million or -81.0% were due to lower revenue recognized from project segment and lower projects margin.

White Goods and Built-in Kitchen Appliances

This segment recorded an increase in revenue of RM1.6 million or 485.2%, from RM0.3 million in the preceding year corresponding quarter to RM1.9 million in the current quarter mainly due to higher revenue recognized from project segment.

Profit before tax for the current quarter increased by RM0.016 million or 228.6%, from a profit of RM0.007 million in preceding year corresponding quarter to a profit of RM0.023 million in the current quarter. The higher profit before tax was mainly due to the higher revenue recognized from project segment and higher margin.

Glass and Aluminium Product

This segment recorded an increase in revenue of RM2.0 million or 36.7% from RM5.6 million in the preceding year corresponding quarter to RM7.6 million in the current quarter. The increase in revenue was mainly due to higher project revenue recognized for the current quarter.

Profit before tax for the current quarter increased by RM0.5 million or 71.3%, from a profit RM0.7 million in the preceding year corresponding quarter to a profit RM1.2 million in the current quarter. The higher profit before tax was mainly due to higher projects revenue contributed for the current quarter.

Interior Fit-out Segment

There were no revenue being recorded for current quarter under review. The revenue for preceding year corresponding quarter is RM0.032 million.

This segment recorded a loss before tax of RM0.003 million in the preceding year corresponding quarter as compared to nil for current quarter under review as the segment remain as dormant.

Others Segment

The Other Segment inclusive of Investment Holding Company, Properties Investment Company, In-House Installers Academy and Dormant Companies. The main source of revenue for the reporting quarter represents Management fee charged by Holding Company.



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15. Review of Performance (Cont'd)

- Cumulative periods 6 months ended 31 December 2018

	Cumulative Period		Changes %
	Current Year-to-date 31 Dec 2018 RM'000	Preceding Year Corresponding Year-to-date 31 Dec 2017 RM'000	
Revenue (External revenue)			
Design, Manufacture and Retail of Kitchen and Wardrobe Systems	65,987	98,145	-32.8%
Marketing and Distribution of White Goods	3,608	1,316	174.2%
Manufacture of Glass and Aluminium Products	12,124	8,213	47.6%
Interior fit-out works	-	32	-100.0%
Others	-	-	0.0%
	81,719	107,706	-24.1%
Profit Before Tax			
Design, Manufacture and Retail of Kitchen and Wardrobe Systems	3,646	9,569	-61.9%
Marketing and Distribution of White Goods	57	45	26.7%
Manufacture of Glass and Aluminium Products	1,335	392	240.6%
Interior fit-out works	-	(5)	-100.0%
Others	(1,532)	(1,414)	8.3%
	3,506	8,587	-59.2%

The Group recorded a decrease in revenue of RM26.0 million or -24.1% from RM107.7 million in the preceding year to-date to RM81.7 million in the current year to-date under review. The decrease in revenue was mainly due to lower project revenue being recognized from Kitchen and Wardrobe segment.

The profit before tax reduced by RM5.1 million or -59.2% from RM8.6 million in the preceding year to-date to RM3.5 million in the current year to-date mainly due to additional provision for doubtful debts and lower interest income. However, ESOS expense was lower as compared to the preceding year to-date.



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15. Review of Performance (Cont'd)

- Cumulative periods 6 months ended 31 December 2018

Kitchen and Wardrobe Systems

This segment had shown a decrease in revenue of RM32.1 million or -32.8% from RM98.1 million in the preceding year to-date to RM66.0 million in the current year to-date under review. The decrease was mainly due to lower project revenue contribution from Kitchen and Wardrobe segment.

Profit before tax for the current year to-date was RM3.6 million as compared to RM9.6 million in the preceding year, a decrease of RM6.0 million or -61.9%. Lower profit before tax was due to lower margin from the project segment. In addition, there was additional provision for doubtful debts and interest income was lower. However ESOS expense for the current year to-date was lower as compared to the preceding year to-date

White Goods and Built-in Kitchen Appliances

This segment recorded an increase in revenue of RM2.3 million or 174.2%, from RM1.3 million in the preceding year to-date to RM3.6 million in the current year to-date.

This segment recorded a profit before tax of RM0.057 million for the current year to-date as compared to RM0.045 million in the preceding year to-date, an increase of RM0.012 million or 26.7% as a result of higher reported revenue in the current year to-date.

Glass and Aluminium Product

This segment recorded an increase in revenue of RM3.9 million or 47.6% from RM8.2 million in the preceding year to-date to RM12.1 million in the current year to-date. The increase in revenue was mainly due to higher projects revenue being recognized for the current year to-date.

Profit before tax increased by RM1.0 million or 240.6% from RM0.4 million in the preceding year to-date to RM1.3 million in the current year to-date due to higher projects revenue.

Interior Fit-out Segment

There was no revenue being recorded for current year-to-date. The revenue for the preceding year is RM0.032 million.

This segment recorded nil for the current year to-date as compared to loss before tax of RM0.005 million in the preceding year as a result of lower reported revenue in the preceding year to-date.

Others Segment

The Other Segment is inclusive of Investment Holding Company, Properties Investment Company, In-House Installers Academy and Dormant Companies. The main source of revenue for the reporting quarter represents Management fee charged by Holding Company.



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16. Material change in Profit before tax of Current Year Quarter compared with Preceding Quarter

	Current Year Quarter Ended 31 Dec 2018 RM'000	Immediate Preceding Quarter Ended 30 Sep 2018 RM'000	Changes %
Revenue	40,974	40,745	0.6%
Profit before taxation	1,442	2,064	-30.1%

The Group recorded revenue of RM41.0 million for current quarter compared to RM40.7 million in the immediate preceding quarter. The slight increase of RM0.3 million or 0.6% as a result of higher progress / project revenue being recognized from Kitchen & Wardrobe segment.

The Group profit before tax declined by RM0.7million or -30.1% as compared to immediate preceding quarter. The decrease in profit before tax for the current quarter as compared to immediate preceding quarter was mainly due to additional provision for doubtful debts, professional fee and stamping fee for acquisition of investment properties.

17. Commentary on Prospects and Target

Moving towards to financial year 2019, the Group expected to sustain its local project segment and develop its overseas business. The Group will strive to continuously replenish its existing order book of RM126million and further strengthen the performance from its project division, which has been the strong pillar of growth for the Group.

While on the retail segment, the Group will continue to set up more outlets to cater for the rising market of new property development as well as the signature display of cabinetry, appliances and finishes that makes up the Signature touch.

The Board acknowledges the current challenges in the industry, and will continue its efforts in maintaining its market dominance in the kitchen cabinet segment. Barring any unforeseen circumstances, the Board is confident to deliver satisfactory performance in the coming financial year.

18. Variance between Actual Results and Forecast Results

The Group did not issue any profit forecast or profit guarantee in respect of the current quarter under review.



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19. Taxation

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Current Year 31 Dec 2018 RM'000	Preceding Year 31 Dec 2017 RM'000
Current Tax Expense				
- Current Year	637	1,519	1,348	2,553
- Deferred Tax	-	-	-	-
Total Income Tax Expense	637	1,519	1,348	2,553

The Group's effective tax rate for the quarter and current year is higher than statutory tax rate as certain expenses are non-deductible for tax purposes.

20. Status of Corporate Proposals/Exercises

There were no corporate proposals announced during the current quarter under review.

21. Status of utilization of proceed raised from the exercise of ESOS Options and Warrants

The Company has since fully utilized the proceeds raised from ESOS Options and Warrants previously as working capital for the Company.

22. Derivative financial instruments

As at 31 December 2018, the Group has not entered into forward foreign exchange contracts and therefore has no outstanding balance under forward foreign exchange contracts.



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23. Trade Receivables

	As at 31 Dec 2018 RM'000	As at 30 Jun 2018 RM'000
Trade Receivables and Retention sum	71,001	88,231
Less: Allowance for Impairment	<u>(19,926)</u>	<u>(19,725)</u>
	51,075	68,506
Accrued billings	19,080	19,080
	<u>70,155</u>	<u>87,586</u>

The ageing analysis of the Group's trade receivables as at 31 December 2018 is as follows:

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
Not past due	22,692	-	-	22,692
Past due:				
- less than 3 months	774	-	-	774
- 3 to 6 months	24,947	-	-	24,947
- over 6 months	22,588	(19,926)	-	2,662
	<u>71,001</u>	<u>(19,926)</u>	-	<u>51,075</u>

The Group believes that no additional impairment allowance is necessary in respect of trade receivables that are past due but not impaired because they are companies with good collection track record and no recent history of default.

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24. Borrowings and Debt Securities

The Group's borrowings as follows:

	Cumulative Period	
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000
Term Loan (Secured) :-		
Current	5,739	4,293
Non Current	45,571	52,744
Total Bank Borrowing	51,310	57,037

25. Material Litigation

There was no material litigation against the Group as at the reporting date.

26. Memorandum of Understanding ("MOU")

The Group had on 22 November 2016 entered into a non-binding MOU with Bank Kerjasama Rakyat Malaysia Berhad to explore the possibility of collaborating with each other with regards to the provision of financing facilities to those who desire to upgrade and/or are interested to buy kitchen equipment and appliances from the Group, as the case may be.

There has been no further development since the previous announcement.

27. Proposed Dividend

The final single tier dividend of 1.5 sen per ordinary share amounting to RM 3,392,817.73 for the financial year ended 30 June 2018 was approved by the shareholders in the Annual General Meeting and paid on 2 January 2019.

The board has not recommended any interim dividend for the current quarter.

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28. Earnings per Share

(i) Basic EPS

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Current Year-to-date 31 Dec 2018 RM'000	Preceding Year-to-date 31 Dec 2017 RM'000
BASIC EARNINGS PER SHARE				
Profit for the year attributable to ordinary equity holders of the Company	499	3,989	1,795	5,817
Weighted average number of ordinary shares in issue ('000)	226,188	229,097	226,188	229,097
Basic Earnings per Share (sen)	0.2	1.7	0.8	2.5

(ii) Diluted EPS

	Individual Period		Cumulative Period	
	Current Year Quarter Ended 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2017 RM'000	Current Year-to-date 31 Dec 2018 RM'000	Preceding Year-to-date 31 Dec 2017 RM'000
DILUTED EARNINGS PER SHARE				
Profit for the year attributable to ordinary equity holders of the Company	499	3,989	1,795	5,817
Weighted average number of ordinary shares for basic earnings per share ('000)	226,188	229,097	226,188	229,097
Shares deemed to be issued for no consideration: warrants ('000)	-	-	-	-
Weighted average number of ordinary shares for diluted earnings per share ('000)	226,188	229,097	226,188	229,097
Diluted Earnings per Share (sen)	0.2	1.7	0.8	2.5

29. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding audited financial statements of the Company and its subsidiaries for the financial year ended 30 June 2018 were not subject to any qualification.

30. Authorisation for issue

The interim financial report was authorized for issue by the Board of Directors in accordance with a resolution of the Board on 25 February 2019.