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Signature adopts new strategy

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Kitchen and wardrobe manufacturer looks to strengthen overseas ops

SPECIALIST kitchen and wardrobe manufacturer Signature International Bhd is embarking on new business strategy to transform the way it does business in overseas markets.

Group managing director Tan Kee Choong said its regional business strategy for the past 15 years was focused on retail and was purely to expose its brand abroad.

"During the time, we secured quite a number of projects directly, with contracts to supply and install. Managing supply and install project overseas is very challenging, of high-risk and took up a lot of our time and resources.

"We stopped undertaking such projects when our local project orders began to rise, simply because we needed our resources here, especially our installers and project management team," he tells *StarBizWeek*.

Now, he says, the group sees overseas markets as a potential growth area and has changed its strategy from "supply and install" to just "supply".

In order to do this, he says, the group needs to identify and develop project dealers who are existing players in those markets and have the resources to undertake project contracts with their own installation teams.

"These are dealers who have good property market knowledge and have the resources to undertake projects. They are basically our customers who buy our products to supply to the projects that they have secured. In general terms, they will be our project dealers," Tan says.

The group has already identified its working partners in Thailand, Cambodia and Vietnam and India.

Signature International began venturing into overseas markets in 2003 with its first project in Colombo, Sri Lanka, and has set up its first showroom in Bangkok.

"Since then, we have completed more than 60 projects in many markets including India, Thailand, Vietnam, Dubai, Abu Dhabi, Indonesia, Singapore, Maldives and Mauritius.

"At this moment, we also have our showrooms managed by appointed dealers in 15 countries including Brunei, Thailand, Vietnam, Indonesia, the Philippines, Myanmar, Cambodia, India and Pakistan."

Tan says while its current overseas presence is impressive, the number of countries the group does business with is not reflected in its revenue.

"Our export business is different from the conventional furniture manufacturers in Malaysia that export their products by containers. We export order by order, and the items are very niche and custom made.

"Customers place an order with our dealers in that particular country, and they then place the order with us, after which we manufacture and send it to them. It is a niche market, so we don't expect high volume from the retail orders," he says.

However, he says, if the group successfully embark on the new strategies for regional projects, it could eventually bring in bigger orders.

Signature International targets to secure between RM30mil and RM50mil yearly just from such overseas projects.

However, Tan says this will take time.

"We don't expect to see any significant contribution in the next financial year. I foresee that in about two years from now, we may start to see the results," he says.

The group's export segment currently contributes less than 5% of its income.

"We are already channelling more resources into expanding our regional business. We currently have over RM50mil in enquiries for our products from countries in Asia-Pacific," he says.

On the local front, the group has secured several projects worth between RM150mil and RM200mil in Iskandar Malaysia, Johor.

It is working with major developers including UEM Sunrise, WCT Holdings, BRDB, Country Garden, R&F Group, Greenland, Iskandar Waterfront, KSL, SP Setia Group, Astaka Padu Sdn Bhd, Zhou Yuan Group, Gamuda Land, Singapore's CapitaLand and Encorp Bhd.

These projects are in various stages, from proposal to work in progress.

Signature International is also looking to enter the Government's 1Malaysia People's Housing Programme (PR1MA).

"Prima houses are designed as affordable homes and currently do not come with kitchen cabinets. However, with the volume it may generate, we see this as a potential business opportunity for us. At this moment, we are still in preliminary negotiation stages," he added.

Earlier this month, the group said it expected relatively slower growth in the year ahead, following a strong 87.8% jump in net profit for the financial year ended June 30, 2015 (FY15).

This, it said, was due to revenue recognition which was "too fast" in FY15 and was supposed to have flowed into FY16.

The group, however, expects the performance to pick up again in the following year.

For FY15, net profit rose 87.8% to RM36.11mil from RM19.23mil in the preceding year, driven by higher revenue and margins, fair value gain in property investment, gain on disposal of treasury shares and write-down of bad debts.

Consequently, the group's earnings per share rose to 30.1 sen in FY15 from 16.2 sen in the preceding year, while its revenue grew 52.7% to RM272.93mil from RM178.74mil.

Its order book stands at RM140mil.

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Market Summary

Updated: 24 May 2016 | 4:20 PM
Quotes are delayed by at least 15 mins

FBM KLCI Vol ('00)

1628.65 -6.24 -0.38% **14,265,155**

Day's Range **52 Weeks Range**

Low	1625.81	Low	1503.68
High	1631.76	High	1788

Gainers: **282** Losers: **516**

Unchanged: **330** Untraded: **616**

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Market Movers

Active	Gainers	Losers		
Symbol	Last	Chg	Vol ('00)	
AAX-WA	0.305	0.010	772,120	
XOX-WA	0.075	0.000	494,821	
AAX	0.395	0.005	440,779	
XOX	0.160	-0.005	414,574	
VSOLAR	0.100	0.015	394,924	

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