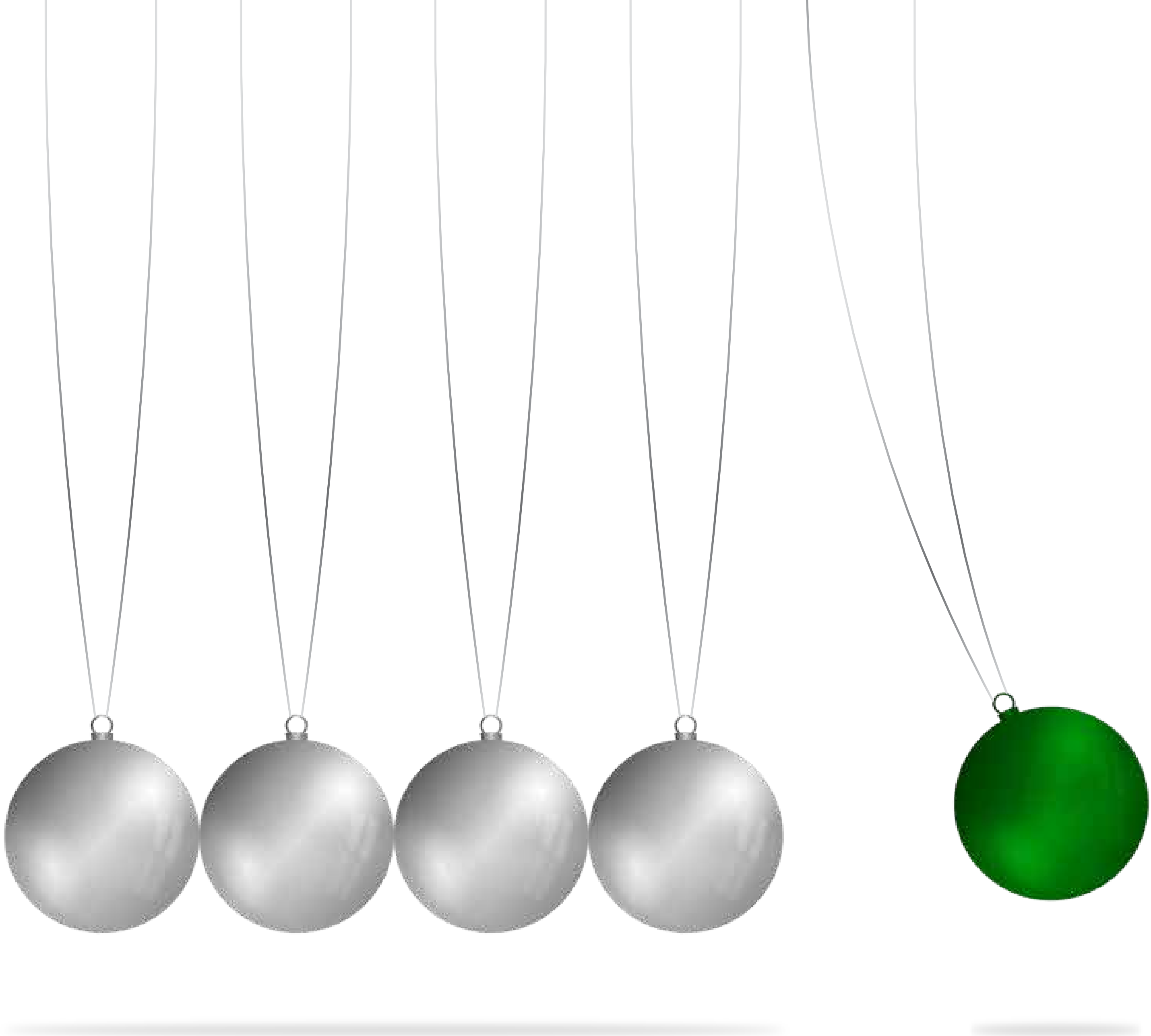
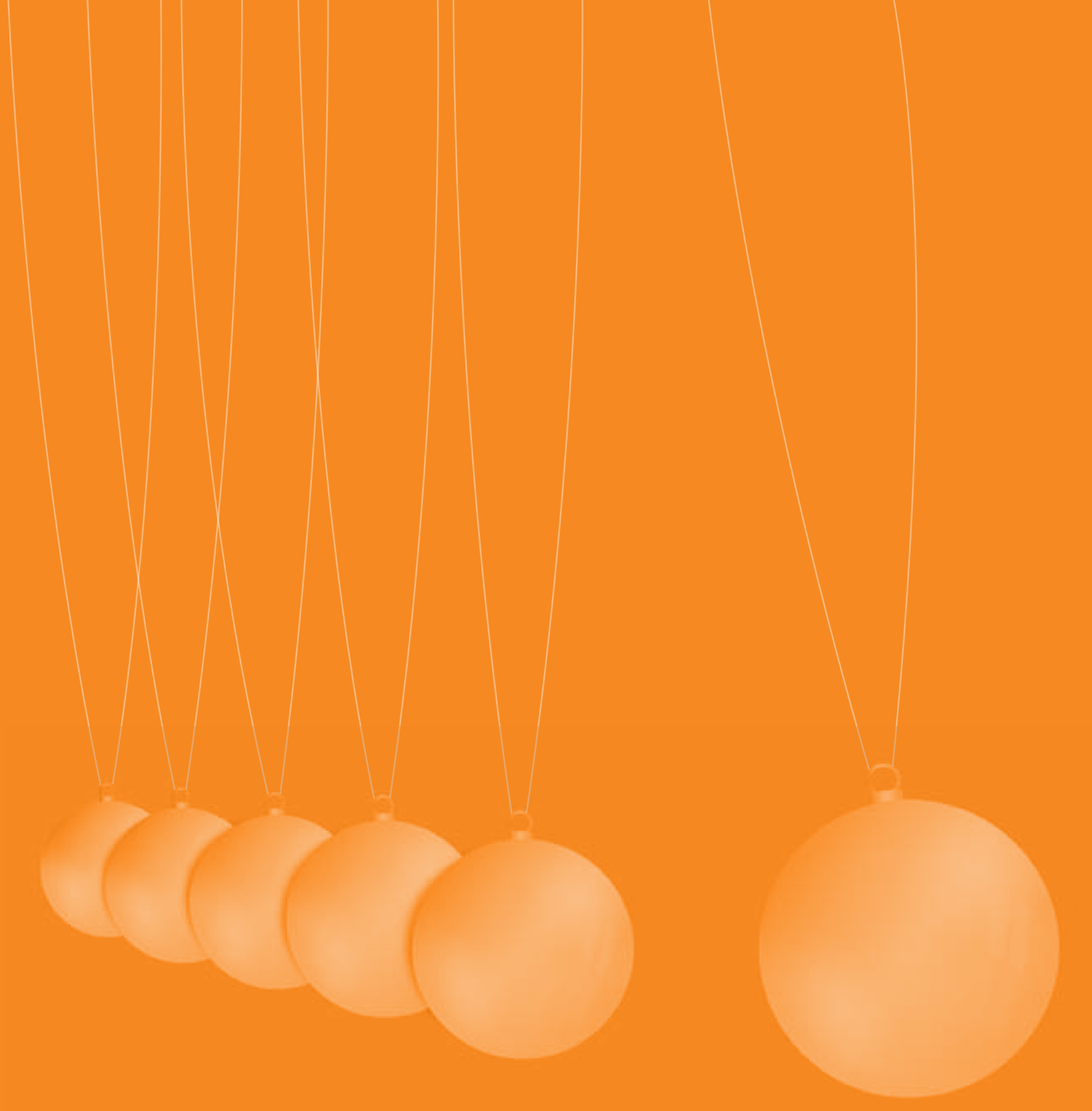


SUSTAINED MOMENTUM

ANNUAL REPORT 2014

Design 瑞
STUDIO 胜

Inspired by Aspirations. Driven by Innovations.



Contents

"To keep momentum going is to have constantly greater goals." – ***Michael Korda***

Over the years, Design Studio has become a brand synonymous with style, quality and craftsmanship. We have built this reputation through hardwork and dedication, examining every detail in the Group to improve our existing skills set.

By focusing ourselves to reach the peak of excellence, we have achieved an exceptional performance while sustaining momentum as a trusted partner among our peers. We do not confine ourselves in the ivory tower – we put ourselves at the forefront of the competition by producing works and services of superior and unparalleled class.

While we have improved in our performance from the previous year despite challenging circumstances, our strategies adapt to changing times and needs, grounded in the professional work ethic and internal balance we practice in the Group. We remain wary while determining aspects by which we can capitalise on opportunities that lay ahead.

Backed by our expertise and understanding of the industry, we shall uphold our sterling track record by continually challenging ourselves to reach higher aspirations. With the support of our clientele and business partners, we will strengthen the Group's competitive position while leaving our mark of elegance and sophistication in everything we do.

Chairman's **Statement**

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to report that Design Studio has continued to build on its track record of consistent profitability, returning its 9th year of positive earnings for the year ended 31 December 2014 ("FY2014").

Although FY2014 was another year of robust performance, it was not without its challenges. With the global markets struggling to gain momentum, and the cooling measures and fragile demand across the residential markets in which we operate, we made strategic moves to dig deep operationally and sharpen our product and service offerings.

With the cost efficiencies which we achieved through our production facility in China, gross margins improved to 22.3% in FY2014 from 17.1% in FY2013. Correspondingly, net profit after tax increased 73.6% from S$11.6 million in FY2013 to S$20.6 million in FY2014.

Our commendable performance was capped with a record quarterly net profit of S$9.5 million recorded in the fourth quarter of FY2014, the highest ever achieved in a quarter since the Company was admitted to the Singapore Exchange Securities Trading Limited in 2003. Underpinning this strong performance is our group-wide strategic focus on operational excellence and cost efficiency.

For FY2014, earnings per ordinary share stood at 7.91 cents, a substantial increase of 73.5% from 4.59 cents recorded in 2013. Our cash flows continued to be strong, with cash flows from operations standing at S$24.5 million in FY2014, compared with S$31.6 million in FY2013. Our balance sheet remained healthy with a cash position of S$48.4 million as at 31 December 2014, compared with S$44.9 million as at 31 December 2013.

Design Studio's performance in FY2014, a challenging and difficult year for the property and construction sectors, demonstrated yet again, our ability to weather the difficult times and deliver, through various phases of the market cycle.

To acknowledge and reward our loyal shareholders for their continued trust and support, the Board is recommending a final dividend of 2.0 cents, and a special dividend of 4.0 cents. Together with the interim dividend of 0.50 Singapore cents per share declared in August 2014, the Board is proposing a total annual dividend of 6.5 cents for FY2014.

Focus on Core Growth Markets

As governments in our key markets of Singapore, Malaysia and China continued to uphold their respective cooling measures in FY2014, we took measured steps to deepen our presence in these markets and build on our order book.

Singapore, our largest market accounted for 83.8% of total revenue in FY2014, compared with 72.2% of total revenue in FY2013. The effectiveness of Singapore's property cooling measures was felt by the wider market as FY2014 registered the first year of overall price and volume decline in the residential property segment since FY2008. Across the Causeway, the Group's second largest market, Malaysia, experienced a challenging year in FY2014, accounting for 11.2% of total revenues, compared with 24.2% in FY2013.

China is the world's most populous country with more than 1.4 billion people, and the second largest economy in the world[1]. Despite its slowing growth, China continues to record one of the highest growth rates in the region and continues to be a strategic market for Design Studio. While we believe that the cooling measures implemented by the China government will result in a healthy and stable real estate industry in the years ahead, we will take a measured and prudent approach to our China expansion in the near-term. With rapid urbanisation and growing disposable income, China's real estate sector remains attractive over the longer term.

[1]The World Bank (http://data.worldbank.org/data-catalog/GDP-ranking-table)

"To acknowledge and reward our loyal shareholders for their continued trust and support, the Board is recommending a final dividend of 2.0 cents, and a special dividend of 4.0 cents. Together with the interim dividend of 0.50 cents per share declared in August 2014, the Board is proposing a total annual dividend of 6.5 cents for FY2014"

Backed by a strong brand name and an established track record for delivering innovative, quality products and services, we were able to secure several notable projects with leading developers during the year, strengthening our order book to S$230.8 million as at 12 February 2015.

Leadership Transition

It is with a heavy heart that the Board has accepted the resignation of Mr Bernard Lim, our Chief Executive Officer and Executive Director.

On behalf of the Board, management and staff, I would like to thank Mr Lim for his vision, leadership and invaluable contributions to Design Studio. He has been instrumental in its establishment and development, and has successfully led Design Studio through some extremely challenging times, enabling it to emerge stronger and more resilient.

Under Mr Lim's leadership, Design Studio has established a strong brand name and solid track record with major local and international clients. Today, Design Studio's established brand name is synonymous with quality, high standards of customer engagement, and timely delivery of innovative solutions to major projects in Singapore and overseas. We are also grateful to Mr Lim for building a strong management team over the years, by combining talent from within and outside the Group. Our team shares a common vision and unwavering passion for Design Studio's future.

The Board is moving forward with its CEO succession plan and has engaged global executive search firm to source for a suitable candidate. Mr Lim will remain with Design Studio till a new CEO has been appointed. His last day of service will be announced in due course.

Looking Ahead: FY2015 and Beyond

We enter FY2015 in excellent shape and with a strong order book. However, we remain cautious as the unrelenting efforts of regulators to cool down the real estate markets in Singapore, Malaysia and China, are expected to have a negative effect on the industry and its players. This would invariably result in fewer projects available for award and hence, generate greater competition amongst players. In addition, the tightening of supply of foreign labour in Singapore may affect the pace of realisation of our order book.

Nonetheless, we will continue to deepen our presence in our core markets and further improve on our operational efficiency by harnessing our capabilities across the group and managing our operational costs. We believe that these strategies will provide us with a platform to enhance our competitive position and sustainability.

Acknowledgements

On behalf of the Board of Directors, I would like to express our appreciation to our dedicated management and employees for their professionalism, expertise and enthusiasm. The dedication and support of our dedicated staff is what distinguishes Design Studio's project management and customer service to our long-term customers, many of whom are leading real estate developers in their respective markets. I would like to take this opportunity to thank our staff for their commitment and diligence in FY2014 and to congratulate the team on achieving a record result.

I would also like to thank our business partners, customers and shareholders for their trust and support. To my fellow Board members, I would like to express my heartfelt gratitude for their wise counsel in the last year.

I look forward to your continued support as we bring to fruition our strategic initiatives to take our Group to the next level and strengthen our position as the preferred choice amongst leading property developers worldwide.

Tan Siok Chin (Ms)
Non-Executive Chairman

Design Studio's mindset is about focusing on the highest value options – and demonstrating the rigour and discipline required to realise our objectives.

Despite a challenging business environment and strict government regulations, the Group delivered another year of steady performance. This performance reflects the tremendous headway we have made in terms of operating efficiencies. By streamlining our strategies, we mitigate possible losses while achieving maximum results.

CEO's Business Review

"Gross margin increased to 22.3% in FY2014, from 17.1% in FY2013. The improvement was due to higher margins recorded for some projects completed during FY2014 as well as overall improved cost efficiencies achieved by the Group's production facility in China"

Dear Shareholders,

Amidst an uncertain global economy, and faced with challenges in our respective local markets, Design Studio remained resilient and posted a commendable 73.3% increase in profit after tax of S$20.6 million for FY2014, up from S$11.9 million in FY2013.

Resilient Business Model

The Group's revenue for the year ended 31 December 2014 ("FY2014") was S$177.8 million, a marginal decline from S$178.0 million for the year ended 31 December 2013 ("FY2013"). The decline was largely attributed to lower revenue contribution from the Hospitality and commercial, and Distribution segments, partially offset by higher revenue contribution from the Residential property segment.

Despite a series of broad based real estate cooling measures implemented by regulators in our core markets of Singapore, Malaysia and China, our Residential property segment continued to excel in FY2014. Revenue contribution increased 22.8% from S$72.0 million in FY2013 to S$88.4 million in FY2014. With the strong performance, the Residential property segment accounted for 49.7% of total revenue in FY2014, compared with 40.4% in FY2013.

Revenue contribution from DDS Group, Design Studio's Hospitality and commercial segment, was S$88.8 million in FY2014, compared with S$104.0 million in FY2013. Despite a decline in revenue contribution, the Hospitality and commercial segment continued to be the largest contributor at 50.0% of total revenue. The Group's Distribution segment recorded revenue of S$0.6 million in FY2014, compared with S$2.1 million in FY2013, as a result of fewer Distribution projects completed during the year.

In Singapore, property cooling measures introduced by the authorities, such as the Total Debt Servicing Ratio (TDSR), have continued to cap home buyers' ability to access funding. According to Urban Redevelopment Authority, the land authority's private residential property index recorded its fifth continuous quarter of price decline, falling 1.0% in 4Q2014, and 4.0% in FY2014. Prices of private residential properties were also affected, declining 4.0% in FY2014, compared with an increase of 1.1% in FY2013. With the muted demand for residential properties, developers sold 7,316 units in FY2014, a 51.0% decline from 14,948 units sold in FY2013. Against this difficult backdrop, the Residential property segment in Singapore turned a positive performance to underpin a 15.9% increase in total revenue from Singapore. Revenues from Singapore rose from S$128.6 million in FY2013 to S$149.1 million in FY2014, contributing to 83.9% of total revenue in FY2014.


The Village: Image courtesy of SDB Group.

During the year, revenues from Malaysia declined from S$43.0 million to S$19.8 million, accounting for 11.2% of total revenue. Revenues from China increased from S$2.1 million in FY2013 to S$5.1 million in FY2014, accounting for 2.9% of total revenue.

Gross margin increased to 22.3% in FY2014, from 17.1% in FY2013. The improvement was due to higher margins recorded for some projects completed during FY2014 as well as overall improved cost efficiencies achieved by the Group's production facility in China.

Marketing and distribution expenses decreased 3.4% from S$6.2 million in FY2013 to S$5.9 million in FY2014, primarily due to lower staff cost and travelling expenses.

General and administrative expenses increased from S$9.1 million in FY2013 to S$10.0 million in FY2014 mainly as a result of increased staff costs and exchange loss. There was an exchange loss of S$354,000 in FY2014 as compared with an exchange gain of S$296,000 in FY2013.

As a result, Design Studio achieved a higher profit before tax of S$23.9 million in FY2014, as compared with S$15.3 million in FY2013. After taking into account the tax expenses, the Group's net profit after tax was S$20.6 million for FY2014, an increase of 73.3% from S$11.9 million in FY2013.

The Group ended the year with a strong balance sheet and in a net cash position of S$48.4 million as at 31 December 2014.

Operational Review

Design Studio has three complementary and versatile core businesses: the supply and installation of manufactured furniture products to private residential developments; interior fitting-out services to hospitality and commercial projects through DDS Group; and the distribution of renowned imported brand SieMatic® in Singapore.

Residential Property

Underpinned by a strong brand name and solid track record, Design Studio continues to enjoy a strong positioning as the partner of choice with major local and international developers. Our established brand name is synonymous with quality, high standards of customer engagement, and timely delivery of innovative solutions to major projects in Singapore and overseas.

In FY2014, the Group's Residential property segment secured contracts from several major developers, boosting the Group's order book by more than 1,839 units.

CEO's Business Review

Ferringhi Residence @ Penang: Image courtesy of Mah Sing Group.

These mandates include the provision of joinery products for Singapore based projects:

- Gramercy Park, a 174-unit luxury freehold condominium by City Developments Limited, located on Grange Road;
- a 268-unit high-end residential tower of a mixed development to be developed by CapitaLand Limited at Cairnhill Place;
- Riverbank @ Fernvale, a 555-unit condominium along Sengkang West Way;
- The Village @ Pasir Panjang, a 148-unit condominium project located along Pasir Panjang Road; and
- The Sky Vue, a 694-unit luxury condominium located in Bishan by CapitaLand Limited and Mitsubishi Estate.

Across the Causeway in Malaysia, the Group secured two contracts:

- The Greens, a 192-unit up-market residential development located in Taman Tun Dr Ismail, Kuala Lumpur; and
- Ferringhi Residence, a resort styled development located on the highest plateau of the world-renowned Ferringhi resort cove in Batu Ferringhi, Penang. Developed by Mah Sing Group, the freehold Ferringhi Residence comprises 210 Condo Villa units, 80 Town Villas, 32 Hillside Villas, and 410 Resort Condominium units.

Over in China, the Group won a contract to provide joinery products to a 417-unit luxury condominium located in Zhujiang Xincheng, Guangzhou. Completed in 4Q2014, this well-located development provides residents with an expansive view of the Pearl River and the city.


OUE Downtown 1: Image courtesy of OUE Limited.

Hospitality and Commercial

DDS Group continues to build on its reputation as a leading player in the interior fitting-out industry, known for its project management expertise and quality delivery. During the year, DDS Group continued to perform well on the new business front, securing several high profile projects to add to its pipeline of quality projects in Singapore and Malaysia.

Testament to the Group's strong reputation and an unparalleled track record with global real estate developers, DDS Singapore was awarded a S$75 million contract to retrofit OUE Downtown 1, its largest contract win to date.

Other notable Singapore projects secured by DDS Singapore include:

- A&A works to Carlton Hotel Singapore, a 915-room luxurious and stylish hotel located along Bras Basah Road;
- Fit-out works to hotel guestrooms, corridors and lift lobbies at Park Hotel@Alexandra, a hotel-cum-mall development by CEL Development;
- ID works to ESSEC Business School's new S$40 million campus located on Nepal Hill in the One-North Business Park; and
- ID works to Genting Singapore's 550-room hotel in Jurong Lake District.

During the year, DDS Malaysia secured contracts to provide interior fit-out works to several key hospitality and commercial projects, including:

- ID works to the public areas of M City, a 546-unit serviced residence along Jalan Ampang;
- ID works to Tradewinds Sales Gallery at Nusajaya, Johor; and
- ID works to Ritz Carlton Langkawi, a new 132-room ocean-front luxury resort which is scheduled to open in 2016.

CEO's Business Review

M City: Image courtesy of Mah Sing Group.

Distribution

Design Studio's strategic partnership with SieMatic®, a leading luxury kitchen brand, is an integral part of the Group's long-term plans. The German brand epitomises quality, innovation and excellence. These are the very same values on which Design Studio has established its brand promise.

Looking Ahead

In the near-term, Design Studio, along with other major players in the industry, will have to contend with the directionless global economic outlook; property cooling measures on the domestic landscape; and the tightening pool of foreign labour in the key markets which we operate. We believe that this is likely to have a negative knock-on effect on the industry and its players, resulting in fewer projects available for award and greater competition. Furthermore, the tightening of supply of foreign labour in Singapore may affect the pace of realisation of our order book.

This year, we will focus on deepening our presence in our key markets of Singapore, Malaysia and China; and look to improve on our operational efficiency by harnessing our capabilities across the group and managing our costs. We will remain focused on providing outstanding service and premium products on a timely basis to our customers, ensuring that the Group is able to build goodwill and relationships.

We believe that these strategic initiatives will strengthen our competitive position and sustainability throughout market cycles and changing economic conditions. The Group remains well-positioned with a strong financial standing and a growing presence in key markets across both the residential, hospitality and commercial segments.

The Westin Singapore, Marina Bay: Image courtesy of Westin Singapore.

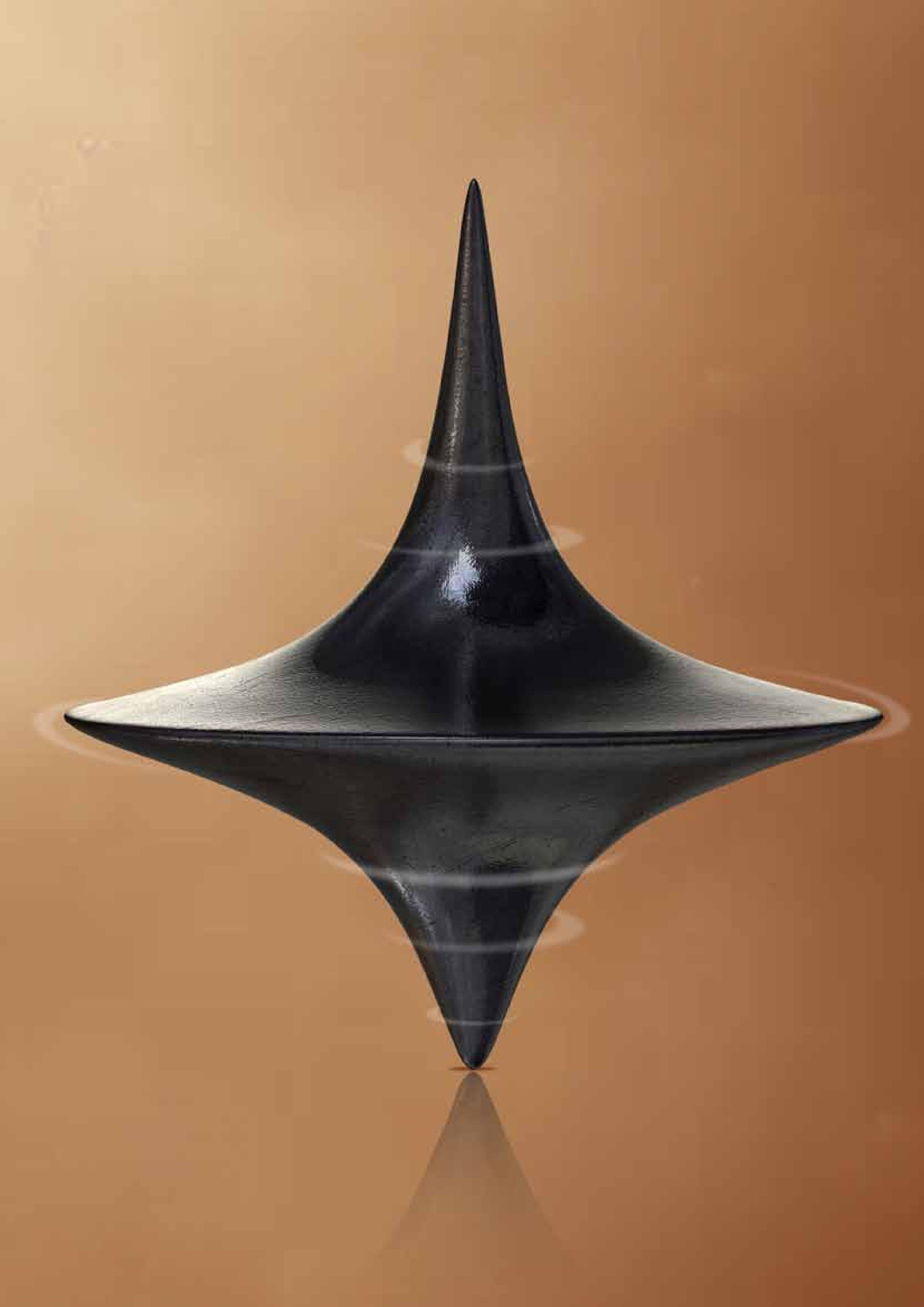
Acknowledgements

It was announced on 4 March 2015 that I am stepping down as Chief Executive Officer and Executive Director after 21 years with the Group. The journey has been truly amazing and I am extremely proud of how far we have come since our founding in 1992.

We remain well-positioned with customers through three growing complementary and versatile businesses across Singapore, Malaysia and China; and are well-regarded by our shareholders for our ability to consistently create value throughout the various business cycles. My decision to step down was difficult, but it is a personal one and I will miss working with the talented and passionate team.

In closing, I would like to express my heartfelt appreciation to my fellow board members for their unwavering trust and support over the years; and our management team and employees for their long-standing dedication and hardwork. The enthusiasm and valuable contributions of our employees have enabled the Group to close FY2014 on a high note and your continued support will ensure that Design Studio's best days lie ahead.

Bernard Lim Leng Foo
Chief Executive Officer

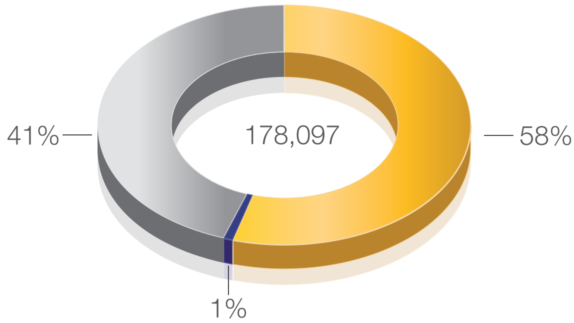


We stand out in the competition not only for our professionalism, but also in the products and services we provide – proof of our solid commitment to be at the forefront of modern interior design.

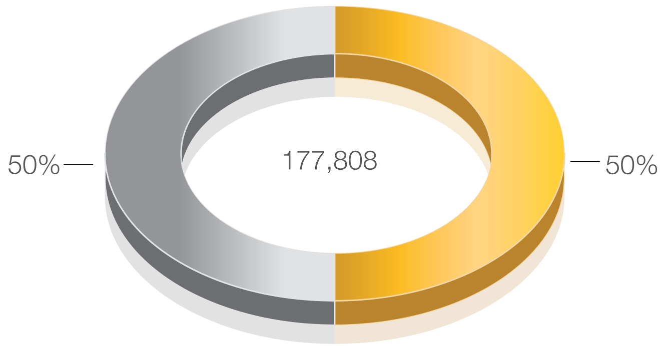
The axis by which our brand centres on lies in our unique mix of fixtures and interiors that have found its home in many of today's premiere commercial and residential properties in the region. Our sharp eye for detail and high respect for quality craftsmanship has allowed us to build lasting partnerships with esteemed global brands, giving us strategic advantage to expand our reach and maintain our position as a key industry player.

Financial **Highlights**

Group revenue by business segments
(in S$'000)



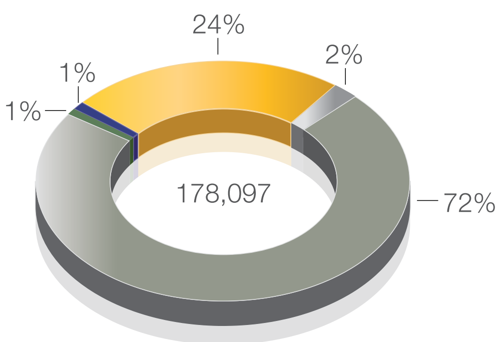
2013



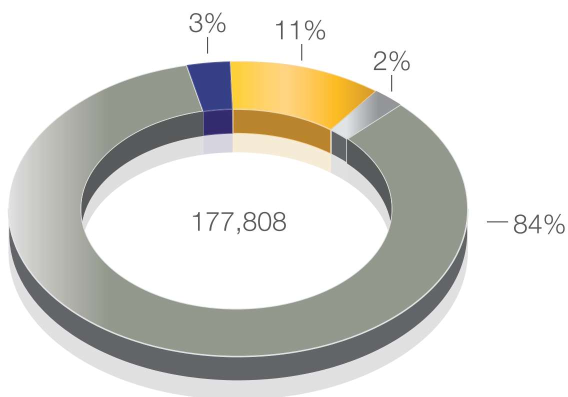
2014

■ Residential property projects ■ Hospitality and commercial projects ■ Distribution projects

Group revenue by geography
(in S$'000)



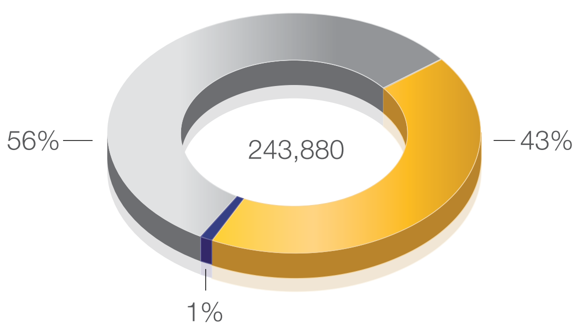
2013



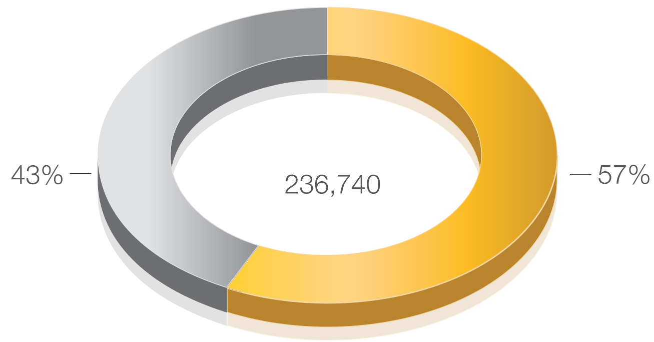
2014

■ Singapore ■ United Arab Emirates ■ People's Republic of China ■ Malaysia ■ Others

Order book on hand by business segments
(in S$'000)



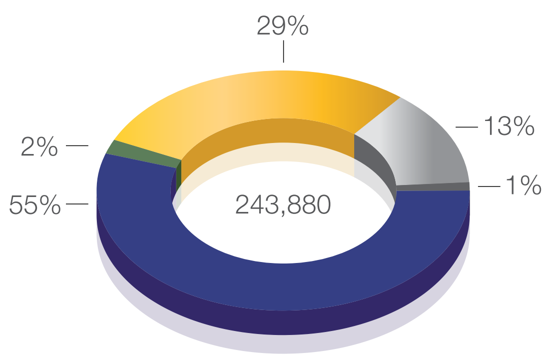
As at 31 December 2013



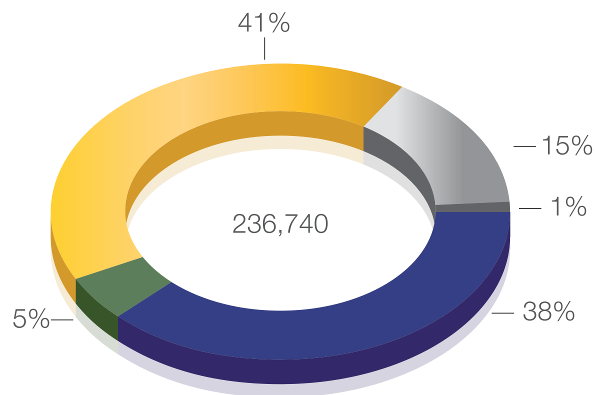
As at 31 December 2014

- Residential property projects
- Hospitality and commercial projects
- Distribution projects

Order book on hand by business segment and geography
(in S$'000)



As at 31 December 2013



As at 31 December 2014

- Residential property projects - Local
- Residential property projects - Export
- Hospitality and commercial projects - Local
- Hospitality and commercial projects - Export
- Distribution projects - Local

Financial Summary

FIVE YEARS FINANCIAL SUMMARY

Income Statement

(in S$'000)	2010	2011	2012	2013	**2014**
Revenue	107,970	93,222	160,631	178,097	177,808
Gross profit	31,928	27,176	31,748	30,539	39,604
Profit from operations	21,771	16,159	14,767	15,326	23,827
Profit before tax	23,088	18,746	14,781	15,340	23,866
Net profit	19,617	15,257	11,663	11,945	20,582

Balance Sheet

(in S$'000)	2010	2011	2012	2013	**2014**
Property, plant & equipment	11,616	25,886	26,793	24,697	21,128
Inventories	9,126	11,610	15,031	14,774	14,002
Construction work-in-progress	8,008	6,776	7,103	6,394	9,755
Trade receivables	40,605	28,220	53,012	52,823	60,981
Cash and fixed deposits	34,701	28,611	29,095	44,877	48,404
Trade payables	9,523	6,175	13,166	16,084	18,726
Accrued operating expenses	15,558	11,731	22,026	28,575	33,301
Deposits received	1,587	2,463	2,615	2,873	1,766
Shareholders' equity	84,626	94,758	102,451	105,477	109,429
Total assets	116,395	119,163	145,030	157,179	168,241
Total liabilities	31,769	24,405	42,579	51,702	58,812

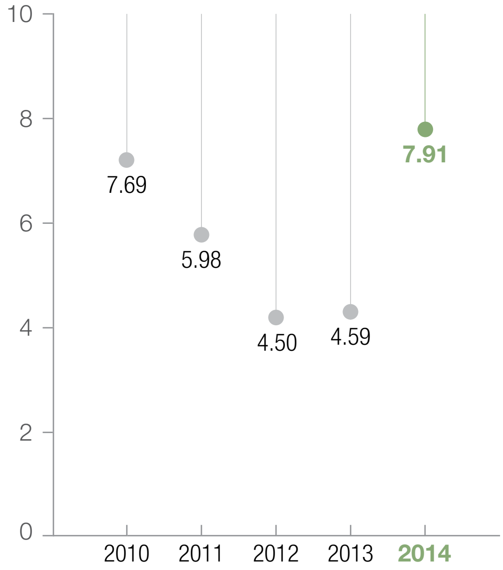
Cash Flow

(in S$'000)	2010	2011	2012	2013	**2014**
Operating activities	8,112	16,642	11,133	26,741	20,901
Investing activities	(3,258)	(16,325)	(7,187)	(1,199)	(457)
Financing activities	(8,591)	(5,189)	(4,178)	(7,606)	(16,915)
Net movement	(3,737)	(4,872)	(232)	17,936	3,529

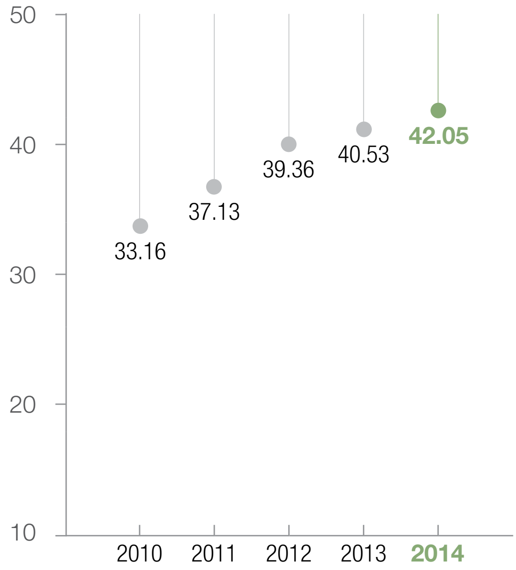
Financial Ratios

	2010	2011	2012	2013	**2014**
Earnings per share (S$cents)	7.69	5.98	4.50	4.59	7.91
Net asset value per share (S$cents)	33.16	37.13	39.36	40.53	42.05
Dividend per share (S$cents)	2.50	2.50	4.00	6.50	6.50
Return on equity (%)	23.18	16.10	11.38	11.32	18.81
Return on assets (%)	16.85	12.80	8.04	7.60	12.23
Current ratio	2.80	3.00	2.53	2.35	2.32

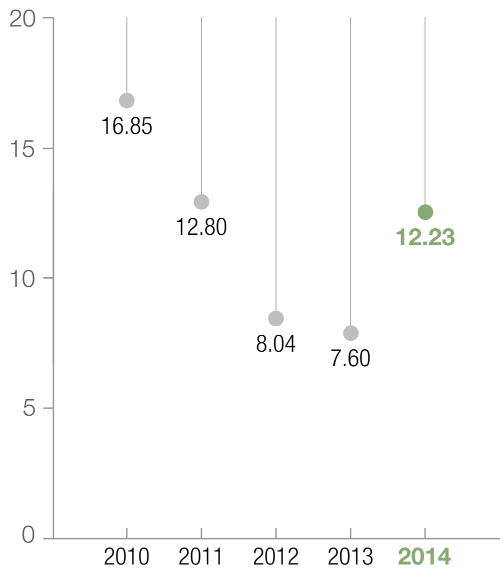
Earnings per share
(in S$cents)



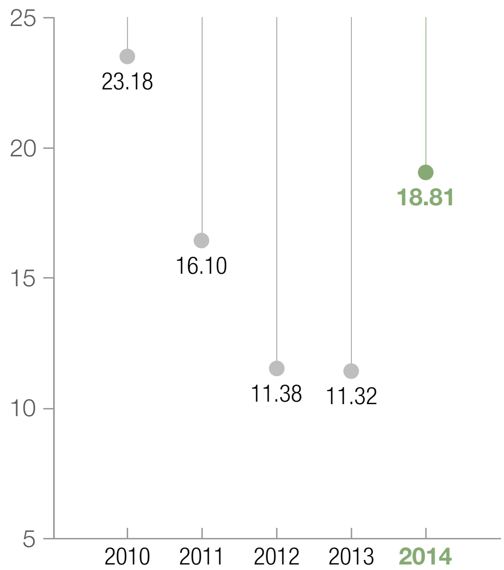
Net asset value per share
(in S$cents)



Return on assets
(%)

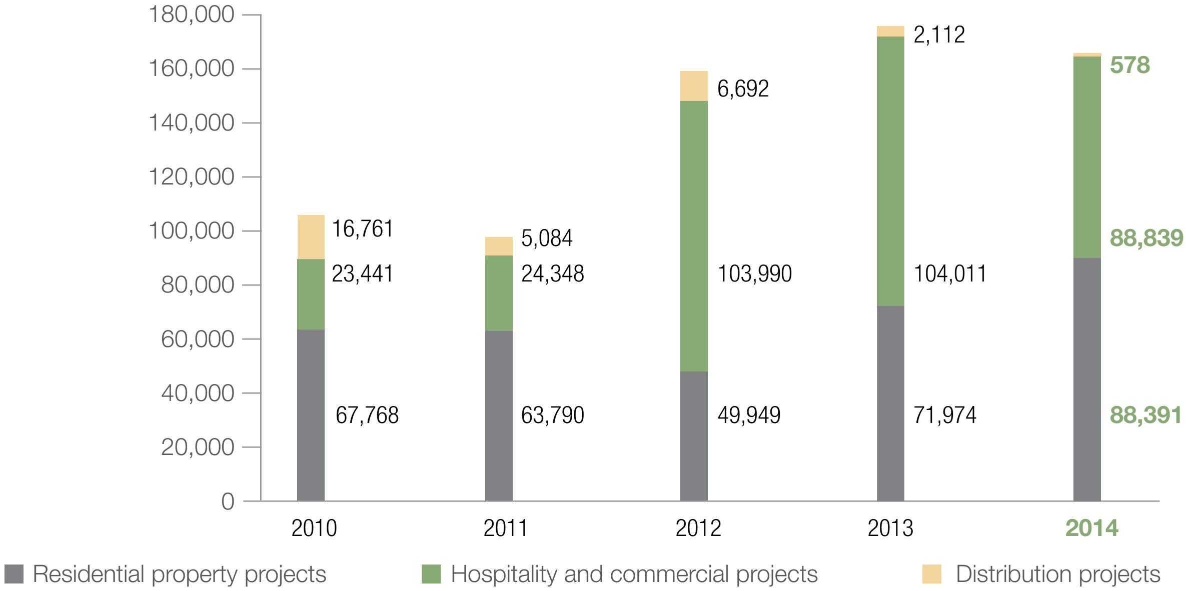


Return on equity
(%)

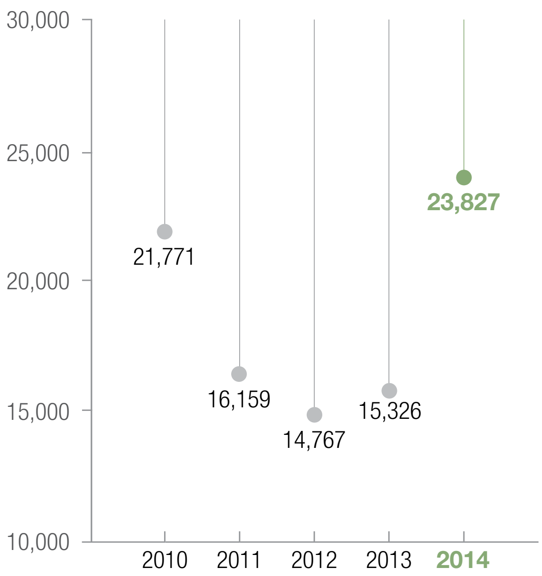


Financial **Summary**

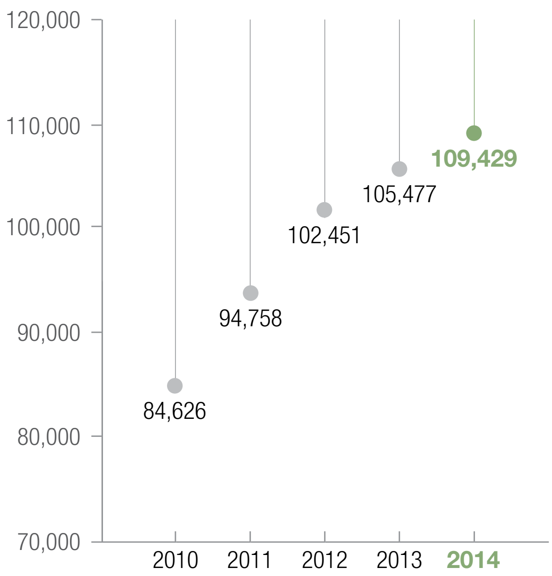
Group revenue by business segments
(in S$'000)



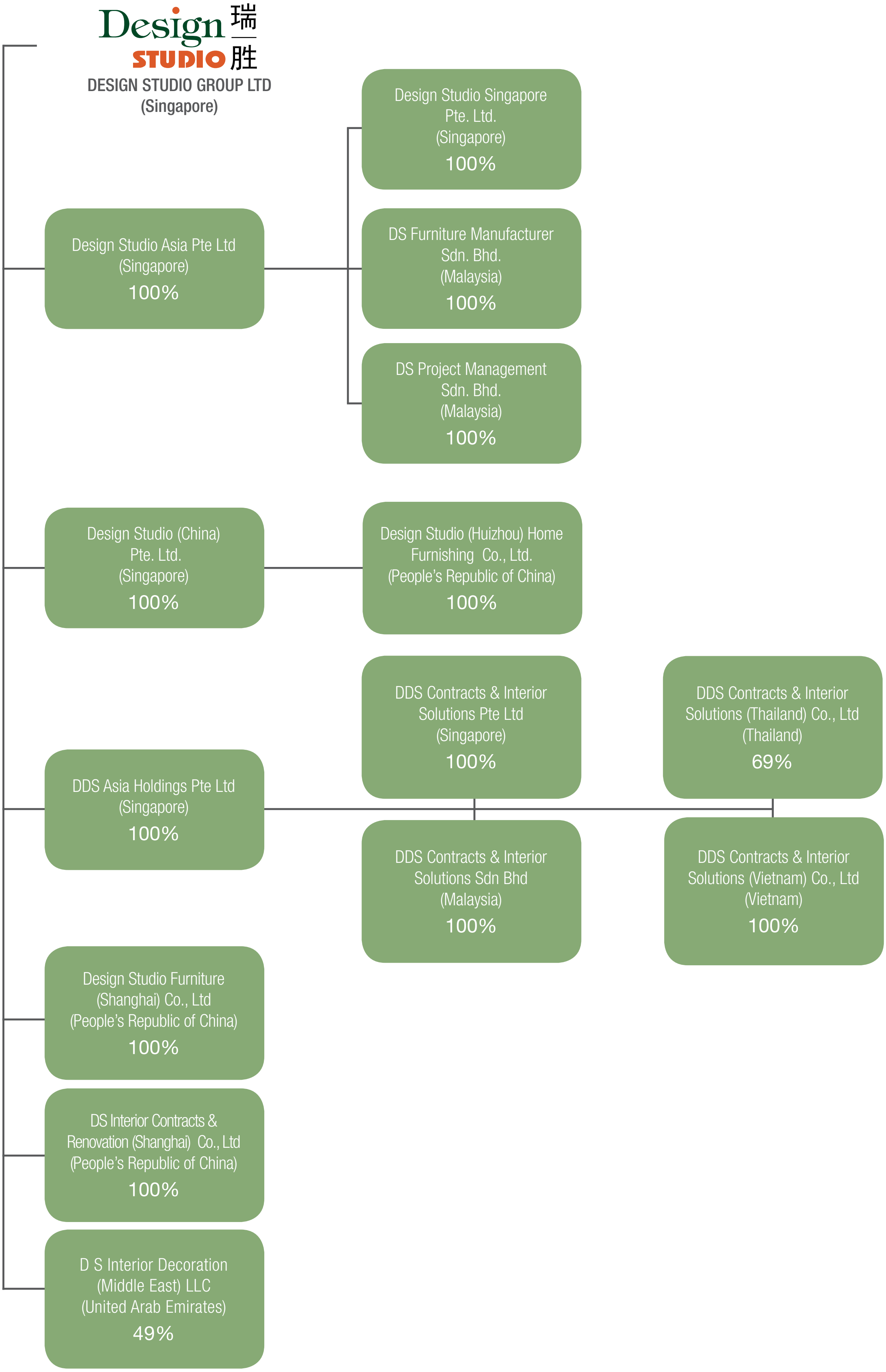
Profit from operations
(in S$'000)



Shareholders' equity
(in S$'000)



Corporate **Structure**



Continuous improvement instills a culture of passion of striving constantly to be better at everything we do — while providing the skills required to achieve excellence in Design Studio.

We have achieved so much because our people were able to do so, with integrity and full knowledge of best practices. The immense contribution of our manpower is never in dispute, keeping us firm in our stand to deliver the best services and products at all times. Driven by unwavering leadership commitment that starts with the management and trickles down into our workforce, we have achieved internal balance and a robust framework that has formed the foundation of our development.

Board of Directors

Tan Siok Chin
(Non-Executive Chairman)

Tan Siok Chin was appointed as an Independent Director of our Company on 1 January 2006 and on 31 May 2012, she was appointed as the Non-Executive Chairman of the Board. Ms Tan practices as an advocate and solicitor in Singapore. She is a Director of ACIES Law Corporation, a firm of advocates and solicitors heading its corporate practice group.

Ms Tan has over two decades of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters.

Ms Tan is also an independent director of several other public companies listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

Bernard Lim Leng Foo
(Chief Executive Officer)

Bernard Lim has been the Chief Executive Officer of our Company since 5 March 1994. He bears overall responsibility for the Group's business development, research and product developments and oversees the Group's business operation. He has over 33 years of experience in the furniture industry and has been instrumental in the establishment and development of the Group's business.

Kelly Ng Chai Choey
(Executive Director)

Kelly Ng Chai Choey was appointed as Executive Director on 15 September 2008. She is responsible for the Group's financial and corporate functions, including treasury, tax, risk management, corporate communications and investor relations. In addition, she is assisting the Chief Executive Officer in overseeing the Group's business operation. She has more than 23 years working experience in tax, finance and accounting field with big four accounting firm and various companies in construction, pulp & paper and shipping industries. She is a fellow member of the Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants. She is also a member of the Singapore Institute of Directors.

Ong Tiew Siam
(Independent Director)

Ong Tiew Siam was appointed as our Independent Director on 1 March 2007. He has more than 35 years of experience in finance and administrations. He graduated with a Bachelor of Commerce (Accountancy) (Honours) degree in 1975 from the Nanyang University, Singapore and is a fellow member of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors. Mr Ong also sits on the board of several listed companies.

Muhammad Umar Saleem
(Non-Executive Director)

Muhammad Umar Saleem was appointed as Non-Executive Director on 9 November 2010. Mr Saleem is Depa's Group CFO. Mr Saleem has over 24 years of experience in Corporate Finance, Operations Management, Business Consulting and Restructuring across a broad spectrum of industries. Prior to joining Depa, Mr Saleem was a Senior Director at Alvarez & Marsal and was also the General Manager of the firm's Saudi practice. Prior to that, he was a Senior Vice President and Chief Financial Officer at Tech Access, one of the leading technology distributors in the MENA region. Mr Saleem has also held various leadership roles in the consulting practices of IBM Canada, Oracle Middle East and PricewaterhouseCoopers. Mr Saleem also worked as Financial Controller and Senior Investment Analyst at Majid Al-Futtaim Group in UAE where he was instrumental in streamlining the Finance operations of multiple subsidiaries and conducted investment appraisals and due diligence on a number of projects. Mr Saleem is a fellow member of The Institute of Chartered Accountants in England & Wales (ICAEW) and is also a Certified Information Systems Auditor (CISA).

Mhd Nadim Akhras
(Non-Executive Director)

Nadim Akhras was appointed as a Non-Executive Director of our Company on 15 September 2014.

Mr Akhras is a civil engineer with over 23 years of experience in the engineering and construction field. He has successfully overseen and executed high-end and large scale projects in the Middle East, Africa, India and CIS countries, the most iconic being the Burj Khalifa.

Mr Akhras joined Depa in 1998 and was nominated CEO Depa Dubai Regional Office in 2011, and was appointed Group CEO of Depa United Group in October 2013. Prior to joining Depa Group, he held numerous posts as a Civil Engineer with Khatib & Alami UAE, a multidisciplinary architectural and engineering consulting company.

Mr Akhras graduated from the Damascus University, Syria with a Bachelor of Civil Engineering degree.

Corporate **Information**

Board of Directors

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Bernard Lim Leng Foo	(Chief Executive Officer)
Kelly Ng Chai Choey	(Executive Director)
Muhammad Umar Saleem	(Non-Executive Director)
Mhd. Nadim Akhras	(Non-Executive Director)
Ong Tiew Siam	(Independent Director)

Audit Committee

Ong Tiew Siam	(Chairman)
Muhammad Umar Saleem	
Tan Siok Chin	

Remuneration Committee

Tan Siok Chin	(Chairman)
Ong Tiew Siam	
Muhammad Umar Saleem	

Nominating Committee

Ong Tiew Siam	(Chairman)
Tan Siok Chin	
Bernard Lim Leng Foo	

Company Secretaries

Helen Campos

Kelly Ng Chai Choey

Management Team

Bernard Lim Leng Foo	(Chief Executive Officer)
Kelly Ng Chai Choey	(Executive Director)
Jeremy Koh Kah Liam	(Director)
Wong Chee Seng	(Chief Executive Officer of DDS Group)

Auditors

Deloitte & Touche LLP

Partner: Seah Gek Choo (since financial year ended 31 December 2013)

Principal Bankers

United Overseas Bank

Oversea-Chinese Banking Corporation

Citibank N.A. Singapore Branch

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd

50 Raffles Place Singapore Land Tower

#32-01 Singapore 048623

Tel: (65) 6536 5355

Fax: (65) 6536 1360

Registered Office

8 Sungei Kadut Crescent

Singapore 728682

Tel: (65) 6367 0133

Fax: (65) 6366 2612

Website: www.designstudio.com.sg

www.designstudio.com.cn

Email: corpcommunications@designstudio.com.sg

The Board of Directors (the "Board") and Management of Design Studio Group Ltd. (the "Company") and its subsidiaries (together, the "Group") are committed to maintaining a high standard of corporate governance within the Group, in conformity with the Code of Corporate Governance 2012 (the "Code"). Good corporate governance establishes and maintains a legal and ethical environment in the Group to preserve the interest of all shareholders.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board meets regularly to:

- Oversee the business affairs of the Group;
- Approve financial objectives and business strategies;
- Monitor the standard of performances and adequacy of internal controls and risk management, both directly and through specialised committees set up by the Board;
- Identify the key stakeholder groups and recognise their perceptions which affect the Company's reputation;
- Set the Company's values and standards (including ethical standards) and ensure shareholders' and stakeholders' obligations are understood and met; and
- Consider sustainability issues, for example environmental and social factors as part of its strategic formulation.

In order to ensure that our Group's operations are not disrupted, Board and committee meetings for the ensuing financial year are carefully scheduled prior to the start of each financial year. Ad-hoc meetings are also convened when circumstances require.

The Board is supported by the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). These committees were formed at the time of our listing on the Singapore Exchange Securities Trading Limited ("SGX-ST") and are chaired by Independent Directors.

The number of Board meetings held in the financial year 2014 by the Board and meetings of specialised committees established by the Board including the attendance of the members are set out below:

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Directors	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Tan Siok Chin	4	4	4	4	1	1	1	1
Bernard Lim Leng Foo	4	4	N.A.	N.A.	1	1	N.A.	N.A.
Kelly Ng Chai Choey	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Muhammad Umar Saleem	4	4	4	4	N.A.	N.A.	1	1
Mhd.Nadim Akhras*	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Ong Tiew Siam	4	4	4	4	1	1	1	1

* Mr Mhd.Nadim Akhras was appointed on 15 September 2014.

N.A. Not applicable

The Company has and will organise orientation programs for new Directors to familiarise the new Directors with the Group's operations and business issues and the relevant regulations and governance requirements. The Company will provide training for the first-time directors in areas such as accounting, legal and industry-specific knowledge as appropriate. New Directors will be provided with a letter of appointment setting out their duties, obligations and terms of appointment. The Company will, if necessary, organise regular training for, or circulate memoranda to Directors to enable them to keep pace with relevant new laws, regulations and changing commercial risks from time to time, where such changes have a material bearing on the Group. During the year, the Board was briefed and/or updated on the changes on the Companies Act, updates on AC Guidebook and SGX compliance matters.

The Company Secretary will attend all Board and committee meetings. She is responsible for ensuring that procedures are followed and that the Company has complied with the requirements of the Companies Act and all other rules and regulations that are applicable to the Company. The Directors have independent access to the Company Secretary at all times.

Management provides the Board members with quarterly reports to keep them abreast with the Group's business development and performance. In addition, the Board members have separate and independent access to the executive officers, thus enabling them to make enquiries or seek clarifications on the Group's affairs.

The Board (whether individually or as a group) has, in the furtherance of its duties, access to independent professional advice if necessary, at the Company's expenses.

The Board supervises the management and corporate affairs of the Group. Matters requiring the Board's decision and approval include:

- Annual budgets and business performance;
- Major funding proposals, including investments and divestments;
- Interested person transactions;
- Dividend payments;
- Appointment of directors and key management staff;
- Internal controls and risk management strategies and execution.

Principle 2: Board Composition and Guidance

As at the date of this report, the Board comprises the following members:

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Bernard Lim Leng Foo	(Chief Executive Officer)
Kelly Ng Chai Choey	(Executive Director)
Muhammad Umar Saleem	(Non-Executive Director)
Mhd.Nadim Akhras	(Non-Executive Director)
Ong Tiew Siam	(Independent Director)

The Board, through its NC, examines, on an on-going basis, the size and the composition of the Board in order to evaluate the Board's effectiveness in carrying out its duties. The NC is of the view that the current Board size is appropriate and effective in carrying out its duties, taking into account the nature and scope of the Group's operations. The current Board comprises persons, who as a group, provides core competencies necessary to meet the Group's objectives.

To assist in discharging its duties, the Board has delegated certain functions to the AC, NC and RC, which operate under clearly defined terms of reference.

The NC has reviewed and is satisfied that with the Independent Directors making up at least one-third of the number of directors and that the Board have an independent element that sufficiently enables the Board to exercise objective judgement on corporate affairs independently from the Management. The NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Principle 3: Non-Executive Chairman and Chief Executive Officer

The Company adopts a dual leadership structure. Ms Tan Siok Chin is the Non-Executive Chairman and Independent Director and Mr Bernard Lim Leng Foo is the Chief Executive Officer. There is a clear division of responsibilities between the Non-Executive Chairman and the Chief Executive Officer, which provides a balance of power and authority.

The Non-Executive Chairman approves the agenda for Board meeting and ensures the timeliness and quality of information flow between the Board and the Management.

The role of the Non-Executive Chairman is to:

- Lead the Board to ensure its effectiveness on all aspects of its role;
- Set the agenda and ensure that adequate time is available for discussion of all agenda items, in particular strategic issues;
- Promote a culture of openness and debate at the Board;
- Ensure that the Directors receive complete, adequate and timely information;
- Ensure effective communication with shareholders;
- Encourage constructive relations within the Board and between the Board and Management;
- Facilitate the effective contribution of Non-Executive Directors in particular; and
- Promote high standards of corporate governance.

The Chief Executive Officer is responsible for the day-to-day operations of the Group and implementations of the Board's decisions.

The balance of power and authority is further enhanced by the three committees, namely AC, NC and RC which are all chaired by Independent Directors.

Principle 4: Board Membership

We believe that Board renewal should be an on-going process in order to ensure good corporate governance. In accordance with the Code, all Directors are required to submit themselves for re-nomination and re-election at regular intervals. The following Directors will be retiring under the provisions of the Company's Articles of Association and are eligible for re-election at the 2015 Annual General Meeting:

- Rotation under Article 102 of the Articles of Association

    i) Kelly Ng Chai Choey
    ii) Muhammad Umar Saleem

- Retirement under Article 106 of the Articles of Association

    i) Mhd.Nadim Akhras

Principle 5: Board Performance

The NC comprises the following members:

Ong Tiew Siam	(Chairman)
Tan Siok Chin	(Member)
Bernard Lim Leng Foo	(Member)

The NC is authorised by the Board to:

- Develop and maintain a formal and transparent process and make recommendations to the Board on all Board appointments and re-appointments, composition of the Board and its Board committee;
- Develop and maintain a formal and transparent process for evaluation of the performance of the Board, its Board committee and Directors;
- Review Board succession plans for Directors, in particular, the Chairman and Chief Executive Officer; and
- Review training and professional development programs for the Board.

The NC takes the lead in identifying, evaluating and selecting suitable candidates for new directorships. The NC uses its best efforts to ensure that the Directors appointed to the Board possess the relevant background, experience and knowledge and that each Independent Director brings to the Board an independent and objective perspective to enable the making of balanced and well-considered decisions.

The NC will review and evaluate the performance of the Board as a whole, taking into consideration, attendance records at respective Board and committee meetings as well as the contribution of each individual Director to the Board's effectiveness.

In evaluating the Board performance, the NC implements a self-assessment process that requires each Director to submit the assessment of the performance of the Board as a whole during the year under review. This self-assessment process takes into account, inter alia, the Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with top management and standard of conduct. In addition, members of the Board are required to complete peer assessment checklists to identify their strengths, weaknesses and contributions to the effectiveness of the Board.

The NC also reviews the independence of the Non-Executive Directors annually, in accordance with the guidelines on independence set out in the Code and the Board structure, size and composition and makes recommendation to the Board if any adjustment is necessary.

The NC has reviewed the independence of the Board members and is of the opinion that Ms Tan Siok Chin and Mr Ong Tiew Siam are independent.

As at 31 December 2014, Ms Tan Siok Chin has held office on the Board for more than nine years. The Board has assessed the independence of Ms Tan and has determined that despite serving on the Board for more than nine years, Ms Tan has continued to demonstrate her independence through her active participation and objective questioning of all matters discussed during Board meetings.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. The NC has determined the maximum number of listed company board representations which any Director may hold to be five.

Principle 6: Access to Information

All Board members have separate and unrestricted access to the Company's Management and the Company Secretary in carrying out their duties.

To enable the Board to fulfil its responsibilities, the Management is required to provide quarterly reports to the Board on the Group's activities. Under the direction of the Non-Executive Chairman and Chief Executive Officer, the Company Secretary ensures good information flows within the Board and its committees and between Management, Non-Executive Directors and Independent Directors. The Company Secretary also ensures that Board procedures are followed and applicable rules and regulations are complied with. An agenda for Board meetings together with the relevant papers are prepared in consultation with the Non-Executive Chairman are usually circulated before the holding of each Board and committee meeting. This allows control over the quality, quantity and timeliness of the flow of information between Management and the Board. The Company Secretary also assists to facilitate orientation and professional development as and when required.

To keep pace with regulatory changes that have an important bearing and effect on our Company and Directors, the Board members will be required to attend briefing sessions conducted during Board meetings or at specially convened sessions conducted by professionals.

Remuneration Matters

Principle 7: Procedures for Developing Remuneration Policies
Principle 8: Level and Mix of Remuneration
Principle 9: Disclosure on Remuneration

The RC comprises the following members:

Tan Siok Chin	(Chairman)
Ong Tiew Siam	(Member)
Muhammad Umar Saleem	(Member)

The RC has three members comprising entirely of Non-Executive Directors, the majority of whom, including the Chairman are independent. The RC is authorised by the Board to:

- Review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowance, bonus, annual incentive bonus and benefits in-kind;

- Review and recommend to the Board the specific remuneration packages for each Director as well as for the key management personnel, covering all aspect of remuneration matters, as well as the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service; and.

- Maintain an effective working relationship with the Board and Management while refraining from interfering in any business decisions.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arises. In respect of fees for Directors, approval of shareholders is required at each annual general meeting of the Company.

Our Executive Directors have entered into service agreements with the Company, subject to renewal every three years. The review of service contracts for Executive Directors come under the purview of the RC and ensures that fair and reasonable terms of service is tied in with performance. Executive Directors are paid a fixed salary and a performance incentive bonus in respect of each financial year commencing from financial year ended 2012 based on the Company's performance incentive bonus pool as shall be awarded by the Company at its discretion based on the Executive Directors' performance. Executive Directors do not receive directors' fees and attendance fees.

The RC also implements and administers the Company's Share Based Incentive Plan which comprises the Employee Share Option Scheme (the "ESOS") and Performance Share Plan (the "PSP"), (collectively the "Share Plans") to ensure that suitable candidates are retained and recruited. Terms of the ESOS and PSP are summarised as below:

(a) Eligibility

The selection of an ESOS/PSP Participant will be determined by the Committee at its absolute discretion. There shall be no restriction on the eligibility of any ESOS/PSP Participant to participate in any other share option schemes or share award schemes implemented or to be implemented by the Company.

(b) Maximum Entitlement to Options

The selection of, and the actual number of Shares to be offered under Options to, ESOS/PSP Participants shall be determined at the absolute discretion of the Committee which shall take into account the Group's performance, the length of service and the individual performance of the ESOS/PSP Participant, the contribution of the ESOS/PSP Participant to the success and development of the Group and the prevailing market and economic conditions and such other general criteria as the Committee may consider appropriate.

(c) Size of the Design Studio ESOS/PSP

The aggregate number of New Shares over which Options may be granted under the Design Studio ESOS when added to the number of Shares issued and/or issuable under the Design Studio PSP or such other share-based incentive plans of the Company will be limited to 7.5%, of the total number of issued Shares of the Company (excluding treasury shares) on the day preceding that date. Such limit will be subject to a further sub-limit of 1.5% for every 2-year period on a cumulative basis during which the Design Studio ESOS and the Design Studio PSP are in force. Any unutilised per centum of the sub-limits in respect of any such 2-year period shall be available for roll-over and aggregated with the applicable sub-limit of 1.5% for the subsequent 2-year period for grants of Options and Awards.

(d) Duration of the Design Studio ESOS/PSP

The Design Studio ESOS/PSP will continue in operation, at the absolute discretion of the Committee, for a maximum duration of 10 years. The Design Studio ESOS/PSP may be continued for any further period thereafter with the approval of the Company in general meeting and of any relevant authorities which may then be required.

(e) Administration of the Design Studio ESOS/PSP

The Design Studio ESOS/PSP will be administered by the Committee, appointed by the Board to administer the Design Studio ESOS/PSP.

In accordance with the SGX-ST Listing Rules, a member of the Committee who is also an ESOS/PSP Participant of the Design Studio ESOS/PSP must not be involved in its deliberations in respect of options to be granted to or held by him.

(f) Exercise Price

Under the Design Studio ESOS/PSP, the Company will have the flexibility to grant Options (i) at the Market Price of a Share at the time of grant; and/or (ii) at a discount to the Market Price at the time of grant of not more than 20%.

(g) Market Price Options

These options are granted with Exercise Prices set at the Market Price at the time of their grant.

(h) Discount Price Options and Quantum of discount

Options may be granted with discounts to the Market Price at the time of their grant. Under the SGX-ST Listing Rules, the maximum discount that may be given is 20% of the Market Price at the time of the grant of the Option.

(i) Grant and Acceptance of Options

Options may be granted under the Design Studio ESOS/PSP at any time during the period while the Design Studio ESOS/PSP is in force.

(j) Validity period of options

Options granted with the Exercise Price set at or above the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by an ESOS/PSP Participant after the 1st anniversary of the Date of Offer of that Option and in accordance with the Vesting Schedule and the conditions (if any) to be determined by the Committee on the Date of Offer of the relevant Options.

Options granted with the Exercise Price set at a discount to the Market Price shall only be exercisable, in whole or in part (provided that an Option may be exercised in part only in respect of 1,000 Shares or any multiple thereof), by an ESOS/PSP Participant after the 2nd anniversary of the Date of Offer of that Option and in accordance with the Vesting Schedule and the conditions (if any) to be determined by the Committee on the Date of Offer of the relevant Options.

Provided always that all Options shall be exercised before the 5th anniversary of the relevant Date of Offer of the Option, or such earlier date as may be determined by the Committee, failing which all unexercised Options shall immediately lapse and become null and void and an ESOS/PSP Participant shall have no claim whatsoever against the Company.

(k) Rights of Shares arising

Shares allotted and issued pursuant to the exercise of Options granted under the Design Studio ESOS/PSP shall be subject to the Articles of Association and will rank *pari passu* in all respects with the then existing issued Shares, save for any dividend or other distribution the record date for which precedes the date of exercise of the Option.

(l) Termination of Options

Special provisions in the Design Studio ESOS/PSP deal with the lapse or earlier exercise of Options in circumstances which include the termination of the ESOS/PSP Participant's employment, the bankruptcy of the ESOS/PSP Participant, the death of the ESOS/PSP Participant, a take-over of the Company and the winding-up of the Company.

No awards have been granted under the ESOS or PSP during the year.

Non-Executive Directors and Independent Directors' fee structure are as follows:

	S$
Basic Director fee	45,000
Board Chairmanship	Additional 100% of Basic Fee
Audit Committee Chairmanship	Additional 50% of Basic Fee
Audit Committee Member	Additional 25% of Basic Fee
Other Committee Chairmanship	Additional 25% of Basic Fee
Other Committee membership	Additional 50% of fee paid to their respective Committee Chairman

The attendance fee payable to Non-Executive Directors and Independent Directors are S$4,000 for full day meetings and S$2,000 for half-day meetings. The attendance fee is applicable for attendance at Board and Board Committee meetings other than the regular Board and Board Committee meetings comprising of four Board meetings, four AC meetings, one NC meeting and one RC meeting.

For the financial year ended 31 December 2014, the remuneration of Directors and top five key executives are set out below:

Remuneration band Name of Directors	Salary (%)	Performance Incentive Bonus (%)	Director Fees (%)	Other Benefits (%)	Total (%)
>S$1,000,000 to S$1,250,000					
Chief Executive Officer					
Bernard Lim Leng Foo	47%	49%		4%	100%
>S$500,000 to S$750,000					
Executive Director					
Kelly Ng Chai Choey	45%	52%		3%	100%
<S$250,000					
Non-Executive Directors					
Muhammad Umar Saleem			100%		100%
Mhd.Nadim Akhras			100%		100%
Independent Directors					
Tan Siok Chin			100%		100%
Ong Tiew Siam			100%		100%

Given the sensitivity and confidentiality of the remuneration matters, the Board is of the view that it is in the best interest of the Group to disclose the directors' remuneration in bands of S$250,000 with the breakdown showing the level and mix of remuneration in percentage.

The Board is of the view that the information disclosed is sufficient for shareholders to have adequate understanding of the Company's remuneration policies and practice.

Remuneration band Name of Executive Officers	Salary (%)	Performance Incentive Bonus (%)	Other Benefits (%)	Total (%)
>S$500,000 to S$750,000				
Jeremy Koh Kah Liam	48%	47%	5%	100%
>S$250,000 to S$500,000				
Wong Chee Seng	61%	33%	6%	100%
Chua Wei Ping	64%	27%	9%	100%
George Soh Chin Chyun	58%	29%	13%	100%
<S$250,000				
Chan Pheng Chun	55%	34%	11%	100%

Total remuneration paid to the above key executive officers for FY2014 was S$1,865,000.

There is no termination, retirement and post-employment benefits granted to Directors, the Chief Executive Officer and the top five key management personnel.

There is no employee of the Group who is an immediate family member of a Director or the Chief Executive Officer with remuneration exceeding S$50,000 during the year.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accepts that it is accountable to the shareholders and adopts best practices to maintain shareholders' confidence and trust. Quarterly results are released via SGXNET within the respective periods stipulated in the SGX-ST Listing Manual after review by the Board. In presenting the quarterly announcements and yearly financial statements, the Board strives to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Company's performance, position and prospects.

The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a quarterly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision-making.

Principle 11: Risk Management and Internal Controls

The Company maintains a sound risk management internal control system to safeguard the shareholders' investment and the Company's assets.

The AC, through the assistance of internal and external auditors, reviews and reports to the Board on the adequacy of the Company's system of internal controls and risk management, including financial, operational, compliance and information technology controls and to risk management policies and systems established by the Management. In assessing the effectiveness of internal controls, the AC ensures that the key objectives are met, material assets are safeguarded and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no system or internal control provide absolute assurance against the occurrence of material financial misstatement or losses, poor judgement in decision-making, human errors, fraud of other irregularities.

The Board obtains assurance from the Chief Executive Officer and Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and that the Company's risk management and internal control systems are in place and effective.

The Board is satisfied that the Company's framework on internal controls is adequate to provide reasonable assurance on the effectiveness of the internal control system put in place by the Management. The Board, with the concurrence of the AC, is of the opinion that the Company's internal controls and risk management systems are adequate in addressing financial, operational, compliance and information technology risks within the Group.

Principle 12: Audit Committee

The members of the AC are as the following:

Ong Tiew Siam	(Chairman)
Muhammad Umar Saleem	(Member)
Tan Siok Chin	(Member)

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the SGX-ST's Listing Manual and the Code including the following:

- Review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by management to identify, assess, manage, and disclose financial and non-financial risks including those relating to compliances with existing legislation and regulation;

- Meet with the external auditors, other committees, and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Review the quarterly announcements and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;
- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Review the cost effectiveness and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors;
- Recommend to the Board the appointment, re-appointment and removal of the external auditors to be nominated, approve the compensation and terms of engagement of the external auditors, and review the scope and results of the audit;
- Report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate;
- Review interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual; and
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up of any instances of non-compliance.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services did not affect the independence of the external auditors. Details of the aggregate amount of fees paid to the external auditors for the financial year, and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found in the Notes to Financial Statements. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year. In performing its function, the AC has also met with the external auditors, without the presence of Management at least once a year and reviewed the overall scope of the external audit and the assistance given by Management to the auditors.

The AC had reviewed the appointment of a different audit firm for three overseas subsidiaries and is satisfied that the appointment would not compromise the standard and effectiveness of the audit, and that the Company would be able to comply with Rule 716 of the Listing Manual.

Depa Interiors LLC, the Controlling Shareholder has notified Management of their intention to engage Ernst & Young LLP ("EY"), the same firm of auditors as that of Depa Group in order to streamline the Group's audit efficiencies and financial management process.

The AC had reviewed and considered various factors, including the adequacy of the resources of EY, their experience and audit engagements, the number and experience of the supervisory and professional staff who will be assigned to the audit of the Group's consolidated accounts and EY's proposed audit arrangements for the Company. The AC is of the opinion that EY would be able to meet the audit requirements of the Company and the Group and that accordingly, in respect of the proposed appointment of EY as auditors, the Company would be able to comply with Rule 712 of the Listing Manual.

Whistle-blowing Policy

The Company has adopted a whistle blowing policy to provide well-defined and accessible channels in the Group through which employees may raise concerns about the possible improprieties in matters of financial reporting or other matters directly to the Chairman of the AC.

Principle 13: Internal Audit

The Group's internal audit function is outsourced to an international accounting firm, which is not the external auditor of the Group. The AC reviewed and approved the internal audit plan put up by the internal auditors. The internal auditors report to the Chairman of the AC on a regular basis to ensure the adequacy of the internal audit function. The AC also reviews annually the effectiveness of the Group's system of internal controls in the light of key business and financial risks affecting the operations to satisfy itself that there are adequate internal controls to meet the needs of the Group in its current business environment.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights
Principle 15: Communications with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Company is in regular and effective communication with shareholders in order to maintain a high standard of transparency and to promote better investor communications. The Board strives for timeliness and transparency in its disclosures to shareholders and the public.

Information is communicated to shareholders on a timely basis through:

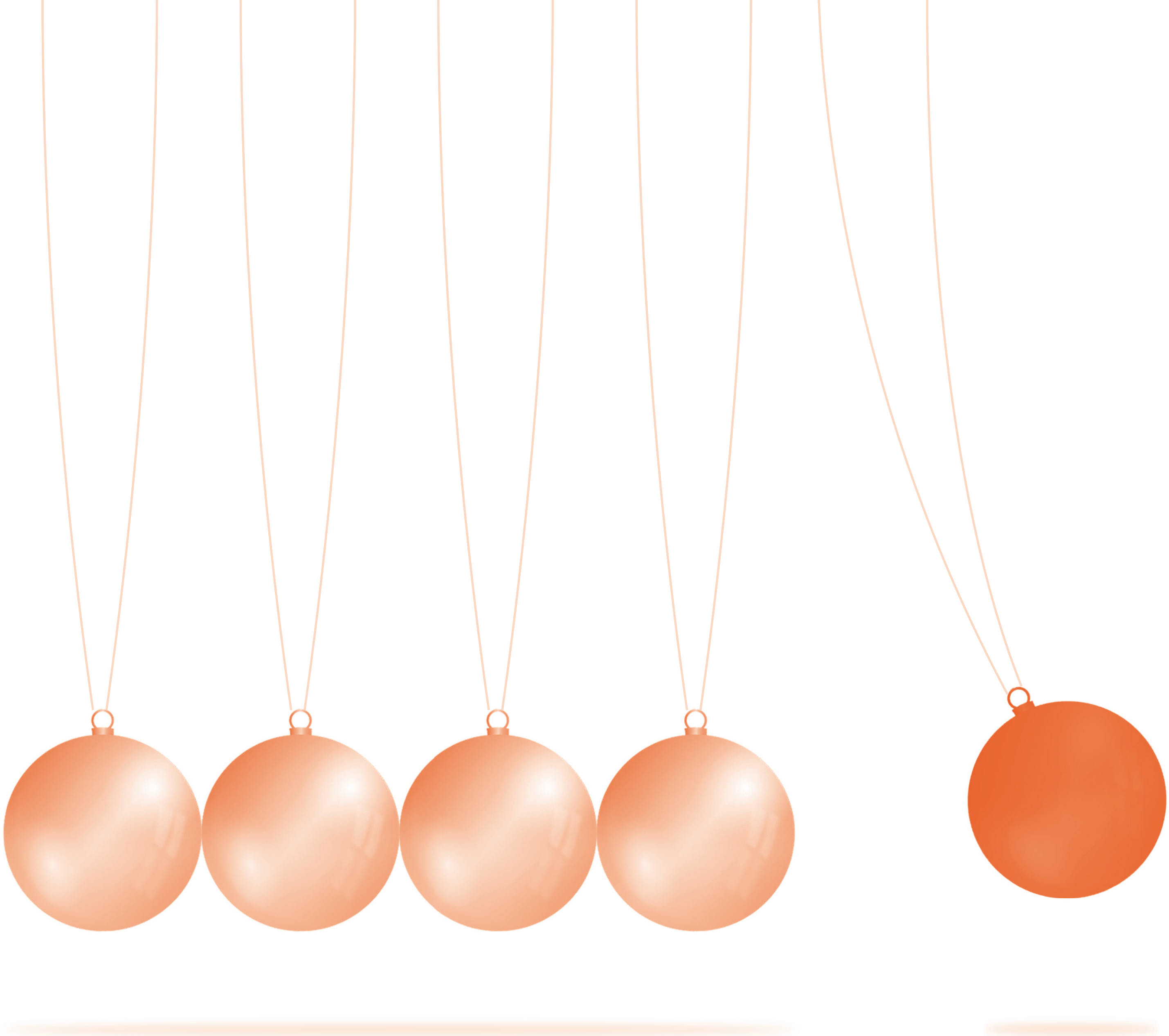
- The Annual Report, containing the full financial statements of the Company and the Group;
- Notices of Annual General Meeting /Extraordinary General Meeting ("AGM/EGM");
- Press release on major developments of the Company;
- SGXNET announcements; and
- The Company's website at www.designstudio.com.sg where shareholders can access information on the Company. The website provides, inter alia, corporate announcements, press releases, annual reports and profiles of the Company.

In addition, shareholders are encouraged to attend the AGM/EGM. This allows shareholders the opportunity to communicate their views on various matters affecting the Company and to stay informed of the Company's strategy and goals. The Chairman of the AC, RC and NC and external auditors are normally present at the meeting to address relevant questions.

SECURITIES TRANSACTIONS

The Company has adopted internal codes in relation to dealings in the Company's securities pursuant to Rule 1207(19) of the SGX-ST Listing Manual that is applicable to the Company and all its officers. All Directors and key officers of the Group who have access to "price-sensitive" information are required to observe this Rule. Under the Rule, the Company, its Directors and officers are prohibited from dealing in the Company's securities during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The Directors and officers are reminded of this requirement via the circulation of an internal memorandum. Each officer is required to submit a declaration annually that he/she is in compliance with and has not breached the Rule. The policy also discourages Directors and officers from dealing in the Company's securities on short term considerations.

The Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two business days of the transactions.



Financial Statements

The directors present their report together with the audited consolidated financial statements of Design Studio Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

1 DIRECTORS

The directors of the Company in office at the date of this report are:

Tan Siok Chin	(Non-Executive Chairman)
Bernard Lim Leng Foo	(Chief Executive Officer)
Kelly Ng Chai Choey	
Muhammad Umar Saleem	
Ong Tiew Siam	
Mhd.Nadim Akhras	(Appointed on 15 September 2014)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Direct interest		Deemed interest	
	1 January 2014 or date of appointment	31 December 2014	1 January 2014 or date of appointment	31 December 2014
The Company				
Ordinary shares				
Bernard Lim Leng Foo	4,000,000	2,000,000	–	–
Ultimate holding company (Depa Limited)				
Ordinary shares				
Mhd.Nadim Akhras	980,000	980,000	–	–
Muhammad Umar Saleem	262,500	262,500	–	–

Mr Mhd.Nadim Akhras holds 980,000 of Depa Limited's ("Depa") shares, among which 480,000 is held under Depa's Employee Stock Ownership Plan ("ESOP"). All of Mr Muhammad Umar Saleem shares in Depa's shares are held under the ESOP. These ESOP shares are held in a custody account in Depa's name.

The directors' interests in the shares and debentures of the Company at 21 January 2015 were the same at 31 December 2014, except that Mr Bernard Lim Leng Foo sold 2,000,000 shares on 7 January 2015. The sale is part of the sales and purchase agreement between Mr Bernard Lim Leng Foo and Depa Interiors LLC under which Mr Bernard Lim Leng Foo is to sell 3,000,000 shares on 11 January 2013, 2,000,000 shares on 7 January 2014 and the remaining 2,000,000 shares on 7 January 2015.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements. Certain directors received remuneration from related corporations in their capacity as directors and/or executives of those related corporation.

5 SHARE OPTIONS

The Company has adopted an employee share option scheme and performance share plan known as the Design Studio's Employee Share Option Scheme (the "ESOS") and the Design Studio's Performance Share Plan (the "PSP") respectively, approved by the shareholders in an Extraordinary General Meeting held on 25 January 2013.

The ESOS and PSP are designed to attract and motivate participants for their contributions towards the success of the Group. It provides eligible participants who have contributed to the growth and performance of the Group with an opportunity to participate and also motivate these participants to greater dedication, loyalty and higher standards of performance and to give recognition to past contributions and services. It also engenders stronger ties and dedication to the Group through shared ownership in the Company.

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2014, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding. During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

6 AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the date of this report are as the following:

Ong Tiew Siam (Chairman)
Muhammad Umar Saleem
Tan Siok Chin

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50, the Singapore Exchange Securities Trading Limited ("SGX-ST")'s Listing Manual and the Code of Corporate Governance, including the following:

- Review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;

- Assess the adequacy and effectiveness of the internal control (including financial, operational, compliance, information technology controls and risk management) systems established by management to identify, assess, manage, and disclose financial and non-financial risks including those relating to compliances with existing legislation and regulation;

- Meet with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

- Review the quarterly announcements and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board;

- Review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Review the cost effectiveness and the independence and objectivity of the external auditors;
- Review the nature and extent of non-audit services provided by the external auditors;
- Recommend to the Board the appointment, re-appointment and removal of the external auditors to be nominated, approve the compensation and terms of engagement of the external auditors, and review the scope and results of the audit;
- Report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- Review interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.
- Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of Management's investigation and follow up of any instances of non-compliance.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services did not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Further details regarding the AC are disclosed in the Annual Report, Corporate Governance Report.

ON BEHALF OF THE DIRECTORS

Bernard Lim Leng Foo

Kelly Ng Chai Choey

2 March 2015

Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 42 to 89 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Bernard Lim Leng Foo

Kelly Ng Chai Choey

2 March 2015

Report on the Financial Statements

We have audited the financial statements of Design Studio Group Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 42 to 89.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

2 March 2015

Balance Sheets

As at 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	4	21,128	24,697	2,610	4,125
Investment in subsidiaries	5	–	–	41,500	42,743
Intangible assets	6	2,745	2,778	16	49
Deferred tax assets	18	302	61	244	61
Trade and other receivables	9	7,548	8,180	2,574	5,699
Prepayments		198	201	–	–
Current assets					
Inventories	7	14,002	14,774	–	1,823
Gross amount due from customers for contract work-in-progress	8	9,755	6,394	780	2,926
Trade and other receivables	9	61,377	53,147	16,394	32,314
Prepayments		1,454	1,531	248	936
Loan to a subsidiary	5	–	–	2,675	2,000
Tax recoverable		1,328	539	–	–
Cash and short-term deposits	10	48,404	44,877	14,714	11,478
		136,320	121,262	34,811	51,477
Current liabilities					
Trade and other payables	11	55,849	49,435	8,447	21,867
Provision for tax		2,961	2,170	646	1,178
		58,810	51,605	9,093	23,045
Net current assets		77,510	69,657	25,718	28,432
Non-current liabilities					
Deferred tax liabilities	18	2	97	–	–
Net assets		109,429	105,477	72,662	81,109
Equity attributable to equity holders of the Company					
Share capital	12	32,732	32,732	32,732	32,732
Reserves		77,121	73,145	39,930	48,377
		109,853	105,877	72,662	81,109
Non-controlling interests		(424)	(400)	–	–
Total equity		109,429	105,477	72,662	81,109

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Income Statement

For the year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	13	177,808	178,097
Cost of sales		(138,204)	(147,558)
Gross profit		39,604	30,539
Other income	15	124	55
		39,728	30,594
Marketing and distribution expenses		(5,949)	(6,161)
General and administrative expenses		(9,952)	(9,107)
Profit from operations	16	23,827	15,326
Finance income	17	39	14
Profit before tax		23,866	15,340
Tax expense	18	(3,310)	(3,481)
Profit net of tax		20,556	11,859
Profit attributable to:			
Equity holders of the Company		20,582	11,945
Non-controlling interests		(26)	(86)
		20,556	11,859
Earnings per share (cents)			
- basic	19	7.91	4.59
- diluted	19	7.91	4.59

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

	Group	
	2014	2013
	$'000	$'000
Profit net of tax	20,556	11,859
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation	313	927
Total comprehensive income for the year	20,869	12,786
Total comprehensive income attributable to:		
Equity holders of the Company	20,893	12,872
Non-controlling interests	(24)	(86)
	20,869	12,786

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

	Share capital	Revenue reserve	Other reserves	Attributable to equity holders of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Balance at 1 January 2013	32,732	69,765	268	102,765	(314)	102,451
Profit net of tax	–	11,945	–	11,945	(86)	11,859
Other comprehensive income	–	–	927	927	–	927
Total comprehensive income for the year	–	11,945	927	12,872	(86)	12,786
Transactions with owners, recognised directly in equity:						
Dividends on ordinary shares (Note 27)	–	(9,760)	–	(9,760)	–	(9,760)
Balance at 31 December 2013	32,732	71,950	1,195	105,877	(400)	105,477
Profit net of tax	–	20,582	–	20,582	(26)	20,556
Other comprehensive income	–	–	311	311	2	313
Total comprehensive income for the year	–	20,582	311	20,893	(24)	20,869
Transactions with owners, recognised directly in equity:						
Dividends on ordinary shares (Note 27)	–	(16,917)	–	(16,917)	–	(16,917)
Balance at 31 December 2014	32,732	75,615	1,506	109,853	(424)	109,429

	Share capital	Revenue reserve	Total
	$'000	$'000	$'000
Company			
Balance at 1 January 2013	32,732	44,132	76,864
Profit net of tax, representing total comprehensive income for the year	–	14,005	14,005
Transactions with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 27)	–	(9,760)	(9,760)
Balance at 31 December 2013	32,732	48,377	81,109
Profit net of tax, representing total comprehensive income for the year	–	8,470	8,470
Transactions with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 27)	–	(16,917)	(16,917)
Balance at 31 December 2014	32,732	39,930	72,662

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	Note	Group 2014 $'000	Group 2013 $'000
Cash flows from operating activities			
Profit before tax		23,866	15,340
Adjustments:			
Impairment loss on doubtful receivables	16	89	440
Depreciation of property, plant and equipment	16	4,420	4,575
Gain on disposal of property, plant and equipment	16	(30)	(12)
Finance income	17	(39)	(14)
Amortisation of club membership	16	5	6
Impairment loss on club membership	16	28	–
Interest accretion	16	18	(106)
Currency translation difference		(15)	(327)
Operating profit before working capital changes		28,342	19,902
(Increase) Decrease in:			
Inventories		772	257
Contract work-in-progress		(3,361)	709
Trade and other receivables		(7,711)	1,734
Prepayments		80	(876)
Increase in:			
Trade and other payables		6,420	9,860
Cash flows generated from operations		24,542	31,586
Income taxes paid		(3,641)	(4,845)
Net cash flows from operating activities		20,901	26,741
Cash flows from investing activities			
Costs incurred for construction-in-progress		–	(19)
Finance income received		39	14
Proceeds from disposal of property, plant and equipment		77	42
Purchase of property, plant and equipment		(573)	(1,236)
Net cash flows used in investing activities		(457)	(1,199)
Cash flows from financing activities			
Decrease in cash and short-term deposits pledged		2	2,154
Dividends paid on ordinary shares by the Company	27	(16,917)	(9,760)
Net cash flows used in financing activities		(16,915)	(7,606)
Net increase in cash and cash equivalents		3,529	17,936
Cash and cash equivalents at beginning of year		44,785	26,849
Cash and cash equivalents at end of year	A	48,314	44,785

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Notes to the consolidated statement of cash flows

A. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the end of the reporting period:

	Group	
	2014	2013
	$'000	$'000
Cash at banks and on hand	47,616	41,399
Fixed deposits	788	3,478
Cash and short-term deposits	48,404	44,877
Less: Cash and short-term deposits pledged	(90)	(92)
Cash and cash equivalents	48,314	44,785

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

1 GENERAL

Design Studio Group Ltd (the "Company") is a public limited liability company domiciled and incorporated in Singapore and is listed on the SGX-ST. The immediate holding company is Depa Interiors LLC and the ultimate holding company is Depa Limited, both incorporated in United Arab Emirates.

The registered office and principal place of business of the Company is located at 8 Sungei Kadut Crescent, Singapore 728682.

The principal activities of the Company are manufacture, supply and installation of paneling products such as kitchen and vanity cabinets, wardrobes, doors and door frames, and furniture components for local and overseas markets; the provision of interior fitting-out services to hospitality and commercial projects. The Company also acts as the distributor for furniture products of reputable overseas brand in Singapore.

During the year, the business of the Company has been gradually transferred to a newly incorporated subsidiary as part of an internal restructuring exercise. The Company will gradually become an investment holding company.

The principal activities of the subsidiaries are shown in Note 5 to the financial statements.

The financial statements are presented in Singapore Dollars (SGD or $), the functional currency of the Company and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the year ended 31 December 2014 were authorised for issue by the Board of Directors on 2 March 2015.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 **BASIS OF ACCOUNTING** - The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2014, the Group and Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

New and revised standards on consolidation, joint arrangements, associates and disclosures

In September 2011, a package of five standards on consolidation, joint arrangements, associates and joint ventures and disclosures was issued comprising FRS 110 *Consolidated Financial Statements*, FRS 111 *Joint Arrangements*, FRS 112 *Disclosure of Interests in Other Entities*, FRS 27 (as revised in 2011) *Separate Financial Statements* and FRS 28 (as revised in 2011) *Investments in Associates and Joint Ventures*. Subsequent to the issue of these standards, amendments to FRS 110, FRS 111 and FRS 112 were issued to clarify certain transitional guidance on the first-time application of these standards.

In the current year, the Group has applied for the first time FRS 110, FRS 111, FRS 112, FRS 27 (as revised in 2011) and FRS 28 (as revised in 2011) together with the amendments to FRS 110, FRS 111 and FRS 112 regarding the transitional guidance.

The impact of the application of these standards is set out below.

Impact of the application of FRS 110

FRS 110 replaces the parts of FRS 27 that deal with consolidated financial statements and INT FRS 12 *Consolidation – Special Purpose Entities*. FRS 110 changes the definition of control such that an investor has control over an investee when a) it has power over the investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee and c) it has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in FRS 110 to explain when an investor has control over an investee. Some guidance included in FRS 110 that deals with whether or not an investor that owns less than 50% of the voting rights in an investee has control over the investee is relevant to the Group.

Management reassessed the control conclusion for its investees at 1 January 2014 in accordance with FRS 110 and concluded that there is no other investee for which the Group has control over, other than those already accounted for as subsidiaries as at 1 January 2014.

Impact of the application of FRS 112

FRS 112 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of FRS 112 has resulted in more extensive disclosures in the consolidated financial statements (please see Note 5 for details).

At the date of authorisation of these financial statements, the following FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments* [4]
- FRS 115 *Revenue from Contracts with Customers* [3]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative* [2]
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements* [2]
- Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation* [2]

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Impact of the application of FRS 112 (cont'd)

- Improvements to Financial Reporting Standards (January 2014) [1]
- Improvements to Financial Reporting Standards (February 2014) [1]
- Improvements to Financial Reporting Standards (November 2014) [2]

[1] Applies to annual periods beginning on or after 1 July 2014, with early application permitted.

[2] Applies to annual periods beginning on or after 1 January 2016, with early application permitted.

[3] Applies to annual periods beginning on or after 1 January 2017, with early application permitted.

[4] Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) derecognition (iii) general hedge accounting (iv) impairment requirements for financial assets.

Key requirements of FRS 109:

All recognised financial assets that are within the scope of FRS 39 are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL"). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods.

Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under FRS 109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under FRS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL is presented in profit or loss.

In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

FRS 109 *Financial Instruments (cont'd)*

The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The Group is currently estimating the effects of FRS 109 on its financial instruments in the period of initial adoption.

FRS 115 *Revenue from contracts with customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of FRS 115 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in FRS 115 to deal with specific scenarios. Furthermore, extensive disclosures are required by FRS 115.

The directors of the Company anticipate that the application of FRS 115 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of FRS 115 until the Group performs a detailed review.

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments have been made to the following:

- Materiality and aggregation - An entity shall not obscure useful information by aggregating or disaggregating information and materiality considerations apply to the primary statements, notes and any specific disclosure requirements in FRSs.
- Statement of financial position and statement of profit or loss and other comprehensive income - The list of line items to be presented in these statements can be aggregated or disaggregated as relevant. Guidance on subtotals in these statements has also been included.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative (cont'd)*

- Presentation of items of other comprehensive income ("OCI") arising from equity-accounted investments - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single items based on whether or not it will subsequently be reclassified to profit or loss.

- Notes - Entities have flexibility when designing the structure of the notes and guidance is introduced on how to determine a systematic order of the notes. In addition, unhelpful guidance and examples with regard to the identification of significant accounting policies are removed.

The Group is currently estimating the effects of Amendments to FRS 1 on its presentation of financial statements in the period of initial adoption.

Improvements to Financial Reporting Standards (January 2014)

Standards included in this cycle of the improvements project comprised the following. Amendments apply for annual periods beginning on or after 1 July 2014, unless otherwise stated.

Standard	Topic	Key amendment
FRS 108 *Operating Segments*	Aggregation of Operating Segments	Amendments require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'.
	Reconciliation of the total of the reportable segments' assets to the entity's assets	Clarifies that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.
FRS 24 *Related Party Disclosures*	Key management personnel	Clarified that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity must disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However disclosure of the components for such compensation is not required.

The Group is currently estimating the effects of the Improvements to Financial Reporting Standards (January 2014) on its presentation of financial statements in the period of initial adoption.

2.3 BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has the power over the investee;

- Is exposed, or has rights, to variable returns from its involvement with the investee; and

- Has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 BASIS OF CONSOLIDATION (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

In the Company's financial statements, investment in subsidiaries is carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

2.4 BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition-date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 BUSINESS COMBINATIONS (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement,* or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets,* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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 (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year from acquisition date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 **FINANCIAL INSTRUMENT** - Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments.

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs.

Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 FINANCIAL INSTRUMENT (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method, with interest expense recognised on an effective yield basis, except for short-term payable when the recognition of interest would be immaterial.

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Company and the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

2.6 CONSTRUCTION CONTRACTS - Project revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, project revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

Project revenue comprises the initial amount of revenue agreed in the contract and variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and they are capable of being reliably measured.

Revenue arising from fixed price contracts is recognised in accordance with percentage of completion method. The stage of completion is determined by reference to professional surveys of work performed.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.7 **LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.8 **INVENTORIES** - Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to its present location and conditions are accounted for as follows:

- Raw materials: purchase costs determined on a first-in, first-out basis; and

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. The direct materials and labour costs are assigned on specific identification basis and the overheads are assigned on allocation basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

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

2.9 **PROPERTY, PLANT AND EQUIPMENT** - Property, plant and equipment are stated at cost less any accumulated depreciation and accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Leasehold factory building	-	22 years (lease term)
Leasehold improvement	-	10 years
Office equipment	-	5 to 10 years
Furniture and fittings	-	3 to 10 years
Motor vehicles	-	5 years
Computers	-	3 to 10 years
Renovation	-	5 to 10 years
Machinery	-	5 to 10 years
Site equipment	-	5 years

Construction-in-progress included in property, plant and equipment are not depreciated as these assets are not available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.10 GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

2.11 INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

2.12 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.12 IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL (cont'd)

Recoverable amount is the higher of fair value less costs to sell and value in use. 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 for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

2.13 PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

2.14 REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

(i) Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

(ii) Rendering of services

Revenue from a contract to provide services, other than project revenue, is recognised upon completion of services.

(iii) Project revenue

Revenue recognition from project revenue is set out in the Group's accounting policy on construction contracts (see Note 2.6).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 REVENUE RECOGNITION (cont'd)

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

2.15 RETIREMENT BENEFIT COSTS - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Company makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. The subsidiaries in Malaysia make contribution to the Employees Provident Fund ("EPF"). The subsidiaries incorporated in the People's Republic of China ("PRC") are required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's PRC employees.

2.16 EMPLOYEE LEAVE ENTITLEMENT - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

2.17 INCOME TAX - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement and statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 INCOME TAX (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

2.18 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each entity within the Group are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the balance sheet of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on 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 translated.

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates that do not result in the Group losing significant influence), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.19 CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

2.20 BORROWING COSTS - Borrowing costs are recognised in the income statement in the period in which they are incurred.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2 to the financial statements, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements made in applying the entity's accounting policies

The following are the critical judgements, apart from those involving estimations, that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

(i) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (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 financial year are discussed below.

(i) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant estimate is involved in determining the Group-wide 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 expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax recoverable, income tax payable, deferred tax assets and deferred tax liabilities at the end of the reporting period was $1,328,000 (2013 : $539,000), $2,961,000 (2013 : $2,170,000), $302,000 (2013 : $61,000) and $2,000 (2013 : $97,000) respectively. The carrying amount of the Company's net income tax payables and deferred tax assets at the end of the reporting period was $646,000 (2013 : $1,178,000) and $244,000 (2013 : $61,000) respectively.

(ii) *Useful lives of property, plant and equipment*

The costs of property, plant and equipment are depreciated on a straight-line basis over the property, plant and equipment's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 22 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of the reporting period is disclosed in Note 4 to the financial statements.

(iii) *Impairment of non-financial assets (excluding goodwill)*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of the non-financial assets of the Group and the Company at the end of the reporting period are disclosed in Notes 4, 5, 6 and 7 to the financial statements.

(iv) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 9 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty (cont'd)

(v) Stage of completion of construction contracts

The Group recognises project revenue by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to professional surveys of work performed. Significant assumptions are required to estimate the total contract costs and the recoverability of variation works. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 8 to the financial statements.

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and reinvestment allowances ("RA") to the extent that it is probable that taxable profit will be available against which the losses or RA can be utilised. Significant management's 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 amounts of deferred tax assets at the end of the reporting period are disclosed in Note 18 to the financial statements.

(vii) Retention monies classifications as non-current

Management determines whether any portion of retention monies should be classified as non-current based on estimation of the collection of such balance at the end of the reporting period. Based upon this estimation process, management is of the opinion that retention monies of the Group and the Company of $7,548,000 (2013 : $8,180,000) and $2,574,000 (2013 : $5,699,000) respectively should be classified as non-current.

(viii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $2,729,000 (2013 : $2,729,000). No impairment loss has been recognised. Details of impairment assessment are provided in Note 6 to the financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold factory building $'000	Leasehold improvement $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Renovation $'000	Machinery $'000	Site equipment $'000	Construction-in-progress $'000	Total $'000
Cost:											
Balance at 1 January 2013	5,680	110	451	1,254	2,112	1,630	5,339	30,862	72	2,932	50,442
Additions	–	–	34	149	146	190	359	337	21	19	1,255
Disposals	–	–	(35)	(23)	(69)	(130)	(426)	(56)	–	–	(739)
Reclassifications	–	–	–	1,168	–	168	5	1,740	–	(3,081)	–
Translation difference	–	(4)	9	50	25	43	266	983	(1)	130	1,501
Balance at 31 December 2013	5,680	106	459	2,598	2,214	1,901	5,543	33,866	92	–	52,459
Additions	–	–	27	107	26	93	89	228	3	–	573
Disposals	–	–	(22)	(46)	(137)	(23)	(37)	(20)	(29)	–	(314)
Translation difference	–	1	3	41	6	18	98	389	(1)	–	555
Balance at 31 December 2014	5,680	107	467	2,700	2,109	1,989	5,693	34,463	65	–	53,273
Accumulated depreciation:											
Balance at 1 January 2013	2,732	87	259	521	1,559	709	1,603	16,157	22	–	23,649
Depreciation charge for the year	258	12	74	302	293	303	1,011	2,296	26	–	4,575
Disposals	–	–	(29)	(23)	(62)	(127)	(412)	(56)	–	–	(709)
Translation difference	–	(4)	2	8	9	9	63	160	–	–	247
Balance at 31 December 2013	2,990	95	306	808	1,799	894	2,265	18,557	48	–	27,762
Depreciation charge for the year	258	10	64	398	183	299	1,016	2,174	18	–	4,420
Disposals	–	–	(22)	(30)	(126)	(22)	(37)	(13)	(17)	–	(267)
Translation difference	–	2	2	18	4	10	60	134	–	–	230
Balance at 31 December 2014	3,248	107	350	1,194	1,860	1,181	3,304	20,852	49	–	32,145
Carrying value:											
At 31 December 2014	2,432	–	117	1,506	249	808	2,389	13,611	16	–	21,128
At 31 December 2013	2,690	11	153	1,790	415	1,007	3,278	15,309	44	–	24,697

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Leasehold factory building	Leasehold improvement	Office equipment	Furniture and fittings	Motor vehicles	Computers	Renovation	Machinery	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:									
Balance at 1 January 2013	5,680	67	171	560	1,541	836	1,139	2,336	12,330
Additions	–	–	15	3	146	60	–	145	369
Disposals	–	–	(2)	–	–	(67)	–	(56)	(125)
Balance at 31 December 2013	5,680	67	184	563	1,687	829	1,139	2,425	12,574
Additions	–	–	–	–	25	–	–	–	25
Transferred to a subsidiary	–	–	(184)	(563)	–	(829)	–	(2,425)	(4,001)
Balance at 31 December 2014	5,680	67	–	–	1,712	–	1,139	–	8,598
Accumulated depreciation:									
Balance at 1 January 2013	2,732	52	83	321	1,262	459	710	1,815	7,434
Depreciation charge for the year	258	7	23	51	199	122	195	282	1,137
Disposals	–	–	–	–	–	(67)	–	(55)	(122)
Balance at 31 December 2013	2,990	59	106	372	1,461	514	905	2,042	8,449
Depreciation charge for the year	258	7	–	–	131	–	177	–	573
Transferred to a subsidiary	–	–	(106)	(372)	–	(514)	–	(2,042)	(3,034)
Balance at 31 December 2014	3,248	66	–	–	1,592	–	1,082	–	5,988
Carrying value:									
At 31 December 2014	2,432	1	–	–	120	–	57	–	2,610
At 31 December 2013	2,690	8	78	191	226	315	234	383	4,125

5 INVESTMENT IN SUBSIDIARIES

	Company 2014 $'000	Company 2013 $'000
Unquoted shares, at cost	18,058	18,483
Less: Impairment losses	(1,127)	(1,127)
	16,931	17,356
Long-term loan to a subsidiary	24,569	25,387
	41,500	42,743

Impairment losses of $1,127,000 (2013 : $1,127,000) were provided for in prior years based on the recoverable amounts of the subsidiaries.

Long-term loan to a subsidiary is non-interest bearing, unsecured and is an extension of the investment which has no fixed repayment terms.

Loan to a subsidiary of $2,675,000 (2013 : $2,000,000) is non-interest bearing, unsecured and repayable on demand.

Details of the subsidiaries are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%) 2014	Proportion of ownership interest (%) 2013	Voting power (%) 2014	Voting power (%) 2013
Held by the Company:					
Design Studio Asia Pte. Ltd. (2)	Investment holding company/ Singapore	100	100	100	100
Design Studio (China) Pte. Ltd. (1)	Investment holding company/ Singapore	100	100	100	100
D S Interior Decoration (Middle East) LLC (3) (4)	Dormant/ United Arab Emirates	49	49	100	100
DDS Asia Holdings Pte Ltd (1)	Investment holding company/ Singapore	100	100	100	100
DS Furniture Manufacturer Sdn. Bhd.(3) (5)	Design, manufacture, installation and trading of paneling products/ Malaysia	–	100	–	100
Design Studio Furniture (Shanghai) Co., Ltd (8)	Dormant/ People's Republic of China	100	100	100	100
DS Interior Contracts & Renovation (Shanghai) Co., Ltd (8)	Dormant/ People's Republic of China	100	100	100	100
Held by Design Studio (China) Pte. Ltd.:					
Design Studio (Huizhou) Home Furnishing Co., Ltd (3)	Manufacture, installation and trading of paneling products/ People's Republic of China	100	100	100	100

5 INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2014	2013	2014	2013
Held by Design Studio Asia Pte. Ltd.:					
Design Studio Singapore Pte Ltd [2]	Design, manufacture, installation and trading of paneling products/ Singapore	100	100	100	100
DS Furniture Manufacturer Sdn. Bhd. [3] [5]	Design, manufacture, installation and trading of paneling products/ Malaysia	100	–	100	–
DS Project Management Sdn Bhd [3]	Project management, installation and trading of paneling products/ Malaysia	100	100	100	100
Held by DDS Asia Holdings Pte Ltd:					
DDS Contracts & Interior Solutions Pte Ltd [1]	Interior fitting-out and furnishing solutions/ Singapore	100	100	100	100
DDS Contracts & Interior Solutions Sdn Bhd. [3]	Interior fitting-out and furnishing solutions/ Malaysia	100	100	100	100
DDS Contracts & Interior Solutions (Thailand) Co., Ltd [6]	Interior fitting-out and furnishing solutions/ Thailand	69.39	69.39	69.39	69.39
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd [7]	Interior fitting-out and furnishing solutions/ Vietnam	100	100	100	100

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Audited by Deloitte & Touche LLP, Singapore in 2014 and not required to present audited financial statements under the laws of its country of incorporation and considered not material to the Group in 2013.

(3) Audited by member firms of Deloitte Touche Tohmatsu Limited.

(4) Although the Company holds 49% of the issued share capital in D S Interior Decoration (Middle East) LLC ("DS LLC"), DS LLC is accounted for as a wholly-owned subsidiary as the remaining 51% is held in trust by a nominee shareholder, who has assigned all the voting rights and beneficial interests in DS LLC to the Company.

(5) DS Furniture Manufacturer Sdn. Bhd. has been transferred from the Company to Design Studio Asia Pte Ltd during the year.

(6) Audited by Chatchawat Auditing & Tax Co., Ltd.

(7) Not required to present audited financial statements under the laws of its country of incorporation and considered not material to the Group.

(8) In the process of liquidation.

5 INVESTMENT IN SUBSIDIARIES (cont'd)

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2014	2013	2014	2013	2014	2013
		%	%	$'000	$'000	$'000	$'000
DDS Contracts & Interior Solutions (Thailand) Co., Ltd	Thailand	30.61	30.61	(26)	(86)	(424)	(400)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	DDS Contracts & Interior Solutions (Thailand) Co., Ltd	
	2014	2013
	$'000	$'000
Current assets	471	796
Non-current assets	12	26
Current liabilities	332	593
Equity attributable to owners of the Company	575	629
Non-controlling interests	(424)	(400)
Revenue	121	326
Expenses	206	606
Loss for the year	(85)	(280)
Loss attributable to owners of the Company	(59)	(194)
Loss attributable to the non-controlling interests	(26)	(86)
Loss for the year	(85)	(280)
Total comprehensive loss attributable to owners of the Company	(59)	(194)
Total comprehensive loss attributable to the non-controlling interests	(26)	(86)
Total comprehensive loss for the year	(85)	(280)
Net cash outflow from operating activities	(548)	(2,860)

Financial support

The Company has undertaken to provide financial support to two subsidiaries for deficiency in their shareholders' funds and to extend adequate funding to meeting their net current liability position for the years ended 31 December 2014 and 2013.

6 INTANGIBLE ASSETS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Club membership	128	128	128	128
Order backlog	3,116	3,116	–	–
Less: Impairment loss on club membership	(28)	–	(28)	–
	3,216	3,244	100	128
Less: Accumulated amortisation	(3,200)	(3,195)	(84)	(79)
	16	49	16	49
Goodwill	2,729	2,729	–	–
	2,745	2,778	16	49

The intangible assets included above, except for goodwill, have finite useful lives, over which the assets are amortised. The amortisation period for club membership and order backlog is 21 years and one year respectively.

Club membership

Movement in accumulated amortisation of club membership during the financial year was as follows:

	Group and Company	
	2014	2013
	$'000	$'000
At beginning of year	79	73
Amortisation during the year	5	6
At end of year	84	79

The amortisation expense had been included in the line item "general and administrative expenses" in profit or loss.

Order backlog

Movement in order backlog during the financial year was as follows:

	Group	
	2014	2013
	$'000	$'000
Cost:		
At beginning and end of year	3,116	3,116
Accumulated amortisation:		
At beginning and end of year	3,116	3,116
Carrying amount:		
At beginning and end of year	–	–

The amortisation expense had been included in the line item "general and administrative expenses" in profit or loss.

6 INTANGIBLE ASSETS (cont'd)

Goodwill

	Group	
	2014	2013
	$'000	$'000
Cost:		
At beginning and end of year	2,729	2,729

Goodwill acquired in a business combination is allocated, at acquisition, to a cash-generating unit ("CGU") that is expected to benefit from that business combination. Goodwill is allocated to the hospitality and commercial projects unit of DDS Asia Holdings Pte Ltd and its subsidiaries. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to contract sums and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on actual orders on hand and potential sales forecast. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on estimated growth rate of 3% (2013 : 3%). The rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 16.6% (2013 : 16.5%).

At 31 December 2014, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

7 INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Raw materials, at cost	10,997	11,428	–	1,105
Work-in-progress, at cost	1,839	2,468	–	211
Finished goods, at cost	1,166	878	–	507
	14,002	14,774	–	1,823

The amount of inventories charged to the contract cost during the year was $34,944,000 (2013 : $22,765,000). The contract cost was recognised as expense in cost of sales based on stage of completion of the contract activity at the end of the reporting period.

8 GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	386,683	418,019	190,286	292,144
Less: Progress billings	(376,928)	(411,625)	(189,506)	(289,218)
Presented as:				
Gross amount due from customers for contract work	9,755	6,394	780	2,926
Retention monies on construction contract included in trade receivables	17,096	19,532	6,277	11,545

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables (non-current):				
Retention monies:				
Third parties	7,548	8,009	1,752	4,726
Corporate shareholder	–	171	–	171
Subsidiary	–	–	822	802
	7,548	8,180	2,574	5,699
Trade receivables (current):				
Third parties:				
Trade receivables	43,885	32,843	2,370	15,517
Retention monies	9,548	11,621	3,413	5,126
	53,433	44,464	5,783	20,643
Less: Allowance for doubtful receivables	–	(440)	–	(440)
	53,433	44,024	5,783	20,203
Corporate shareholder:				
Trade receivables	–	448	–	448
Retention monies	–	171	–	171
	–	619	–	619
Subsidiaries:				
Trade receivables	–	–	1,805	2,887
Retention monies	–	–	290	989
	–	–	2,095	3,876
Total trade receivables (current)	53,433	44,643	7,878	24,698
Other receivables and deposits:				
Other receivables	3,236	4,554	66	74
Deposits	4,708	3,950	61	227
	7,944	8,504	127	301
Amounts due from subsidiaries (non-trade)	–	–	8,389	7,409
Less: Allowance for doubtful receivables	–	–	–	(94)
	7,944	8,504	8,516	7,616
Total trade and other receivable (current)	61,377	53,147	16,394	32,314

9 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables including amounts due from a corporate shareholder are non-interest bearing and are generally on 30 to 90 days' terms (2013 : 30 to 90 days' terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Other receivables and amounts due from subsidiaries are non-trade, unsecured, non-interest bearing and are repayable on demand.

During the financial year, the Group and the Company provided an allowance of $89,000 (2013 : $440,000) for amount due from a third party and $144,000 (2013 : $94,000) for amount due from a subsidiary respectively based on estimated irrecoverable amounts determined by reference to the financial capability of the respective parties as well as past default experience. These allowances were fully written off during the current financial year.

Receivables that are past due but not impaired

The Group and the Company have trade receivables, excluding retention monies and including amount due from a corporate shareholder, that are past due at the end of the respective reporting period but not impaired.

The analysis of the aging at the end of the reporting period is as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables past due:				
61 to 90 days	79	524	–	178
91 to 150 days	468	236	–	50
More than 150 days	1,188	624	1,214	1,465
	1,735	1,384	1,214	1,693

The Group and the Company have not provided for these balances which are past due as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group and the Company does not hold any collateral over these balances.

Movement in allowance accounts:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Third parties:				
At beginning of the year	(440)	–	(440)	–
Charge for the year	(89)	(440)	(89)	(440)
Written off	529	–	529	–
At end of the year	–	(440)	–	(440)
Amount due from subsidiaries (non-trade):				
At beginning of the year	–	–	(94)	(717)
Charge for the year	–	–	(144)	(94)
Written off	–	–	238	717
At end of the year	–	–	–	(94)

10 CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at banks and on hand	47,616	41,399	14,714	11,478
Fixed deposits (secured)	90	92	–	–
Fixed deposits (unsecured)	698	3,386	–	–
	788	3,478	–	–
Total cash and short-term deposits	48,404	44,877	14,714	11,478

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.05% to 0.35% (2013 : 0.05%) per annum. Fixed deposits of the Group bear interest ranging from 0.10% to 3.50% (2013 : 0.18% to 3.50%) per annum and for tenure of one to five months (2013 : one to five months).

Banking facilities are secured by pledge of cash and short-term deposits of a subsidiary amounting to $90,000 (2013 : $92,000) and corporate guarantees by the Company. No material adjustment was required in the separate financial statements of the Company to recognise the financial guarantee liability.

11 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Current:				
Trade payables:				
Amounts due to third parties	11,988	8,414	683	3,525
Amounts due to subsidiaries	–	–	286	6,001
Amounts due to a corporate shareholder	128	141	–	–
Retention payables	6,610	7,529	1,083	1,283
	18,726	16,084	2,052	10,809
Other payables	2,018	1,885	125	430
Non-trade payables due to a corporate shareholder	38	18	24	–
Accrued operating expenses	33,301	28,575	5,296	10,062
Deposits received	1,766	2,873	950	566
	37,123	33,351	6,395	11,058
Trade and other payables	55,849	49,435	8,447	21,867

Included in the accrued operating expenses is $26,684,000 (2013 : $23,122,000) for accruals related to projects.

Trade payables and other payables

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 days' terms (2013 : 30 to 60 days' terms).

Amounts due to subsidiaries and a corporate shareholder

Amounts due to subsidiaries and a corporate shareholder are unsecured, non-interest bearing and are repayable on demand.

11 TRADE AND OTHER PAYABLES (cont'd)

Deposits received

Deposits received are non-interest bearing and are proportionately offset against the progress billings made to customers.

12 SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At beginning and end of year	260,264	32,732	260,264	32,732

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

13 REVENUE

	Group	
	2014 $'000	2013 $'000
Project revenue	177,230	175,985
Sale of goods	578	2,112
	177,808	178,097

14 PERSONNEL EXPENSES

	Group	
	2014 $'000	2013 $'000
Wages, salaries and bonuses	27,204	26,024
Defined contribution plan	2,907	2,698
Other personnel expenses	615	655
	30,726	29,377
Less: Directors' remuneration	(3,259)	(2,482)
	27,467	26,895

Personnel expenses are classified as part of cost of sales, marketing and distribution expenses or general and administrative expenses, as appropriate.

15 OTHER INCOME

	Group	
	2014	2013
	$'000	$'000
Sundry income	29	19
Income from wage credit scheme	95	36
	124	55

16 PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group	
	2014	2013
	$'000	$'000
Audit fees		
- paid to auditors of the Company	141	133
- paid to other auditors	104	89
Non-audit fees		
- paid to auditors of the Company	28	28
- paid to other auditors	10	10
Depreciation of property, plant and equipment	4,420	4,575
Directors' fees	282	328
Directors' remuneration (Note 14)		
- directors of the Company	1,815	1,611
- other directors	1,444	871
Foreign exchange loss (gain), net	354	(296)
Gain on disposal of property, plant and equipment	(30)	(12)
Operating lease expenses	2,904	2,883
Interest accretion	18	(106)
Amortisation of club membership	5	6
Impairment loss on club membership	28	–
Impairment loss on doubtful receivables	89	440

17 FINANCE INCOME

	Group	
	2014	2013
	$'000	$'000
Finance income:		
- Fixed deposits	39	14

18 TAX EXPENSE AND DEFERRED TAX

	Group	
	2014	2013
	$'000	$'000
Major components of income tax expense:		
Current tax:		
Singapore		
- current year	2,878	1,945
- (over) under provision in respect of prior year	(181)	8
Foreign		
- current year	958	1,555
- over provision in respect of prior year	(11)	(13)
Deferred tax:		
Singapore		
- current year	(77)	(55)
Foreign		
- origination and reversal of temporary differences	(257)	41
	3,310	3,481

Domestic income tax is calculated at 17% (2013 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Relationship between tax expense and accounting profit:

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate is as follows:

	Group	
	2014	2013
	$'000	$'000
Profit before tax	23,866	15,340
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,882	3,278
Tax effect of non-deductible expenses	224	258
Income not subject to taxation	(13)	(9)
Tax exemption	(78)	(52)
Deduction on tax incentives	(35)	(34)
Total over provision in respect of prior year - current tax	(192)	(5)
Utilisation of deferred tax benefits not recognised in prior year	(194)	99
Others	(284)	(54)
	3,310	3,481

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

18 TAX EXPENSE AND DEFERRED TAX (cont'd)

The followings are the major deferred tax liabilities and assets recognised by the Group and Company, and the movements thereon, during the current and prior reporting period:

	Differences in depreciation	Unrealised foreign exchange	Other general provision	Intangibles and fair value adjustment	Total
	$'000	$'000	$'000	$'000	$'000
Group					
Deferred tax assets (net)					
At 1 January 2013	10	–	–	–	10
Credit to profit or loss for the year	51	–	–	–	51
At 31 December 2013	61	–	–	–	61
Credit (Charge) to profit or loss for the year	282	(20)	(21)	–	241
At 31 December 2014	343	(20)	(21)	–	302
Deferred tax liabilities (net)					
At 1 January 2013	66	9	6	(18)	63
Charge to profit or loss for the year	16	12	3	6	37
Exchange difference	–	(3)	–	–	(3)
At 31 December 2013	82	18	9	(12)	97
(Credit) Charge to profit or loss for the year	(80)	(16)	(9)	12	(93)
Exchange difference	–	(2)	–	–	(2)
At 31 December 2014	2	–	–	–	2

	Differences in depreciation
	$'000
Company	
Deferred tax assets	
At 1 January 2013	10
Credit to profit or loss for the year	51
At 31 December 2013	61
Credit to profit or loss for the year	183
At 31 December 2014	244

19 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflects the income and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2014	2013
	$'000	$'000
Profit attributable to equity holders of the Company	20,582	11,945
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	260,264	260,264

There are no dilutive potential ordinary shares.

20 RELATED PARTY DISCLOSURES

(i) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year.

The Group had the following significant related party transactions on terms agreed by the respective parties.

	Group	
	2014	2013
	$'000	$'000
Sales to immediate holding company's group of companies	298	1,413
Purchases from immediate holding company	–	15
Purchase of services from firms related to directors	41	75

20 RELATED PARTY DISCLOSURES (cont'd)

(ii) Compensation of key management personnel

	Group 2014 $'000	Group 2013 $'000
Short-term employee benefits	4,953	4,460
Central Provident Fund contributions	198	163
	5,151	4,623
Comprise amounts paid to:		
Directors of the Company	1,815	1,611
Other key management personnel	3,336	3,012
	5,151	4,623

21 COMMITMENTS

(i) Operating lease commitments - As lessee

The Group and Company had various operating lease agreements for leasehold land, equipment, office and other facilities that are non-cancellable within one year. These lease terms have an average tenure of between three to six years with no renewal option or contingent rent provision included in the contracts. Lease terms do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing.

Future minimum lease payments payable under non-cancellable operating leases as at 31 December are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Not later than one year	2,060	2,237	145	699
Later than one year but not later than five years	2,150	2,894	391	607
Later than five years	1,118	1,527	639	714
	5,328	6,658	1,175	2,020

22 CONTINGENCIES

Guarantees

The Company had provided corporate guarantees of approximately $37,936,000 (2013 : $16,359,000) in favour of banks and financial institutions for the granting of credit facilities to five (2013 : three) subsidiaries.

Financial support

The Company has undertaken to provide financial support to two subsidiaries for deficiency in their shareholders' funds and to extend adequate funding to meeting their net current liability position for the years ended 31 December 2014 and 2013.

23 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

Business segments

The residential property projects segment is involved in the manufacture, supply and installation of paneling products such as kitchen and vanity cabinets, wardrobes, doors and door frames and furniture components for local and overseas markets.

The hospitality and commercial projects segment is in the business of providing interior fitting-out services to hotels, resorts, office, shops and bank branches.

The distribution projects segment relates to the distributorship of furniture products of reputable overseas brands.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

	Residential property projects	Hospitality and commercial projects	Distribution projects	Adjustments and eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
2014						
Revenue:						
External customers	88,391	88,839	578	–		177,808
Inter-segment	34,715	28,776	–	(63,491)	A	–
Total revenue	123,106	117,615	578	(63,491)		177,808
Results:						
Other income	–	–	–	124		124
Other non-cash expenses	(89)	–	–	(4,453)	B	(4,542)
Segment profit before tax	16,870	10,772	481	(4,257)	C	23,866
Assets:						
Additions to non-current assets	–	74	–	499	D	573
Segment assets	32,977	73,864	1,188	60,212	E	168,241
Liabilities:						
Segment liabilities	9,564	35,416	500	13,332	F	58,812

23 SEGMENT INFORMATION (cont'd)

	Residential property projects	Hospitality and commercial projects	Distribution projects	Adjustments and eliminations	Notes	Consolidated
	$'000	$'000	$'000	$'000		$'000
2013						
Revenue:						
External customers	71,974	104,011	2,112	–		178,097
Inter-segment	28,512	28,637	–	(57,149)	A	–
Total revenue	100,486	132,648	2,112	(57,149)		178,097
Results:						
Other income	–	–	–	55		55
Other non-cash expenses	(440)	–	–	(4,581)	B	(5,021)
Segment profit before tax	8,585	11,180	81	(4,506)	C	15,340
Assets:						
Additions to non-current assets	–	74	–	1,181	D	1,255
Segment assets	27,478	66,811	1,184	61,706	E	157,179
Liabilities:						
Segment liabilities	10,371	29,990	75	11,266	F	51,702

A Inter-segment revenue is eliminated on consolidation.

B Other non-cash expenses consist of impairment loss on doubtful receivables, depreciation expenses, amortisation of club membership and impairment loss on club membership.

C The following items are deducted from segment profit before tax to arrive at "profit before tax" presented in the consolidated income statement.

	Group	
	2014	2013
	$'000	$'000
Other income	124	55
Finance income	39	14
Depreciation of property, plant and equipment	(4,420)	(4,575)
	(4,257)	(4,506)

D Additions to non-current assets consist of additions to property, plant and equipment.

23 SEGMENT INFORMATION (cont'd)

E The following items are added to segment assets to arrive at total assets presented in the consolidated balance sheet.

	Group 2014 $'000	Group 2013 $'000
Property, plant and equipment	20,987	24,520
Club membership	16	49
Deferred tax assets	302	61
Tax recoverable	173	–
Cash and short-term deposits	22,515	18,631
Inventories	12,051	12,155
Other receivables, deposits and prepayments	4,168	6,290
	60,212	61,706

F The following items are added to segment liabilities to arrive at total liabilities presented in the consolidated balance sheet.

	Group 2014 $'000	Group 2013 $'000
Other payables	6,797	5,193
Trade payables	3,053	2,443
Provision for tax	1,854	1,219
Deferred tax liabilities	–	106
Deposits received	1,628	2,305
	13,332	11,266

Geographical information

Revenue by geographical markets are as follows:

	Group 2014 $'000	Group 2013 $'000
Singapore	149,072	128,631
Malaysia	19,829	43,025
United Arab Emirates	–	1,448
People's Republic of China	5,084	2,080
Others	3,823	2,913
	177,808	178,097

23 SEGMENT INFORMATION (cont'd)

Carrying amount of non-current assets by geographical markets are as follows:

	Group	
	2014	2013
	$'000	$'000
Singapore	6,319	7,173
Malaysia	443	1,007
People's Republic of China	17,297	19,470
United Arab Emirates	12	26
	24,071	27,676

Information about a major customer

Revenue from a major customer amounted to $56,239,000 (2013 : $44,181,000) arising from sales in the hospitality and commercial projects segment.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets				
Receivables (including cash and cash equivalents)	117,329	106,204	36,357	51,491
Financial liabilities				
Amortised cost	55,849	49,435	8,447	21,867

(b) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements.

(c) Financial risk management

The Group and the Company are exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for the management of these risks and they are summarised as follows:

(i) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets including cash and short-term deposits, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts. For transactions that do not occur in the country of the relevant operating unit, the payment terms are usually by letter of credits or advance payment before shipment.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Financial risk management (cont'd)

(i) *Credit risk (cont'd)*

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of $37,936,000 (2013 : $16,359,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities to five (2013 : three) subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 9.

Credit risk concentration profile

Concentration of credit risk with respect to trade receivables is limited to the entities comprising the Group's customer base in Singapore. The credit risk concentration profile of the Group's trade receivables including amounts due from a corporate shareholder at the end of the reporting period is as follows:

	2014		2013	
	$'000	% of total	$'000	% of total
Group				
By country:				
Singapore	23,522	38.57	26,539	50.25
Malaysia	10,164	16.67	12,640	23.93
South Korea	18,782	30.80	11,183	21.17
Japan	6,597	10.82	200	0.38
People's Republic of China	1,607	2.64	150	0.28
United Arab Emirates	–	–	1,402	2.65
Thailand	309	0.50	709	1.34
	60,981	100.00	52,823	100.00

At the end of the reporting period, approximately:

- 48.44% (2013 : 53.74%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates located in Singapore, South Korea and Malaysia.
- 1.50% of the Group's trade receivables were due from related parties in 2013.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Financial risk management (cont'd)

(i) *Credit risk (cont'd)*

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9.

(ii) *Liquidity risk*

The Group's and the Company's exposure to liquidity risk arises in the general funding of the Group's and the Company's business activities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through diverse sources of committed and uncommitted credit facilities from various banks.

Group

All financial assets and financial liabilities as at 31 December 2014 and 2013 are repayable on demand or due within one year from the end of the reporting period and are non-interest bearing except for retention monies receivables of $7,548,000 (2013 : $8,180,000) and cash and short-term deposits which bear interest at rates ranging from 0.05% to 3.50% (2013 : 0.05% to 3.50%) per annum.

Company

All financial assets and financial liabilities as at 31 December 2014 and 2013 are repayable on demand or due within one year from the end of the reporting period and are non-interest bearing except for retention monies receivables of $2,574,000 (2013 : $5,699,000) that are repayable after a year.

(iii) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily US Dollars (USD), Malaysian Ringgit (Ringgit) and Renminbi (RMB). The Group uses foreign currency forward exchange contracts to manage these foreign exchange risks. As at year-end, the Group has no outstanding foreign currency forward exchange contracts.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

Foreign currency denominated financial assets and liabilities of the Group and Company are shown in the following table:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade and other receivables:				
USD	–	1,645	696	3,262
Ringgit	11,893	15,181	–	–
RMB	4,383	4,111	–	–
UAE Dirhams	8	66	–	–
Baht	8	914	64	298
Euro	–	–	1,978	3,544
Cash and short-term deposits:				
USD	713	4,460	570	2,184
Ringgit	3,736	6,144	–	–
RMB	3,825	1,051	–	–
UAE Dirhams	57	89	–	–
Baht	5	26	–	–
Euro	1,288	541	1,288	541
Trade and other payables:				
USD	272	166	1	114
Ringgit	8,145	11,236	6	22
RMB	3,277	2,391	54	828
UAE Dirhams	166	373	–	–
Baht	332	57	–	–
Euro	214	510	9	501

Sensitivity analysis for foreign exchange risk

The following table denominates the sensitivity of the Group's profit before tax to a reasonably possible change in the Ringgit and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

			Group Profit before tax	
			2014	2013
			$'000	$'000
Ringgit/SGD	-	strengthened 5% (2013 : 5%)	374	504
	-	weakened 5% (2013 : 5%)	(374)	(504)
RMB/SGD	-	strengthened 5% (2013 : 5%)	247	139
	-	weakened 5% (2013 : 5%)	(247)	(139)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial instrument, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

Bank balances, short-term receivables and other current liabilities

The carrying amounts approximate fair value due to the relatively short-term maturity of these instruments.

Other classes of financial assets and liabilities

Management considers that the carrying amounts recorded at amortised cost in the financial statements approximate their fair values.

26 CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 30% in view of strong cash position. The Group includes within net debt, trade and other payables, accrued operating expenses, deposits received less cash and short-term deposits. Capital includes equity attributable to the equity holders of the Company.

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade and other payables (Note 11)	55,849	49,435	8,447	21,867
Less:				
Cash at banks and on hand (Note 10)	(47,616)	(41,399)	(14,714)	(11,478)
Fixed deposits (Note 10)	(788)	(3,478)	–	–
Net cash	7,445	4,558	(6,267)	10,389
Equity attributable to the equity holders of the Company, representing total capital	109,853	105,877	72,662	81,109
Capital and net debt	117,298	110,435	66,395	91,498

27 DIVIDENDS

	Group and Company	
	2014	2013
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2013 : 1.00 cents (2012 : 0.75 cents) per share	2,603	1,952
- Special exempt (one-tier) dividend for 2013 : 5.00 cents (2012 : 2.50 cents) per share	13,013	6,507
- Interim exempt (one-tier) dividend for 2014 : 0.50 cents (2013 : 0.50 cents) per share	1,301	1,301
	16,917	9,760
Proposed but not recognised as liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2014 : 2.00 cents (2013 : 1.00 cents) per share	5,205	2,603
- Special exempt (one-tier) dividend for 2014 : 4.00 cents (2013 : 5.00 cents) per share	10,411	13,013
	15,616	15,616

1. Aggregate value of all interested person transactions conducted under shareholder's mandate

Name of interested person	Aggregate value of all interested persons transactions during the review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Depa Interiors LLC & its associates	$Nil	$Nil

2. Material contracts

There were no material contracts of the Group involving the interests of the executive directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2014.

3. Major property

Location	Description	Tenure of land	Net book value $'000
Held by the Company 8 Sungei Kadut Crescent, Singapore 728682	Office-cum factory	30 years commencing 1 June 1994	2,432

Issued and fully paid-up capital	-	$33,390,983
Class of shares	-	Ordinary shares
Number of shares	-	260,264,171
Voting rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	–	–	–	–
100 - 1000	54	13.24	52,546	0.02
1,001 - 10,000	210	51.47	1,346,609	0.52
10,001 - 1,000,000	140	34.31	6,881,300	2.64
1,000,001 AND ABOVE	4	0.98	251,983,716	96.82
TOTAL	**408**	**100.00**	**260,264,171**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DEPA INTERIORS LLC	233,108,716	89.57
2	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	12,793,000	4.92
3	HO KAI HON	5,050,000	1.94
4	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,032,000	0.40
5	LIM & TAN SECURITIES PTE LTD	835,000	0.32
6	RAFFLES NOMINEES (PTE) LIMITED	566,600	0.22
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	278,000	0.11
8	HONG LEONG FINANCE NOMINEES PTE LTD	220,000	0.08
9	DBS NOMINEES (PRIVATE) LIMITED	197,800	0.08
10	YEO LOO ENG	160,000	0.06
11	PHILLIP SECURITIES PTE LTD	145,000	0.06
12	ANG KIM HONG	133,000	0.05
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	122,000	0.05
14	OCBC SECURITIES PRIVATE LIMITED	110,000	0.04
15	KOH BAN HENG	103,000	0.04
16	AW CHIEW KIM (HU SHUJIN)	100,000	0.04
17	GOH CHENG YEE	100,000	0.04
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	100,000	0.04
19	PATRICK LIM @ LIM KUAN CHI	100,000	0.04
20	TAN AIK SIN	100,000	0.04
	TOTAL	**255,354,116**	**98.14**

SUBSTANTIAL SHAREHOLDERS AS AT 11 MARCH 2015

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
No.	Name	No. of shares held	%	No. of shares held	%
1.	Depa Interiors LLC	233,733,716	89.81	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 11 March 2015, 10.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("AGM") of **DESIGN STUDIO GROUP LTD** (the "Company") will be held at the registered office, 8 Sungei Kadut Crescent, Singapore 728682 on Thursday 23 April 2015 at 10.30 a.m. for the following purposes:

As Ordinary Business:

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the year ended 31 December 2014 and the Auditors' Report thereon. **[Resolution No. 1]**

2. To re-elect the following directors who are retiring under the Company's Articles of Association:

   Rotation under the Article 102 of the Articles of Association:

   i) Kelly Ng Chai Choey **[Resolution No. 2]**
   ii) Muhammad Umar Saleem **[Resolution No. 3]**

   Retirement under Article 106 of the Articles of Association:

   i) Mhd.Nadim Akhras **[Resolution No. 4]**

3. To approve the payment of additional directors' fee of S$4,000 for the year ended 31 December 2014; and directors' fees of S$310,000 for the year ending 31 December 2015, to be paid quarterly in arrears. (2014: S$310,000) **[Resolution No. 5]**

4. To approve the payment of a final dividend of 2.00 cent per ordinary share and a special dividend of 4.00 cents per ordinary share for the year ended 31 December 2014. **[Resolution No. 6]**

5. To appoint Ernst & Young LLP as Auditors of the Company in the place of the retiring Auditors, Deloitte & Touche LLP, to hold office until the conclusion of the next Annual General Meeting of the Company, and that the Directors be authorized to fix their remuneration. **[Resolution No. 7]**

As Special Business:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. "**THAT** pursuant to Section 161 of the Act, Chapter 50 and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to (a) issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); (b) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively Instruments) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; (c) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and (d) (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) to issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

   (i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the issued shares in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the issued shares in the capital of the Company (excluding treasury shares) or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;

   (ii) for the purpose of determining the aggregate number of shares that may be issued (subject to such manner of calculation as may be prescribed by SGX-ST) under (i) above, the percentage of issued share capital (excluding treasury shares) shall be based on the issued shares in the capital of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance is waived by the SGX-ST) and the Company's Articles of Association; and

unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." **[Resolution No. 8]**

7. **THAT:**

(a) approval be and is hereby given for the Company, its subsidiaries and associated companies or any of them to enter into transactions falling within the categories of Interested Person Transactions set out in paragraph 3.2 of the Company's Addendum to Shareholders dated 7 April 2015 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2014) (the "Addendum"), with any party who is of the class or classes of Interested Persons described in paragraph 3.1 of the Addendum, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for Interested Person Transactions as set out in paragraph 4 of the Addendum (the "Shareholders' Mandate");

(b) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(c) the directors of the Company be and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution. **[Resolution No. 9]**

8. **THAT** the Directors of the Company be and are hereby authorised to offer and grant Options in accordance with the provisions of the Design Studio Employee Share Option Scheme (the "ESOS") and to allot and issue from time to time such number of Shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the Design Studio ESOS, the Design Studio PSP (as defined below) and all other share option or other share schemes of the Company, provided that the aggregate number of new Shares to be issued pursuant to the Design Studio ESOS and the Design Studio PSP shall not exceed 7.5% of the total number of issued Shares of the Company (excluding treasury shares) on the day preceding that date. Such limit will be subject to a further sub-limit of 1.5% for every 2-year period on a cumulative basis during which the Design Studio ESOS and the Design Studio PSP are in force. Any unutilised per centum of the sub-limits in respect of any such 2-year period shall be available for roll-over and aggregated with the applicable sub-limit of 1.5% for the subsequent 2-year period for grants of Options and Awards. **[Resolution No. 10]**

9. **THAT** the Directors of the Company be and are hereby authorised to grant the Awards in accordance with the provisions of the Design Studio's Performance Share Plan (the "PSP") and to allot, issue, transfer and/or deliver from time to time such number of fully paid-up Shares as may be required to be issued or delivered pursuant to the vesting of Awards under the Design Studio PSP, provided that the aggregate number of Shares to be issued or delivered pursuant to the Design Studio PSP, the Design Studio ESOS and all other share option or other share schemes of the Company shall not exceed 7.5% of the total number of issued Shares of the Company (excluding treasury shares) on the day preceding that date. Such limit will be subject to a further sub-limit of 1.5% for every 2-year period on a cumulative basis during which the Design Studio ESOS and the Design Studio PSP are in force. Any unutilised per centum of the sub-limits in respect of any such 2-year period shall be available for roll-over and aggregated with the applicable sub-limit of 1.5% for the subsequent 2-year period for grants of Options and Awards. **[Resolution No. 11]**

By Order of the Board

Helen Campos
Company Secretary

7 April 2015

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer of attorney.

3. The instrument appointing a proxy must be deposited at the Company's Registered Office at No. 8 Sungei Kadut Crescent, Singapore 728682, not less than 48 hours before the time for holding of the meeting.

Explanatory Notes on Ordinary Business to be transacted:

a. Ms Kelly Ng Chai Choey is an Executive Director.

b. Mr Muhammad Umar Saleem is a Non-Executive Director and member of the Audit Committee and Remuneration Committee. If re-elected, he will remain as a member of the Audit Committee and Remuneration Committee.

c. Mr Mhd.Nadim Akhras is a Non-Executive Director.

d. The proposed directors' fees of S$310,000 for the year ending 31 December 2015 are fees payable to Non-Executive Directors. Ordinary Resolution No. 5 proposed in item 3 above, if passed, will allow the Company to pay fees to directors on a quarterly basis, in arrears, as directors render their services during the course of the financial year ending 31 December 2015. This will facilitate directors' compensation for services rendered in a more timely manner.

e. The Company has received a letter of nomination from the Controlling Shareholder, Depa Interiors LLC nominating Ernst & Young LLP as Auditors in place of the retiring Auditors, Deloitte & Touche LLP. Ernst & Young LLP has given their consent to act as Auditors. The Audit Committee has reviewed the nomination and recommended the appointment of Ernst & Young LLP as Auditors. An Appendix is attached to this Notice to provide Shareholders with information relating to the proposed change of Auditors to be tabled at the AGM.

Explanatory Notes on Special Business to be transacted:

f. Resolution No. 8 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% for the total number of issued shares (excluding treasury shares) of which up to 20% may be issued other than on a *pro rata* basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 8 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution No. 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

g. Resolution No. 9 if passed, will allow the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions with persons who are considered "Interested Persons" and will empower the directors of the Company from the date of this meeting until the next Annual General Meeting of the Company to do all acts necessary to give effect to the Shareholders' Mandate or the Ordinary Resolution. Information relating to the renewal of the Shareholders' Mandate can be found in the Addendum to this Notice.

h. Resolution No. 10, if passed, will empower the Directors, from the date of the Annual General Meeting until the date of the next annual general meeting of the Company, to allot and issue shares in the capital of the Company up to an amount (which includes shares issued and/or issuable pursuant to any other existing share schemes or plan of the Company for the time being) not exceeding in total 7.5% of the issued share capital of the Company and subject to the sub-limit imposed for the time being pursuant to the exercise of the options under the ESOS.

i. Resolution No. 11, if passed, will empower the Directors, from the date of the Annual General Meeting until the date of the next annual general meeting of the Company, to grant Awards, allot and issue shares in the capital of the Company up to an amount (which includes shares issued and/or issuable pursuant to any other existing share schemes or plan of the Company for the time being) not exceeding in total 7.5% of the issued share capital of the Company and subject to the sub-limit imposed for the time being pursuant to the vesting of Awards under the PSP.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purpose"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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DESIGN STUDIO GROUP LTD

(Incorporated in the Republic of Singapore)
(Company Registration Number 199401553D)

PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy shares in Design Studio Group Ltd, this report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote should contact their CPF Approved Nominees.

*I/We ______________________________

of ______________________________

being *member/members of **DESIGN STUDIO GROUP LTD** (the "Company"), hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Or failing *him/her/them, the Chairman of the Annual General Meeting or such other person the Chairman may designate, as *my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 8 Sungei Kadut Crescent, Singapore 728682 on Thursday, 23 April 2015 at 10.30 a.m. and at any adjournment thereof.

The Chairman intends to cast undirected proxy votes in favour of each of the proposed resolutions. Where the Chairman is appointed as *my/our proxy/proxies, *I/we acknowledge that the Chairman may exercise *my/our proxy/proxies even if he has an interest in the outcome of the resolution.

*I/We have indicated with an "X" in the appropriate box against such item how *I/we wish *my/our proxy/proxies to vote. If no specific direction as to voting is given, *my/our proxy/proxies may vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the Annual General Meeting.

No.	Resolutions relating to:	For	Against
1	Adoption of Reports and Financial Statements for the year ended 31 December 2014		
2	Re-election of Ms Kelly Ng Chai Choey as a director		
3	Re-election of Mr Muhammad Umar Saleem as a director		
4	Re-election of Mr Mhd.Nadim Akhras as a director		
5	Payment of directors' fees		
6	To approve the payment of the final one-tier exempt dividend and special one-tier exempt dividend for the year ended 31 December 2014		
7	To appoint Ernst & Young LLP as Auditors and to authorize the Directors to fix their remuneration		
8	Authority to Issue Shares		
9	To approve the renewal of the General Mandate for Interested Person Transactions		
10	To authorise the Directors to allot/issue shares pursuant to the Design Studio Employee Share Option Scheme		
11	To authorise the Directors to grant awards and allot/issue shares pursuant to the Design Studio Performance Share Plan		

Dated this ______________ day of April 2015.

Total Number of Shares held in:	
CDP Register	
Register of Members	

____

Signature(s) of Shareholder(s) or
Common Seal of Corporate Shareholder

Important: Please read notes overleaf before completing the form

Postage
Stamp

To: The Company Secretary
DESIGN STUDIO GROUP LTD
8 Sungei Kadut Crescent,
Singapore 728682

Fold along dotted line

Fold along dotted line

IMPORTANT: PLEASE READ NOTES BELOW

1. Please insert the total number of shares you hold. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of such shares entered against your name in the Depository Register and registered in your name in the Register of Members. If you do not insert any number, we shall deem that the instrument appointing a proxy or proxies relates to all the shares which you hold.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Sungei Kadut Crescent Singapore 728682 not less than 48 hours before the time fixed for the holding of the meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2015.

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Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.

SINGAPORE

Design Studio Group Ltd
Head Office / Singapore

Design Studio Singapore Pte Ltd
Factory / Singapore
8 Sungei Kadut Crescent
Singapore 728682
Tel: (65) 6367 0133 Fax: (65) 6366 2612
Email: corpcommunications@designstudio.com.sg

DDS Contracts and Interior Solutions Pte Ltd
Head Office / Singapore
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#05-01 International Furniture Centre
Singapore 729507
Tel: (65) 6362 6366 Fax: (65) 6362 2622
Email: marketing@ddsasia.com.sg

MALAYSIA

DS Furniture Manufacturer Sdn Bhd
Factory / Malaysia
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81400 Senai, Johor Bahru
Johor, Malaysia
Tel: (607) 598 6363 Fax: (607) 598 6368

DS Project Management Sdn Bhd
Showroom / Malaysia
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Taman Bandaraya
59100 Kuala Lumpur, Malaysia

DDS Contracts and Interior Solutions Sdn Bhd
Office / Malaysia
18th Floor, West Block, Wisma Selangor Dredging
142C Jalan Ampang, 50450 Kuala Lumpur, Malaysia
Tel: (603) 2164 6686 Fax: (603) 2164 3393
Email: marketing@ddsasia.com.my

CHINA

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Huizhou City, Guangdong Province
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Tel: (86752) 636 0333 Fax: (86752) 611 6333

Sales Centre / Showroom / China
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Dongguan City, Guangdong Province
Postal Code 523963
Tel: (86769) 8583 4222 Fax: (86769) 8581 7488
Email: marketing@designstudio.com.cn

THAILAND

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Bangkok 10110 Thailand
Tel: (662) 712 7080 Fax: (662) 712 7081
Email: marketing@ddsthailand.co.th

Websites: www.designstudio.com.sg
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www.ddsasia.com.sg