THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, please consult your stockbroker, bank manager, solicitor, accountant, bank manager or other professional advisers immediately.

SIGNATURE INTERNATIONAL BERHAD
(200601034359 (754118-K))
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE

PART A

(I) PROPOSED BONUS ISSUE OF 295,248,685 NEW ORDINARY SHARES IN SIGNATURE INTERNATIONAL BERHAD ("SIGNATURE") ("BONUS SHARE(S)") ON THE BASIS OF 1 BONUS SHARE FOR EVERY 1 EXISTING ORDINARY SHARE IN SIGNATURE HELD ON AN ENTITLEMENT DATE TO BE DETERMINED AND ANNOUNCED LATER;

(II) PROPOSED ACQUISITION OF 1,500,001 ORDINARY SHARES IN CORTEN INTERIOR SOLUTIONS PTE LTD ("CORTEN"), REPRESENTING 75.0% EQUITY INTEREST IN CORTEN FOR A CASH CONSIDERATION OF SGD45.00 MILLION (EQUIVALENT TO RM148.25 MILLION);

(III) PROPOSED ACQUISITION OF 1,000,001 ORDINARY SHARES IN AREAL INTERIOR SOLUTIONS PTE LTD ("AREAL"), REPRESENTING THE ENTIRE EQUITY INTEREST IN AREAL FOR A CASH CONSIDERATION OF SGD2.80 MILLION (EQUIVALENT TO RM9.22 MILLION); AND

(IV) PROPOSED WAIVER FROM THE SHAREHOLDERS OF SIGNATURE TO WAIVE THEIR PRE-EMPTIVE RIGHTS UNDER SECTION 85 OF THE COMPANIES ACT 2016

(COLLECTIVELY, REFERRED AS THE "PROPOSALS")

PART B

PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

M & A SECURITIES SDN BHD
(197301001503 (15017-H))
(A Wholly-Owned Subsidiary of Insas Berhad)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Extraordinary General Meeting ("**EGM**") of Signature will be conducted virtually through live streaming from the broadcast venue at Chin Hin Culture Centre, F-0-1 & F-0-2, Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Thursday, 23 March 2023 at 9.00 a.m.. The Notice of EGM, Proxy Form and Administrative Guide for the EGM are enclosed together with this Circular. The completed and signed Proxy Form should be lodged with the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur on or before the date and time indicated below in order for it to be valid. You also have the option to submit the Proxy Form electronically via TIIH Online at https://tiih.online. Please refer to the Administrative Guide for the EGM for further details.

Last day, date and time for lodging the Proxy Form	: Tuesday, 21 March 2023 at 9.00 a.m.
Day, date and time of the EGM	: Thursday, 23 March 2023 at 9.00 a.m.

This Circular is dated 8 March 2023

PART A

LETTER TO THE SHAREHOLDERS OF SIGNATURE IN RELATION TO THE PROPOSALS

DEFINITIONS

Unless where the context otherwise requires, the following definitions shall apply throughout this Circular and the accompanying appendices:

"Acquisition of Fiamma"	:	Acquisition of 120,000,000 ordinary shares in Fiamma Holdings Berhad for a total cash consideration of RM180.00 million which was completed on 26 September 2022
"Acquisition of SAC"	:	Acquisition of 765,000 ordinary shares, representing 51.0% equity interest in SAC for a total cash consideration of RM14.26 million (after deducting the receipt of profit guarantee of RM0.35 million) which was completed on 25 March 2022
"Acquisition of SASB"	:	Acquisition of 400,000 ordinary shares, representing 40.0% equity interest in SASB for a total cash consideration of RM15.00 million which was completed on 26 May 2022
"Act"	:	The Companies Act 2016
"Areal"	:	Areal Interior Solutions Pte Ltd (201914845C)
"Areal Share(s)"	:	Ordinary share(s) in Areal
"BNM"	:	Bank Negara Malaysia
"Board"	:	Board of Directors of Signature
"Bonus Share(s)"	:	295,248,685 new Signature Share(s) to be issued pursuant to the Proposed Bonus Issue
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (200301033577 (635998-W))
"CAGR"	:	Compound annual growth rate
"Circular"	:	This circular dated 8 March 2023 to the shareholders of Signature in relation to the Proposals
"Comparable Companies"	:	Selected comparable companies listed on Singapore Exchange Limited that are involved in similar business activities to that of the Subject Companies
"Corten"	:	Corten Interior Solutions Pte Ltd (201408463R)
"Corten Group"	:	Corten and its subsidiary, collectively
"Corten Share(s)"	:	Ordinary share(s) in Corten
"COVID-19"	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and it is a global pandemic
"Director(s)"	:	Director of the Company which shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and Section 2 of the Act, and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisitions were agreed upon, a director of the Company, its subsidiary or holding company or a Chief Executive of the Company, its subsidiary or holding company

"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"Eco Asia"	:	Eco Asia Capital Advisory Sdn Bhd (201801022562 (1284581-H)), being the independent expert opining on the fairness of the Purchase Considerations for the Proposed Acquisitions
"EGM"	:	Extraordinary general meeting
"Entitlement Date"	:	A date to be determined and announced later by the Board, as at the close of business on which the shareholders of Signature must be registered in the Record of Depositors of the Company in order to be entitled to the Proposed Bonus Issue
"EPS"	:	Earnings per share
"EV"	:	Enterprise value
"FPE"	:	Financial period ended/ending, as the case may be
"FYE"	:	Financial year ended/ending, as the case may be
"GDP"	:	Gross domestic product
"GFCF"	:	Gross fixed capital formation
"GP"	:	Gross profit
"Guaranteed NA"	:	NA value of not less than SGD25.00 million as at 28 February 2023 to be attained by Corten
"Guaranteed PAT"	:	PAT of not less than SGD10.00 million for the FYE 28 February 2023 to be attained by Corten
"Lands Disposal"	:	Disposal of 3 pieces of vacant freehold lands by Signature Realty Sdn Bhd, a wholly-owned subsidiary of Signature, for a total cash consideration of RM54.57 million which was completed on 27 June 2022
"LAT"	:	Loss after tax
"LBT"	:	Loss before tax
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	15 February 2023, being the latest practicable date prior to the printing of this Circular
"M&A Securities" or "Adviser"	:	M & A Securities Sdn Bhd (197301001503 (15017-H))
"Main Market"	:	Main Market of Bursa Securities

"Major Shareholder(s)"	:	A person, who has or had an interest or interests in 1 or more voting shares in the Company and the number or aggregate number of those shares, is: (i) 10.0% of more of the total number of voting shares in the Company; or (ii) 5.0% or more of the total number of voting shares in the Company where such person is the largest shareholder of the Company. Major Shareholder also includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Acquisitions were agreed upon, a major shareholder of the Company, its subsidiary or holding company For the purpose of this definition, "interest" shall have the meaning as "interest in shares" given in Section 8 of the Act
"Market Day(s)"	:	Any day between Monday to Friday (inclusive of both days), which is not a public holiday and on which Bursa Securities is open for trading in securities, which may include a Surprise Holiday
"NA"	:	Net assets
"NL"	:	Net liabilities
"PAT"	:	Profit after taxation
"PBT"	:	Profit before taxation
"PE"	:	Price-to-earnings
"Placement Share(s)"	:	New Signature Share(s) to be issued pursuant to the Proposed Private Placement
"Proposals"	:	Proposed Bonus Issue, Proposed Acquisitions and Proposed Waiver, collectively
"Proposed Acquisitions"	:	Proposed Acquisition of Corten and Proposed Acquisition of Areal, collectively
"Proposed Acquisition of Areal"	:	Proposed acquisition of 1,000,001 Areal Shares, representing the entire equity interest in Areal from Lim Leng Foo and Chua Wei Ping for a cash consideration of SGD2.80 million (equivalent to RM9.22 million as at LPD)
"Proposed Acquisition of Corten"	:	Proposed acquisition of 1,500,001 Corten Shares, representing 75.0% equity interest in Corten from Lim Leng Foo for a cash consideration of SGD45.00 million (equivalent to RM148.25 million as at LPD)
"Proposed Bonus Issue"	:	Proposed bonus issue of 295,248,685 Bonus Shares on the basis of 1 Bonus Share for every 1 existing Signature Share held on the Entitlement Date
"Proposed Private Placement"	:	Proposed private placement of up to 57,969,337 new Signature Shares at an indicative issue price of RM1.08 per Signature Share as announced on 18 January 2023

"Proposed Waiver"	:	Proposed waiver from the shareholders of Signature to waive their pre-emptive rights to any issuance of Placement Shares
"Protégé" or "Independent Market Researcher"	:	Protégé Associates Sdn Bhd (200401037256 (675767-H)), being the independent market researcher
"Purchase Considerations"	:	Total cash considerations of SGD45.00 million and SGD2.80 million for the Proposed Acquisition of Corten and Proposed Acquisition of Areal, respectively
"Record of Depositors"	:	A record of depositors established and maintained by Bursa Malaysia Depository Sdn Bhd
"RM" and "sen"	:	Ringgit Malaysia and sen, respectively
"SAC"	:	Space Alliance Contracts Sdn Bhd (200901033729 (876842-P))
"SASB"	:	Signature Aluminium Sdn Bhd (200501006216 (683263-V))
"SGD"	:	Singapore Dollars
"Signature" or "Company"	:	Signature International Berhad (200601034359 (754118-K))
"Signature Group" or "Group"	:	Signature and its subsidiaries, collectively
"Signature Share(s)" or "Share(s)"	:	Ordinary share(s) in Signature
"sq ft"	:	Square feet
"SSA"	:	SSA I and SSA II, collectively
"SSA I"	:	Conditional share sale agreement entered into between Signature with Lim Leng Foo dated 3 November 2022 for the Proposed Acquisition of Corten
"SSA II"	:	Conditional share sale agreement entered into between Signature with Lim Leng Foo and Chua Wei Ping dated 3 November 2022 for the Proposed Acquisition of Areal
"Subject Companies"	:	Corten and Areal, collectively
"Surprise Holiday"	:	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
"USD"	:	United States Dollar
"VWAP"	:	Volume weighted average market price
"Woodcraft"	:	Woodcraft Studio Sdn Bhd (201501007373 (1132706-T), a wholly-owned subsidiary of Corten

"YTD"	:	Year-to-date

Unless otherwise stated, the exchange rate of SGD1.00 : RM3.2945, being the middle rate quoted by BNM as at 5.00 p.m. as at LPD is used throughout this Circular. Such translation is provided solely for the convenience of readers and should not be constituted as representative that the translated amount stated in this Circular could have been or would have been converted into such other amounts or vice versa.

Any discrepancy in the figures included in this Circular between the amounts listed, actual figures and the totals thereof are due to rounding.

Any reference in this Circular to any statues, rules, regulations or rules of the stock exchange is a reference to such statues, rules, regulations or rules of the stock exchange currently in force and as may be amended from time to time and any re-enactment thereof.

Words incorporating the singular shall, where applicable, include the plural and vice versa and words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Reference to persons shall include a corporation, unless otherwise specified. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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THIS EXECUTIVE SUMMARY HIGHLIGHTS ONLY THE SALIENT INFORMATION OF THE PROPOSALS. YOU ARE ADVISED TO READ THIS CIRCULAR IN ITS ENTIRETY FOR FURTHER DETAILS AND NOT TO RELY SOLELY ON THIS EXECUTIVE SUMMARY IN FORMING A DECISION ON THE PROPOSALS BEFORE VOTING AT THE FORTHCOMING EGM.

The Board is recommending shareholders of Signature to vote **IN FAVOUR** of the resolutions in relation to the Proposals to be tabled at the forthcoming EGM.

Key information		Description	Reference to Part A of Circular
Summary	:	**Proposed Bonus Issue** Proposed bonus issue of 295,248,685 Bonus Shares on the basis of 1 Bonus Share for every 1 existing Signature Share held on the Entitlement Date. **Proposed Acquisition of Corten** The Proposed Acquisition of Corten entails the acquisition of 1,500,001 Corten Shares, representing 75.0% equity interest in Corten for a cash consideration of SGD45.00 million, subject to the terms and conditions of the SSA I. **Proposed Acquisition of Areal** The Proposed Acquisition of Areal entails the acquisition of 1,000,001 Areal Shares, representing the entire equity interest in Areal for a cash consideration of SGD2.80 million, subject to the terms and conditions of the SSA II. **Proposed Waiver** Proposed waiver from the shareholders of Signature to waive their pre-emptive rights to any issuance of Placement Shares.	Section 2
Rationale	:	**Proposed Bonus Issue** The Proposed Bonus Issue is an appropriate avenue for the Company to reward its existing shareholders as it will: (i) increase the number of Signature Shares held by the existing shareholders with no cash outlay by them, while maintaining their percentage of shareholdings in the Company; (ii) adjust the market price of Signature Shares to a level that is more affordable in order to appeal to a wider group of shareholders and investors; and (iii) provide an opportunity to increase/encourage the trading liquidity of Signature Shares in the market and greater participation by investors.	Section 3

Key information		Description	Reference to Part A of Circular
Rationale *(Cont'd)*	:	**Proposed Acquisitions** (i) The Proposed Acquisitions are in line with Signature Group's objective of acquiring strategic stakes in companies with potential for future growth. Both Signature and the Subject Companies are largely involved in the home furnishing industry focusing on kitchen furniture and fixtures; (ii) The Proposed Acquisitions will expand Signature Group's scale of operations and facilitate Signature Group's presence into the home furnishing industry of Singapore. Upon completion of the Proposed Acquisitions, Signature Group will hold 75.0% and the entire equity interest of Corten and Areal respectively, which will allow Signature Group to consolidate the financial results of the Subject Companies. This is expected to increase the profitability and strengthen the financial position of Signature Group; and (iii) The Proposed Acquisitions will enable Signature Group to strengthen its manufacturing capabilities by saving costs required to source for furniture from third-party and have better flexibility over product lead times. **Proposed Waiver** In order for the Board to issue any Placement Shares arising from the Proposed Private Placement free of pre-emptive rights, such pre-emptive rights must be waived. Funds raised from the Proposed Private Placement will be utilised to part finance the Proposed Acquisitions.	Section 3
Approvals required	:	The Proposals are subject to the approvals being obtained from the following: (i) shareholders of Signature at an EGM to be convened; (ii) Bursa Securities for the listing of and quotation for (i) the Bonus Shares on the Main Market, which was obtained on 13 January 2023; and (ii) the Placement Shares on the Main Market, which was obtained on 22 February 2023; and (iii) any other relevant authorities and/or parties, if required.	Section 8

Key information		Description	Reference to Part A of Circular
Conditionality	:	The Proposed Bonus Issue is not conditional upon any other corporate proposals undertaken or to be undertaken by Signature. The Proposed Acquisitions are inter-conditional upon each other. However, the Proposed Acquisitions are not conditional upon any other proposals undertaken or to be undertaken by the Company. For avoidance of doubt, the Proposed Private Placement is conditional upon the Proposed Acquisitions and Proposed Waiver but is not conditional upon any other corporate proposals undertaken or to be undertaken by Signature.	Section 8

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SIGNATURE INTERNATIONAL BERHAD
(200601034359 (754118-K))
(Incorporated in Malaysia)

Registered Office:
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

8 March 2023

Board of Directors:

Datuk Seri Chiau Beng Teik *(Non-Independent Non-Executive Chairman)*
Chiau Haw Choon *(Managing Director)*
Shelly Chiau Yee Wern *(Executive Director)*
Dato' Che Halin Bin Mohd Hashim *(Independent Non-Executive Director)*
Rozahan Bin Osman *(Independent Non-Executive Director)*
Chee Jee Kong *(Independent Non-Executive Director)*
Gu, Jincheng *(Non-Independent Non-Executive Director)*
Wang, Yongneng *(Alternate to Gu, Jincheng)*

To: The shareholders of Signature

Dear Sir/Madam,

(I) PROPOSED BONUS ISSUE;
(II) PROPOSED ACQUISITIONS; AND
(III) PROPOSED WAIVER

1. INTRODUCTION

On 3 November 2022, on behalf of the Board, M&A Securities announced that the Company had on even date, entered into the following conditional share sale agreements:

(i) SSA I with Lim Leng Foo for the Proposed Acquisition of Corten; and

(ii) SSA II with Lim Leng Foo and Chua Wei Ping for the Proposed Acquisition of Areal.

Details of the Proposed Acquisitions are set out in the ensuing sections of this Circular.

On 14 November 2022, on behalf of the Board, M&A Securities announced that the Company proposed to undertake a bonus issue of 295,248,685 Bonus Shares, on the basis of 1 Bonus Share for every 1 existing Signature Share held on the Entitlement Date.

On 16 January 2023, M&A Securities had on behalf of the Board, announced that Bursa Securities had vide its letter dated 13 January 2023, approved the listing of and quotation for the Bonus Shares on the Main Market, subject to the following conditions:

No	Conditions	Status of Compliance
(i)	Signature and M&A Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Bonus Issue	To be complied
(ii)	Signature is required to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders at the EGM approving the Proposed Bonus Issue	To be complied
(iii)	Signature and M&A Securities are required to inform Bursa Securities upon the completion of the Proposed Bonus Issue	To be complied
(iv)	Signature is required to inform Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Bonus Issue is completed	To be complied
(v)	Signature and M&A Securities are required to make the relevant announcements in accordance with Paragraphs 6.35(2)(a)&(b) and 6.35(4) of the Listing Requirements	To be complied

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AS WELL AS TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES BEFORE VOTING BY WAY OF POLL ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS

2.1 Proposed Bonus Issue

2.1.1 Basis and quantum of Bonus Shares to be issued

The Proposed Bonus Issue entails the issuance of 295,248,685 Bonus Shares, on the basis of 1 Bonus Share for every 1 existing Signature Share held by the shareholders of Signature whose names appear in the Record of Depositors of the Company on the Entitlement Date.

As at LPD, Signature has an issued share capital of RM101,322,849 comprising 295,248,685 Shares (including 5,402,000 Shares held as treasury shares). For avoidance of doubt, Signature does not have any outstanding convertible securities as at LPD. Pursuant to Section 127(11) of the Act, the treasury shares held will be entitled to Bonus Shares and will be treated as treasury shares held by the Company upon allotment and issuance. For avoidance of doubt, the Board has undertaken and confirmed that the Company will not cancel any treasury shares until the completion of the Proposed Bonus Issue.

The basis of the Proposed Bonus Issue was determined after taking into consideration, amongst others, the following:

(i) the potential adjustments to the share price of Signature Shares arising from the Proposed Bonus Issue; and

(ii) the enlarged number of Signature Shares after the Proposed Bonus Issue.

The Entitlement Date will be determined and announced at a later date by the Board upon receipt of all relevant approvals for the Proposed Bonus Issue. The Proposed Bonus Issue will not be implemented in stages over a period of time.

Fractional entitlements, arising from the Proposed Bonus Issue, if any, will be disregarded and shall be dealt with by the Board in such manner at its absolute discretion as it may deem fit and expedient, and in the best interest of the Company.

Pursuant to Paragraph 6.30(1A) of the Listing Requirements, the share price adjusted for the Proposed Bonus Issue shall not be less than RM0.50 based on the daily VWAP of Signature Shares during the past 3-month period before the date of application to Bursa Securities.

For illustrative purposes, the 5-day VWAP and lowest 3-month daily VWAP of Signature Shares up to 6 January 2023 (being the Market Day immediately preceding the submission of the additional listing application to Bursa Securities for the Proposed Bonus Issue), and the theoretical ex-bonus share price of Signature Shares are as follows:

	Before Proposed Bonus Issue	**After Proposed Bonus Issue**
	Market price	**Theoretical ex-bonus share price**
	RM	**RM**
5-day VWAP	2.3881	1.1940
Lowest 3-month daily VWAP	1.6570	0.8285

Based on the above, the Board confirms that the Proposed Bonus Issue complies with Paragraph 6.30(1A) of the Listing Requirements.

2.1.2 No capitalisation of reserves

The Bonus Shares will be issued as fully paid, at nil consideration and without capitalisation of the Company's reserves. The Proposed Bonus Issue will not raise any funds for the Company.

For avoidance of doubt, the Proposed Bonus Issue will increase the number of Signature Shares but will not increase the value of issued share capital of Signature.

2.1.3 Ranking of the Bonus Share

The Bonus Shares will, upon allotment and issuance, rank *pari passu* in all respects with the then existing Signature Shares, save and except that the Bonus Shares will not be entitled to any dividends, rights, allotments and/or any other forms of distributions that may be declared, made or paid, the entitlement date of which is prior to the date of allotment and issuance of the Bonus Shares.

2.1.4 Listing of and quotation for the Bonus Shares

Approval has been obtained from Bursa Securities vide its letter dated 13 January 2023 for the listing of and quotation for the Bonus Shares to be issued pursuant to the Proposed Bonus Issue on the Main Market, subject to the conditions as set out in Section 1, Part A.

Upon obtaining all the necessary approvals, the Bonus Shares shall be listed and quoted on the Main Market on the next Market Day following the Entitlement Date.

2.2 Proposed Acquisitions

The Proposed Acquisitions entail the acquisitions by the Company of (i) 75.0% equity interest in Corten; and (ii) the entire equity interest in Areal, from the respective vendor(s) for the purchase considerations of SGD45.00 million and SGD2.80 million respectively, which shall be satisfied wholly in cash.

Upon completion of the Proposed Acquisitions, Corten and Areal will become a 75.0%-owned subsidiary and a wholly-owned subsidiary of Signature respectively. Subject to the terms and conditions of the SSA in respect of the Proposed Acquisitions, the issued shares in the Subject Companies will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

As part of the terms of the SSA I in respect of the Proposed Acquisition of Corten, the vendor of Corten guarantees that Corten shall achieve (i) the Guaranteed PAT of not less than SGD10.00 million for the FYE 28 February 2023; and (ii) Guaranteed NA of not less than SGD25.00 million as at 28 February 2023.

2.2.1 Information on Corten

Corten was incorporated in Singapore on 25 March 2014 as a private limited company. Corten commenced its business operations on its incorporation date of 25 March 2014. Corten is principally involved in design, manufacture and distribution of kitchen and wardrobe systems and interior fit-out. Corten has a wholly-owned subsidiary namely Woodcraft which is principally involved in the manufacturing of wooden and cane furniture.

Further details on the background information on Corten and its subsidiary is set out in Appendix I(A), Part A.

2.2.2 Information on Areal

Areal was incorporated in Singapore on 8 May 2019 as a private limited company. Areal commenced its business operations on 1 May 2020. Areal is principally involved in fabrication and finishing of stone and metal products such as kitchen countertop, basin, bath vanity, wall cladding, etc. Areal does not have any subsidiary or associated company.

Further details on the background information on Areal is set out in Appendix I(B), Part A.

2.2.3 Information on the vendors

Lim Leng Foo, a Singaporean male aged 59, has approximately 40 years of experience in the furniture industry, where he focuses in furniture manufacturing and interior fit-out of residential and hospitality projects. He is presently the director and shareholder of Corten and Areal and has been involved in the businesses of Corten and Areal since 2019. He served as the Chief Executive Officer of Design Studio Group Ltd, a company listed on the Singapore Exchange Limited which is principally involved in (i) manufacturing, supplying and installation of panelling products; and (ii) provision of interior fitting-out services to hospitality and commercial projects, where he spearheaded the business development, research and product development and the overall business operations of the group from 1994 to 2015. After the completion of the Proposed Acquisition of Corten and Proposed Acquisition of Areal, Lim Leng Foo will continue to serve as the director and key management personnel of Corten and Areal.

Chua Wei Ping, a Singaporean male aged 44, has approximately 20 years of experience in the home furnishing industry. He is presently the director and shareholder of Areal. He is the key management personnel of Areal and has been involved in the business of Areal since its inception. After the completion of the Proposed Acquisitions, Chua Wei Ping will continue to serve as a director and key management personnel in Areal.

2.3 Basis and justification for the Purchase Considerations

2.3.1 Proposed Acquisition of Corten

The purchase consideration of SGD45.00 million (equivalent to RM148.25 million) was arrived at on a "willing-buyer willing-seller" basis, after taking into consideration the PE multiple of Corten of 5.5 times based on the audited PAT of Corten for FYE 28 February 2022 of SGD8.12 million (equivalent to RM25.10 million based on average rate of SGD1.00: RM3.0931 for the FYE 28 February 2022 as extracted from BNM's website). In addition, the Board has also considered the following in arriving at the purchase consideration:

(i) the audited NA of Corten for FYE 28 February 2022 of SGD18.11 million (equivalent to RM55.98 million based on the closing rate of SGD1.00: RM3.0910 as at 28 February 2022 as extracted from BNM's website);

(ii) the earnings potential of Corten vis-à-vis its historical financial track record of Corten for the past 3 financial years as set out in Appendix I(A), Part A;

(iii) the Guaranteed PAT and Guaranteed NA;

(iv) the rationale of the Proposed Acquisition of Corten as set out in Section 3, Part A; and

(v) the prospects of Corten as set out in Section 6.6, Part A.

The purchase consideration for the Proposed Acquisition of Corten of SGD45.00 million represents a PE multiple of 6.0 times based on the Guaranteed PAT and the 75% equity interest to be acquired in Corten.

<u>Reasonableness of the Guaranteed PAT and Guaranteed NA</u>

The Guaranteed PAT and Guaranteed NA was a commercial decision arrived at between Signature and the vendor of Corten after taking into consideration, the following:

(i) the historical financial performance of Corten as set out in Appendix I(A), Part A, indicating a growing PAT trend from SGD2.36 million in FYE 29 February 2020 to SGD5.37 million in FYE 28 February 2021 and to SGD8.12 million in FYE 28 February 2022, representing a historical growth in PAT of 127.5% and 51.2% respectively;

(ii) unbilled order book of approximately SGD199.88 million (equivalent to approximately RM658.50 million), which will be recognised progressively over the next 3 years based on the expected progress of each project;

(iii) the continuation of the existing key management personnel's involvement in the day-to-day operations of Corten, being one of the terms in SSA I; and

(iv) the potential growth of Corten after taking into consideration the outlook and prospects of the furniture industry in Singapore as set out in Section 6.4, Part A.

Additionally, in the event of failure in attaining the Guaranteed PAT and Guaranteed NA, the vendor of Corten shall be liable to pay the shortfall to Signature within 30 days from the date of receipt of the audited financial statements of Corten for FYE 28 February 2023, failing which the vendor of Corten shall be liable to pay late payment interest of 8.0% per annum calculated on a daily rest basis on the outstanding sum of the shortfall from the due date up until the date of payment in full. The vendor of Corten did not provide any collateral for the payment of the shortfall, however, any failure to settle the shortfall by the vendor of Corten shall constitute a breach of the SSA I and the Company will be entitled to recover the shortfall by way of legal action.

The Board after having considered the above, is of the view that the Guaranteed PAT and Guaranteed NA for the Proposed Acquisition of Corten is reasonable and realistic.

2.3.2 Proposed Acquisition of Areal

The purchase consideration of SGD2.80 million (equivalent to RM9.22 million) was arrived at on a "willing-buyer willing-seller" basis where the purchase consideration was negotiated and agreed between the Company and the vendors of Areal after taking into consideration the total purchase consideration for both Proposed Acquisition of Corten and Proposed Acquisition of Areal collectively. In addition, the Board has also considered the following in arriving at the purchase consideration:

(i) the earnings potential of Areal as demonstrated by the increase in its revenue from SGD1.03 million in FYE 30 April 2021 to SGD4.64 million in FYE 30 April 2022;

(ii) the rationale of the Proposed Acquisition of Areal as set out in Section 3, Part A; and

(iii) the prospects of Areal as set out in Section 6.6, Part A.

In addition, Eco Asia, being the independent expert appointed by the Company to opine on the fairness of the Purchase Considerations, had through its report as set out in Appendix VI, Part A, adopted the relative valuation methodology by using the following valuation metrics in arriving at their opinion:

(i) PE multiple is a common and acceptable valuation metric which estimates a company's market value based on its PAT relative to its peers and is more likely to reflect the current sentiment of the market; and

(ii) EV/EBITDA multiple is commonly used in valuations as it is not affected by the differences in capital structures, borrowing costs and taxation as well as different depreciation and amortisation policies.

Valuation multiple	General description
PE	PE multiple measures the market capitalisation of a company to its net profits, and is computed as follows: $$\text{PE multiple} = \frac{\text{Market Capitalisation}}{\text{PAT}}$$ PE multiple reflects the market's view of the likely future growth in earnings and the quality of those earnings.
EV/EBITDA	EV/EBITDA multiple illustrates the ratio of the EV of a company (which is the sum of the market value and total debt less cash and cash equivalent balances) relative to a company's EBITDA, and is computed as follows: $$\text{EV/EBITDA multiple} = \frac{\text{EV}}{\text{EBITDA}}$$ Where: EV = Market capitalisation + preferred equity + non-controlling interests + short and long term debt – cash and cash equivalents EBITDA = PAT + taxation + interest expense – interest income + depreciation + amortisation EV/EBITDA indicates the price which investors are willing to pay to invest in a company compared to its EBITDA.

Eco Asia had assessed the fairness of the Purchase Considerations based on the relative valuation methodology, where PE multiple was used as the primary metric in view that the Purchase Considerations are derived based on the Guaranteed PAT while EV/EBITDA multiple was used as the secondary metric. Eco Asia had considered the PE multiples and EV/EBITDA multiples of the Comparable Companies which are listed on the Mainboard or Catalist of Singapore Exchange Limited and are principally operating in the design, manufacturing and distribution of furniture and interior fit-out.

It should be recognised that there is no company which is considered to be identical to the Subject Companies in term of, amongst others, composition of business activities, scale of business operation, asset base, accounting and tax policies, risk and financial profile, profit track record, capital structure, competitive environment, financial position and that such business may have fundamentally different profitability objectives. In addition, the selection of the Comparable Companies is highly subjective and judgmental in view that the Comparable Companies may not be entirely comparable to the Subject Companies due to various factors such as geographical factors, product market segment, client base and technical know-how. It should be noted that any comparison made with respect to the comparable companies is merely to provide an indicative current market expectation with regards to the implied valuation range of the Subject Companies.

The details of the Comparable Companies and the respective PE multiple and EV/EBITDA multiple are set out below:

[3]Comparable Companies	Principal activities	[1]PE multiple (times)	[1] EV/ EBITDA multiple (times)
Koda Ltd ("**Koda**")	Koda is one of the leading original designs for furniture. Koda designs and manufacture various furniture for the dining room, living room, bedroom and other furniture to meet customer's home living requirements	3.75	2.21
LY Corp Ltd ("**LYCL**")	LYCL is an established original design manufacturer which is principally engaged in the manufacturing of custom wooden bedroom furniture, and the manufacture of wooden bedroom furniture which may be tailored to customers' specifications and requirements on an original equipment manufacturer basis	11.14	6.17
Versalink Holdings Ltd ("**Versalink**")	Versalink is principally involved in the design, manufacturing and supply of a wide range of furniture for offices	28.99	7.18
	[2]Median	**11.14**	**6.17**

(Sources: Bloomberg and latest available 12-month audited / unaudited / trailing twelve months financial statements of the respective Comparable Companies as at 31 December 2022, being the date of opinion ("**Date of Opinion**") of Eco Asia*)*

Notes:

(1) Computed based on the exchange rate of SGD1.00 : RM3.2740, being the exchange rate quoted by BNM as at the Date of Opinion.

(2) Median is selected as a more informative measure of central tendency for distribution which contains a broad range of value.

(3) Excluded outlier companies, namely Lorenzo International Ltd and Kitchen Culture Holdings Ltd as trading in both these companies' shares have been suspended from the Singapore Stock Exchange since December 2018 and July 2021 respectively.

Based on the median PE multiple and EV/EBITDA multiple of the Comparable Companies and the Guaranteed PAT, the indicative value of the Subject Companies are as follows:

	Amount	
	SGD'000	**(1)RM'000**
PE multiple		
Guaranteed PAT(2)	10,000	32,740
Median PE multiple of the Comparable Companies (times)	11.14	11.14
Less:		
Illiquidity discount @ 20%(3)	(2.23)	(2.23)
Multiply:		
Adjusted PE multiple (times)	8.91	8.91
Valuation of 100.0% equity interest(5)	89,100	291,713
Valuation of 75.0% equity interest	**66,825**	**218,785**
EV/EBITDA multiple		
Guaranteed PAT(2)	10,000	32,740
Add:		
Taxation @ 17%(4)	2,048	6,705
Finance cost	257	841
Amortisation and depreciation	2,347	7,684
EBITDA of the Subject Companies	14,652	47,970
Median EV/EBITDA multiple of Comparable Companies (times)	6.17	6.17
Less:		
Illiquidity discount @ 20%(3)	(1.23)	(1.23)
Adjusted EV/EBITDA multiple (times)	4.94	4.94
Indicative EV of the Subject Companies	72,381	236,972
Less:		
Total debt	(6,892)	(22,564)
Add:		
Total cash and cash equivalents	5,809	19,019
Valuation of 100.0% equity interest	71,298	233,427
Valuation of 75.0% equity interest(5)	**53,474**	**175,070**

Notes:

(1) Computed based on the exchange rate of SGD1.00 : RM3.2740, being the exchange rate quoted by BNM as at the Date of Opinion.

(2) The Guaranteed PAT provided by Corten based on the SSA I is taken as a suitable basis to value the Subject Companies as the Proposed Acquisition of Corten and Proposed Acquisition of Areal are inter-conditional upon each other.

(3) As stated in Eco Asia's expert's report, a factor which may have an impact on the valuation is the liquidity of the asset i.e., the extent in which the asset can be freely bought or sold. Generally, shares of non-listed companies are not freely tradeable as compared to public listed companies. Illiquidity discount typically ranges from 20% - 30% where a healthier and larger company with more liquid assets, should have a smaller illiquidity discount. In the case of the Subject Companies, the ascribed valuation of 100% equity in the Subject Companies based on the purchase considerations for the Proposed Acquisitions amounting to SGD62.80 million (i.e. purchase consideration for the Proposed Acquisition of Corten amounting to SGD60.00 million assuming that the entire equity interest in Corten is being acquired) is higher than the market capitalisation of the Comparable Companies as at the Date of Opinion. In addition, the Subject Companies have collectively recorded a healthy PAT track record with a net current asset position. As such, a lower illiquidity discount of 20% has been adopted.

(4) Based on corporation tax rate of 17%. The estimated tax was derived by dividing the average Guaranteed PAT (which is based on the PAT) by 83% (i.e.: 1 – corporate tax rate), and thereafter, deducting the average Guaranteed PAT.

Based on the analyses above, Eco Asia is of the opinion that the Purchase Considerations is **fair** for Signature as it is below the valuation range of SGD53.47 million and SGD66.83 million (equivalent to RM175.07 million and RM218.79 million respectively) as at the Date of Opinion.

(5) The valuation of the Subject Companies was determined based on the valuation of Corten and hence, reflects the 75% equity interest to be acquired in Corten. The valuation of Corten is deemed appropriate to reflect the overall valuation of the Subject Companies due to:

(a) Areal is the manufacturing arm of Corten which is principally involved in the fabrication and finishing of stone and metal products. Products manufactured by Areal are substantially supplied for Corten's projects and hence, the PAT of Areal are eliminated from a consolidation perspective;

(b) the Proposed Acquisitions are inter-conditional upon each other; and

(c) the Guaranteed PAT is provided by Corten.

Other valuation approaches such as the revalued net asset value (**"RNAV"**) was considered by Eco Asia but was not used as the basis of valuation in view that the RNAV values a company on its NA value as a specific point in time and is therefore more suitable for valuation of property development, property investment and heavy asset-based companies. RNAV valuation method may not accurately reflect the potential of the Subject Companies as its value is more likely to be derived from its future business operations and income stream. The discounted cashflow valuation was also not used as a basis of valuation in view that this valuation method more appropriate for companies with a set of projected cash inflow and outflow that can be estimated with a high level of certainty for long periods.

Further details on Eco Asia's expert's report on the fairness of the Purchase Considerations are set out in Appendix VI, Part A.

Premised on the above, the Board deemed the Purchase Considerations reasonable and justifiable after taking into account the valuation statistics of the Comparable Companies above, as well as the rationale for the Proposed Acquisitions and the prospects of the enlarged Signature Group as set out in Sections 3 and 6.6, Part A respectively.

2.4 Source of funding

The Purchase Considerations will be funded via the proceeds to be raised from the Proposed Private Placement coupled with a combination of internally generated funds and bank borrowings, of which the proportions will be determined later after taking into consideration Signature Group's gearing level, interest costs and cash reserves. For avoidance of doubt, the Proposed Private Placement is conditional upon the Proposed Acquisitions and Proposed Waiver but is not conditional upon any other corporate proposals undertaken or to be undertaken by Signature. In terms of implementation, the Proposed Private Placement will be implemented after the entitlement date of the Proposed Bonus Issue.

In the event that the Proposed Bonus Issue is not completed, the Placement Shares to be issued pursuant to the Proposed Private Placement will be based on the then existing total number of issued shares of the Company (excluding treasury shares).

For illustrative purpose, the indicative quantum of the funding for the Purchase Considerations is tabulated in the following manner:

	SGD'000	RM'000	%
Proceeds to be raised from the Proposed Private Placement	18,893	[1]62,243	39.5
Bank borrowings	27,000	88,952	56.5
Internally generated funds	1,907	6,283	4.0
	47,800	**157,478**	**100.0**

Note:

(1) Based on the indicative issue price of RM1.08 per Placement Share pursuant to the Proposed Private Placement (after deducting the estimated expenses relating to the Proposed Private Placement of RM0.75 million).

2.5 Liabilities to be assumed by Signature

Save for the obligations and liabilities of Signature in and arising from the SSA I and SSA II as disclosed in Appendix II, Part A, the Company will not assume any other liabilities (including contingent liabilities and/or guarantees, if any) pursuant to the Proposed Acquisitions.

2.6 Additional financial commitment

After the completion of the Proposed Acquisitions, Signature does not expect to incur any additional material financial commitment to put the existing operations of the Subject Companies on-stream as the Subject Companies are already in operation and generating income and cash flow.

2.7 Proposed Waiver

On 23 February 2023, M&A Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 22 February 2023 approved the listing of and quotation for up to 57,969,337 Placement Shares to be issued pursuant to the Proposed Private Placement. The Proposed Private Placement is subject to the approval of the shareholders of Signature for the waiver of their statutory pre-emptive rights to be offered with new shares ranking equally to the existing issued Signature Shares arising from any issuance of Placement Shares pursuant to Section 85 of the Act to be read together with Clause 60 of the Constitution of the Company, at the forthcoming EGM.

The Court of Appeal's ruling on Section 85 of the Act in Concrete Parade Sdn. Bhd. v Apex Equity Holdings Bhd & Ors [2021] 9 CLJ 849 sets out:

(a) a "direction to the contrary" must be obtained before any shares are offered to outsiders.

(b) for a "direction to the contrary" to be operative, the proposed resolution must set out all the requisite information regarding the existing shareholders' pre-emptive rights under Section 85(1) of the Act, i.e.:

   (i) the existing shareholders had a statutory pre-emptive right to be offered any new shares which rank equally to existing shares issued by the company;
   (ii) by voting in favour of the resolution for the issuance of the new shares, the existing shareholders would be waiving their pre-emptive rights; and
   (iii) a waiver is only effective if the party waiving it had knowledge of his legal rights and with that knowledge consciously chose not to exercise the same.

Pursuant to Section 85(1) of the Act read together with Clause 60 of the Constitution of the Company, the existing shareholders of the Company have pre-emptive rights to be offered any new shares which will rank equally to the existing Shares issued by the Company.

Section 85 of the Act provides that:

(1) Subject to the constitution, where a company issues shares which rank equally to existing shares as to voting or distribution rights, those shares shall first be offered to the holders of existing shares in a manner which would, if the offer were accepted, maintain the relative voting and distribution rights of those shareholders.

(2) An offer under subsection (1) shall be made to the holders of existing shares in a notice specifying the number of shares offered and the time frame of the offer within which the offer, if not accepted, is deemed to be declined.

(3) If the offer is not accepted after the expiry of the period specified in the notice under subsection (2), the directors may dispose those shares in such manner as the directors think most beneficial to the company.

Clause 60 of the Constitution of the Company states that:

"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause."

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Sections 75 and 76 of the Act obtained from shareholders of the Company at its 15th Annual General Meeting convened on 21 December 2021 ("**General Mandate**"), whereby the Board had been authorised to issue and allot new Signature Shares not exceeding 10.0% of the total number of issued shares of the Company (excluding treasury shares). In light of the above ruling, the Company is unable to exercise its General Mandate for the Proposed Private Placement in the absence of a direction to the contrary of pre-emptive rights under Section 85 of the Act being given by the shareholders of the Company.

As mentioned in Section 2.4 above, the funds raised from the Proposed Private Placement will be utilised to part finance the Proposed Acquisitions. As such, if you vote in favour of the resolution pertaining to the Proposed Waiver to be tabled at the forthcoming EGM and such resolution, if passed, the shareholders of Signature are deemed to have waived their statutory pre-emptive rights under Section 85 of the Act to be read together with Clause 60 of the Constitution of the Company in respect of the issuance and allotment of new Placement Shares pursuant to the Proposed Private Placement.

3. RATIONALE FOR THE PROPOSALS

3.1 Proposed Bonus Issue

The Proposed Bonus Issue serves to reward the existing shareholders for their loyalty and continuous support to the Group. After taking into consideration various options available to reward its existing shareholders, the Board is of the view that the Proposed Bonus Issue is the most appropriate avenue as it will:

(i) increase the number of Signature Shares held by the existing shareholders with no cash outlay by them, while maintaining their percentage of shareholdings in the Company;

(ii) adjust the market price of Signature Shares to a level that is more affordable in order to appeal to a wider group of shareholders and investors; and

(iii) provide the opportunity to increase/encourage the trading liquidity of Signature Shares in the market and greater participation by investors.

3.2 Proposed Acquisitions

Signature Group is principally involved in:

(i) design, manufacture and retail of kitchen and wardrobe systems (eg. kitchen cabinets and wardrobe);

(ii) marketing and distribution of home appliances including white goods (eg. washing machines, hood, hob, oven, fridge, etc.);

(iii) manufacture of glass and aluminium products; and

(iv) interior fit-out works, specialising in interior fit-out and design consultation for commercial projects.

The Proposed Acquisitions are in line with Signature Group's objective of acquiring strategic stakes in companies with potential for future growth. Both Signature Group and the Subject Companies are largely involved in the home furnishing industry focusing on kitchen furniture and fixtures. Further, the Guaranteed PAT provided by the vendor of Corten provides assurance that the Proposed Acquisition of Corten will contribute positively to the enlarged Signature Group's profitability.

The Proposed Acquisitions will expand Signature Group's scale of operations and facilitate Signature Group's presence into the home furnishing industry of Singapore. Upon completion of the Proposed Acquisitions, Signature Group will hold 75.0% and the entire equity interest of Corten and Areal respectively, which will allow Signature Group to consolidate the financial results of the Subject Companies. This is expected to increase the profitability and strengthen the financial position of Signature Group.

Consumers from different countries have different preference in selecting kitchen and wardrobe systems that suit their lifestyles, and this is one of Signature's considerations for the Proposed Acquisitions as the designs developed for the kitchen and wardrobe systems of Corten and Areal in Singapore varies from the designs of Signature. Furthermore, Corten's custom-made kitchen and wardrobe systems includes imported Italian brands such as "Ernestomeda" and "Caccaro" which have contemporary and minimalist styles of designs.

In addition, Corten's wholly-owned subsidiary, Woodcraft are currently operating from manufacturing facilities in Nusajaya, Johor whereas Areal operates from a manufacturing facility located in Sungei Kadut, Singapore. The details of the manufacturing facilities are set out in Section 7, Appendix I(A) and Section 7, Appendix I(B), Part A respectively. The Proposed Acquisitions will enable Signature Group to strengthen its manufacturing capabilities by saving costs required to source for furniture from third-party and have better flexibility over product lead times.

Currently, Woodcraft's wooden and cane furniture and Areal's stone and metal products are primarily fabricated and assembled for Corten. Corten will then supply and install its custom-made kitchen and wardrobe systems for residential developments projects and hospitality projects located in Singapore as well as Southern and Central regions of Malaysia. As at LPD, Corten's unbilled order book which consist of the residential projects and hospitality projects is approximately SGD199.88 million (equivalent to approximately RM658.50 million), which will be recognised progressively over the next 3 years based on the expected progress of each project. The details of the major projects of Corten is disclosed in Appendix I(A), Part A. Upon completion of the Proposed Acquisitions, Signature Group will be able to expand Corten's customer reach to include the retail segment and also projects from the Northern region of Malaysia.

Based on the above, the Board is of the view that the Proposed Acquisitions will enable Signature Group to derive synergistic benefits which include business integration of technology and knowledge, cross-marketing of products with different designs and specifications to a wider clientele base.

3.3 Proposed Waiver

In order for the Board to issue any Placement Shares arising from the Proposed Private Placement free of pre-emptive rights, such pre-emptive rights must be waived. As such, the waiving of such pre-emptive rights will be tabled at the forthcoming EGM and if passed, will exclude your pre-emptive right to any new Shares to be issued by the Company pursuant to the Proposed Private Placement.

4. POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS OF SINGAPORE

The summary of the policies in relation to foreign investments, taxation and repatriation of profits of Singapore is as follows:

(i) Foreign investments

While foreign investment in certain sectors such as news media, banking, telecommunications, and land ownership is restricted, there is generally no legislative framework restricting or prohibiting foreign investment in Singapore-incorporated companies in the business of interior space, construction and manufacturing furniture and tiles products. Accordingly, there are no restrictions or prohibitions under the law of Singapore against Signature, being an entity incorporated in Malaysia, in holding shares in Corten and Areal.

(ii) Taxation

Corporate Tax

The prevailing corporate tax rate for the year of assessment 2022 in Singapore for both resident and non-resident companies is currently 17% of the company's chargeable income. All companies, unless they are claiming the tax exemption for new start-up companies, are generally eligible for corporate tax exemption which will apply to the first SGD200,000 of a company's normal chargeable income as follows (See Section 43 of the Income Tax Act 1947):

a) 75.0% exemption on the first SGD10,000 of normal chargeable income; and

b) a further 50.0% exemption on the next SGD190,000 of normal chargeable income.

The remaining chargeable income (after the above partial tax exemption) will be fully taxable at the prevailing corporate tax rate of 17.0%.

Capital Gain Tax

Singapore does not impose taxes on capital gains. However, such gains may be construed to be of an income nature and subject to income tax if they arise from or are otherwise connected with the activities of a trade or business in Singapore.

Taxation on Dividends

Singapore adopts the one-tier corporate tax system. The tax paid by a Singapore tax-resident company on its chargeable income is the final tax and only the after-tax profits of the Singapore tax-resident company can be distributed to its shareholders as tax-exempt dividends. Such dividends are tax-exempt in Singapore in the hands of all shareholders, regardless of the tax residency status of the shareholders.

Goods and Services Tax ("GST")

A GST is a broad-based consumption tax levied on the import of goods as well as nearly all supplies of goods and services in Singapore. The current prevailing rate of GST in Singapore is 7% and this is due for an increase to 8% from 1 January 2023. The GST-registered entity is required to charge and account for GST at 7% or 8% (depending on the prevailing rate of GST) on all sales of goods and services in Singapore unless the sale can be zero-rated or exempted under the applicable GST laws, particularly the Goods and Services Tax Act 1993.

Withholding Tax

In general, dividends received in respect of the ordinary shares of a Singapore subsidiary by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax, even if paid to non-Singapore resident shareholders.

(iii) Repatriation of profits

Subject to Corten and Areal adhering to the applicable provisions of the Singapore Companies Act 1967 and the anti-money laundering and counter-terrorism financing laws in Singapore, there are generally no foreign exchange or currency restrictions on the repatriation of capital and the remittance of profits into or out of Singapore by or to Corten and Areal. Accordingly, Corten and Areal are not restricted in their ability to repatriate profits to Signature.

Pursuant to Section 403 of the Singapore Companies Act 1967, no dividend is payable to the shareholders of any company except out of its profits. There is no restriction on the payment of dividends to a foreign shareholder.

Please refer to Appendix VIII, Part A for further details on the expert's report on policies on foreign investments, taxation and repatriation of profits of Singapore.

5. RISK FACTORS

The Proposed Acquisitions will not materially change the risk profile of the business of Signature Group as both Signature Group and the Subject Companies operate in the same industry i.e. home furnishing industry. As such, the enlarged Signature Group will be exposed to similar business, operational and financial risks inherent in the industry after the completion of the Proposed Acquisitions. These risks include but are not limited to competition from international brands, changes in technology, availability of and fluctuations in price of raw materials, product liabilities/defect claims, product obsolescence, political and economic conditions, as well as operational risks.

In addition to the risks above, there are certain risks specifically associated with the Proposed Acquisitions, as follows:

5.1 Acquisition risk

Although the Proposed Acquisitions are expected to contribute positively to the earnings of the enlarged Signature Group in the long term, there is no assurance that the anticipated benefits of the Proposed Acquisitions will be realised or that the enlarged Signature Group will be able to generate sufficient returns to offset the costs associated with the Proposed Acquisitions.

5.2 Non-completion risk

The completion of the Proposed Acquisitions is conditional upon the fulfilment of amongst others, the conditions precedent of the SSA I and SSA II, as disclosed in Appendix II, Part A, in respect of the Proposed Acquisitions. If any of the conditions precedent is not met or waived in accordance with the SSA I and SSA II, the SSA I and SSA II may be terminated and the Company will not be able to complete the Proposed Acquisitions.

Nevertheless, Signature will take all necessary and reasonable steps to ensure the fulfilment of the conditions precedent as set out in the SSA I and SSA II in a timely manner and to perform its obligations in accordance with the terms of the SSA I and SSA II to facilitate the completion of the Proposed Acquisitions.

5.3 Foreign exchange risk

The purchase considerations in respect of the Proposed Acquisitions and financial results of the Subject Companies are denominated in SGD. As the financial results of the Subject Companies will be consolidated with the financial results of Signature Group which is reported in RM upon completion of the Proposed Acquisitions, any adverse fluctuation of SGD against the RM may have a material impact on Signature Group's financial performance.

In addition, any fluctuation in SGD will also have a direct impact on the sum of purchase considerations payable, i.e. any hike in SGD to RM exchange rate will result in higher purchase considerations for the Proposed Acquisitions upon conversion to SGD.

Notwithstanding the above, the exchange translation on consolidation is only an accounting entry for the purpose of consolidating the enlarged Signature Group's financial results as at a particular date. In addition, the management of Signature will continue to monitor the enlarged Signature Group's foreign currency exposures and will take necessary steps to minimise exchange rate exposures whenever deemed appropriate (e.g. implementing a hedging policy).

5.4 Regulations on foreign investment

The Proposed Acquisitions will be subject to the foreign investment policies of the Government of Singapore. In addition, the ability of the Subject Companies to repatriate their profits post-acquisition will depend largely on the relevant legislation relating to the repatriation of profits prevailing at the point of repatriation. In the event of any changes in the foreign investment policies or legislations in Singapore which may cause foreign investments in Singapore to experience any restrictions whatsoever, there may be a material or adverse impact on Signature Group.

Notwithstanding the above, there is currently no legislative framework restricting or prohibiting foreign investment in Singapore incorporated companies or restrictions on the ability of the Subject Companies to repatriate profits to Signature Group.

5.5 Dependency on the key management personnel of the Subject Companies for its continued success

The continued success of the Subject Companies is largely attributed to the expertise and continuous efforts of the existing key management personnel of which consist of amongst others, the vendors of the Subject Companies, who possess the relevant technical knowledge in the operational processes of the Subject Companies. Therefore, the loss of any of such personnel could adversely affect the enlarged Signature Group's continued ability to manage the operations of the Subject Companies effectively and competitively.

However, it is a term under the SSA I that the key management personnel of Corten, shall enter into service agreements with Corten prior to the completion of the SSA I. However, there is no assurance that these parties will renew their tenure upon expiry of the said service agreements.

Notwithstanding the above, Signature Group will use its best endeavours to reduce dependency on any particular key management personnel by attracting qualified and experienced personnel and addressing succession planning by grooming capable employees to complement the management team of the Subject Companies.

6. OUTLOOK AND PROSPECTS

6.1 Overview and prospects of the Malaysian economy

The Malaysian economy grew slower in the fourth quarter of 2022 (7.0%; 3Q 2022: 14.2%) as support from the stimulus measures and low base effect waned. At 7.0%, the growth was still above the long-term average of 5.1%. Private sector activity remained the key driver of growth, supported by private consumption and investment. The continued growth in private consumption was mainly driven by improving labour market conditions. Meanwhile, overall export growth moderated in line with the weaker external demand. This was partly offset by the resilient performance in exports of electrical and electronic ("**E&E**") products and higher tourism activities. The services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a decline of 2.6% (3Q 2022: +1.9%). Overall, the Malaysian economy expanded by 8.7% in 2022.

Headline inflation moderated to 3.9% during the fourth quarter (3Q 2022: 4.5%). The moderation was mainly due to the lapse in the base effect on electricity inflation, a key contributor to the higher inflation in the third quarter of 2021. The moderating trend in key global commodity prices partly led to lower inflation in some Consumer Price Index items, including fuel. Inflation for some key staple food items, such as fresh meat and eggs, also moderated during the quarter. However, the downward impact of these factors was partly offset by higher core inflation. Core inflation increased to 4.2% (3Q 2022: 3.7%), driven by the continued strength in demand amid a still-elevated cost environment. For 2022 as a whole, headline inflation increased to 3.3% (2021: 2.5%) and core inflation averaged higher at 3.0% (2021: 0.7%).

Domestic financial conditions have eased mostly due to global developments during the quarter. In particular, market expectations for smaller interest rate increases by the US Federal Reserve amid indications of slowing inflation in the US have eased the strength of the US dollar. Global investor sentiments on the ringgit and regional currencies have also been somewhat lifted by the reopening of China's economy and its expected positive economic spill overs to the region.

These encouraging global developments and greater domestic political certainty after the formation of the new Government in November 2022 led to a stronger ringgit against the US dollar. In line with other regional currencies, the ringgit ended the quarter stronger by 5.3% against the US dollar. Similarly, the ringgit also strengthened against several major trading partners – the nominal effective exchange rate appreciated by 0.4% during the quarter. Moving forward, BNM will continue to closely monitor global and domestic financial conditions, and ensure orderly financial market adjustments.

Credit to the private non-financial sector grew by 4.7% (3Q 2022: 5.3%) amid the lower outstanding loan growth (4.7%; 3Q 2022: 5.7%). Meanwhile, outstanding corporate bonds continued to grow by 4.6% (3Q 2022: 4.0%). Outstanding business loans grew by 3.3%, as the sustained strong growth in loan repayments outpaced that of loan disbursements. Despite the slower growth in loan applications, loan disbursement growth was sustained (12.0%; 3Q 2022: 18.0%), particularly for working capital loans as firms continued to draw down on their existing credit facilities. For households, outstanding loan growth expanded by 5.5% amid the slower growth in loan disbursements (10.3%; 3Q 2022: 48.1%) and sustained growth in loan repayments.

For 2023, the Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment. Domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects. The services and manufacturing sectors will also continue to support growth. Meanwhile, the slowdown in exports following weaker global demand would be partially cushioned by higher tourism activity. The balance of risks remains tilted to the downside, mainly from weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions.

Headline and core inflation are expected to moderate but remain elevated in 2023 amid lingering cost and demand pressures. Core inflation is expected to remain elevated in the near term, in part due to the low base in the first half of 2022. Existing price controls and fuel subsidies, and the remaining spare capacity in the economy, will continue to partly contain the extent of upward pressures to inflation. The inflation outlook remains highly subject to any changes to domestic policy, as well as global commodity price developments.

(Source: Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022, BNM, 10 February 2023)

6.2 Overview and prospects of Singapore economy

The Singapore economy grew by 2.1% on a year-on-year basis in the fourth quarter of 2022, moderating from the 4.0% expansion in the previous quarter. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded marginally by 0.1%, easing from the 0.8% growth in the third quarter.

The manufacturing sector shrank by 2.6% year-on-year, a reversal from the 1.1% growth in the previous quarter. The contraction was due to output declines in the biomedical manufacturing, chemicals, electronics and general manufacturing clusters. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.0%, a turnaround from the 2.9% contraction in the preceding quarter.

The construction sector expanded by 10.0% year-on-year, faster than the 8.1% growth in the third quarter, as both public and private sector construction output increased. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.4%, extending the 2.1% growth in the previous quarter. Growth in the wholesale trade sector slowed to 2.4% year-on-year, from 4.1% in the third quarter. During the quarter, growth was mainly supported by the machinery, equipment & supplies segment, which was in turn bolstered by the wholesaling of electronic components and telecommunications & computers.

On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.6%, a reversal from the 1.6% growth in the preceding quarter. The retail trade sector grew by 5.1% year-on-year, extending the 8.8% growth in the previous quarter. Growth during the quarter was supported by a robust increase in non-motor vehicle sales volume, which outweighed a decline in motor vehicle sales volume. On a quarter-on-quarter seasonally-adjusted basis, the sector registered flat growth, easing slightly from the 0.1% growth in the preceding quarter.

Growth in the transportation & storage sector came in at 2.5% year-on-year, slower than the 6.1% recorded in the third quarter. The sector's expansion during the quarter was mainly supported by the air transport segment, which saw robust growth as international travel continued to recover. Meanwhile, the land transport and water transport segments also expanded. On a quarter-on-quarter seasonally-adjusted basis, the sector contracted by 0.8%, a reversal from the 2.2% growth in the previous quarter.

The accommodation sector expanded by 7.8% year-on-year, accelerating from the 1.6% growth in the preceding quarter. The pickup in activity in the sector could be attributed to a robust recovery in international visitor arrivals. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 4.1%, faster than the 1.5% growth in the previous quarter.

The food & beverage services sector grew by 19.6% year-on-year, extending the 29.3% growth in the third quarter. All segments within the sector expanded. In particular, food caterers, restaurants and fast food outlets recorded strong expansions in sales volumes. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 3.5%, faster than the 2.8% growth in the previous quarter.

Growth in the information & communications sector came in at 5.6% year on-year, extending the 6.9% expansion in the preceding quarter. The sector's growth was driven by the IT & information services segment, which was supported by sustained growth in IT development, consultancy, data hosting and related activities. On a quarter-on-quarter seasonally-adjusted basis, the sector shrank by 0.7%, a pullback from the 2.8% growth in the third quarter.

The finance & insurance sector contracted by 0.3% year-on-year, a reversal from the 0.5% growth in the previous quarter, as contractions in the banking and insurance segments more than offset expansions in the other auxiliary activities and fund management segments. The banking segment contracted on the back of a fall in net fees & commissions alongside a weakening of lending activity, while the insurance segment shrank due to the weak performance of the life insurance subsegment. On a quarter-on-quarter seasonally-adjusted basis, the sector registered flat growth, improving from the 1.7% contraction in the preceding quarter.

The real estate sector grew by 15.2% year-on-year, extending the 14.8% growth in the third quarter. Growth was supported by the private residential property segment, as well as the commercial office and industrial space segments. On a quarter-on-quarter seasonally-adjusted basis, the sector expanded at a slower pace of 2.1%, compared to the 4.0% growth in the previous quarter.

The professional services sector grew by 6.1% year-on-year, moderating from the 7.9% expansion in the third quarter. Growth was mainly supported by the architectural & engineering, technical testing & analysis, as well as other professional, scientific & technical services segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 1.3%, following the 1.4% growth in the preceding quarter.

The administrative & support services sector expanded by 10.5% year-on year, accelerating from the 5.9% growth in the previous quarter. Growth was due to expansions in both the other administrative & support services and rental & leasing segments, with the former supported by the strong recovery in tourism related sub-segments such as tour operators and meeting, incentives, conferences and exhibitions (MICE) organisers. On a quarter on- quarter seasonally-adjusted basis, the sector grew by 4.0%, faster than the 0.6% growth in the preceding quarter.

The "other services industries" grew by 6.0% year-on-year, moderating from the 7.9% expansion in the third quarter. All segments within the sector expanded, with growth led by the arts, entertainment & recreation and "others" segments. On a quarter-on-quarter seasonally-adjusted basis, the sector grew by 0.3%, weaker than the 2.3% growth in the previous quarter.

(Source: Economic Survey of Singapore Fourth Quarter 2022, Ministry of Trade and Industry of Singapore, 13 February 2023)

6.3 Overview and prospects of the furniture industry in Malaysia focusing on the kitchen furniture and fixtures market

The furniture industry encompasses a wide range of products, ranging from objects that serve to store or hold other items such as tables, shelves and cabinets, to objects used to support humans such as beds, chairs and sofas. In general, the furniture industry can be divided into three broad segments, namely home furniture, office furniture and other furniture. In particular, home furniture can be further split into dining room furniture, living room furniture, bedroom furniture and kitchen furniture. Kitchen furniture includes seats such as chairs and stools, fitted cabinets, kitchen islands, countertops and pantry shelves or sideboards.

In Malaysia, the local furniture industry has over the years developed from mainly backyard-style small-scale operations in the 1980s to a multi-billion industry with established players across the country. In the past, furniture manufacturers generally took on contract manufacturing activities, whereby the customers developed and provided the product design and also specified the requirements of the materials to be used in the manufacturing process. Industry players then typically focused on the mass production of furniture items were often unable to undertake small-scale customization requests. As the industry developed, furniture manufacturers evolved to be able to take on product design and development, with their scope of service expanding to include product design, product concept development, prototype creation, material sourcing and manufacturing of the furniture. The ability of local furniture manufacturers to design and develop their own products has enabled them to differentiate themselves and increase their competitiveness in the global arena. However, these industry players must keep abreast with international trends and technologies, while at the same time actively create new designs using various new materials (including composite materials) in their products.

The Malaysian furniture industry produced RM15.58 billion worth of products in 2021, which was a decrease from RM16.52 billion in 2020 and RM17.82 billion in 2019. The decline was mainly due to the COVID-19 pandemic as well as resulting lockdown measures disrupting economic activities. The industry rebounded in 2022, producing RM17.10 billion worth of products, an increase of 9.8% from the previous year, supported by a recovery in economic activities. In particular, the Malaysian Government had announced the transition of COVID-19 into an endemic phase starting 1 April 2022, and with it the lifting of restrictions and resumption of all business activities, which contributed positively to the performance of the industry. The local furniture industry in expected to reach RM20.07 billion in 2022. Going forward, the local furniture industry is expected to expand between a growth rate of 8.0% to 9.5% from 2023 to 2027, supported by better economic activities in Malaysia, as well as a pick up in the property market. The furniture industry is expected to reach RM26.40 billion in 2027, growing at a CAGR of 8.9% during the forecast period.

In particular, the prospects of the kitchen furniture market had been subdued in recent years. The kitchen furniture market is relatively dependent on the development of the local property market. This is mainly due to the tendency of property developers to provide, amongst others, kitchen furniture such as built-in cabinets, kitchen islands and countertops during the launch of new residential properties to attract home buyers. However, growth of the local property market has been slow due to reasons such as high property prices and homeownership issues. Nevertheless, the Malaysian Government has continued to step-up efforts to aid the market, including promoting affordable housing schemes so that the lower income is able to afford a house, introducing the Housing Credit Guarantee scheme that aims to help gig workers, independent business owners, and small traders or entrepreneurs who do not have a fixed income become first-time homebuyers, and abolishing real property gains tax for property disposals by individuals comprising Malaysian citizens, permanent residents and foreigners starting from the sixth year. This is expected to bode well for the development of the local kitchen furniture market going forward.

(Source: Protégé)

6.4 Overview and prospects of the furniture industry in Singapore focusing on the kitchen furniture and fixtures market

The furniture industry in Singapore began similarly to that of Malaysia, starting with small-scale family-run businesses that expanded gradually over the years to established players with offices and manufacturing plants around the world. Local furniture manufacturers began as original equipment manufacturers and began to move up the value chain, taking on product design and development activities and becoming original design manufacturers. Since then, furniture companies in Singapore have garnered international accolades such as the Good Design Award and Red Dot Award. The Singapore Furniture Industries Council ("**SFIC**"), founded in 1981, has been instrumental in the Singapore furniture industry's transformation over the years by implementing programs such as Furniture Design DNA (Develop, Nurture, and Accelerate) to raise design capabilities and nurture design talents as well as Career Conversion Programmes to help workers take on roles in the furniture industry and address the gap of local talent in parts of the industry. More recently, the SFIC developed a business-to-business digital platform, Creativ-Space, for fit-out projects and furniture e-sourcing, making industry players visible and accessible to global purchasers.

The Singapore furniture industry grew by 12.88% in 2022 to record manufacturing output of SGD778.3 million compared to SGD689.5 million in 2021 as the country's economy gradually recovered from the effects of the COVID-19 pandemic. The industry is expected to continue is rebound in 2022 resulting from the country's resumption of economic activities. Additionally, the growing adoption of work-from-home arrangements is expected to lead to greater development of furniture that are suitable for working from home as well as improve work-life integration for sustainable urban living.

The kitchen furniture market is relatively dependent on the development of the local property market. In Singapore, homebuyers can purchase private residential properties or public housing properties managed by the state's Housing and Development Board ("**HDB**"). As a way to attract homebuyers, the HDB and private property developers may fully or partially furnish its properties with living and dining room furniture as well as kitchen furniture such as kitchen cabinets, islands, and countertops. Despite cooling measures such as raising additional buyer's stamp duty and lowering loan-to-value limits for HDB loans introduced by the Singapore Government in response to increasing market interest rates, the local property market is expected to be resilient in the future owing to demand from the population. The number of applications for build-to-order ("**BTO**") flats has risen from 3.7 times in 2019 to 5.5 times in 2021. In order to cope with the demand, the HDB is ramping up supply of BTO flats and it aims to launch up to 23,000 flats in 2023, and is prepared to launch a total of 100,000 flats from 2021 to 2025 if needed. Meanwhile, demand private residential properties is also expected to be resilient, with 51,747 units in the pipeline of which 16,961 units remain unsold as at the fourth quarter of 2022. Of the 51,747 units in the pipeline, 19,291 units and 12,834 units are expected to be completed in 2023 and 2024 respectively. The resilient demand for and supply of residential properties augers well for the growth of the kitchen furniture market in Singapore moving forward.

(Source: Protégé)

6.5 Overview and prospects of the property market in Malaysia

Real estate construction activities are correlated with the growth in the property market. A higher demand for properties can lead to higher level of construction activities for real estate.

The real estate construction market has been experiencing a slowdown in recent years, attributable to high property prices and home ownership issues. To combat the situation, the Malaysian Government had set various measures and initiatives to curb speculative activities and promote responsible financing practices over the years. The market was valued at RM23.23 billion in 2022, an increase from RM22.95 billion in the previous year. The improvement stems from better economic prospects in the country following a recovery from the COVID-19 pandemic. The Malaysian property development industry is forecast to reach RM24.10 billion in 2023 and expand at a CAGR of 4.7% to RM30.29 billion in 2027, driven by demand from a growing population, and the Malaysian government's efforts in ensuring the population is able to own a home. However, the industry may be subject to downside risks such as the property overhang and a rising interest rate environment.

The Malaysian property development industry is expected to be driven by support from the Malaysian government in ensuring that the population will be able to own their own home. The Budget 2023 announced a development expenditure allocation of RM95 billion. Under the development expenditure allocation, the Government had allocated various amounts for development of housing for the nation. The budget allocated for construction of new rural houses and renovation of rural houses will be increased from RM361 million to RM460.2 million in 2023. Additionally, RM367 million was allocated for the Program Perumahan Rakyat which would benefit 12,400 new residents while RM358 million was allocated to the Rumah Mesra Rakyat programme for construction of 4,250 housing units. In addition to the Budget 2023, the Malaysian Government introduced the abolishment of RPGT for property disposals by individuals comprising Malaysian citizens, permanent residents and foreigners starting from the sixth year, as well as the introduction of the Housing Credit Guarantee Scheme, a scheme that aims to help first-time homebuyers such as gig workers, independent business owners, and small traders or entrepreneurs who do not have a fixed income.

In 2021, the Malaysian property market witnessed an increase in both total transaction volume and total transaction value. A total of 300,497 transactions were recorded in 2021, which was an increase from 295,968 transactions in 2020. In 2021, the residential segment accounted for 66.2% of total transaction volume. In terms of transaction value, a total sum of RM144.87 billion was recorded in 2021 whereby the residential segment accounted for 53.1% of total transaction value. In the first half of 2022 ("**1H 2022**"), Malaysia registered a total of 188,002 property transactions, which was an increase of 34.5% from 139,752 in the first half of 2021 ("**1H 2021**"). Residential property transactions continued to dominate the market in terms of volume, accounting for 61.8% of total transactions. The value of transactions increased by 36.1% from RM62.01 billion in the 1H 2021 to RM84.40 billion in 1H 2022 whereby the residential sub-sector contributed to 54.1% of the total transaction value.

(Source: Protégé)

6.6 Prospects of the enlarged Signature Group

The Malaysian furniture industry has experienced a decline since the onset of the COVID-19 pandemic and resulting lockdown measures and disruptions in economic activities. However, the gradual lifting of restrictions and movement of Malaysia into the "transition to endemic phase" augers well for the Malaysian furniture industry as events such as the Malaysian International Furniture Fair 2022 was hosted physically to enable furniture makers to source for new customers and new export markets. Additionally, the Malaysian Government's initiatives to aid home ownership such as promoting affordable housing schemes is likely to aid the local furniture industry, and the kitchen furniture market in particular as property developer furnish units with kitchen furniture such as built-in cabinets, kitchen islands and countertops to attract homebuyers.

The Singaporean furniture industry experienced a decline in 2020 due to the COVID-19 pandemic and resulting economic impact but has rebounded in 2021 as the country resumed economic activities. The industry is expected to continue its rebound in 2022 supported by development of furniture to improve work-life integration and cater for increasing adoption of work-from-home arrangements. The kitchen furniture market in Singapore is expected to be driven by the development of the residential property market, due to the strong demand for both public and private residential properties.

Signature Group has been actively identifying potential acquisition of strategic stakes in home furnishing companies to improve its financial performance. Signature Group currently has business operations in Singapore mainly involved in the marketing and distribution of kitchen systems, wardrobe systems and built-in kitchen appliances. The Proposed Acquisitions represent opportunities for Signature Group to continuously expand its range of kitchen furniture and fixtures products and attain a wider market presence (i.e. local and international customers), and to sustain competitive advantage within the home furnishing industry.

The Proposed Private Placement will be used to partially finance the Proposed Acquisitions which in turn will put Signature Group on a sustainable financial footing, hence improving its long-term prospects particularly to investors. Additionally, Signature Group has placed the right talents with the right competencies and diversity in place, equipping the Group with experienced professionals with a strong background in corporate governance and furniture industry.

Based on the above, the positive outlook of the kitchen furniture and fixtures market is expected to bode well for the enlarged Signature Group going forward. The management is positive about the enlarged Signature Group's prospects and expects continued growth of its business operations and financial performance.

(Source: Management of Signature)

7. EFFECTS OF THE PROPOSALS

7.1 Issued share capital

The Proposed Waiver will not have any effect on the issued share capital as it does not involve any issuance of new Signature Shares.

The Purchase Considerations arising from the Proposed Acquisitions will be satisfied wholly in cash and does not involve any issuance of new ordinary shares in Signature. The pro forma effect of the Proposals on the share capital of Signature are as follows:

	No. of shares	RM
Share capital as at LPD	(1)295,248,685	101,322,849
To be issued pursuant to the Proposed Bonus Issue	(2)295,248,685	-
	590,497,370	**101,322,849**
To be issued pursuant to the Proposed Private Placement(3)(4)	57,969,337	62,606,884
Enlarged share capital	**648,466,707**	**163,929,733**

Notes:

(1) Including a total of 5,402,000 treasury shares as at LPD.

(2) Based on 295,248,685 (including 10,804,000 treasury shares) new Signature Shares to be issued pursuant to the Proposed Bonus Issue, as announced by the Company on 14 November 2022.

(3) The Proposed Private Placement will only be implemented after the entitlement date of the Proposed Bonus Issue. The Proposed Private Placement will entail the issuance of up to 57,969,337 Placement Shares based on the enlarged issued ordinary shares of the Company (excluding treasury shares) after the Proposed Bonus Issue and the issue price per Placement Share is assumed to be RM1.08.

(4) The Proposed Private Placement is conditional upon the Proposed Acquisitions but is not conditional upon the Proposed Bonus Issue.

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7.2 NA and gearing

Based on the latest audited consolidated statement of financial position of Signature Group as at 30 June 2021, the pro forma effects of the Proposals on the NA and gearing of Signature Group are as follows:

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2021	**[2]Adjustment for subsequent events**	**[5]After (I) and Proposed Bonus Issue**	**[6]After (II) and Proposed Private Placement**	**[7]After (III) and Proposed Acquisitions**
			RM'000		
Share capital	101,323	101,323	101,323	163,930	163,930
Treasury shares	(4,810)	(4,931)	(4,931)	(4,931)	(4,931)
Merger deficit	(28,123)	(28,123)	(28,123)	(28,123)	(28,123)
Reserves	(548)	(548)	(548)	(548)	(548)
Retained earnings	140,517	[3]154,436	[8]154,316	[9]153,566	[10]147,739
Equity attributable to owners of the Company	**208,359**	**222,157**	**222,037**	**283,894**	**278,067**
Non-controlling interests	5,981	3,138	3,138	3,138	18,054
Total equity	**214,340**	**225,295**	**225,175**	**287,032**	**296,121**
No. of shares ('000)	295,249	295,249	590,497	648,466	648,466
Treasury shares ('000)	[1]6,253	[12]5,402	10,804	10,804	10,804
No. of shares in issue (excluding treasury shares) ('000)	288,996	289,847	579,693	637,662	637,662
NA per share (RM)	0.72	0.77	0.38	0.45	0.44
Borrowings ('000)	40,339	[4]203,335	[4]203,335	[4]203,355	[11]314,298
Gearing ratio (times)	0.19	0.90	0.90	0.71	1.06

Notes:

(1) Based on total treasury shares of 6,252,847 shares as at 30 June 2021.

(2) The subsequent events comprise the following events:

(i) Acquisition of SAC for a total cash consideration of RM14.26 million (after deducting the receipt of profit guarantee of RM0.35 million);

(ii) Acquisition of SASB for a total cash consideration of RM15.00 million;

(iii) Lands Disposal for a total cash consideration of RM54.57 million;

(iv) Acquisition of Fiamma for a total cash consideration of RM180.00 million;

(v) resale of 13.85 million treasury shares for a total consideration of RM20.38 million; and

(vi) Acquisition of a total of 19,900,000 ordinary shares, representing 0.72% equity interest in Hextar Industries Berhad for a total cash consideration of RM11.51 million on from 21 November to 7 December 2022.

(3) After the following adjustments:

(i) deducting the expenses for the Acquisition of SAC of RM0.21 million;

(ii) deducting the expenses for the Acquisition of SASB of RM0.27 million;

(iii) adding the gain on disposal of RM13.63 million and deducting the expenses for the Lands Disposal (inclusive of real property gains tax) of RM1.59 million;

(iv) deducting the expenses of RM0.74 million and interest costs of RM1.32 million arising from the bank borrowings for the Acquisition of Fiamma at the interest rate ranging from 5.1% to 6.1% per annum; and

(v) adding the gain on disposal of RM7.74 million for the resale of 13.85 million treasury shares for a total consideration of RM20.38 million.

(4) After the following adjustments:

(i) repayment of borrowings of RM10.56 million from the proceeds arising from the Lands Disposal;

(ii) 84.0% of the purchase consideration in respect of the Acquisition of Fiamma amounting to approximately RM152.00 million was funded by bank borrowings; and

(iii) consolidation of SAC's borrowings of RM21.55 million into Signature Group's account pursuant to the Acquisition of SAC.

(5) After taking into account the effects of the Proposed Bonus Issue, assuming that shareholders' approval has been obtained and the Proposed Bonus Issue has been completed.

(6) The issuance of 57,969,337 Placement Shares in relation to the Proposed Private Placement shall be issued at the indicative issue price of RM1.08 per Placement Share based on the assumption that the Proposed Private Placement will only be implemented after the entitlement date of the Proposed Bonus Issue.

(7) After taking into account the effects of the Proposed Acquisitions, assuming that shareholders' approval has been obtained and the Proposed Acquisitions have been completed.

(8) After deducting the estimated expenses relating to the Proposed Bonus Issue of approximately RM0.12 million.

(9) After deducting the estimated expenses relating to the Proposed Private Placement of approximately RM0.75 million.

(10) After deducting the estimated expenses of RM1.38 million and interest costs of RM4.45 million arising from the bank borrowings to be funded for the Proposed Acquisitions of RM88.95 million at the interest rate of 5.0% per annum.

(11) For illustrative purpose, after taking into the consolidation of Corten and Areal's financial results based on its respective latest audited financial statements as well as assuming that portion of the Purchase Considerations amounting to approximately SGD27.00 million (equivalent to RM88.95 million) will be funded by bank borrowings. The Proposed Acquisitions will be funded through a combination of the proceeds from the Proposed Private Placement, bank borrowings and internally generated fund, as set out in Section 2.4, Part A.

(12) Based on total treasury shares of 5,402,000 shares as at LPD.

7.3 Earnings and EPS

Signature Group had in November 2021 resolved to change its financial year end from 30 June to 31 December. As such, the next audited financial statements of the Company shall be for a period of 18 months from 1 July 2021 to 31 December 2022. The Proposals are not expected to have any immediate material effect on the earnings and EPS of Signature Group for the FPE 31 December 2022. However, the issuance of new Signature Shares arising from the Proposed Bonus Issue will result in a dilution in the Company's EPS due to the increase in the number of Signature Shares in issue.

Upon completion of the Proposals, Signature will be able to consolidate the financial results of the Subject Companies and Signature Group expects that the Subject Companies will contribute positively to the long-term future earnings and EPS of Signature Group. For illustration purposes only, assuming that the Proposed Bonus Issue, Proposed Private Placement and Proposed Acquisitions had been effected on 1 July 2020 (being the beginning of the latest audited financial statements of Signature for FYE 30 June 2021), the pro forma effects of the Proposed Acquisitions on the earnings and EPS of Signature Group are as follows:

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2021	**(1)Adjustment for subsequent events**	**After (I) and Proposed Bonus Issue**	**After (II) and Proposed Private Placement**	**After (III) and Proposed Acquisitions**
			RM'000		
PAT attributable to owners of the Company	8,479	8,479	8,479	8,479	8,479
Add:					
Gain arising from the Lands Disposal(2)	-	13,629	13,629	13,629	13,629
Gain arising from the resale of treasury shares(2)		7,743	7,743	7,743	7,743
Guaranteed PAT based on 75.0% equity interest in Corten to be held	-	-	-	-	(3)24,709
Audited LAT of Areal	-	-	-	-	(4)(589)
Less:					
Expenses relating to the Acquisition of SAC(2)	-	212	212	212	212
Expenses relating to the Acquisition of SASB(2)	-	270	270	270	270
Expenses relating to the Lands Disposal(2)	-	1,593	1,593	1,593	1,593
Expenses relating to the Acquisition of Fiamma(2)	-	2,061	2,061	2,061	2,061
Estimated expenses relating to the Proposed Bonus Issue	-	-	(5)120	(5)120	(5)120
Estimated expenses relating to the Proposed Private Placement	-	-	-	(6)750	(6)750
Estimated expenses relating to the Proposed Acquisitions	-	-	-	-	(7)5,828
Pro forma PAT attributable to the owners of the Company	**8,479**	**25,715**	**25,595**	**24,845**	**43,137**

	Audited as at 30 June 2021	(I) [1]Adjustment for subsequent events	(II) After (I) and Proposed Bonus Issue	(III) After (II) and Proposed Private Placement	(IV) After (III) and Proposed Acquisitions
			RM'000		
No. of shares ('000)	295,249	295,249	590,497	648,466	648,466
Treasury shares ('000)	(8)6,253	(9)5,402	10,804	10,804	10,804
No. of shares excluding treasury shares ('000)	288,996	289,847	579,693	637,662	637,662
EPS (sen)	2.9	8.9	4.4	3.9	6.8

Notes:

(1) The subsequent events comprise the Acquisition of SAC, Acquisition of SASB, Lands Disposal, Acquisition of Fiamma and resale of 13.85 million treasury shares.

(2) After the following adjustments:

(i) deducting the expenses for the Acquisition of SAC of RM0.21 million;

(ii) deducting the expenses for the Acquisition of SASB of RM0.27 million;

(iii) adding the gain on disposal of RM13.63 million and deducting the expenses for the Lands Disposal (inclusive of real property gains tax) of RM1.59 million;

(iv) deducting the expenses of RM0.74 million and interest costs of RM1.32 million arising from the bank borrowings for the Acquisition of Fiamma at the interest rate ranging from 5.1% to 6.1% per annum; and

(v) adding the gain on disposal of RM7.74 million for the resale of 13.85 million treasury shares for a total consideration of RM20.38 million.

(3) Based on Signature's share of 75% of Corten's Guaranteed PAT amounting to SGD7.50 million (equivalent to RM24.71 million based on the average of SGD1.00 : RM3.2945 as at LPD as extracted from BNM's website) for the FYE 28 February 2023 to be attained by Corten.

(4) Based on LAT of SGD0.19 million (equivalent to RM0.59 million based on average rate of SGD1.00 : RM3.0990 for the FYE 30 April 2022 as extracted from BNM's website) recorded by Areal.

(5) After deducting the estimated expenses of RM0.12 million for the Proposed Bonus Issue.

(6) After deducting the estimated expenses of RM0.75 million for the Proposed Private Placement.

(7) After deducting the estimated expenses of RM1.38 million and interest costs of RM4.45 million arising from the bank borrowings to be funded for the Proposed Acquisitions of RM88.95 million at the interest rate of 5.0% per annum.

(8) Based on total treasury shares of 6,252,847 shares as at 30 June 2021.

(9) Based on total treasury shares of 5,402,000 shares as at LPD.

7.4 Substantial shareholders' shareholdings

The Proposed Acquisitions and Proposed Waiver will not have any effects on the substantial shareholders' shareholdings in Signature as they do not involve any issuance of new ordinary shares in Signature.

The pro forma effects of the Proposed Private Placement and Proposed Bonus Issue on the shareholding of the substantial shareholders of Signature based on the Company's Register of Substantial Shareholders as at LPD are set out in the table below:

	As at LPD				(I) After Proposed Bonus Issue				(II) After (I) and Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
Substantial shareholders	**No. of Shares ('000)**	**(1)%**	**No. of Shares ('000)**	**(1)%**	**No. of Shares ('000)**	**(2)%**	**No. of Shares ('000)**	**(2)%**	**No. of Shares ('000)**	**(3)%**	**No. of Shares ('000)**	**(3)%**
Chin Hin Group Berhad	89,700	30.9	-	-	179,400	30.9	-	-	179,400	28.1	-	-
Divine Inventions Sdn Bhd	-	-	(4)89,700	30.9	-	-	(4)179,400	30.9	-	-	(4)179,400	28.1
PP Chin Hin Realty Sdn Bhd	-	-	(5)89,700	30.9	-	-	(5)179,400	30.9	-	-	(5)179,400	28.1
Datuk Seri Chiau Beng Teik	-	-	(6)89,700	30.9	-	-	(6)179,400	30.9	-	-	(6)179,400	28.1
Chiau Haw Choon	-	-	(6)89,700	30.9	-	-	(6)179,400	30.9	-	-	(6)179,400	28.1
JPND Singapore Pte Ltd	23,316	8.0	-	-	46,631	8.0	-	-	46,631	7.3	-	-
Goldenhome Living Co Ltd	-	-	(7)23,316	8.0	-	-	(7)46,631	8.0	-	-	(7)46,631	7.3

Substantial shareholders	As at LPD				(I) After Proposed Bonus Issue				(II) After (I) and Proposed Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares ('000)	(1)%	No. of Shares ('000)	(1)%	No. of Shares ('000)	(2)%	No. of Shares ('000)	(2)%	No. of Shares ('000)	(3)%	No. of Shares ('000)	(3)%
Xiamen Jianpan Group Co Ltd	-	-	(8)23,316	8.0	-	-	(8)46,631	8.0	-	-	(8)46,631	7.3
Wen Jianhuai	-	-	(9)23,316	8.0	-	-	(9)46,631	8.0	-	-	(9)46,631	7.3
Pan Xiaozhen	-	-	(9)23,316	8.0	-	-	(9)46,631	8.0	-	-	(9)46,631	7.3

Notes:

(1) Based on 289,846,685 Signature Shares in issue (excluding 5,402,000 Signature Shares held as treasury shares as at LPD).

(2) Based on 579,693,370 Signature Shares in issue (excluding 10,804,000 Signature Shares held as treasury shares) after the Proposed Bonus Issue.

(3) Based on 637,662,707 Signature Shares in issue (excluding 10,804,000 Signature Shares held as treasury shares) after the Proposed Private Placement.

(4) Deemed interested by virtue of its shareholdings in Chin Hin Group Berhad pursuant to Section 8 of the Act.

(5) Deemed interested by virtue of its shareholdings in Divine Inventions Sdn Bhd pursuant to Section 8 of the Act.

(6) Deemed interested by virtue of their shareholdings in PP Chin Hin Realty Sdn Bhd pursuant to Section 8 of the Act.

(7) Deemed interested by virtue of its shareholdings in JPND Singapore Pte Ltd pursuant to Section 8 of the Act.

(8) Deemed interested by virtue of its shareholdings in Goldenhome Living Co Ltd pursuant to Section 8 of the Act.

(9) Deemed interested by virtue of his shareholdings in Xiamen Jianpan Group Co Ltd pursuant to Section 8 of the Act.

7.5 Convertible securities

As at LPD, Signature does not have any convertible securities.

8. APPROVALS REQUIRED

The Proposals are subject to the approvals being obtained from the following:

(i) shareholders of Signature at an EGM to be convened;

(ii) Bursa Securities for the listing of and quotation for (i) the Bonus Shares on the Main Market, which was obtained on 13 January 2023; and (ii) the Placement Shares on the Main Market, which was obtained on 22 February 2023; and

(iii) any other relevant authorities and/or parties, if required.

The Proposed Acquisitions are inter-conditional upon each other. For avoidance of doubt, the Proposed Private Placement is conditional upon the Proposed Acquisitions and Proposed Waiver.

Save for the abovementioned, the Proposals are not conditional upon each other, nor are the Proposals conditional upon any other proposals undertaken or to be undertaken by the Company.

9. HISTORICAL SHARE PRICES

The monthly highest and lowest market prices of Signature Shares as traded on the Main Market of Bursa Securities for the past 12 months preceding the date of this Circular are as follows:

	High	Low
	RM	RM
2022		
March	1.67	1.23
April	1.66	1.46
May	1.47	1.33
June	1.40	1.23
July	1.44	1.17
August	1.60	1.34
September	1.83	1.57
October	2.44	1.64
November	3.35	2.24
December	3.00	2.28
2023		
January	2.55	2.31
February	2.67	2.29

The last transacted market price of Signature Shares on 11 November 2022, being the Market Day immediately preceding the date of the announcement of the Proposed Bonus Issue is RM2.62.

The last transacted market price of Signature Shares as at LPD is RM2.63.

(Source: Bloomberg)

10. HIGHEST PERCENTAGE RATIO

The highest percentage ratio applicable to the Proposed Acquisitions pursuant to Paragraph 10.02(g) of the Listing Requirements is 233.4%, calculated by using aggregate PAT of Corten and Areal based on their latest financial statements for FYE 28 February 2022 and FYE 30 April 2022 respectively against the PAT of Signature based on its latest audited financial statements for FYE 30 June 2021.

11. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

None of the Directors and/or Major Shareholders of the Company, and/or persons connected with them have any interest, either direct or indirect, in the Proposals, other than their respective entitlements as shareholders of the Company in relation to the Proposed Bonus Issue, the rights of which are also available to all other existing shareholders of the Company as at the Entitlement Date.

12. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposals are expected to be completed by the first half of 2023.

The tentative timetable in relation to the completion of the Proposals is as follows:

Events	Tentative timeline
EGM for the Proposals	End March 2023
Announcement of the Entitlement Date	End March 2023
Listing of and quotation for the Bonus Shares	Early April 2023
Announcement of price fixing for the Placement Shares	Early April 2023
Listing of and quotation for the Placement Shares	Mid April 2023
Completion of the Proposals	End April 2023

13. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, having considered all aspects of the Proposals, including but not limited to the rationale, prospects as well as the terms and conditions of the Proposals, is of the opinion that the Proposals are in the best interests of the Company and its shareholders.

Accordingly, the Board recommends that you vote in favour of the resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

14. OUTSTANDING CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (which are the subject matter of this Circular) and the corporate proposals which are set out below, there are no other corporate proposals that have been announced but pending completion by the Company as at LPD:

(i) On 18 January 2023, M&A Securities had, on behalf of the Board, announced that the Company proposes to undertake the Proposed Private Placement. The approval from Bursa Securities for the Proposed Private Placement was obtained vide its letter dated 22 February 2023. The Proposed Private Placement is conditional upon the Proposed Acquisitions and the Proposed Waiver.

15. EGM

The EGM, the notice of which is enclosed in this Circular, will be held and conducted virtually through live streaming from the broadcast venue at Chin Hin Culture Centre, F-0-1 & F-0-2, Pusat Perdagangan Kuchai, No. 2, Jalan 1/127, Off Jalan Kuchai Lama, 58200 Kuala Lumpur, Wilayah Persekutuan, Malaysia on Thursday, 23 March 2023 at 9.00 a.m. or at any adjournment thereof, for the purpose of considering the Proposals contained herein and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

You may complete and return the enclosed Proxy Form in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the office of the Share Registrar of the Company, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, not less than 48 hours before the time appointed for holding the EGM or at any adjournment thereof. The Proxy Form may also be submitted electronically via TIIH Online at https://tiih.online. Kindly refer to the Administrative Guide for the EGM for further information on electronic submission of the Proxy Form. The last day, date and time for lodging the Proxy Form for the EGM is Tuesday, 21 March 2023 at 9.00 a.m..

16. FURTHER INFORMATION

Please refer to the appendices of this Circular for further information.

Yours faithfully,
For and on behalf of the Board of Directors of
SIGNATURE INTERNATIONAL BERHAD

DATUK SERI CHIAU BENG TEIK
Non-Independent Non-Executive Chairman

1. HISTORY AND BUSINESS

Corten was incorporated in Singapore on 25 March 2014 as a private limited company. Corten commenced its business operations on its incorporation date of 25 March 2014. Corten is principally involved in design, manufacture and distribution of kitchen and wardrobe systems and interior fit-out. Corten's wholly-owned subsidiary namely Woodcraft is principally involved in the manufacturing of wooden and cane furniture.

The annual production capacity and output of Woodcraft's rented manufacturing facilities for FYE 29 February 2020, 28 February 2021 and 28 February 2022 are as follows:

	28 February			Annual production capacity (set)
	2020	**2021**	**2022**	
Annual production output (set)				
– Kitchen	5,100	4,400	5,700	7,500
– Wardrobe	9,200	7,900	10,500	15,000
– Vanity	3,000	1,800	4,000	6,000

The annual production capacity is calculated based on an average 20 hours per day and 6 days per week. The details of the manufacturing facilities are set out in Section 7 of Appendix I(A), Part A.

Corten and Areal jointly have a team of 5 in their Research and Development ("**R&D**") committee whose members are from the Marketing, Design & Production departments. The R&D activities are currently carried out by the R&D Committee to develop and innovate new products and processes and to ensure that their offerings are in line with the latest market demand.

In addition, Corten operates in the following:

Location	Landlord	Existing use	Built-up area (sq ft)	Tenure of expiry of tenancy
120, Lower Delta Road #05-14 Cendex Centre Singapore 169208	10 Forward Private Limited	Office	1,517.71	30 months commencing from 1 October 2021
120 Lower Delta Road #05-15 Cendex Centre Singapore 169208	Flexitrans Enterprise Pte Ltd	Office	1,517.71	36 months commencing from 1 April 2022
120 Lower Delta Road #05-16 Cendex Centre Singapore 169208	Flexitrans Enterprise Pte Ltd	Office	1,603.82	36 months commencing from 1 April 2022

Location	Landlord	Existing use	Built-up area (sq ft)	Tenure of expiry of tenancy
120 Lower Delta Road #01-05 Cendex Centre Singapore 169208	Papillon Designers' Gallery Pte Ltd	Showroom	1,722.23	24 months commencing from 1 March 2023
120 Lower Delta Road #01-06 Cendex Centre Singapore 169208	Papillon Designers' Gallery Pte Ltd	Showroom	1,539.24	24 months commencing from 1 March 2023
120 Lower Delta Road #01-07 Cendex Centre Singapore 169208	Liao Chung Lik	Showroom	1,539.24	24 months commencing from 1 October 2022
Block A, 17 Sungai Kadut, Street 4, Singapore 729045	Group Industries Pte Ltd	Warehouse	16,289	24 months commencing from 1 January 2023

Based on the audited financial statements of Corten for the FYE 28 February 2022, its principal market is in Singapore, which accounts for 89.2% of its total revenue generated whereas the remaining 10.8% of its total revenue are generated from Malaysia and United States of America's market. The raw materials utilised by Corten are mainly imported from the People's Republic of China.

2. SHARE CAPITAL

As at LPD, Corten's issued share capital is SGD2,000,002 comprising 2,000,002 ordinary shares.

3. DIRECTORS AND SHAREHOLDERS

The directors and shareholders of Corten and their respective shareholdings in Corten as at LPD are as follows:

		Direct		Indirect	
Directors / Nationality	Designation	No. of Corten Shares	%	No. of Corten Shares	%
Lim Leng Foo/ Singaporean	Director	1,800,002	90.0	-	-
Lim Lye Heng @ Albert ("**Albert**")(1)/ Singaporean	Director	200,000	10.0	-	-
		2,000,002	**100.0**	-	-

Note:

(1) Albert, a Singaporean male aged 48, has more than 15 years of experience in the furniture industry, where he focuses in furniture manufacturing and the management of retail show rooms. He was instrumental in setting up the franchise of over 20 retail furniture showrooms across China for a company based in Foshan. Subsequently, Albert

joined a Singapore public listed company where he was responsible in the marketing of the company's line of international imported brand of products to architects, designers and developers. In addition, Albert was also involved in the fitting out of showrooms for various high-profile developments. He is presently the Director of Operations & Business Development department of Corten.

4. SUBSIDIARY AND ASSOCIATE COMPANY

As at LPD, Corten does not have any associated company. The subsidiary of Corten as at LPD is as follows:

Name of company	Date / Place of incorporation	Share capital	Effective equity interest (%)	Principal activities
Woodcraft	25 February 2015 / Malaysia	RM1,000,000 comprising 1,000,000 shares	100.0	Manufacturing of wooden and cane furniture

5. FINANCIAL INFORMATION

A summary of the financial information of Corten based on the Accountants' Report on Corten for the past 3 FYE 29 February 2020, 28 February 2021 and 28 February 2022 is set out below:

	Audited					
	FYE 29 February 2020		FYE 28 February 2021		FYE 28 February 2022	
	SGD'000	[(1)]RM'000	SGD'000	[(1)]RM'000	SGD'000	[(1)]RM'000
Revenue	49,937	151,514	45,710	139,548	55,620	172,038
GP	15,790	47,908	16,391	50,040	21,724	67,195
PBT	2,929	8,887	6,905	21,080	9,959	30,804
PAT	2,356	7,148	5,370	16,394	8,116	25,104
Current assets	20,999	63,493	27,911	85,187	30,889	95,478
Current liabilities	14,291	43,210	16,532	50,457	17,733	54,813
Shareholders' funds/NA	16,192	48,958	15,075	46,010	18,111	55,981
Total borrowings	3,724	11,240	7,906	24,130	6,477	20,020
No. of Corten Shares issued ('000)	2,000	2,000	2,000	2,000	2,000	2,000
NA per Corten Share (SGD/RM)	8.10	24.48	7.54	23.01	9.06	27.99
Basic EPS (SGD/RM)	1.18	3.57	2.69	8.20	4.06	12.55
Gearing (times)	0.23	0.23	0.52	0.52	0.36	0.36
Current ratio (times)	1.47	1.47	1.69	1.69	1.74	1.74

Note:

(1) Converted based on the following exchange rates as extracted from BNM's website:

(i) income and expenses using the average rate for the financial years under review:

FYE	Exchange rate (SGD/RM)
29 February 2020	3.0341
28 February 2021	3.0529
28 February 2022	3.0931

(ii) assets and liabilities using the closing rate for the financial years under review:

FYE	Exchange rate (SGD/RM)
29 February 2020	3.0236
28 February 2021	3.0521
28 February 2022	3.0910

Commentary on past financial performance

Comparison between FYE 28 February 2021 and FYE 29 February 2020

Corten had recorded a decrease in revenue of 7.9% from RM151.5 million in FYE 29 February 2020 to RM139.5 million in FYE 28 February 2021, mainly driven by decrease in volume of furniture products sold. However, Corten had recorded a significant increase in PAT of 131.0% from RM7.1 million in FYE 29 February 2020 to RM16.4 million in FYE 28 February 2021 mainly due to better margins derived from its projects. Further, Corten recorded higher other operating income as a result of the Singapore government's Enterprise Development Grant ("**EDG**") to small and medium-sized enterprises during the imposed circuit breaker measures such as construction restart booster, foreign worker levy rebates, jobs support scheme payouts, job growth incentive, rental relief and productivity solutions grants coupled with the reduction in factory and office administration plus salary related cost during the circuit breaker period i.e. bonus, overtime & foreign workers levy.

Comparison between FYE 28 February 2022 and FYE 28 February 2021

Corten had recorded an increase in revenue of 23.3% from RM139.5 million in FYE 28 February 2021 to RM172.0 million in FYE 28 February 2022, mainly driven by increase in sales mix of its kitchen and wardrobe systems introduced during the financial year. Corten had recorded an increase in PAT of 53.0% from RM16.4 million in FYE 28 February 2021 to RM25.1 million in FYE 28 February 2022 as a direct result of the higher revenue coupled with higher gross margin recorded.

6. EXCEPTIONAL AND EXTRAORDINARY ITEMS, AUDIT QUALIFICATION AND ACCOUNTING POLICIES

There were no exceptional or extraordinary items during FYE 28 February 2020 to 2022.

The audited financial statements of Corten Group for FYE 28 February 2020 to 2022 were also not subject to any audit qualifications.

During FYE 28 February 2020 to 2022, there were no accounting policies adopted by Corten Group which are peculiar to Corten Group due to the nature of its business or the industry it is involved in, which had effects on the determination of income or financial position of Corten Group.

7. MATERIAL PROPERTIES

Woodcraft operates in the following rented manufacturing facilities:

Location	Landlord	Description / Existing use	Built-up area (sq ft)	Tenure of expiry of tenancy
No. 10, Jalan Mega 1/1, Taman Perindustrian Nusa Cemerlang, 79200 Iskandar Puteri Johor	Willgain Resources Sdn Bhd	A single storey factory annexed with two storey office A factory for furniture manufacturing, cutting, grinding and polishing of marble tiles and related activities	45,261	12 months commencing from 1 April 2022
No. 17, Jalan Mega 1/3, Taman Perindustrian Nusa Cemerlang, 79200 Iskandar Puteri Johor	Panaromic Land Sdn Bhd	A single storey factory annexed with three storey office A factory for furniture manufacturing and related activities	55,260	24 months commencing from 1 June 2021
No. 24, Jalan Mega 1/1, Taman Perindustrian Nusa Cemerlang, 79200 Iskandar Puteri Johor	Panaromic Land Sdn Bhd	A single storey factory annexed with three storey office A factory for furniture manufacturing, cutting, grinding and polishing of marble tiles and related activities	69,152	24 months commencing from 1 March 2021

8. ONGOING PROJECTS

As at LPD, Corten's major ongoing projects are as follows:

Name/ Location	Role	Client name	Description	Contract sum (SGD'000 / RM'000)
One Pearl Bank/ Singapore	Subcontractor	CapitaLand Limited	39-storey residential building comprising 774 units of residential apartment	20,399 / 67,205
Great World City/ Singapore	Subcontractor	Allgreen Properties Limited	Comprises 151 units of serviced apartments	22,004 / 72,492
Canninghill Piers/ Singapore	Subcontractor	City Development Limited and CapitaLand Development Limited	Mixed development comprises 2 residential towers and hotels comprising 700 units	20,120 / 66,285

As at LPD, other than the 3 major projects, the remaining order book which is from the residential projects and hospitality projects, comprises 21 projects in Singapore, each of which has unbilled value of less than SGD6.00 million (equivalent to RM19.77 million).

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9. MATERIAL CONTRACTS

Corten Group has not entered into any material contract (not being a contract entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

10. MATERIAL COMMITMENTS

As at LPD, the directors of Corten are not aware of any material commitments incurred or known to be incurred by Corten Group, which upon becoming enforceable may have a material effect on the business or financial position of Corten Group.

11. CONTINGENT LIABILITIES

Save as disclosed below, as at LPD, the directors of Corten are not aware of any contingent liabilities incurred or known to be incurred by Corten Group, which upon becoming enforceable may have a material impact on the business or financial position of Corten Group:

	RM'000
Performance bonds	24,059

12. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, Corten Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant or otherwise, and the directors of Corten are not aware of any proceedings pending or threatened against Corten Group or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of Corten Group.

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1. HISTORY AND BUSINESS

Areal was incorporated in Singapore on 8 May 2019 as an exempt private limited company. Areal commenced its business operations on 1 May 2020. Areal is principally involved in fabrication and finishing of stone and metal products such as kitchen countertop, basin, bath vanity, wall cladding, etc.

The annual production capacity and output of Areal's manufacturing facility for FYE 30 April 2020, 30 April 2021 and 30 April 2022 are as follows:

	30 April			Annual production capacity
	2020	**2021**	**2022**	**(set)**
Annual production output (set)				
– Kitchen top (quartz)	550	500	1,200	3,000
– Kitchen top (large format tiles)	-	100	800	3,000
– Vanity top (quartz)	220	1,900	2,200	5,000
– Vanity top (large format tiles)	100	1,400	2,200	4,000

The annual production capacity is calculated based on an average 20 hours per day and 6 days per week.

Corten and Areal jointly have a team of 5 in their R&D Committee whose members are from the Marketing, Design & Production departments. The R&D activities are currently carried out by the R&D Committee to develop and innovate new products and processes and to ensure that their offerings are in line with the latest market demand.

Based on the unaudited financial statements of Areal for the FYE 30 April 2022, its principal market is in Singapore, which accounts for 100.0% of its total revenue generated. Areal is the manufacturing arm of Corten where products manufactured by Areal are substantially supplied for projects undertaken by Corten. The raw materials utilised by Areal are mainly imported from Italy and Spain.

2. SHARE CAPITAL

As at LPD, the total issued share capital of Areal is SGD1,000,001 comprising 1,000,001 ordinary shares.

3. DIRECTORS AND SHAREHOLDERS

The directors and shareholders of Areal and their respective shareholdings in Areal as at LPD are as follows:

		Direct		Indirect	
Directors/ Nationality	**Designation**	**No. of Areal Shares**	**%**	**No. of Areal Shares**	**%**
Lim Leng Foo/ Singaporean	Director	900,001	90.0	-	-
Chua Wei Ping/ Singaporean	Director	100,000	10.0	-	-
		1,000,001	**100.0**	-	-

4. SUBSIDIARY AND ASSOCIATED COMPANY

As at LPD, Areal does not have any subsidiary and associated company.

5. FINANCIAL INFORMATION

A summary of the financial information of Areal based on the Accountants' Report on Areal for the FPE 30 April 2020 and FYE 30 April 2021 and 2022 is set out below:

	Audited					
	FPE 30 April 2020		**FYE 30 April 2021**		**FYE 30 April 2022**	
	SGD'000	**(4)RM'000**	**SGD'000**	**(4)RM'000**	**SGD'000**	**(4)RM'000**
Revenue	-	-	1,028	3,144	4,643	14,389
Gross profit	-	-	316	966	1,366	4,233
LBT	(72)	(219)	(536)	(1,639)	(192)	(595)
LAT	(72)	(219)	(536)	(1,639)	(192)	(595)
Current assets	(1)-	-	2,333	7,200	2,541	8,007
Current liabilities	72	220	3,263	10,071	3,647	11,492
Shareholders' funds/(NL)/NA	(72)	(220)	392	1,210	200	630
Total borrowings			-	-	-	-
No. of Areal Shares issued ('000)	(2)-	(2)-	1,000	1,000	1,000	1,000
(NL)/NA per Areal Share (SGD/RM)	(72,000)	(219,920)	0.39	1.21	0.20	0.63
Basic loss per share (SGD/RM)	72,000	219,920	0.54	1.64	0.19	0.60
Gearing (times)	-	-	-	-	-	-
Current ratio (times)	-	-	0.71	0.71	0.70	0.70

Notes:

(1) Represents SGD 1.

(2) Represents 1 Areal Share.

(4) Converted based on the following exchange rates as extracted from BNM's website:

(i) income and expenses using the average rate for the financial years under review:

FYE	**Exchange rate (SGD/RM)**
30 April 2020	3.0380
30 April 2021	3.0580
30 April 2022	3.0990

(ii) assets and liabilities using the closing rate for the financial years under review:

FYE	Exchange rate (SGD/RM)
30 April 2020	3.0544
30 April 2021	3.0863
30 April 2022	3.1510

Commentary on past financial performance

Comparison between FYE 30 April 2021 and FPE 30 April 2020

There is no revenue recorded by Areal during FPE 30 April 2020 as Areal only commenced its business operations in May 2020. Areal recorded RM3.1 million in the FYE 30 April 2021, mainly derived from its products fabricated for Corten's residential and hospitality projects. Areal had recorded a LAT of RM1.6 million in the FYE 30 April 2021 as its production was under capacity as Areal only commenced its operations in May 2020.

Comparison between FYE 30 April 2022 and FYE 30 April 2021

Areal had recorded an increase in revenue of 364.5% from RM3.1 million in FYE 30 April 2021 to RM14.4 million in FYE 30 April 2022, mainly driven by the increase in sales of its products fabricated for Corten's residential and hospitality projects. Areal had recorded a decrease in LAT of 62.5% from RM1.6 million in FYE 30 April 2021 to RM0.6 million in FYE 30 April 2022 as a direct result of the higher revenue recorded.

6. EXCEPTIONAL AND EXTRAORDINARY ITEMS, AUDIT QUALIFICATION AND ACCOUNTING POLICIES

There were no exceptional or extraordinary items during FPE 30 April 2020 and FYE 30 April 2021 to 2022.

The audited financial statements of Areal for FPE 30 April 2020 and FYE 30 April 2021 to 2022 were also not subject to any audit qualifications.

During FPE 30 April 2020 and FYE 30 April 2021 to 2022, there were no accounting policies adopted by Areal which are peculiar to Areal due to the nature of its business or the industry it is involved in, which had effects on the determination of income or financial position of Areal.

7. MATERIAL PROPERTIES

Areal operates in the following rented manufacturing facility:

Location	Landlord	Description / Existing use	Built-up area (sq ft)	Tenure of expiry of tenancy
Block A1, 17 Sungai Kadut, Street 4, Singapore 729045	Group Industries Pte Ltd	A single storey factory/ A factory for kitchen top fabrication	16,289	36 months commencing from 1 January 2021

8. ONGOING PROJECTS

As at LPD, Areal's major ongoing projects are as follows:

Name/ Location	Role	Client name	Description	Contract sum (SGD'000 / RM'000)
Canninghill Piers/ Singapore	Subcontractor	Corten	Mixed development comprises 2 residential towers and hotels comprising 700 units	3,855 / 12,700
One Pearl Bank/ Singapore	Subcontractor	Corten	39-storey residential building comprising 774 units of residential apartment	3,554 / 11,709
Parc Clematis/ Singapore	Subcontractor	Corten	Residential development comprises 1,468 units	2,340 / 7,709

Areal's projects are secured through Corten, the subcontractor of the respective projects. As at LPD, other than the 3 major projects above, the remaining projects awarded by Corten comprises 23 projects in Singapore with a total contract sum of SGD20.13 million (equivalent to RM66.32 million).

9. MATERIAL CONTRACTS

Areal has not entered into any material contract (not being a contract entered into in the ordinary course of business) within the past 2 years immediately preceding the date of this Circular.

10. MATERIAL COMMITMENTS

As at LPD, the directors of Areal are not aware of any material commitments incurred or known to be incurred by Areal, which upon becoming enforceable may have a material effect on the business or financial position of Areal.

11. CONTINGENT LIABILITIES

As at LPD, the directors of Areal are not aware of any contingent liabilities incurred or known to be incurred by Areal, which upon becoming enforceable may have a material impact on the business or financial position of Areal.

12. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, Areal is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant or otherwise, and the directors of Areal is not aware of any proceedings pending or threatened against Areal or of any facts likely to give rise to any proceedings which may materially or adversely affect the financial position or business of Areal.

APPENDIX II – SALIENT TERMS OF THE SSA

1. SSA I

The salient terms of the SSA I are as follows:

(i) Conditions precedent

The SSA I shall be conditional upon the fulfilment or waiver of the following conditions precedent within 3 months ("**Long Stop Date**") or on the sooner dateline as specifically provided for in the following conditions precedent:

(a) satisfactory legal, financial and/or business due diligence findings on Corten by the Company within 8 weeks from the date of the SSA I;

(b) the approval of the directors and/or shareholders of the Company for the implementation of the SSA I (if applicable);

(c) the consents and/or approvals from the existing bankers and/or financiers of Corten for the sale of the Corten Share(s) to the Company; and

(d) such other waivers, consents or approvals as may be required by the Company and/or the vendor hereto from any third party or governmental, regulatory body or competent authority having jurisdiction over any part of the transactions contemplated under the SSA I to the effect that if such waivers, consents, approvals are not obtained, the sale and purchase of the Corten Shares herein will be rendered null and void by law.

If the conditions precedent are not fulfilled or waived on or before the Long Stop Date or before the sooner dateline as specifically provided, then:

(a) the SSA I shall thereafter cease to have any effect;

(b) the Company shall promptly return all documents and information which shall have been made available to the Company; and

(c) the deposit equivalent to 10.0% of the purchase consideration shall be refunded to the Company.

(ii) Purchase consideration

The purchase consideration for the sale and purchase of Corten Share(s) shall be the aggregate sum of SGD45.00 million only to be satisfied wholly by way of cash in the following time and manner:

(a) Upon execution of SSA I, the Company to pay SGD4.50 million to the Company's solicitors in this Proposed Acquisition of Corten as a stakeholder who is authorised to release the same to the Vendor on the effective date, i.e. the date on which the last of the Conditions Precedent has been fulfilled or waived ("**Effective Date I**"); and

(b) Within 30 days from the Effective Date I or any other extended date agreed by the Parties, the Company to pay SGD40.5 million to the vendor.

(iii) Completion

The sale and purchase of the Corten Shares shall be completed within 1 month from the Effective Date I of the SSA I with an extension of 1 month by way of written request to be made by the Company provided that the Company shall pay an interest of 8.0% per annum.

(iv) Conditions for Completion

The completion of the sale and purchase of the Corten Shares shall take place subject to:

(a) execution of shareholders' agreement to regulate the affairs of Corten;

(b) execution of a call and put option agreement between the vendor and the Company in relation to the sale and purchase of the vendor's remaining shares in Corten;

(c) execution of service agreements with its key management personnel and Corten;

(d) there has been no material adverse change in the financial condition, business, prospect or operation of Corten since the date of the SSA I;

(e) each of the representations and warranties set out in the SSA I remain accurate at the completion date of the SSA I;

(f) all debts owing between Corten and its directors and/or shareholders are repaid, waived or forgiven (if applicable);

(g) no Governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA I illegal or restraining or prohibiting consummation of such transactions;

(h) the completion of an internal restructuring of the shareholdings in Corten as follows:

    (i) the vendor having transferred 4.0% of his remaining Corten Shares to Chua Wei Ping; and

    (ii) Lim Lye Heng @ Albert having transferred 3.0% of Corten Shares to Chua Wei Ping; and

(i) the concurrent completion of the Proposed Acquisition of Areal and the Proposed Acquisition of Corten.

If any conditions for completion is not satisfied as a result of non-delivery of completion documents, then the vendor or the Company (as the case may be) shall be entitled to:

(a) terminate the SSA I without prejudice to all other rights or remedies available to the terminating party including the rights to claim damages for any antecedent breach; or

(b) to effect the completion of the sale and purchase of Corten Shares so far as practicable having regard to the defaults which have occurred or to the non-satisfactory of the conditions for completion;

without prejudice to the additional right to seek for specific performance from the court of competent jurisdiction.

(v) Default and termination

In the case of non-compliance by the vendor or Company of the terms in the SSA I ("**Defaulting Party I**"), the no-defaulting party, in addition to all other rights and remedies available, shall be entitled to:

(a) terminate the SSA I and the Defaulting Party I shall be liable to pay a sum equivalent to 10.0% of the purchase consideration as liquidated agreed damages and the stakeholder or the vendor shall refund to the Company all monies paid under the SSA I; or

(b) effect the completion of the sale and purchase of Corten Shares so far as practicable.

In addition thereto, the non-defaulting party shall also be entitled to seek for specific performance of the terms of the SSA I.

(vi) Understanding of the parties

(a) Guaranteed PAT and Guaranteed NA

The vendor guarantees that the actual PAT achieved by Corten and the actual NA value recorded by Corten both for FYE 2023 in Corten's audited consolidated financial statements shall not be less than SGD10.00 million and SGD25.00 million respectively.

In the event of failure in attaining the guarantee, the vendor shall be liable to pay the shortfall within 30 days from the date of receipt of the audited accounts of Corten for FYE 2023, failing which, the vendor shall be liable to pay an interest of 8.0% per annum.

(b) Non-competition

The vendor undertakes and covenants that he shall not directly or indirectly enter into any arrangement or transaction in Malaysia and/or Singapore whereby he shall become involved in the same business as Corten for a period of 10 years from the completion date of the SSA I or the cessation of his employment and/or directorship in Corten, whichever is later.

(c) Non-solicitation

The vendor undertakes that he will not for a period of 10 years from the completion date of the SSA I or cessation of his employment and/or directorship in Corten, directly or indirectly:

(i) induce or attempt to induce any officer, director or employee of Corten to terminate their employment relationship with Corten;

(ii) accept any employment application of any officer, director or employee of Corten as employee of any business or company established by the vendor; and

(iii) solicit or attempt to solicit any business transaction with any person, firm, company or organisation who shall at any time have been a customer, client, agent or correspondent of Corten or in the habit of dealing with Corten with a view to enticing away the business transactions of such person, firm, company or organisation from Corten.

(d) Restriction on usage of tradename

The vendor undertakes that he will not and will procure that any person, firm or company with which he is connected (as defined under Session 25D of the Singapore Companies Act 1967) will not directly or indirectly use such words in such way as to be capable or likely to be confused with the name or tradename owned or used by Corten.

(vii) Indemnity

The vendor shall keep the Company fully indemnified against any claim, liability, damage, loss, cost and expenses which the Company may directly or indirectly suffer as a result of breach of the warranties provided by the vendor in the SSA I provided that:

(a) the aggregate liability of the vendor shall not exceed 50.0% of the purchase consideration;

(b) no claim shall be brought by the Company against the vendor unless written notice of such claim has been given to the vendor on or before 36 months from the completion date of the SSA I for non-tax related matters or 72 months for tax related matters; and

(c) no liability shall arise unless the aggregate amount of the claim(s) shall exceed the sum of SGD300,000.

2. SSA II

The salient terms of the SSA II are as follows:

(i) Conditions precedent

The SSA II shall be conditional upon the fulfilment or waiver of the following conditions precedent within 3 months ("**Long Stop Date II**") or on the sooner dateline as specifically provided for in the following conditions precedent:

(a) satisfactory legal, financial and/or business due diligence findings on Areal by the Company within 8 weeks from the date of the SSA II;

(b) the approval of the directors and/or shareholders of the Company for the implementation of the SSA II (if applicable); and

(c) such other waivers, consents or approvals as may be required by the Company and/or the vendors hereto from any third party or governmental, regulatory body or competent authority having jurisdiction over any part of the transactions contemplated under the SSA II to the effect that if such waivers, consents, approvals are not obtained, the sale and purchase of the Areal Shares herein will be rendered null and void by law.

If the conditions precedent are not fulfilled or waived on or before the Long Stop Date II or before the sooner dateline as specifically provided, then:

(a) the SSA II shall thereafter cease to have any effect;

(b) the Company shall promptly return all documents and information which shall have been made available to the Company; and

(c) the deposit equivalent to 10.0% of the purchase consideration shall be refunded to the Company.

(ii) Purchase consideration

The purchase consideration for the sale and purchase of Areal Shares shall be the aggregate sum of SGD2.80 million only to be satisfied wholly by way of cash in the following time and manner:

(a) Upon execution of SSA II, the Company to pay SGD280,000.00 to the Company's solicitors in this Proposed Acquisition of Areal as a stakeholder who is authorised to release the same to the vendors on the effective date, i.e. the date on which the last of the Conditions Precedent has been fulfilled or waived ("**Effective Date II**"); and

(b) Within 30 days from the Effective Date II or any other extended date agreed by the Parties, the Company to pay SGD2.52 million to the vendors.

(iii) Completion

The sale and purchase of the Areal Shares shall be completed within 1 month from the Effective Date II of the SSA II with an extension of 1 month by way of written request to be made by the Company provided that the Company shall pay an interest of 8% per annum.

(iv) Conditions for Completion

The completion of the sale and purchase of the Areal Shares shall take place subject to:

(a) no material adverse change in the financial condition, business, prospect or operations of Areal since the date of the SSA II;

(b) each of the representations and warranties set out in the SSA II remain accurate at the completion date of the SSA II;

(c) all debts owing between Areal and its directors and/or shareholders are repaid, waived or forgiven (if applicable);

(d) no Governmental entity shall have enacted, issued, promulgated, enforced or entered any statute, rule, regulation, injunction or other order, whether temporary, preliminary or permanent, which is in effect and which has or would have the effect of making the transactions contemplated by the SSA II illegal or restraining or prohibiting consummation of such transactions; and

(e) the concurrent completion of the Proposed Acquisition of Corten and the Proposed Acquisition of Areal.

If any conditions for completion not satisfied as a result of non-delivery of completion documents, then the vendor or the Company (as the case may be) shall be entitled to:

(a) terminate the SSA II without prejudice to all other rights or remedies available to the terminating party including the rights to claim damages for any antecedent breach; or

(b) to effect the completion of the sale and purchase of Areal Shares so far as practicable having regard to the defaults which have occurred or to the non-satisfactory of the conditions for completion;

without prejudice to the additional rights to seek for specific performance from the court of competent jurisdiction.

(v) Default and termination

In the case of non-compliance by the vendors or Company of the terms in the SSA II ("**Defaulting Party II**"), the non-defaulting party, in addition to all other rights and remedies available, shall be entitled to:

(a) terminate the SSA II and the Defaulting Party II shall be liable to pay a sum equivalent to 10.0% of the purchase consideration as liquidated agreed damages and the stakeholder or the vendors shall refund to the Company all monies paid under the SSA II; or

(b) effect the completion of the sale and purchase of Areal Shares so far as practicable;

In addition thereto, the non-defaulting party shall also be entitled to seek for specific performance of the terms of the SSA II.

(vi) Understanding of the parties

(a) Non-competition

Lim Leng Foo undertakes and covenants that he shall not directly or indirectly enter into any arrangement or transaction in Malaysia and/or Singapore whereby he shall become involved in the same business as Areal for a period of 10 years from the completion date of the SSA II or the cessation of his employment and/or directorship in Areal, whichever is later.

(b) Non-solicitation

Lim Leng Foo undertakes that he will not for a period of 10 years from the completion date of the SSA II or cessation of his employment and/or directorship in Areal, directly or indirectly:

(i) induce or attempt to induce any officer, director or employee of Areal to terminate their employment relationship with Areal;

(ii) accept any employment application of any officer, director or employee of Areal as employee of any business or company established by the vendors; and

(iii) solicit or attempt to solicit any business transaction with any person, firm, company or organisation who shall at any time have been a customer, client, agent or correspondent of Areal or in the habit of dealing with Areal with a view to enticing away the business transactions of such person, firm, company or organisation from Areal.

(c) Restriction on usage of tradename

Lim Leng Foo undertakes that he will not and will procure that any person, firm or company with which he is connected (as defined under Session 25D of the Singapore Companies Act 1967) will not directly or indirectly use such words in such way as to be capable or likely to be confused with the name or tradename owned or used by Areal.

(vii) Indemnity

The vendors shall keep the Company fully indemnified against any claim, liability, damage, loss, cost and expenses which the Company may directly or indirectly suffer as a result of breach of the warranties provided by the vendor in the SSA II provided that:

(a) the aggregate liability of the vendors shall not exceed 50.0% of the purchase consideration;

(b) no claim shall be brought by the Company against the vendors unless written notice of such claim has been given to the vendors on or before 36 months from the completion date of the SSA II for non-tax related matters or 72 months for tax related matters; and

(c) no liability shall arise unless the aggregate amount of the claim(s) shall exceed the sum of SGD300,000.

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The Board of Directors
Signature International Berhad
Lot 24, Jalan Teknologi
Taman Sains Selangor 1
Kota Damansara, PJU 5
47810 Petaling Jaya
Selangor

Dear Sirs,

SIGNATURE INTERNATIONAL BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statement of Financial Position of Signature International Berhad ("Signature" or "the Company") and its subsidiaries (hereinafter collectively referred as "Signature Group") as at 30 June 2021 (the "Pro Forma Consolidated Statement of Financial Position").

The Pro Forma Consolidated Statement of Financial Position which we have stamped for the purpose of identification, has been compiled by the Directors of the Company for inclusion in the circular to shareholders of Signature ("Circular to Shareholders") to be dated later in connection with the proposed acquisition of Corten Interior Solutions Pte. Ltd. and Areal Interior Solutions Pte. Ltd. ("Proposed Acquisitions").

The applicable criteria on the basis of which the Directors of the Company have compiled the Pro Forma Consolidated Statement of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statement of Financial Position.

The Pro Forma Consolidated Statement of Financial Position has been compiled by the Directors of the Company to illustrate the impact of the Proposed Acquisitions, as set out in the notes thereon on the Group's consolidated statement of financial position as at 30 June 2021 as if the Proposed Acquisitions had taken place at 30 June 2021. As part of this process, information about the Group's consolidated statement of financial position as at 30 June 2021 has been extracted by the Directors of the Company from the Group's financial statements for the financial year ended 30 June 2021, on which an audit report has been published.

UHY

SIGNATURE INTERNATIONAL BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

Directors' Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Reporting Accountants' Independence and Quality Control

We have complied with the independent and other ethical requirement of the Code of Ethics for *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards),* which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applied the International Standard on Quality Management 1 and accordingly maintains a comprehensive sustem of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material aspects, by the Directors of the Company based on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with International Standards on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the Pro Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Proforma Financial Information.

SIGNATURE INTERNATIONAL BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

Reporting Accountants' Responsibilities (Cont'd)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Consolidated Statement of Financial Position, nor have we, in the course of this engagement, perform an audit or review of the financial information used in compiling the Pro Forma Consolidated Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro Forma Consolidated Statement of Financial Position included in the Circular to Shareholders is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Company as if the events had occured or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material respects, based on the applicable criteria, involves performing procedures to assess whether the applicable criteria as disclosed in the notes thereon to the Pro Forma Consolidated Statement of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

(a) the related pro forma adjustments give appropriate effect to those criteria; and

(b) the Pro Forma Consolidated Statement of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statement of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SIGNATURE INTERNATIONAL BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

Our Opinion

In our opinion, the Pro Forma Consolidated Statement of Financial Position has been compiled, in all material aspects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statement of Financial Position and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

Other Matters

This report is issued for the sole purpose of inclusion in the Circular to Shareholders in connection with the Proposed Acquisitions and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other person for the content of this report.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2024 J
Chartered Accountant

KUALA LUMPUR
7 March 2023

SIGNATURE INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

The Pro Forma Consolidated Statement of Financial Position as set out below has been prepared by the Directors of Signature International Berhad ("Signature" or "the Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Signature and its subsidiaries ("the Group") as at 30 June 2021 on the assumption that the Proposed Acquisitions as set out in Note 4 had been effected on that date, and should be read in conjunction with notes thereon.

	Note	Signature Group - Group level RM'000	Pro Forma I After Subsequent Events up to LPD date RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue RM'000	Pro Forma III After Pro Forma II and Proposed Private Placement RM'000	Pro Forma IV After Pro Forma III and Proposed Acquisitions RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	5.1	68,587	34,413	34,413	34,413	47,659
Right-of-use assets	5.2	17,311	17,311	17,311	17,311	28,891
Investment properties	5.3	67,529	75,194	75,194	75,194	75,194
Investment in associate	5.4	-	180,000	180,000	180,000	180,000
Goodwill	5.5	-	5,065	5,065	5,065	117,134
Trade receivables	5.6	-	-	-	-	11,740
Deferred tax assets		589	589	589	589	589
		154,016	312,572	312,572	312,572	461,207

SIGNATURE INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

The Pro Forma Consolidated Statement of Financial Position as set out below has been prepared by the Directors of Signature International Berhad ("Signature" or "the Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Signature and its subsidiaries ("the Group") as at 30 June 2021 on the assumption that the Proposed Acquisitions as set out in Note 4 had been effected on that date, and should be read in conjunction with notes thereon. (Cont'd)

		Signature Group - Group level RM'000	Pro Forma I After Subsequent Events up to LPD date RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue RM'000	Pro Forma III After Pro Forma II and Proposed Private Placement RM'000	Pro Forma IV After Pro Forma III and Proposed Acquisitions RM'000
CURRENT ASSETS						
Inventories	5.7	10,611	10,615	10,615	10,615	37,034
Contract assets	5.8	36,054	66,946	66,946	66,946	79,592
Trade receivables	5.6	22,712	26,197	26,197	26,197	57,638
Other receivables	5.9	6,518	6,965	6,965	6,965	26,624
Short-term investments	5.10	47,809	59,319	59,319	59,319	59,319
Tax recoverable	5.11	1,128	1,130	1,130	1,130	1,961
Fixed deposits with licensed banks	5.12	195	195	195	195	241
Cash and bank balances	5.13	40,991	43,279	43,279	105,886	56,452
		166,018	214,646	214,646	277,253	318,861
TOTAL ASSETS		320,034	527,218	527,218	589,825	780,068

SIGNATURE INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

The Pro Forma Consolidated Statement of Financial Position as set out below has been prepared by the Directors of Signature International Berhad ("Signature" or "the Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Signature and its subsidiaries ("the Group") as at 30 June 2021 on the assumption that the Proposed Acquisitions as set out in Note 4 had been effected on that date, and should be read in conjunction with notes thereon. (Cont'd)

	Note	Signature Group - Group level RM'000	Pro Forma I After Subsequent Events up to LPD date RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue RM'000	Pro Forma III After Pro Forma II and Proposed Private Placement RM'000	Pro Forma IV After Pro Forma III and Proposed Acquisitions RM'000
EQUITY						
Share capital	5.14	101,323	101,323	101,323	163,930	163,930
Treasury shares	5.15	(4,810)	(4,931)	(4,931)	(4,931)	(4,931)
Merger reserves		(28,123)	(28,123)	(28,123)	(28,123)	(28,123)
Exchange translation reserve		(548)	(548)	(548)	(548)	(548)
Retained earnings	5.16	140,517	154,436	154,316	153,566	147,739
Total equity attributable to owners of the parent		208,359	222,157	222,037	283,894	278,067
Non-controlling interests	5.17	5,981	3,138	3,138	3,138	18,054
TOTAL EQUITY		214,340	225,295	225,175	287,032	296,121
NON-CURRENT LIABILTIES						
Trade payables	5.18	-	-	-	-	995
Lease liabilities	5.19	1,673	2,109	2,109	2,109	8,313
Bank borrowings	5.20	32,290	186,661	186,661	186,661	283,853
Deferred tax liabilities	5.21	255	460	460	460	957
		34,218	189,230	189,230	189,230	294,118

SIGNATURE INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

The Pro Forma Consolidated Statement of Financial Position as set out below has been prepared by the Directors of Signature International Berhad ("Signature" or "the Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Signature and its subsidiaries ("the Group") as at 30 June 2021 on the assumption that the Proposed Acquisitions as set out in Note 4 had been effected on that date, and should be read in conjunction with notes thereon. (Cont'd)

		Signature Group - Group level RM'000	Pro Forma I After Subsequent Events up to LPD date RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue RM'000	Pro Forma III After Pro Forma II and Proposed Private Placement RM'000	Pro Forma IV After Pro Forma III and Proposed Acquisitions RM'000
CURRENT LIABILTIES						
Contract liabilities	5.22	8,286	8,441	8,441	8,441	34,481
Trade payables	5.18	36,133	53,169	53,169	53,169	67,957
Other payables	5.23	18,322	34,012	34,132	34,882	56,071
Amount due to a related party		810	810	810	810	810
Lease liabilities	5.19	1,841	2,086	2,086	2,086	7,055
Bank borrowings	5.20	4,535	12,479	12,479	12,479	15,772
Tax payable	5.24	1,549	1,696	1,696	1,696	7,683
		71,476	112,693	112,813	113,563	189,829
TOTAL LIABILITIES		105,694	301,923	302,043	302,793	483,947
TOTAL EQUITY AND LIABILITIES		320,034	527,218	527,218	589,825	780,068

SIGNATURE INTERNATIONAL BERHAD

PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

The Pro Forma Consolidated Statement of Financial Position as set out below has been prepared by the Directors of Signature International Berhad ("Signature" or "the Company") for illustrative purposes only to show the effects on the audited Consolidated Statement of Financial Position of Signature and its subsidiaries ("the Group") as at 30 June 2021 on the assumption that the Proposed Acquisitions as set out in Note 4 had been effected on that date, and should be read in conjunction with notes thereon. (Cont'd)

	Signature Group - Group level RM'000	Pro Forma I After Subsequent Events up to LPD date RM'000	Pro Forma II After Pro Forma I and Proposed Bonus Issue RM'000	Pro Forma III After Pro Forma II and Proposed Private Placement RM'000	Pro Forma IV After Pro Forma III and Proposed Acquisitions RM'000
No. of shares ('000)	295,249	295,249	590,497	648,466	648,466
Treasury shares ('000)	6,253	5,402	10,804	10,804	10,804
No. of shares in issue (excluding treasury shares) ('000)	288,996	289,847	579,693	637,662	637,662
Net assets ("NA")	208,359	222,157	222,037	283,894	278,067
NA per share (RM)	0.72	0.77	0.38	0.45	0.44
Borrowings	40,339	203,335	203,335	203,335	314,993
Gross gearing (times)	0.19	0.90	0.90	0.71	1.06

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

1. Introduction

The Pro Forma Consolidated Statement of Financial Position of Signature International Berhad ("Signature" or "the Company") for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only, for the purpose of inclusion in the Circular to Shareholders in connection with the proposed acquisitions of 75% equity interest in Corten Interior Solutions Pte. Ltd. and the entire equity interest in Areal Interior Solutions Pte. Ltd. by the Company, as disclosed in Note 2 ("Proposed Acquisitions"),

The Pro Forma Consolidated Statement of Financial Position has been prepared in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Proforma Financial Information, for illustrative purposes only, to show the effects of the Proposed Acquisitions on the audited Consolidated Statement of Financial Position of the Group presented had the Proposed Acquisitions occurred on 30 June 2021. Further, such information does not purport to predict the Group's future financial position.

2. Proposed Acquisitions

On 3 November 2022, Signature had entered into the following conditional share sale agreements ("SSA"):

(i) SSA with Lim Leng Foo for the proposed acquisition of 1,500,001 ordinary shares in Corten Interior Solutions Pte Ltd ("Corten"), representing 75% equity interest in Corten, for a cash consideration of SGD45.00 million (equivalent to RM148.25 million) ("SSA I") ("Proposed Acquisition of Corten"); and

(ii) SSA with Lim Leng Foo and Chua Wei Ping for the proposed acquisition of 1,000,001 ordinary shares in Areal Interior Solutions Pte Ltd ("Areal"), representing the entire equity interest in Areal, for a cash consideration of SGD2.80 million (equivalent to RM9.22 million) ("SSA II") ("Proposed Acquisition of Areal").

(the Proposed Acquisition of Corten and Proposed Acquisition of Areal are collectively known as the "Proposed Acquisitions").

Upon completion of the Proposed Acquisitions, Corten and Areal will become a 75%-owned subsidiary and a wholly-owned subsidiary of Signature respectively. Subject to the terms and conditions of the SSA in respect of the Proposed Acquisitions, the issued shares in the Corten and Areal will be acquired free from all claims, charges, liens, encumbrances and equities whatsoever together with all rights attached thereto.

As part of the terms of the SSA I in respect of the Proposed Acquisition of Corten, the vendor of Corten guarantees that Corten shall achieve (i) a profit after taxation ("PAT") of not less than SGD10.00 million (equivalent to RM32.95 million) for the financial year ending 28 February 2023 ("Guaranteed PAT"); and (ii) a net asset ("NA") value of not less than SGD25.00 million (equivalent to RM82.36 million) as at 28 February 2023 ("Guaranteed NA").

The completion of the Proposed Acquisitions is conditional upon the fulfilment of amongst others, the conditions precedent of the SSA I and SSA II in respect of the Proposed Acquisitions.

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

3. Basis of Preparation

3.1 The Pro Forma Consolidated Statements of Financial Position of Signature Group as at 30 June 2021 has been compiled based on the audited consolidated financial statements of Signature Group for the financial year ended 30 June 2021 in accordance with International Financial Reporting Standards and is presented on a basis consistent with both the format and accounting policies adopted by the Group for the financial year then ended.

3.2 The exchange rate of SGD1.00 : RM3.2945, being the middle rate quoted by Bank Negara Malaysia as at 5.00 pm as at 15 February 2023 (being the latest practical date) is used.

4. Effects on the Pro Forma Consolidated Statement of Financial Position as at 30 June 2021

Pro forma I

Pro forma I incorporates the effects of the subsequent events adjustment after 30 June 2021 by Signature as disclosed below:

(a) Acquisition of 765,000 ordinary shares, representing 51% equity interest in Space Alliance Contract Sdn. Bhd. ("SAC") for a total cash consideration of RM14.26 million (after deducting the receipt of profit guarantee of RM0.35 million) which was completed on 25 March 2022 ("Acquisition of SAC"). Details of adjustments as follows:

  (i) deducting the expenses for the Acquisition of SAC of RM0.21 million;

  (ii) consolidation of SAC's borrowings of RM21.55 million into Signature Group's account pursuant to the Acquisition of SAC; and

  (iii) Consolidation of SAC's non-controlling interests of RM8.84 million into Signature Group's account.

(b) Disposal of 3 pieces of vacant freehold lands by Signature Realty Sdn. Bhd., a wholly-owned subsidiary of Signature, for a total cash consideration of RM54.57 million which was completed on 27 June 2022 ("Land Disposal"). Details of adjustments as follows:

  (i) adding the gain on disposal of RM13.63 million and deducting the expenses for the Lands Disposal (inclusive of real property gains tax) of RM1.59 million; and

  (ii) repayment of borrowings of RM10.56 million from the proceeds arising from the Lands Disposal.

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

4. Effects on the Pro Forma Consolidated Statement of Financial Position as at 30 June 2021 (Cont'd)

Pro forma I (Cont'd)

Pro forma I incorporates the effects of the subsequent events adjustment after 30 June 2021 by Signature as disclosed below: (Cont'd)

(c) Acquisition of 400,000 ordinary shares, representing 40% equity interest in Signature Aluminium Sdn Bhd ("SASB") for a total cash consideration of RM15.00 million which was completed on 26 May 2022. Details of adjustments as follows:

(i) deducting the expenses for the Acquisition of SASB of RM0.27 million; and

(ii) elimination of SASB's non-controlling interests of RM11.68 million into Signature Group's account.

(d) Acquisition of 120,000,000 ordinary shares, representing 23.7% equity interest in Fiamma Holding Berhad ("Fiamma") for a total cash consideration of RM180.00 million which was completed on 26 September 2022 ("Acquisition of Fiamma"). Details of adjustments as follows:

(i) deducting the expenses of RM0.74 million and interest costs of RM1.32 million arising from the bank borrowings for the Acquisition of Fiamma at the interest rate ranging from 5.1% to 6.1% per annum; and

(ii) 84% of the purchase consideration in respect of the Acquisition of Fiamma amounting to approximately RM152.00 million was funded by bank borrowings.

(e) Resale of 13.85 million treasury shares for a total consideration of RM20.38 million. Details of adjustment consist of adding the gain on disposal of RM7.74 million for the resale of 13.85 million treasury shares for a total consideration of RM20.38 million.

(f) Acquisition of a total of 19,900,000 ordinary shares, representing 0.72% equity interest in Hextar Industries Berhad for a total cash consideration of RM11.51 million from 21 November to 7 December 2022.

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

4. Effects on the Pro Forma Consolidated Statement of Financial Position as at 30 June 2021 (Cont'd)

Pro forma II

Pro forma II incorporates the effects of Pro forma I and after the Proposed Bonus Issue, assuming that shareholders' approval has been obtained and the Proposed Bonus Issue has been completed. Details of adjustment consist of deducting estimated expenses relating to the Proposed Bonus Issue of approximately RM0.12 million.

The pro forma effect of the Proposed Bonus Issues on the issued share capital of Signature are as follows:

	No. of Shares	RM
Issued share capital as at LPD	295,248,685	101,322,849
To be issued pursuant to the Proposed Bonus Issue	295,248,685	-
Enlarged share capital	590,497,370	101,322,849

Pro forma III

Pro forma III incorporates the effects of Pro forma II and after the Proposed Private Placement. The Proposed Private Placement will only be implemented after the entitlement date of the Proposed Bonus Issue. The Proposed Private Placement will entail the issuance of up to 57,969,337 Placement Shares based on the enlarged issued ordinary shares of Signature (excluding treasury shares) after the Proposed Bonus Issue and the issue price per Placement Share is assumed to be RM1.08. Details of adjustment consist of deducting estimated expenses relating to the Proposed Private Placement of approximately RM0.75 million.

The pro forma effect of the Proposed Private Placement on the issued share capital of Signature are as follows:

	No. of Shares	RM
Issued share capital as at LPD	295,248,685	101,322,849
To be issued pursuant to the Proposed Bonus Issue	295,248,685	-
	590,497,370	101,322,849
To be issued pursuant to the Proposed Private Placement (1)	57,969,337	62,606,884
Enlarged share capital	648,466,707	163,929,733

(1) The Proposed Private Placement is conditional upon the Proposed Acquisitions but is not conditional upon the Proposed Bonus Issue.

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

4. Effects on the Pro Forma Consolidated Statement of Financial Position as at 30 June 2021 (Cont'd)

Pro forma IV

Pro forma IV incorporates the effects of Pro forma III and after the Proposed Acquisitions. Details of adjustments consist of deducting estimated expenses of RM1.38 million and interest costs of RM4.42 million arising from the bank borrowing to be funded for the Proposed Acquisitions of RM88.40 million at the interest rate of 5.0% per annum.

The Proposed Acquisitions will be funded in the following manner:

	SGD'000	RM'000	%
Proceeds to be raised from the Proposed Private Placement	18,893	62,243[1]	39.5
Bank borrowings	27,000	88,951	56.5
Internally generated funds	1,907	6,283	4.0
	47,800	157,477	100.0

(1) Based on the indicative issue price of RM1.08 per Placement Share pursuant to the Proposed Private Placement (after deducting estimated expenses relating to the Proposed Private Placement of RM0.75 million).

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021

5.1. Property, Plant and Equipment

	RM'000
As at 30 June 2021	68,587
Subsequent events	(34,174)
As per Pro forma I, II and III	34,413
Proposed acquisitions	13,246
As per Pro forma IV	47,659

5.2. Right-of-use Assets

	RM'000
As at 30 June 2021 / As per Pro forma I, II and III	17,311
Proposed acquisitions	11,580
As per Pro forma IV	28,891

5.3. Investment Properties

	RM'000
As at 30 June 2021	67,529
Subsequent events	7,665
As per Pro forma I, II, III and IV	75,194

5.4. Investment in Associate

	RM'000
As at 30 June 2021	-
Subsequent events	180,000
As per Pro forma I, II, III and IV	180,000

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.5. Goodwill

	RM'000
As at 30 June 2021	-
Subsequent events	5,065
As per Pro forma I, II and III	5,065
Proposed acquisitions	112,069
As per Pro forma IV	117,134

5.6. Trade Receivables

	Non-current RM'000	Current RM'000	Total RM'000
As at 30 June 2021	-	22,712	22,712
Subsequent events	-	3,485	3,485
As per Pro forma I, II and III	-	26,197	26,197
Proposed acquisitions	11,740	31,441	43,181
As per Pro forma IV	11,740	57,638	69,378

5.7. Inventories

	RM'000
As at 30 June 2021	10,611
Subsequent events	4
As per Pro forma I, II and III	10,615
Proposed acquisitions	26,419
As per Pro forma IV	37,034

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.8. Contract Assets

	RM'000
As at 30 June 2021	36,054
Subsequent events	30,892
As per Pro forma I, II and III	66,946
Proposed acquisitions	12,646
As per Pro forma IV	79,592

5.9. Other Receivables

	RM'000
As at 30 June 2021	6,518
Subsequent events	447
As per Pro forma I, II and III	6,965
Proposed acquisitions	19,659
As per Pro forma IV	26,624

5.10. Short-term Investments

	RM'000
As at 30 June 2021	47,809
Subsequent events	11,510
As per Pro forma I, II, III and IV	59,319

5.11. Tax Recoverable

	RM'000
As at 30 June 2021	1,128
Subsequent events	2
As per Pro forma I, II and III	1,130
Proposed acquisitions	831
As per Pro forma IV	1,961

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.12. Fixed Deposits with Licensed Banks

	RM'000
As at 30 June 2021 / As per Pro forma I, II and III	195
Proposed acquisitions	46
As per Pro forma IV	241

5.13. Cash ad Bank Balances

	RM'000
As at 30 June 2021	40,991
Subsequent events	2,288
As per Pro forma I and II	43,279
Proposed Private Placement	62,607
As per Pro forma III	105,886
Proposed acquisitions	(49,434)
As per Pro forma IV	56,452

5.14. Share Capital

	RM
As at 30 June 2021 / As per Pro forma I and II	101,323
Proposed Private Placement	62,607
As per Pro forma III and IV	163,930

5.15. Treasury Shares

	RM'000
As at 30 June 2021	(4,810)
Subsequent events	(121)
As per Pro forma I, II, III and IV	(4,931)

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.16. Retained Earnings

	RM'000
As at 30 June 2021	140,517
Subsequent events	13,919
As per Pro forma I	154,436
Proposed Bonus Issue	(120)
As per Pro forma II	154,316
Proposed Private Placement	(750)
As per Pro forma III	153,566
Proposed acquisitions	(5,827)
As per Pro forma IV	147,739

5.17. Non-controlling Interests

	RM'000
As at 30 June 2021	5,981
Subsequent events	(2,843)
As per Pro forma I, II and III	3,138
Proposed acquisitions	14,916
As per Pro forma IV	18,054

5.18. Trade Payables

	Non-current RM'000	Current RM'000	Total RM'000
As at 30 June 2021	-	36,133	36,133
Subsequent events	-	17,036	17,036
As per Pro forma I, II and III	-	53,169	53,169
Proposed acquisitions	995	14,788	15,783
As per Pro forma IV	995	67,957	68,952

SIGNATURE INTERNATIONAL BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.19. Lease Liabilities

	Non-current RM'000	Current RM'000	Total RM'000
As at 30 June 2021	1,673	1,841	3,514
Subsequent events	436	245	681
As per Pro forma I, II and III	2,109	2,086	4,195
Proposed acquisitions	6,204	4,969	11,173
As per Pro forma IV	8,313	7,055	15,368

5.20. Bank Borrowings

	Non-current RM'000	Current RM'000	Total RM'000
As at 30 June 2021	32,290	4,535	36,825
Subsequent events	154,371	7,944	162,315
As per Pro forma I, II and III	186,661	12,479	199,140
Proposed acquisitions	97,192	3,293	100,485
As per Pro forma IV	283,853	15,772	299,625

5.21. Deferred Tax

	RM'000
As at 30 June 2021	255
Subsequent events	205
As per Pro forma I, II and III	460
Proposed acquisitions	497
As per Pro forma IV	957

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NOTES TO THE PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021 (CONT'D)

5. Notes to Effects of Pro Forma Consolidated Financial Information as at 30 June 2021 (Cont'd)

5.22. Contract Liabilities

	RM'000
As at 30 June 2021	8,286
Subsequent events	155
As per Pro forma I, II and III	8,441
Proposed acquisitions	26,040
As per Pro forma IV	34,481

5.23. Other Payables

	RM'000
As at 30 June 2021	18,322
Subsequent events	15,690
As per Pro forma I	34,012
Proposed Bonus Issue	120
As per Pro forma II	34,132
Proposed Private Placement	750
As per Pro forma III	34,882
Proposed acquisitions	21,189
As per Pro forma IV	56,071

5.24. Tax Payable

	RM'000
As at 30 June 2021	1,549
Subsequent events	147
As per Pro forma I, II and III	1,696
Proposed acquisitions	5,987
As per Pro forma IV	7,683

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Approval by Board of Directors

Approved and signed on behalf of the Board of Directors of Signature International Berhad on 7 March 2023.

Datuk Seri Chiau Beng Teik, JP Director	Chiau Haw Choon Director

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Registration No.: 201408463R)
(Incorporated in the Republic of Singapore)

ACCOUNTANTS' REPORT FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

Registered office and
Principal place of business:
120 Lower Delta Road
#05-15 Cendex Centre
Singapore 169208

Registration No. 201408463R

CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

ACCOUNTANTS' REPORT
FOR THE FINANCIAL YEARS ENDED
28 FEBRUARY 2022, 28 FEBRUARY 2021
AND 29 FEBRUARY 2020

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The Board of Directors
Signature International Berhad
Lot 24, Jalan Teknologi
Taman Sains Selangor 1
Kota Damansara, PJU 5
47810 Petaling Jaya
Selangor

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CORTEN INTERIOR SOLUTIONS PTE. LTD. AND ITS SUBSIDIARY

Opinion

We have audited the accompanying financial statements of Corten Interior Solutions Pte. Ltd. and its subsidiary (collectively known as "Target Company"), which comprises the statements of financial position as at 28 February 2022, 28 February 2021 and 29 February 2020 of the Target Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Company for the financial years then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 6 to 73. The financial statements have been prepared for the purposes of inclusion in Signature International Berhad ("Signature")'s circular to shareholders of Signature ("Circular to Shareholders") in connection with the proposed acquisition of Corten Interior Solutions Pte. Ltd. and its subsidiary by Signature ("Proposed Acquisition").

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Target Company as at 28 February 2022, 28 February 2021 and 29 February 2020, and of their financial performance and their cash flows for the financial years then ended in accordance with International Financial Reporting Standards.

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REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CORTEN INTERIOR SOLUTIONS PTE. LTD. AND ITS SUBSIDIARY (CONT'D)

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Target Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Responsibilities of the Directors for the Financial Statements

The Directors of the Target Company are responsible for the preparation of the financial statements of the Target Company that give a true and fair view in accordance with International Financial Reporting Standards. The Directors of the Target Company are also responsible for such internal control as the Directors of the Target Company determine is necessary to enable the preparation of financial statements of the Target Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Target Company, the Directors of the Target Company are responsible for assessing the Target Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors of the Target Company either intend to liquidate the Target Company or to cease operations, or have no realistic alternative but to do so.

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REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CORTEN INTERIOR SOLUTIONS PTE. LTD. AND ITS SUBSIDIARY (CONT'D)

Reporting Accountants' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Target Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Target Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Target Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Target Company.

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CORTEN INTERIOR SOLUTIONS PTE. LTD. AND ITS SUBSIDIARY (CONT'D)

Reporting Accountants' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Conclude on the appropriateness of the Directors of the Target Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Target Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosure in the financial statements of the Target Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our accountants' report. However, future events or conditions may cause the Target Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Target Company, including the disclosures, and whether the financial statements of the Target Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Target Company to express an opinion on the financial statements of the Target Company. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors of the Target Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF CORTEN INTERIOR SOLUTIONS PTE. LTD. AND ITS SUBSIDIARY (CONT'D)

Other Matters

This report is issued for the sole purpose of inclusion in the Circular to Shareholders in connection with the Proposed Acquisition and should not be relied on for any other purposes. Accordingly, we will not accept any liability or responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

YEOH AIK CHUAN
Approved Number: 02239/07/2024 J
Chartered Accountant

KUALA LUMPUR
7 March 2023

Registration No. 201408463R

CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

	Note	2022 S$	2021 S$	2020 S$
ASSETS				
Non-Current Assets				
Property, plant and equipment	4	2,954,003	3,285,396	3,448,532
Right-of-use assets	5	3,113,387	3,372,886	4,598,938
Trade receivables	6	3,563,621	3,155,786	3,768,970
Deferred tax assets	7	-	-	13,752
		9,631,011	9,814,068	11,830,192
Current Assets				
Inventories	8	7,161,978	2,942,898	3,892,127
Contract assets	9	3,371,165	2,718,906	2,649,605
Trade receivables	6	8,863,457	10,289,680	9,536,049
Other receivables	10	5,595,238	3,059,613	1,522,559
Tax recoverable		252,266	-	25,828
Deposits, bank and cash balances	11	5,644,549	8,900,275	3,373,286
		30,888,653	27,911,372	20,999,454
Total Assets		40,519,664	37,725,440	32,829,646

Registration No. 201408463R

CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF FINANCIAL POSITION
AS AT 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020 (CONT'D)

	Note	2022 S$	2021 S$	2020 S$
EQUITY AND LIABILITIES				
Equity				
Share capital	12	2,000,002	2,000,002	2,000,002
Foreign currency translation reserves	13	(55,020)	24,651	62,179
Retained earnings		16,165,769	13,050,224	14,130,120
Total Equity		18,110,751	15,074,877	16,192,301
Non-Current Liabilities				
Trade payables	14	301,993	409,195	333,110
Lease liabilities	15	1,721,914	2,116,662	2,013,073
Bank borrowing	16	2,501,000	3,500,600	-
Deferred tax liabilities	7	150,892	92,299	-
		4,675,799	6,118,756	2,346,183
Current Liabilities				
Contract liabilities	9	7,137,282	5,429,122	4,616,196
Trade payables	14	4,233,140	4,236,897	5,054,655
Other payables	17	2,290,859	3,666,937	2,398,342
Lease liabilities	15	1,254,961	1,288,940	1,710,776
Bank borrowing	16	999,600	999,600	-
Tax payable		1,817,272	910,311	511,193
		17,733,114	16,531,807	14,291,162
Total Liabilities		22,408,913	22,650,563	16,637,345
Total Equity and Liabilities		40,519,664	37,725,440	32,829,646

The accompanying notes form an integral part of the consolidated financial statements.

Registration No. 201408463R

CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

	Note	2022 S$	2021 S$	2020 S$
Revenue	18	55,620,001	45,710,468	49,937,441
Cost of sales		(33,895,991)	(29,319,852)	(34,146,788)
Gross profit		21,724,010	16,390,616	15,790,653
Other income		454,351	1,086,317	93,389
Administrative expenses		(11,988,808)	(10,409,085)	(12,796,304)
Finance costs	19	(230,256)	(162,383)	(158,712)
Profit before tax	20	9,959,297	6,905,465	2,929,026
Taxation	21	(1,843,752)	(1,535,361)	(573,389)
Profit for the financial year		8,115,545	5,370,104	2,355,637
Other comprehensive loss				
Items that are or may be reclassified subsequently to profit or loss				
Exchange translation differences for foreign operation	13	(79,671)	(37,528)	(1,993)
Total other comprehensive loss for the financial year		(79,671)	(37,528)	(1,993)
Total comprehensive income for the financial year		8,035,874	5,332,576	2,353,644
Profit for the financial year attributable to owners of the parent		8,115,545	5,370,104	2,355,637
Total comprehensive income for the financial year attributable to owners of the parent		8,035,874	5,332,576	2,353,644

The accompanying notes form an integral part of the consolidated financial statements.

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

		Non-Distributable		Distributable	
	Note	**Share Capital S$**	**Foreign Currency Translation Reserve S$**	**Retained Earnings S$**	**Total Equity S$**
At 1 March 2019		2,000,002	64,172	12,824,483	14,888,657
Profit for the financial year		-	-	2,355,637	2,355,637
Other comprehensive loss for the financial year		-	(1,993)	-	(1,993)
Total comprehensive (loss)/income for the financial year		-	(1,993)	2,355,637	2,353,644
Transactions with owners:					
Dividends to owners of the Company	22	-	-	(1,050,000)	(1,050,000)
At 29 February 2020		2,000,002	62,179	14,130,120	16,192,301
At 1 March 2020		2,000,002	62,179	14,130,120	16,192,301
Profit for the financial year		-	-	5,370,104	5,370,104
Other comprehensive loss for the financial year		-	(37,528)	-	(37,528)
Total comprehensive (loss)/income for the financial year		-	(37,528)	5,370,104	5,332,576
Transactions with owners:					
Dividends to owners of the Company	22	-	-	(6,450,000)	(6,450,000)
At 28 February 2021		2,000,002	24,651	13,050,224	15,074,877

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
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STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020 (CONT'D)

		Non-Distributable		Distributable	
	Note	**Share Capital S$**	**Foreign Currency Translation Reserve S$**	**Retained Earnings S$**	**Total Equity S$**
At 1 March 2021		2,000,002	24,651	13,050,224	15,074,877
Profit for the financial year		-	-	8,115,545	8,115,545
Other comprehensive loss for the financial year		-	(79,671)	-	(79,671)
Total comprehensive (loss)/income for the financial year		-	(79,671)	8,115,545	8,035,874
Transactions with owners:					
Dividends to owners of the Company	22	-	-	(5,000,000)	(5,000,000)
At 28 February 2022		2,000,002	(55,020)	16,165,769	18,110,751

The accompanying notes form an integral part of the financial statements.

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

	Note	2022 S$	2021 S$	2020 S$
Operating Activities				
Profit before tax		9,959,297	6,905,465	2,929,026
Adjustments for:				
Bad debts written off on trade receivables		123,269	-	-
Depreciation of:				
- Property, plant and equipment		602,050	621,914	594,496
- Right-of-use assets		1,333,339	1,704,368	1,653,233
Finance costs	19	230,256	162,383	158,712
Impairment losses on trade receivables		-	-	93,412
Unrealised loss on foreign exchange		72,313	242,054	117,551
Gain on disposal of property, plant and equipment		(500)	-	(240)
Gain on modification of lease contract		-	(3,946)	-
Interest income		(355)	(1,879)	(4,668)
Operating profit before working capital changes		12,319,669	9,630,359	5,541,522
Changes in working capital:				
Inventories		(4,258,893)	920,247	(556,566)
Contract assets/(liabilities)		1,078,226	749,335	394,467
Trade receivables		892,259	(100,752)	(4,680,072)
Other receivables		(2,578,654)	(1,544,039)	111,149
Trade payables		(104,052)	(728,603)	2,764,260
Other payables		(1,451,927)	1,973,039	1,694,366
		(6,423,041)	1,269,227	(272,396)
Cash generated from operations		5,896,628	10,899,586	5,269,126
Interest paid		(230,256)	(162,383)	(158,712)
Interest received		355	1,879	4,668
Tax paid		(1,128,385)	(1,019,502)	(583,316)
Tax refunded		-	15,000	-
Net cash from operating activities		4,538,342	9,734,580	4,531,766

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020 (CONT'D)

	Note	2022 S$	2021 S$	2020 S$
Investing Activities				
Proceeds from disposal of property, plant and equipment		500	-	240
Purchase of property, plant and equipment		(287,700)	(446,536)	(1,160,932)
Purchase of right-of-use assets	5(b)	(235,999)	-	-
Net cash used in investing activities		(523,199)	(446,536)	(1,160,692)
Financing Activities				
Dividends paid	22	(5,000,000)	(6,450,000)	(1,050,000)
Decrease in fixed deposit pledged with a financial institution		-	-	57,080
Drawdown of bank borrowing		-	5,000,000	-
Payment of lease liabilities		(1,266,551)	(1,806,771)	(1,703,982)
Repayment of bank borrowing		(999,600)	(499,800)	-
Net cash used in financing activities		(7,266,151)	(3,756,571)	(2,696,902)
Net (decrease)/increase in cash and cash equivalents		(3,251,008)	5,531,473	674,172
Cash and cash equivalents at the beginning of the financial year		8,886,175	3,359,066	2,674,748
Effects of exchange translation differences on cash and cash equivalents		(4,537)	(4,364)	10,146
Cash and cash equivalents at the end of the financial year		5,630,630	8,886,175	3,359,066
Cash and cash equivalents at the end of the financial year comprises:				
Fixed deposit with a financial institution		13,919	14,100	14,220
Cash and bank balances		5,630,630	8,886,175	3,359,066
		5,644,549	8,900,275	3,373,286
Less: Fixed deposit pledged with a financial institution		(13,919)	(14,100)	(14,220)
		5,630,630	8,886,175	3,359,066

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

**STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEARS ENDED 28 FEBRUARY 2022,
28 FEBRUARY 2021 AND 29 FEBRUARY 2020 (CONT'D)**

Note to statements of cash flows

Cash flows for leases as a lessee

	Note	2022 S$	2021 S$	2020 S$
Included in operating activities:				
Interest paid in relation to lease liabilities	19	131,176	92,711	158,712
Payment relating to short-term leases	20	387,644	370,413	544,769
Included in financing activities:				
Payment of lease liabilities		1,266,551	1,806,771	1,703,982
Total cash outflows for leases		1,785,371	2,269,895	2,407,463

The accompanying notes form an integral part of the consolidated financial statements.

CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

NOTES TO THE FINANCIAL STATEMENTS
28 FEBRUARY 2022, 28 FEBRUARY 2021 AND 29 FEBRUARY 2020

1. Corporate Information

This Accountants' Report contains the financial statements of Corten Interior Solutions Pte. Ltd. and its subsidiary ("the Group"), which comprise the statements of financial position as at 28 February 2022, 28 February 2021 and 29 February 2020, the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial years ended 28 February 2022, 28 February 2021 and 29 February 2020, and notes to financial statements, including a summary of significant accounting policies.

Corten Interior Solutions Pte. Ltd. ("the Company") is a private limited liability company, incorporated and domiciled in Singapore.

The principal activities of the Company are those business of interior design and build services. The principal activities of the subsidiary are disclosed in Note 29.

The registered office and principal place of business of the Company is located at 120 Lower Delta Road #05-15 Cendex Centre Singapore 169208.

The financial statements are prepared solely for the purpose of inclusion in the circular to shareholders of Signature International Berhad in connection with the proposed acquisition of 75% equity interest in the Company by Signature International Berhad and should not be relied on for any other purposes.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards

The Group has adopted all the new standards and amendments to standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 March 2021.

The adoption of the new standards and amendments to standards did not have any significant impact on the financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following new standards and amendments to standards that have been issued but are not yet effective for the Group:

		Effective dates for financial periods beginning on or after
Amendments to IFRS 16	Covid-19 - Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to IAS 37	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to IFRS Standards 2018 - 2020: • Amendments to IFRS 1 • Amendments to IFRS 9 • Amendments to IFRS 16 • Amendments to IAS 41		1 January 2022
Amendments to IAS 101	Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to IAS 101	Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 108	Definition of Accounting Estimates	1 January 2023

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2. **Basis of Preparation (Cont'd)**

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

The Group has not applied the following amendments to standards that have been issued but are not yet effective for the Group: (Cont'd)

		Effective dates for financial periods beginning on or after
Amendments to IAS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

The Group intends to adopt the above new standards and amendments to standards, if applicable, when they become effective.

The initial application of the abovementioned new standards and amendments to standards are not expected to have any significant impacts on the financial statements of the Group.

(b) Functional and presentation currency

The financial statements of the Group are presented in Singapore Dollar ("SGD"), which is the Company's functional currency. All financial information is presented in SGD and has been rounded to the nearest SGD except when otherwise stated.

(c) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Judgements

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements:

Satisfaction of performance obligations in relation to contracts with customers

The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue. This assessment was made based on the terms and conditions of the contracts, and the provisions of relevant laws and regulations.

The Group recognises revenue over time in the following circumstances:

(i) the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
(ii) the Group does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to date; and
(iii) the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

Where the above criteria are not met, revenue is recognised at a point in time. Where revenue is recognised at a point in time, the Group assesses each contract with customers to determine when the performance obligation of the Group under the contract is satisfied.

Determining the lease term of contracts with renewal options - Group as lessee

The Group determines the lease term with any periods covered by an option to extend the lease if it is reasonably certain to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether to exercise the option to renew the lease. It considers all relevant factors that create an economic incentive for it to exercise the renewal option. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew.

The Group includes the renewal period as part of the lease term for such leases. The Group typically exercises its option to renew for those leases with renewal option.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty

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

Useful lives of property, plant and equipment and right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment and ROU assets would increase the recorded depreciation and decrease the value of property, plant and equipment and ROU assets. The carrying amounts at the reporting date for property, plant and equipment and ROU assets are disclosed in Notes 4 and 5 respectively.

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the unused tax losses, unutilised capital allowances and other deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amount of recognised and unrecognised deferred tax assets are disclosed in Note 7.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand level and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 8.

Revenue from construction contracts

The Group recognises contract revenue over time by reference to the Group's progress towards completing the contract work. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs.

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. Additionally, management is required to evaluate adjustments to contract consideration due to variation works and key material price adjustments. When it is probable that the total contract costs will exceed the total contract consideration, a provision for onerous contracts is recognised immediately.

Significant judgements are used to estimate these total contract costs to complete and total contract consideration. In making these estimates, management has relied on the expertise of the project directors to determine the progress of the construction and also on past experience of completed projects.

The carrying amount of the contract assets and contract liabilities as well as revenue from construction contracts are disclosed in Notes 9 and 18 respectively.

2. **Basis of Preparation (Cont'd)**

(c) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Provision for expected credit loss of financial assets at amortised cost

The Group uses a provision matrix to calculate expected credit loss for trade receivables. The provision rates are based on number of days past due.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss is a significant estimate. The Group's historical credit loss experience and forecast of economic conditions may not be representative of customer's actual default in the future. Information about the expected credit loss is disclosed in Note 6.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 28 February 2022, the Group has tax recoverable of S$252,266 (2021: Nil; 2020: S$25,828) and tax payable of S$1,817,272 (2021: S$910,311; 2020: S$511,193) respectively.

3. **Significant Accounting Policies**

The Group applies the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(i) Subsidiaries (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IFRS 9 *Financial Instruments* either in profit or loss or other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

If the Group losses control of a subsidiary, the assets and liabilities of the subsidiary, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

3. **Significant Accounting Policies (Cont'd)**

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. Refer accounting policy Note 3(l)(i) on impairment of non-financial assets.

(b) Foreign currency translation

(i) Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(b) Foreign currency translation (Cont'd)

(i) Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(ii) Foreign operations

The assets and liabilities of foreign operations denominated in functional currencies other than SGD, including goodwill and fair value adjustments arising on acquisition, are translated to SGD at the rate of exchange prevailing at the reporting date, which are treated as assets and liabilities of the Group. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to SGD at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed off such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged 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. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight-line basis to write off the cost of each asset to its residual value over its estimated useful life. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Computer and software	3 years
Equipment	5 years
Furniture and fittings	3 years
Motor vehicles	5 years
Office equipment	3 to 5 years
Plant and machineries	10 years
Renovation	5 years

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

3. **Significant Accounting Policies (Cont'd)**

(d) Leases

As lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is lo`cated, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(l)(i) on impairment of non-financial assets.

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Buildings	Over the lease term
Motor vehicles	5 years or over the lease term, if shorter
Office equipment	3 to 5 years or over the lease term, if shorter
Plant and machineries	10 years or over the lease term, if shorter

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

3. **Significant Accounting Policies (Cont'd)**

(d) Leases (Cont'd)

As lessee (Cont'd)

Lease payments associated with short-term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and do not contain a purchase option.

(e) Financial assets

Recognition and initial measurement

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

At initial recognition, the Group measures a financial asset at its fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments. Transaction costs of financial assets carried at fair value through profit or loss ("FVTPL") are expensed in profit or loss.

Financial asset categories and subsequent measurement

The Group determines the classification of financial assets at initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Group classifies its financial assets as follows:

(i) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. **Significant Accounting Policies (Cont'd)**

(e) Financial assets (Cont'd)

Financial asset categories and subsequent measurement (Cont'd)

The Group classifies its financial assets as follows: (Cont'd)

(i) Financial assets at amortised cost (Cont'd)

Financial assets at amortised cost are subsequently measured using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Any gain and loss on derecognition is recognised in profit or loss.

The Group's financial assets at amortised cost include trade and other receivables, fixed deposit with a financial institution and cash and bank balances.

(ii) Financial assets at fair value through other comprehensive income ("FVTOCI")

The Group has not designated any financial assets at FVTOCI.

(iii) Financial assets at fair value through profit or loss

The Group has not designated any financial assets at FVTPL.

All financial assets, except for those measured at FVTPL and equity investments measured at FVTOCI, are subject to impairment assessment as disclosed in Note 3(l)(ii) on impairment of financial assets.

Regular way purchase or sale of financial assets

Regular way purchase or sale are purchase or sale of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchase or sale of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to receive cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial assets and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(f) Financial liabilities

Recognition and initial measurement

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial liability at its fair value less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance of the financial instruments.

Financial liability categories and subsequent measurement

The Group classifies its financial liabilities as follows:

(i) Financial liabilities at amortised cost

Financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

The Group's financial liabilities at amortised cost comprise trade and other payables, lease liabilities and bank borrowings.

(ii) Financial liabilities at fair value through profit or loss

The Group has not designated any financial liabilities at FVTPL.

Derecognition

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(g) Offsetting of financial instruments

Financial asset and financial liability are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Inventories

Raw materials, stock-in-transit and work-in-progress are stated at the lower of cost and net realisable value.

Cost of raw materials comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis. Cost of work-in-progress consists of direct materials, direct labour and an appropriate proportion of production overheads (based on normal operating capacity) are stated on a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(i) Construction contracts

Construction contracts are contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

Cost incurred to fulfil the contracts, comprising cost of direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors are recognised as an asset and amortised over to profit or loss systematically to reflect the transfer of the contracted service to the customer.

The Group uses the efforts or inputs to the satisfaction of the performance obligations to determine the appropriate amount to recognise in a given period. This is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the financial year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature. When the carrying amount of the asset exceeds the remaining amount of consideration that the Group expects to receive in exchange of the contracted asset, an impairment loss is recognised in profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(i) Construction contracts (Cont'd)

The Group presents as an asset the gross amount due from customers for contract work-in-progress for which costs incurred plus recognised profits (less recognised losses) exceed contract liabilities. Contract liabilities not yet paid by customers and retention monies are included within receivables and contract assets. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which contract liabilities exceed costs incurred plus recognised profits (less recognised losses).

(j) Contract assets

Contract asset is the right to consideration for goods or services transferred to the customers. The Group's contract asset is the excess of revenue recognised over the billings to-date and deposits or advances received from customers.

Where there is objective evidence of impairment, the amount of impairment losses is determined by comparing the contract asset's carrying amount and the present value of estimated future cash flows to be generated by the contract asset.

Contract asset is reclassified to trade receivables at the point at which invoices have been billed to customers.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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3. **Significant Accounting Policies (Cont'd)**

(l) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss.

3. **Significant Accounting Policies (Cont'd)**

(l) Impairment of assets (Cont'd)

(ii) Financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default ("a lifetime ECL").

For trade receivables and contract assets, the Group applies simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience and the economic environment.

(m) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Directors except for the final dividend which is subject to approval by the Company's shareholders.

3. **Significant Accounting Policies (Cont'd)**

(n) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. The expense relating to any provision is presented in the statements of profit or loss and other comprehensive income net of any reimbursement.

(o) Employee benefits

(i) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Singapore and Malaysia contribute to the state pension scheme, the Central Provident Fund ("CPF") and Employee Provident Fund ("EPF") respectively. Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

3. **Significant Accounting Policies (Cont'd)**

(p) Revenue and other income

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Revenue from construction contracts

The Group provides construction contracts works and interior decorations and finishing works through fixed-price contracts. Revenue is recognised when the control over the contract work has been transferred to the customer. At contract inception, the Group assesses whether the Group transfers control of the contract work over time or at a point in time by determining if (a) its performance does not create an asset with an alternative use to the Group; and (b) the Group has an enforceable right to payment for performance completed to date.

The contract work has no alternative use for the Group due to contractual restriction, and the Group has enforceable rights to payment arising from the contractual terms. For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the construction of the contract work. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

The period between the transfer of the promised goods and payment by the customer may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the performing entity from the customers' failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

3. **Significant Accounting Policies (Cont'd)**

(p) Revenue and other income (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

The Group recognises revenue from the following major sources: (Cont'd)

(a) Revenue from construction contracts (Cont'd)

Estimates of revenue, costs or extent of progress towards completion are revised if circumstances change. Any resulting increases or decreases in estimated revenue or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the billings to customer, a contract asset is recognised. If the billings to customer exceed the value of the goods transferred, a contract liability is recognised.

(b) Sale of goods

Revenue is measured at the fair value of consideration received or receivable, net of returns and allowances, trade discount and volume rebates. Revenue from sale of goods is recognised when the transfer of significant risk and rewards of ownership of the goods to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(q) Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

3. **Significant Accounting Policies (Cont'd)**

(r) Government grant

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

When the grant relates to an asset, the fair value is recognised as deferred income on the statements of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

(s) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

3. **Significant Accounting Policies (Cont'd)**

(s) Income taxes (Cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(t) Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer of the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1 : quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 : unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. **Property, Plant and Equipment**

	Computer and software S$	Equipment S$	Furniture and fittings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Renovation S$	Construction in progress S$	Total S$
2020									
Cost									
At 1 March 2019	384,686	50,690	153,831	118,590	108,379	2,291,829	923,591	192,670	4,224,266
Additions	40,466	5,078	27,657	142,988	13,045	725,324	57,030	149,344	1,160,932
Disposals	(3,129)	-	-	-	-	-	-	-	(3,129)
Reclassification	-	-	7,613	-	-	44,206	290,195	(342,014)	-
Exchange differences	(159)	(91)	(114)	-	(127)	(1,041)	(1,240)	-	(2,772)
At 29 February 2020	421,864	55,677	188,987	261,578	121,297	3,060,318	1,269,576	-	5,379,297
Accumulated depreciation									
At 1 March 2019	296,627	16,572	109,159	44,853	79,778	286,253	506,493	-	1,339,735
Charge for the financial year	67,921	10,579	28,197	32,301	11,441	253,969	190,088	-	594,496
Disposals	(3,129)	-	-	-	-	-	-	-	(3,129)
Reclassification	-	-	-	-	-	19,156	(19,156)	-	-
Exchange differences	(82)	18	(108)	-	(108)	146	(203)	-	(337)
At 29 February 2020	361,337	27,169	137,248	77,154	91,111	559,524	677,222	-	1,930,765
Carrying amount									
At 29 February 2020	60,527	28,508	51,739	184,424	30,186	2,500,794	592,354	-	3,448,532

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4. Property, Plant and Equipment (Cont'd)

	Computer and software S$	Equipment S$	Furniture and fittings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Renovation S$	Construction in progress S$	Total S$
2021									
Cost									
At 1 March 2020	421,864	55,677	188,987	261,578	121,297	3,060,318	1,269,576	-	5,379,297
Additions	63,427	12,011	12,807	-	52,087	96,345	173,043	36,816	446,536
Disposals	-	-	(41,150)	-	(2,588)	(1,179,501)	-	-	(1,223,239)
Written off	-	-	(4,800)	-	-	-	-	-	(4,800)
Transfer from right-of-use assets (Note 5)	-	-	-	100,959	7,693	2,172,513	-	-	2,281,165
Reclassification	(11,550)	-	-	-	-	11,550	-	-	-
Exchange differences	(772)	(473)	(530)	-	(598)	(9,785)	(6,049)	-	(18,207)
At 28 February 2021	472,969	67,215	155,314	362,537	177,891	4,151,440	1,436,570	36,816	6,860,752
Accumulated depreciation									
At 1 March 2020	361,337	27,169	137,248	77,154	91,111	559,524	677,222	-	1,930,765
Charge for the financial year	46,122	11,888	20,875	52,315	15,587	293,737	181,390	-	621,914
Disposals	-	-	(23,193)	-	(647)	(206,785)	-	-	(230,625)
Written off	-	-	(4,800)	-	-	-	-	-	(4,800)
Transfer from right-of-use assets (Note 5)	-	-	-	100,959	7,693	1,158,352	-	-	1,267,004
Reclassification	(8,663)	-	-	-	-	8,663	-	-	-
Exchange differences	(725)	(240)	(530)	-	(593)	(1,636)	(5,178)	-	(8,902)
At 28 February 2021	398,071	38,817	129,600	230,428	113,151	1,811,855	853,434	-	3,575,356
Carrying amount									
At 28 February 2021	74,898	28,398	25,714	132,109	64,740	2,339,585	583,136	36,816	3,285,396

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4. Property, Plant and Equipment (Cont'd)

	Computer and software S$	Equipment S$	Furniture and fittings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Renovation S$	Construction in progress S$	Total S$
2022									
Cost									
At 1 March 2021	472,969	67,215	155,314	362,537	177,891	4,151,440	1,436,570	36,816	6,860,752
Additions	17,244	-	-	239,139	1,185	20,680	970	8,482	287,700
Disposals	-	-	-	(34,789)	-	-	-	-	(34,789)
Written off	-	-	-	-	(7,693)	-	-	-	(7,693)
Reclassification	-	-	4,689	-	-	-	18,349	(23,038)	-
Exchange differences	(1,366)	(861)	(795)	-	(1,047)	(19,341)	(9,880)	-	(33,290)
At 28 February 2022	488,847	66,354	159,208	566,887	170,336	4,152,779	1,446,009	22,260	7,072,680
Accumulated depreciation									
At 1 March 2021	398,071	38,817	129,600	230,428	113,151	1,811,855	853,434	-	3,575,356
Charge for the financial year	38,543	10,759	15,336	82,740	19,609	269,570	165,493	-	602,050
Disposals	-	-	-	(34,789)	-	-	-	-	(34,789)
Written off	-	-	-	-	(7,693)	-	-	-	(7,693)
Exchange differences	(1,175)	(504)	(795)	-	(912)	(4,285)	(8,576)	-	(16,247)
At 28 February 2022	435,439	49,072	144,141	278,379	124,155	2,077,140	1,010,351	-	4,118,677
Carrying amount									
At 28 February 2022	53,408	17,282	15,067	288,508	46,181	2,075,639	435,658	22,260	2,954,003

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5. **Right-of-use Assets**

	Buildings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Total S$
2020					
Cost					
At 1 March 2019	1,724,193	232,972	7,693	2,172,513	4,137,371
Additions	2,989,400	-	9,391	-	2,998,791
At 29 February 2020	4,713,593	232,972	17,084	2,172,513	7,136,162
Accumulated depreciation					
At 1 March 2019	-	116,746	5,000	760,058	881,804
Charge for the financial year	1,386,284	46,594	3,104	217,251	1,653,233
Exchange differences	2,187	-	-	-	2,187
At 29 February 2020	1,388,471	163,340	8,104	977,309	2,537,224
Carrying amount					
At 29 February 2020	3,325,122	69,632	8,980	1,195,204	4,598,938

5. **Right-of-use Assets (Cont'd)**

	Buildings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Total S$
2021					
Cost					
At 1 March 2020	4,713,593	232,972	17,084	2,172,513	7,136,162
Additions	1,654,509	-	-	-	1,654,509
Lease modification	(349,149)	-	-	-	(349,149)
Transfer to property, plant and equipment (Note 4)	-	(100,959)	(7,693)	(2,172,513)	(2,281,165)
At 28 February 2021	6,018,953	132,013	9,391	-	6,160,357
Accumulated depreciation					
At 1 March 2020	1,388,471	163,340	8,104	977,309	2,537,224
Charge for the financial year	1,477,064	43,229	3,032	181,043	1,704,368
Lease modification	(186,464)	-	-	-	(186,464)
Transfer to property, plant and equipment (Note 4)	-	(100,959)	(7,693)	(1,158,352)	(1,267,004)
Exchange differences	(653)	-	-	-	(653)
At 28 February 2021	2,678,418	105,610	3,443	-	2,787,471
Carrying amount					
At 28 February 2021	3,340,535	26,403	5,948	-	3,372,886

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5. **Right-of-use Assets (Cont'd)**

	Buildings S$	Motor vehicles S$	Office equipment S$	Plant and machineries S$	Total S$
2022					
Cost					
At 1 March 2021	6,018,953	132,013	9,391	-	6,160,357
Additions	490,718	335,999	-	-	826,717
Lease modification	246,684	-	-	-	246,684
At 28 February 2022	6,756,355	468,012	9,391	-	7,233,758
Accumulated depreciation					
At 1 March 2021	2,678,418	105,610	3,443	-	2,787,471
Charge for the financial year	1,271,458	60,003	1,878	-	1,333,339
Exchange differences	(439)	-	-	-	(439)
At 28 February 2022	3,949,437	165,613	5,321	-	4,120,371
Carrying amount					
At 28 February 2022	2,806,918	302,399	4,070	-	3,113,387

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5. **Right-of-use Assets (Cont'd)**

(a) The carrying amount of right-of-use assets of the Group held under lease liabilities are as follows:

	2022 S$	2021 S$	2020 S$
Motor vehicles	302,399	26,403	69,632
Office equipment	4,070	5,948	8,980
Plant and machineries	-	-	1,195,204
	306,469	32,351	1,273,816

The leased assets are pledged as securities for the related lease liabilities as disclosed in Note 15.

(b) The aggregate additional costs for the right-of-use assets of the Group during the financial year acquired under lease financing and cash payments are as follows:

	2022 S$	2021 S$	2020 S$
Aggregate costs	826,717	1,654,509	2,998,791
Less: Lease financing	(590,718)	(1,654,509)	(2,998,791)
Cash payments	235,999	-	-

6. **Trade Receivables**

	2022 S$	2021 S$	2020 S$
Non-current			
Retention sum receivable	3,563,621	3,155,786	3,768,970
Current			
Trade receivables			
- Related party	-	609,817	-
- Third parties	5,533,318	6,880,912	7,944,609
	5,533,318	7,490,729	7,944,609
Retention sum receivable	3,330,139	2,892,363	1,684,852
	8,863,457	10,383,092	9,629,461
Less: Accumulated impairment losses	-	(93,412)	(93,412)
	8,863,457	10,289,680	9,536,049
Total trade receivables	12,427,078	13,445,466	13,305,019

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6. **Trade Receivables (Cont'd)**

Related party represents a company in which a Director of the Company is also the Director and/or shareholder who have substantial financial interest. The amount due from a related party are unsecured, non-interest bearing and repayable on demand.

Trade receivables of the Group are non-interest bearing and are generally on 30 to 60 days (2021: 30 to 60 days; 2020: 30 to 60 days) terms. Other credit terms are assessed and approved on a case by case basis. Trade receivables are recognised at their original invoice amounts which represent their fair values on initial recognition.

Included in trade receivables was an amount of S$6,893,760 (2021: S$6,048,149; 2020: S$5,453,822) retained by customers of contract works that will be released after the end of defect liability period of the relevant contracts.

Movements in the allowance for impairment losses of trade receivables are as follows:

		Credit impaired	
	2022	**2021**	**2020**
	S$	**S$**	**S$**
At 1 March	93,412	93,412	-
Impairment losses recognised	-	-	93,412
Written off	(93,412)	-	-
At 28 February/29 February	-	93,412	93,412

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

The ageing analysis of trade receivables at the end of the reporting period are as follows:

	Gross amount	**Loss allowance**	**Net amount**
	S$	**S$**	**S$**
2020			
Not past due	12,027,603	-	12,027,603
Past due			
Less than 30 days	724,311	-	724,311
31 to 60 days	234,072	-	234,072
61 to 90 days	40,449	-	40,449
More than 90 days	278,584	-	278,584
	1,277,416	-	1,277,416
Credit impaired			
Individually Impaired	93,412	(93,412)	-
	13,398,431	(93,412)	13,305,019

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6. **Trade Receivables (Cont'd)**

The ageing analysis of trade receivables at the end of the reporting period are as follows: (Cont'd)

	Gross amount S$	Loss allowance S$	Net amount S$
2021			
Not past due	11,140,118	-	11,140,118
Past due			
Less than 30 days	1,606,990	-	1,606,990
31 to 60 days	-	-	-
61 to 90 days	574,524	-	574,524
More than 90 days	123,834	-	123,834
	2,305,348	-	2,305,348
Credit impaired			
Individually Impaired	93,412	(93,412)	-
	13,538,878	(93,412)	13,445,466
2022			
Not past due	10,657,834	-	10,657,834
Past due			
Less than 30 days	1,351,798	-	1,351,798
31 to 60 days	371,362	-	371,362
More than 90 days	46,084	-	46,084
	1,769,244	-	1,769,244
	12,427,078	-	12,427,078

Trade receivables that are not past due and not individually impaired are creditworthy receivables with good payment records with the Group.

As at 28 February 2022, gross trade receivables of the Group of S$1,769,244 (2021: S$2,305,348; 2020: S$1,277,416) that are past due but not individually impaired. These relate to a number of independent customers from whom there is no recent history of default.

The Group assesses credit quality of the trade receivables on a collective basis by using ageing of past due days. At the end of the reporting period, there is no lifetime impairment loss recognised by the Group.

7. **Deferred Tax Assets/(Liabilities)**

	Note	2022 S$	2021 S$	2020 S$
At 1 March		(92,299)	13,752	(133,627)
Recognised in profit or loss	21	(59,812)	(106,032)	146,470
Exchange differences		1,219	(19)	909
At 28 February/29 February		(150,892)	(92,299)	13,752

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	2022 S$	2021 S$	2020 S$
Deferred tax assets	-	-	36,975
Deferred tax liabilities	(150,892)	(92,299)	(23,223)
	(150,892)	(92,299)	13,752

The components and movements of deferred tax assets and liabilities of the Group are as follows:

Deferred tax assets

	Decelerated capital allowances S$	Other temporary difference S$	Total S$
2020			
At 1 March 2019	2,499	-	2,499
Recognised in profit or loss	(2,483)	36,806	34,323
Exchange differences	(16)	169	153
At 29 February 2020	-	36,975	36,975
2021			
At 1 March 2020	-	36,975	36,975
Recognised in profit or loss	-	(36,695)	(36,695)
Exchange differences	-	(280)	(280)
At 28 February 2021	-	-	-

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7. **Deferred Tax Assets/(Liabilities) (Cont'd)**

The components and movements of the deferred tax assets and liabilities of the Group are as follows: (Cont'd)

<u>Deferred tax liabilities</u>

	Accelerated capital allowances S$	Other temporary difference S$	Total S$
2020			
At 1 March 2019	-	(136,127)	(136,127)
Recognised in profit or loss	(31,361)	135,264	103,903
Over provision in prior year	8,244	-	8,244
Exchange differences	(106)	863	757
At 29 February 2020	(23,223)	-	(23,223)
2021			
At 1 March 2020	(23,223)	-	(23,223)
Recognised in profit or loss	(51,345)	(23,405)	(74,750)
Over provision in prior year	5,413	-	5,413
Exchange differences	240	21	261
At 28 February 2021	(68,915)	(23,384)	(92,299)
2022			
At 1 March 2021	(68,915)	(23,384)	(92,299)
Recognised in profit or loss	(86,579)	22,900	(63,679)
Over provision in prior year	3,867	-	3,867
Exchange differences	933	286	1,219
At 28 February 2022	(150,694)	(198)	(150,892)

8. **Inventories**

	2022 S$	2021 S$	2020 S$
Raw materials	3,455,425	1,728,826	1,778,769
Stock-in-transit	922,865	39,699	486,084
Work-in-progress	2,783,688	1,174,373	1,627,274
	7,161,978	2,942,898	3,892,127
Recognised in profit or loss			
Inventories recognised in cost of sales	8,955,028	13,936,980	13,180,621

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9. Contract Assets/(Liabilities)

	2022 S$	2021 S$	2020 S$
Contract costs incurred to-date	145,195,603	113,597,620	88,020,586
Attributable profits recognised to-date	18,751,232	51,030,241	38,377,412
	163,946,835	164,627,861	126,397,998
Less: Progress billings	(167,712,952)	(167,338,077)	(128,364,589)
	(3,766,117)	(2,710,216)	(1,966,591)
Presented as:			
Contract assets	3,371,165	2,718,906	2,649,605
Contract liabilities	(7,137,282)	(5,429,122)	(4,616,196)
	(3,766,117)	(2,710,216)	(1,966,591)

The contract assets represent the unbilled amount for work completed at the reporting date. This amount will be transferred to trade receivables when the right to bill becomes unconditional.

The contract liabilities consist of advance billings in excess of revenue recognised over time during the construction period.

Contract value yet to be recognised as revenue

The Group applies the practical expedient in IFRS 15 on not disclosing the aggregate amount of the revenue expected to be recognised in the future as the Group recognises revenue from the satisfaction of the performance obligation using output methods in accordance with paragraph B16 of IFRS 15.

10. Other Receivables

	2022 S$	2021 S$	2020 S$
Other receivables			
- Related parties	1,942,558	1,367,281	86,085
- Third parties	12,593	81,277	31,241
	1,955,151	1,448,558	117,326
Advances to staff	211,194	210,563	247,573
Deposits	2,586,397	709,083	716,984
Government grant receivable	102,850	157,027	-
Prepayments	739,646	534,382	366,619
Goods and Services Tax receivable	-	-	74,057
	5,595,238	3,059,613	1,522,559

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10. **Other Receivables (Cont'd)**

Related parties represent companies in which a Director of the Company is also the Director and/or shareholder who have substantial financial interest. The amount due to related parties are unsecured, non-interest bearing and repayable on demand.

Included in the deposits of the Group are deposits paid to suppliers amounting to S$2,027,167 (2021: S$263,693; 2020: S$198,034).

11. **Deposits, Bank and Cash Balances**

	2022	**2021**	**2020**
	S$	**S$**	**S$**
Fixed deposit with a financial institution	13,919	14,100	14,220
Cash and bank balances	5,630,630	8,886,175	3,359,066
Total deposits, bank and cash balances	5,644,549	8,900,275	3,373,286

Fixed deposit with a financial institution of the Group S$13,919 (2021: S$14,100; 2020: S$14,220) has been pledged to a financial institution as security for the banking facilities granted to the subsidiary of the Company.

12. **Share Capital**

		Number of shares	
	2022	**2021**	**2020**
	Units	**Units**	**Units**
Issued and fully paid ordinary shares			
At 1 March/28 February/29 February	2,000,002	2,000,002	2,000,002

		Amount	
	2022	**2021**	**2020**
	S$	**S$**	**S$**
Issued and fully paid ordinary shares			
At 1 March/28 February/29 February	2,000,002	2,000,002	2,000,002

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regards to the Company's residual assets.

13. **Foreign Currency Translation Reserves**

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

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14. Trade Payables

	2022 S$	2021 S$	2020 S$
Non-current			
Retention sum payable	301,993	409,195	333,110
Current			
Trade payables			
- Related party	56,319	5,317	-
- Third parties	3,524,466	3,462,861	4,397,929
	3,580,785	3,468,178	4,397,929
Retention sum payable	283,237	277,566	415,712
Trade accruals	369,118	491,153	241,014
	4,233,140	4,236,897	5,054,655
Total trade payables	4,535,133	4,646,092	5,387,765

Related party represent a company in which a Director of the Company have substantial financial interest. The amount due to a related party are unsecured, non-interest bearing and repayable on demand.

The normal trade credit term granted to the Group range from 1 to 90 days (2021: 30 to 90 days; 2020: 30 to 90 days) depending on the terms of the contracts.

15. Lease Liabilities

	2022 S$	2021 S$	2020 S$
At 1 March	3,405,602	3,723,849	2,431,124
Additions	590,718	1,654,509	2,998,791
Accretion of interest	131,176	92,711	158,712
Payments	(1,397,727)	(1,899,482)	(1,862,694)
Lease modification	246,684	(166,631)	-
Exchange differences	422	646	(2,084)
At 28 February/29 February	2,976,875	3,405,602	3,723,849
Presented as:			
Non-current	1,721,914	2,116,662	2,013,073
Current	1,254,961	1,288,940	1,710,776
	2,976,875	3,405,602	3,723,849

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15. **Lease Liabilities (Cont'd)**

The maturity analysis of lease liabilities of the Group at the end of the reporting period are as follows:

	2022 S$	2021 S$	2020 S$
Within one year	1,364,389	1,370,501	1,787,370
Later than one year but not later than two years	1,664,847	2,190,578	2,096,062
Later than two years but not later than five years	137,989	2,696	14,802
	3,167,225	3,563,775	3,898,234
Less: Future finance charges	(190,350)	(158,173)	(174,385)
Present value of lease liabilities	2,976,875	3,405,602	3,723,849

The Group leases various buildings, motor vehicles, office equipment and plant and machineries. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The weighted average incremental borrowing rate applied to lease liabilities of the Group at the reporting date range from 3.59% to 8.00% (2021: 5.00% to 8.00%; 2020: 5.00% to 8.00%).

16. **Bank Borrowing**

	2022 S$	2021 S$	2020 S$
Secured			
Term loan	3,500,600	4,500,200	-
Non-Current			
Term loan	2,501,000	3,500,600	-
Current			
Term loan	999,600	999,600	-
	3,500,600	4,500,200	-

16. **Bank Borrowing (Cont'd)**

The term loan is secured by the deed of guarantee and indemnity by the Directors of the Company.

The maturity of the term loan is as follows:

	2022 S$	2021 S$	2020 S$
Within one year	999,600	999,600	-
Between one and two years	999,600	999,600	-
Between two and three years	999,600	999,600	-
Between three and four years	501,800	999,600	-
Between four and five years	-	501,800	-
	3,500,600	4,500,200	-

The weighted average interest rates per annum of the term loan of the Group at the reporting date is 2.50% (2021: 2.50%; 2020: Nil):

17. **Other Payables**

	2022 S$	2021 S$	2020 S$
Other payables	500,984	527,109	361,111
Amount due to Directors	9,791	87,372	8,479
Accruals	274,304	443,636	305,473
Deposits received from customers	1,412,507	2,300,551	1,369,869
Goods and Services Tax payable	93,273	308,269	353,410
	2,290,859	3,666,937	2,398,342

The amount due to Directors are unsecured, non-interest bearing and repayable on demand.

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18. Revenue

	2022 S$	2021 S$	2020 S$
Revenue from contracts with customers			
Construction contracts	55,620,001	45,710,468	49,937,441
Timing of revenue recognition			
Over time	55,620,001	45,710,468	49,937,441

19. Finance Costs

	2022 S$	2021 S$	2020 S$
Interest expenses on:			
Term loan	99,080	69,672	-
Lease liabilities	131,176	92,711	158,712
	230,256	162,383	158,712

20. Profit before Tax

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

	2022 S$	2021 S$	2020 S$
Auditors' remuneration			
- Current year	17,794	17,856	20,531
- Over provision in prior years	-	-	(790)
Bad debts written off on trade receivables	123,269	-	-
Depreciation of:			
- Property, plant and equipment	602,050	621,914	594,496
- Right-of-use assets	1,333,339	1,704,368	1,653,233
Impairment losses on trade receivables	-	-	93,412
Lease expenses relating to short-term leases	387,644	370,413	544,769
Loss on foreign exchange			
- Realised	164,270	299,128	135,710
- Unrealised	72,313	242,054	117,551
Gain on disposal of property, plant and equipment	(500)	-	(240)
Gain on modification of lease contract	-	(3,946)	-
Government grant received	(389,175)	(1,028,794)	(10,358)
Interest income	(355)	(1,879)	(4,668)

21. **Taxation**

	Note	2022 S$	2021 S$	2020 S$
Tax expenses recognised in profit or loss				
Current tax provision				
- Singapore income tax		1,510,620	814,160	276,900
- Foreign tax		273,047	612,421	443,202
Under/(Over) provision in prior years				
- Foreign tax		273	2,748	(243)
		1,783,940	1,429,329	719,859
Deferred tax assets/(liabilities)	7			
Relating to origination and reversal of temporary differences		63,679	111,445	(138,226)
Over provision in prior years		(3,867)	(5,413)	(8,244)
		59,812	106,032	(146,470)
		1,843,752	1,535,361	573,389

Singapore income tax is calculated at the statutory tax rate of 17% (2021: 17%; 2020: 17%) of the estimated assessable profits for the financial year. Taxation for other jurisdiction is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expenses applicable to profit before tax at the statutory income tax rate to income tax expenses at the effective income tax rate of the Group are as follows:

	2022 S$	2021 S$	2020 S$
Profit before tax	9,959,297	6,905,465	2,929,026
At Singapore statutory tax rate of 17% (2021: 17%; 2020: 17%)	1,693,080	1,173,929	497,934
Effect of different tax rates in other jurisdictions	91,722	190,007	82,843
Income not subject to tax	(11,134)	(195,858)	(1,580)
Expenses not deductible for tax purposes	135,553	325,267	43,407
Double tax relief	-	(845)	(1,480)
Corporate tax exemption	(17,425)	(17,425)	(17,425)
Others	(44,450)	62,951	(21,823)
Under/(Over) provision of income tax in prior years	273	2,748	(243)
Over provision of deferred tax in prior years	(3,867)	(5,413)	(8,244)
Tax expenses for the financial year	1,843,752	1,535,361	573,389

22. **Dividends**

	2022 S$	2021 S$	2020 S$
Dividends recognised as distribution to ordinary shareholders of the Company in respect of the financial year ended:			
29 February 2020			
First interim single-tier dividend of S$0.15 per ordinary share	-	-	300,000
Second interim single-tier dividend of S$0.125 per ordinary share	-	-	250,000
Final single-tier dividend of S$0.25 per ordinary share	-	-	500,000
28 February 2021			
First interim single-tier dividend of S$1.975 per ordinary share	-	3,950,000	-
Final single-tier dividend of S$1.25 per ordinary share	-	2,500,000	-
28 February 2022			
First interim single-tier dividend of S$2.5 per ordinary share	5,000,000	-	-
	5,000,000	6,450,000	1,050,000

On 18 July 2022, the Directors recommend the payment of a tax exempt (one-tier) final dividend at S$1.50 per ordinary share for the total amount of S$3,000,000 in respect of the financial year ended 28 February 2022. The financial statements for the financial year ended 28 February 2022 do not reflect this proposed dividend. The Proposed dividend was approved by the shareholders at the Extraordinary General Meeting held on 3 August 2022 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 28 February 2023.

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23. Staff Costs

	2022 S$	2021 S$	2020 S$
Salaries, wages and other emoluments	10,120,875	8,042,520	9,362,580
Defined contribution plans	503,097	455,675	497,965
Other benefits	768,854	279,778	517,075
	11,392,826	8,777,973	10,377,620

Included in the staff costs above is aggregate amount of remuneration received/receivable by the Executive Directors of the Company and its subsidiary during the financial year as below:

	2022 S$	2021 S$	2020 S$
Executive Directors of the Company			
Salaries and other emoluments	1,081,319	911,934	989,291
Defined contribution plans	33,168	32,092	29,021
Other benefits	311	280	344
	1,114,798	944,306	1,018,656

24. **Reconciliation of Liabilities Arising from Financing Activities**

The table below shows the details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	Note	At 1 March S$	Financing cash flows* S$	New lease [Note 5(b)] S$	Lease modification S$	Exchange differences S$	At 28 February/ 29 February S$
2020							
Lease liabilities	15	2,431,124	(1,703,982)	2,998,791	-	(2,084)	3,723,849
2021							
Lease liabilities	15	3,723,849	(1,806,771)	1,654,509	(166,631)	646	3,405,602
Term loan	16	-	4,500,200	-	-	-	4,500,200
		3,723,849	2,693,429	1,654,509	(166,631)	646	7,905,802
2022							
Lease liabilities	15	3,405,602	(1,266,551)	590,718	246,684	422	2,976,875
Term loan	16	4,500,200	(999,600)	-	-	-	3,500,600
		7,905,802	(2,266,151)	590,718	246,684	422	6,477,475

* The financing cash flows include the net drawdown/repayment term loan and payment of lease liabilities in the statements of cash flows.

25. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the Group has the following transactions with related parties during the financial year:

	2022 S$	2021 S$	2020 S$
Transactions with a company in which a Director of the Company is also the Director and/or shareholder that has financial interests			
Sales	-	536,938	-
Disposal of property, plant and equipment	-	992,614	-
Purchases	3,573,306	535,022	-
Purchase of property, plant and equipment	27,347	-	-
Other back charges	1,244,406	499,417	-

(c) Compensation of key management personnel

Information regarding compensation of key management personnel is as follows:

	2022 S$	2021 S$	2020 S$
Short-term employee benefits	1,114,798	944,306	1,018,656

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26. **Financial Instruments**

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Financial assets at amortised cost S$	**Financial liabilities at amortised cost S$**	**Total S$**
2020			
Financial assets			
Trade receivables	13,305,019	-	13,305,019
Other receivables *	883,849	-	883,849
Deposits, bank and cash balances	3,373,286	-	3,373,286
	17,562,154	-	17,562,154
Financial liabilities			
Trade payables	-	5,387,765	5,387,765
Other payables #	-	675,063	675,063
Lease liabilities	-	3,723,849	3,723,849
	-	9,786,677	9,786,677
2021			
Financial assets			
Trade receivables	13,445,466	-	13,445,466
Other receivables *	2,104,511	-	2,104,511
Deposits, bank and cash balances	8,900,275	-	8,900,275
	24,450,252	-	24,450,252
Financial liabilities			
Trade payables	-	4,646,092	4,646,092
Other payables #	-	1,058,117	1,058,117
Lease liabilities	-	3,405,602	3,405,602
Bank borrowing	-	4,500,200	4,500,200
	-	13,610,011	13,610,011

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26. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and financial liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis: (Cont'd)

	Financial assets at amortised cost S$	**Financial liabilities at amortised cost S$**	**Total S$**
2022			
Financial assets			
Trade receivables	12,427,078	-	12,427,078
Other receivables *	2,725,575	-	2,725,575
Deposits, bank and cash balances	5,644,549	-	5,644,549
	20,797,202	-	20,797,202
Financial liabilities			
Trade payables	-	4,535,133	4,535,133
Other payables #	-	785,079	785,079
Lease liabilities	-	2,976,875	2,976,875
Bank borrowing	-	3,500,600	3,500,600
	-	11,797,687	11,797,687

* Exclude deposits paid to suppliers, government grant receivable, prepayments and Goods and Services Tax receivable

\# Exclude deposits received from customers and Goods and Services Tax payable

26. **Financial Instruments (Cont'd)**

(a) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks. There are no significant changes as compared to prior year.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposits with banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

At each reporting date, the Group assesses whether any of the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the reporting period represents the Group's maximum exposure to credit risk.

At the end of the reporting period, the Group's credit exposures are concentrated mainly on 3 (2021: 3; 2020: 2) debtors, which accounted for 55% (2021: 49%; 2020: 36%) of total trade receivables at the end of the reporting period.

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26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand within 1 year	**1 to 2 years**	**2 to 5 years**	**Total contractual cash flows**	**Total carrying amount**
	S$	**S$**	**S$**	**S$**	**S$**
2020					
Non-derivative financial liabilities					
Trade payables	5,054,655	333,110	-	5,387,765	5,387,765
Other payables	675,063	-	-	675,063	675,063
Lease liabilities	1,787,370	2,096,062	14,802	3,898,234	3,723,849
Contingent liabilities* (Note 28)	4,028,408	-	-	4,028,408	-
	11,545,496	2,429,172	14,802	13,989,470	9,786,677

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26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand within 1 year S$	**1 to 2 years S$**	**2 to 5 years S$**	**Total contractual cash flows S$**	**Total carrying amount S$**
2021					
Non-derivative financial liabilities					
Trade payables	4,236,897	409,195	-	4,646,092	4,646,092
Other payables	1,058,117	-	-	1,058,117	1,058,117
Lease liabilities	1,370,501	2,190,578	2,696	3,563,775	3,405,602
Bank borrowing	1,100,586	1,075,590	2,581,783	4,757,959	4,500,200
Contingent liabilities* (Note 28)	6,257,349	-	-	6,257,349	-
	14,023,450	3,675,363	2,584,479	20,283,292	13,610,011
2022					
Non-derivative financial liabilities					
Trade payables	4,233,140	301,993	-	4,535,133	4,535,133
Other payables	785,079	-	-	785,079	785,079
Lease liabilities	1,364,389	1,664,847	137,989	3,167,225	2,976,875
Bank borrowing	1,075,590	1,050,628	1,531,155	3,657,373	3,500,600
Contingent liabilities* (Note 28)	6,725,802	-	-	6,725,802	-
	14,184,000	3,017,468	1,669,144	18,870,612	11,797,687

* Based on the maximum amount that can be called for under the performance bond contract.

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks

(1) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Euro ("EUR"), Chinese Renminbi ("RMB") and Ringgit Malaysia ("RM").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

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26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Denominated in				
	USD	**EUR**	**RMB**	**RM**	**Total**
	S$	**S$**	**S$**	**S$**	**S$**
2020					
Trade receivables	450,184	-	-	-	450,184
Deposits, bank and cash balances	271,663	753	-	-	272,416
Trade payables	(916,905)	(69,426)	(290,590)	(15,723)	(1,292,644)
Other payables	-	(26,857)	-	(2,250)	(29,107)
Lease liabilities	-	-	-	(2,409,435)	(2,409,435)
	(195,058)	(95,530)	(290,590)	(2,427,408)	(3,008,586)
2021					
Deposits, bank and cash balances	4,595,851	788	-	-	4,596,639
Trade payables	(390,357)	(17,415)	(474,738)	(5,324)	(887,834)
Other payables	-	-	-	(77,032)	(77,032)
Lease liabilities	-	-	-	(2,484,556)	(2,484,556)
	4,205,494	(16,627)	(474,738)	(2,566,912)	1,147,217

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in				
	USD	**EUR**	**RMB**	**RM**	**Total**
	S$	**S$**	**S$**	**S$**	**S$**
2022					
Trade receivables	596,699	-	-	-	596,699
Deposits, bank and cash balances	3,022,358	744	-	-	3,023,102
Trade payables	(102,465)	(499,549)	(786,602)	(18,411)	(1,407,027)
Other payables	-	-	-	(69,871)	(69,871)
Lease liabilities	-	-	-	(2,231,315)	(2,231,315)
	3,516,592	(498,805)	(786,602)	(2,319,597)	(88,412)

26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(1) Foreign currency risk (Cont'd)

<u>Foreign currency sensitivity analysis</u>

Foreign currency risk arises from Group entities which have a SGD functional currency. The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR, RMB and RM exchange rates against the respective functional currency of the Group, with all other variables held constant.

		Effect on profit before tax		
		2022	**2021**	**2020**
		S$	**S$**	**S$**
USD	- Strengthened by 5% (2021: 5%; 2020: 5%)	175,830	210,275	(9,753)
	- Weakened by 5% (2021: 5%; 2020: 5%)	(175,830)	(210,275)	9,753
EUR	- Strengthened by 5% (2021: 5%; 2020: 5%)	(24,940)	(831)	(4,777)
	- Weakened by 5% (2021: 5%; 2020: 5%)	24,940	831	4,777
RMB	- Strengthened by 5% (2021: 5%; 2020: 5%)	(39,330)	(23,737)	(14,530)
	- Weakened by 5% (2021: 5%; 2020: 5%)	39,330	23,737	14,530
RM	- Strengthened by 5% (2021: 5%; 2020: 5%)	(115,980)	(128,346)	(121,370)
	- Weakened by 5% (2021: 5%; 2020: 5%)	115,980	128,346	121,370

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26. **Financial Instruments (Cont'd)**

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(2) Interest rate risk

The Group's fixed rate deposit placed with a financial institution and borrowings are exposed to a risk of change in their fair value due to changes in interest rates.

The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest rate swap contracts for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	2022	**2021**	**2020**
	S$	**S$**	**S$**
Fixed rate instruments:			
Financial asset			
Fixed deposit with a financial institution	13,919	14,100	14,220
Financial liabilities			
Lease liabilities	2,976,875	3,405,602	3,723,849
Term loan	3,500,600	4,500,200	-
	6,477,475	7,905,802	3,723,849

26. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term loans and borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

As the financial assets and financial liabilities of the Group are not carried at fair value by any valuation method, therefore the fair value hierarchy are not presented.

27. **Capital Management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio, which is net debt divided by equity attributable to owners of the parent. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at the end of the reporting period are as follows:

	2022	**2021**	**2020**
	S$	**S$**	**S$**
Lease liabilities	2,976,875	3,405,602	3,723,849
Bank borrowing	3,500,600	4,500,200	-
	6,477,475	7,905,802	3,723,849
Less: Cash and cash equivalents	(5,630,630)	(8,886,175)	(3,359,066)
Net debt/(Excess fund)	846,845	(980,373)	364,783
Equity attributable to owners of the parent	18,110,751	15,074,877	16,192,301
Gross gearing ratio (times)	0.36	0.52	0.23
Net gearing ratio (times)	0.05	*	0.02

27. **Capital Management (Cont'd)**

* The gearing ratio is not applicable as its cash and cash equivalents is sufficient to cover the entire borrowing obligation as at 28 February 2021.

There were no changes in the Group's approach to capital management during the financial year.

28. **Contingent Liabilities**

	2022 S$	2021 S$	2020 S$
Performance bond to the customers	6,725,802	6,257,349	4,028,408

29. **Subsidiary**

Details of the subsidiary are as follows:

Name of company	Place of business/ Country of incorporation	Effective interest 2022 %	2021 %	2020 %	Principal activities
Direct holding:					
Woodcraft Studio Sdn. Bhd.	Malaysia	100	100	100	Manufacturing of wooden and cane furniture

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CORTEN INTERIOR SOLUTIONS PTE. LTD.
(Incorporated in the Republic of Singapore)

STATEMENT BY DIRECTORS

We, the undersigned, being the Directors of Corten Interior Solutions Pte. Ltd., do hereby state that, in our opinion, the accompanying financial statements are drawn up in accordance with International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 28 February 2022, 28 February 2021 and 29 February 2020, and of their financial performance and cash flows for the financial years then ended.

LIM LENG FOO	LIM LYE HENG @ ALBERT

SINGAPORE
7 March 2023