2018

DESIGN STUDIO GROUP LTD. ANNUAL REPORT 2018

DSG

Global Interior Fit-out Partner of Choice

CONTENTS

CORPORATE PROFILE

ABOUT DESIGN STUDIO GROUP

Our Journey And The Road Ahead

Design Studio Group provides high-quality joinery manufacturing and interior fit-out solutions to the residential, hospitality, commercial, food & beverage, retail, themed works, corporate office and cruise sectors. A strong underlying business, extensive track-record and long list of loyal clients are reflective of our vision to be a Global Interior Fit-out Partner of Choice.

Through the business transformation strategy now in progress, we are positioning ourselves to provide continued and new value-add services and innovative technology-driven solutions to our clients, and generate profitability and deliver sustainable growth to our shareholders, for years to come.

Designed for Sustainability

Structured for Efficiency

Growth and Profitability

MISSION

- Industry leading interior fit-out company that provides innovative and creative solutions to meet our clients' needs
- Deliver sustainable profit and value to our shareholders

VISION

Global Interior Fit-out Partner of Choice

VALUES

Integrity
Acting with trust and honesty no matter how challenging it is

Accountability
Ownership and responsibility in everything we do

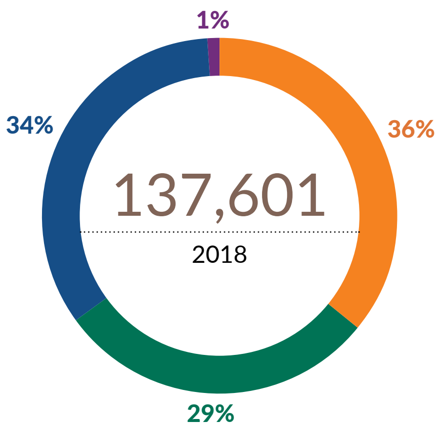
Transparency
A culture of openness and trust

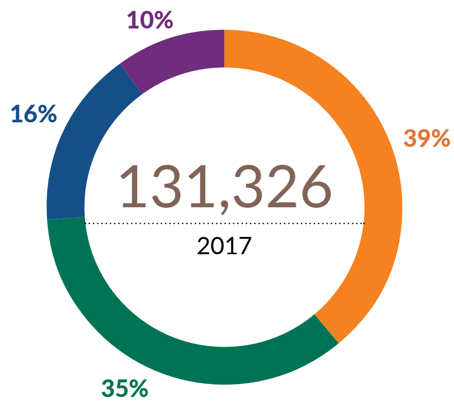
Teamwork
A cohesive and positive team working towards a common goal

Sustainability
Consistent value creation across our human, financial and social capital in our business

FINANCIAL HIGHLIGHTS

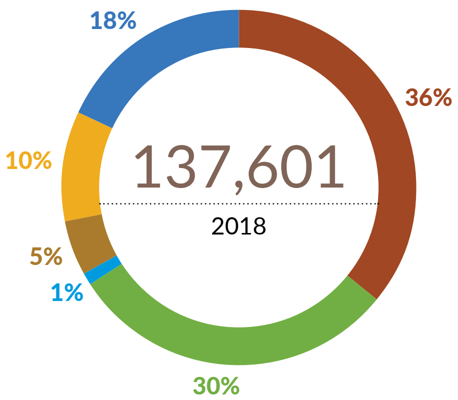
Order book on hand by business segments
(in S$'000)

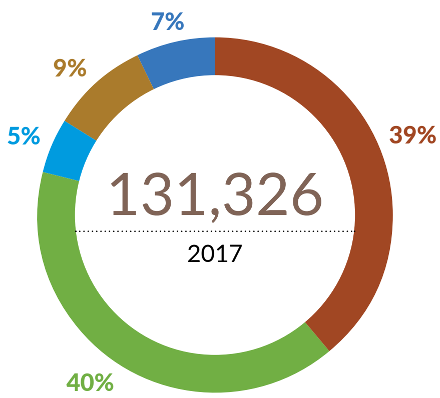




	Singapore BU	Malaysia BU	International BU	Manufacture BU
As at 31 December 2018	50,137	40,105	45,996	1,363
As at 31 December 2017	51,097	45,954	21,441	12,834

Order book on hand by geographical region
(in S$'000)

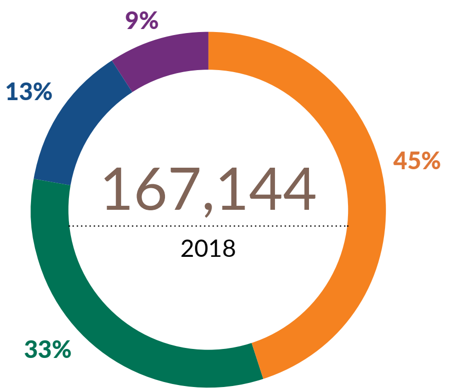


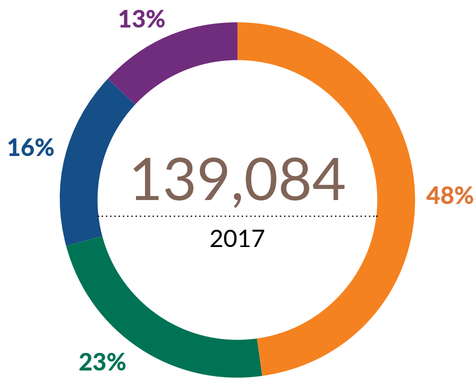


	Singapore	Malaysia	China	UAE	Thailand	Others
As at 31 December 2018	50,137	40,775	693	7,522	13,310	25,164
As at 31 December 2017	51,097	51,860	6,928	12,205	–	9,236

FINANCIAL HIGHLIGHTS

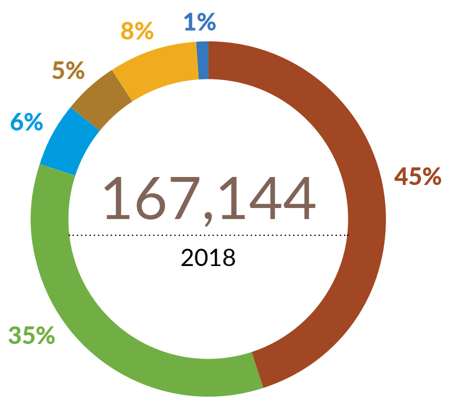
Group revenue by business segments
(in S$'000)

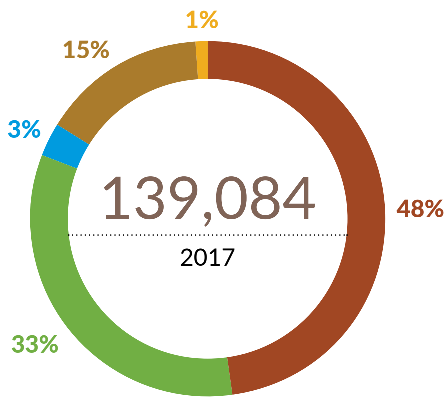




	Singapore BU	Malaysia BU	International BU	Manufacture BU
As at 31 December 2018	75,378	54,485	22,426	14,855
As at 31 December 2017	67,079	32,258	22,103	17,644

Group revenue by geographical region
(in S$'000)





	Singapore	Malaysia	China	UAE	Thailand	Others
As at 31 December 2018	75,569	58,503	10,281	7,534	13,416	1,841
As at 31 December 2017	67,642	45,372	3,808	20,911	812	539

FINANCIAL SUMMARY

5 YEARS FINANCIAL SUMMARY

Income Statement

(in S$'000)	2014	2015	2016	2017	2018
Revenue	177,808	166,926	178,971	139,084 (1)	167,144
Profit/(Loss) before tax	23,866	19,795	25,313	1,816 (2)	(26,838)
Profit/(Loss) attributble to owners of the company	20,582	16,877	20,498	1,515 (2)	(26,446)

Balance Sheet

(in S$'000)	2014	2015	2016	2017	2018
Total assets	168,241	148,967	180,978	141,340 (2)	159,929
Total liabilities	58,812	42,421	72,361	48,897 (2)	94,627
Shareholders' equity	109,429	106,546	108,617	92,443 (2)	65,302
Cash and fixed deposits	48,404	54,107	53,963	28,942	11,805
Total borrowings	–	–	–	–	3,000

Cash Flow

(in S$'000)	2014	2015	2016	2017	2018
Operating activities	20,966	26,221	17,754	(4,993)	(17,204)
Investing activities	(457)	(924)	(712)	(2,939)	(2,969)
Financing activities	(16,915)	(19,011)	(16,685)	(17,990)	3,973
Net movement	3,594	6,286	357	(25,922)	(16,200)

Financial Ratios

	2014	2015	2016	2017	2018
Earnings per share (S$cents)	7.91	6.48	7.88	0.58 (2)	(10.16)
Net asset value per share (S$cents)	42.05	40.94	41.73	35.70 (2)	25.24
Dividend per share (S$cents)	6.50	6.50	6.50	1.25	–
Return on equity (%)	18.81	15.84	18.87	1.63 (2)	(40.25)
Return on asset (%)	12.23	11.33	11.33	1.07 (2)	(16.54)
Current ratio	2.32	2.67	2.05	2.27 (2)	1.43

(1) 2017 financial figure has been restated as a result from adoption of SFRS(I) 15 – *Revenue from Contract with Customers*.
(2) 2017 financial figures have been restated as a result from adoption of SFRS(I) 9 – *Financial Instruments* and SFRS(I) 15 – *Revenue from Contract with Customers*.

CORPORATE STRUCTURE

DSG

Design Studio Group Ltd. (Singapore)

- Design Studio Asia Pte. Ltd. (Singapore)
  - DSG Manufacturing Singapore Pte. Ltd. (Singapore)
  - DSG Manufacturing Malaysia Sdn. Bhd. (Malaysia)
  - DS Project Management Sdn. Bhd. (Malaysia)
- Design Studio (China) Pte. Ltd. (Singapore)
  - Design Studio (Huizhou) Home Furnishing Co., Ltd. (China)
- DSG Asia Holdings Pte. Ltd. (Singapore)
  - DSG Projects Singapore Pte. Ltd. (Singapore)
  - DSG Projects Malaysia Sdn. Bhd. (Malaysia)
  - DDS Contracts & Interior Solutions (Thailand) Co., Ltd. (Thailand)
  - DDS Contracts & Interior Solutions (Vietnam) Co., Ltd. (Vietnam)
  - Design Studio Lanka (Private) Limited (Sri Lanka)
- Design Studio Furniture (Shanghai) Co., Ltd. (China)
- DS Interior Contracts & Renovation (Shanghai) Co., Ltd. (China)
- D S Interior Decoration (Middle East) LLC (United Arab Emirates)

CORPORATE INFORMATION

Board of Directors

Tan Siok Chin
Non-Executive Chairman
& Independent Director

Edgar Ramani
Executive Director
& Chief Executive Officer

Hamish Gordon Tyrwhitt
Non-Executive Director

Marwan Anthony Shehadeh
Non-Executive Director

Ong Tiew Siam
Independent Director

Dr Adelle Maree Howse
Independent Director

Audit Committee

Ong Tiew Siam
Chairman

Hamish Gordon Tyrwhitt

Tan Siok Chin

Remuneration Committee

Tan Siok Chin
Chairman

Ong Tiew Siam

Hamish Gordon Tyrwhitt

Nominating Committee

Ong Tiew Siam
Chairman

Tan Siok Chin

Marwan Anthony Shehadeh

Company Secretary

Hazel Chia Luang Chew

Management Team

Edgar Ramani
Executive Director
& Chief Executive Officer

Ronald Kurniadi
Group Chief Financial Officer

Auditors

PricewaterhouseCoopers LLP
Partner: Chua Lay See
(appointed on 20 April 2017)

Principal Bankers

United Overseas Bank Limited

Oversea-Chinese Banking Corporation Limited

The Hongkong and Shanghai Banking Corporation Limited

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.ds-group.com
Email: corpcomm@ds-group.com

CHAIRMAN'S STATEMENT

Tan Siok Chin
Non-Executive Chairman & Independent Director

Dear Shareholders,

On behalf of the Board of Directors, I present to you the Annual Report of Design Studio Group Ltd. ("The Group") for the financial year ending 31 December 2018 ("FY2018").

The Group's overall performance in FY2018 continued to be affected by the challenging market conditions in the core markets which we operate as well as our on-going restructuring and transformation efforts.

The Group had embarked on a transformation journey in 2017 to restructure its business to put it on a firmer footing for growth. This transformation process continued well into 2018 with Management re-focusing their efforts on critical actions on the business. This had an adverse impact on our results, however it was imperative that management made those hard decisions.

CHAIRMAN'S STATEMENT

Resources available to the Group were re-evaluated and resource management procedures were strengthened to reduce wastage and increase efficiency. More importantly, this helped the Group re-focus on its goals and provided the impetus in its push to the finish line.

"Resources available to the Group were re-evaluated and resource management procedures were strengthened to reduce wastage and increase efficiency."

FY2018 has seen growth in total revenue reflecting the results of our growth strategy and initiatives. Our order book has also been boosted by recent wins. Going forward, Management will continue to focus on optimising value creation to drive towards achieving higher profit margins.

The Group is also consistently looking to improve overall productivity and efficiency. Since FY2017, we have planned and invested in technology to help us achieve productivity and efficiency goals. We will continue to do so to maintain our competitive edge.

Management remains focused and committed to deal with the challenges that lie ahead in FY2019.

CHAIRMAN'S STATEMENT

"Going forward, Management will continue to focus on optimising value creation to drive towards achieving higher profit margins."

I would like to thank Management and staff of the Group, for their continued commitment and hard work.

I would also like to thank the Board of Directors for their guidance throughout a very challenging year.

Last but not least, I would like to express my heartfelt thanks to the shareholders, for their patience and continued support as we attempt to race ahead in FY2019.

I look forward to continuing this journey with you.

Tan Siok Chin (Ms)
Non-Executive Chairman
& Independent Director

CEO'S STATEMENT

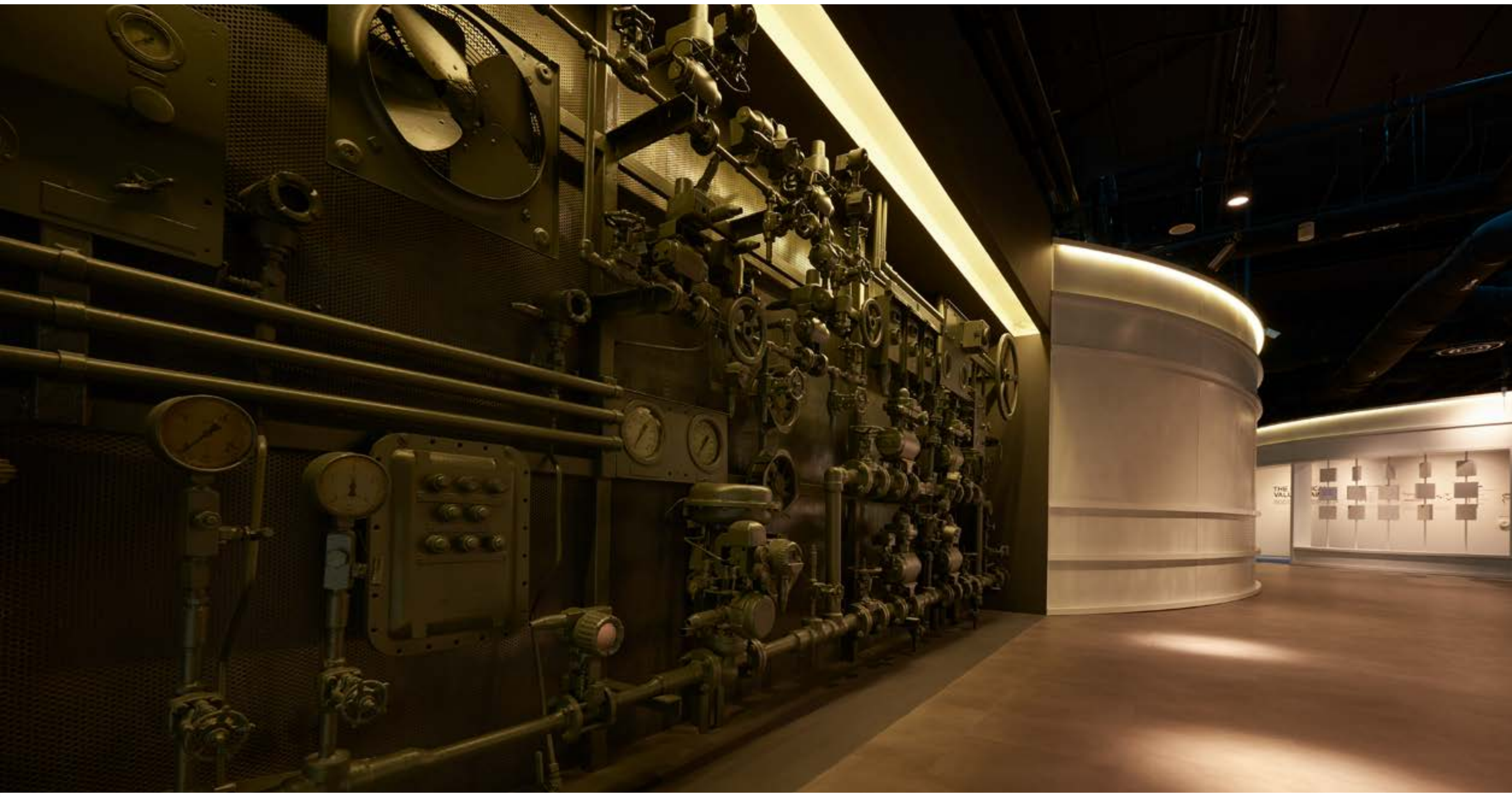
INTRODUCTION

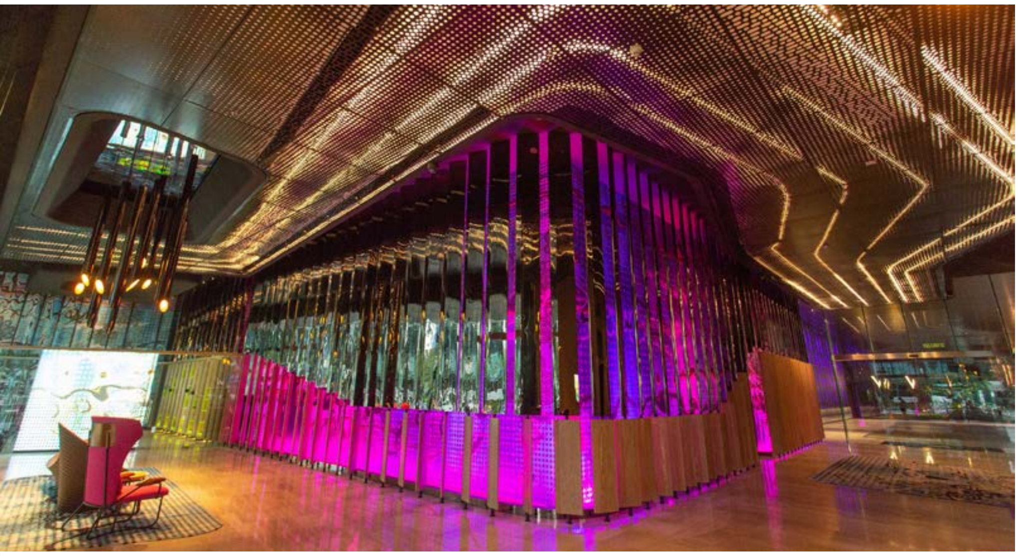
2018 has seen the Group focusing on critical issues impacting our bottom-line and improving existing procedures to meet immediate and long-term challenges experienced during the year. We have had to revisit our three-phase growth strategy to restructure, stabilise and reinvigorate the business mid-way through 2018 and re-focus our efforts on critical actions in the business.

FINANCIAL PERFORMANCE

Revenue grew from $139.1 million in FY2017 to $167.1 million in FY2018, representing a 20.1% growth in the Group's overall revenue. However, profit was down from $1.5 million in FY2017 to a loss of $26.4 million in FY2018 primarily due to 'one-off' costs ($19.1 million) and challenging market conditions in the core geographies we operate in. Order book was up from $131.3 million to $137.6 million, a 4.8% increase from FY2017.

CEO'S STATEMENT





The Group's balance sheet remains healthy with minimal borrowings of $3.0 million. Our cash and short-term deposits amounted to $11.8 million. The decline in cash balance by $17.1 million from 2017 is due to a lag in receipt of receivables from customers, retention and a mis-match of payment terms. Operating net cash outflow of $17.2 million during 2018 was due to the timing of collection of receivables. Investment net cash outflow also contributed $3.0 million to the reduction in cash from 2017.

> "Our key focus in 2019 is to tender and win projects with a cash backed profit, and to execute them efficiently and to a quality standard expected by us and our customers."

CEO'S STATEMENT

While order book was up from 2017, the Group experienced mixed performances in the various business units. Our performance in Singapore was average with project margins lower than budgeted, and new projects only commencing in the later part of 2018.

In Malaysia, our average performance was impacted by lower than budgeted project margins and lower activity in later part of 2018. Our business in the UAE was the worst performer with the Fountain View project making a loss of $6.1 million from delays by the main contractor. We have done well in Thailand and Sri Lanka with new work secured and projects getting off to a good start in the second half of 2018. The team continues to pursue contractual entitlements on a suite of projects in Malaysia and the Fountain View Project in UAE.

In the second half of 2018, we underwent a review of our manufacturing facilities in conjunction with an external consultant, and we took action to consolidate our manufacturing facilities to China and Singapore.

We also underwent a review of our overall staff levels and have made concerted effort to 'right size' our business, which we will continue to do in Q1 2019.

> "We will continue to work hard on improving our bottom line and doing this through increasing efficiency and productivity by embracing technology."

CEO'S STATEMENT

VISION AND STRATEGIC PRIORITIES

Our key focus in 2019 is to tender and win projects with a cash backed profit, and to execute them efficiently and to a quality standard expected by us and our customers. Additionally, plans for profitable new services growth will be implemented. We will continue to work hard on improving our bottom line and doing this through increasing efficiency and productivity by embracing technology.

OUR CONTINUED COMMITMENT

Despite the adverse results in 2018, the team has reset and is focused on key actions to turn the business around. We will continue to work hard to deliver the turnaround and persevere to address the challenges we face.

My sincere thanks to all of you, for your continued support.

Edgar Ramani
Executive Director
& Chief Executive Officer

BOARD OF DIRECTORS

Tan Siok Chin
Non-Executive Chairman and Independent Director

Ms Tan Siok Chin was appointed as an Independent Director of the Company on 1 January 2006 and on 1 June 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 two (2) public companies listed on the SGX-ST. Ms Tan graduated from the National University of Singapore with a Bachelor of Law (Honours) degree.

Edgar Ramani
Executive Director and Chief Executive Officer

Mr Edgar Ramani was appointed as an Executive Director of the Company on 22 February 2017 and the Chief Executive Officer of Design Studio Group on 23 February 2017. He is responsible for the Group's overall strategic direction, growth, business development and operations.

Mr Ramani is a civil engineer with extensive experience in delivering turnkey resource and infrastructure projects throughout Australia, South East Asia, India and the Middle East. He holds a Bachelor of Civil Engineering (first-class honours) from the University of Queensland, Australia and an MBA from the University of Manchester, United Kingdom. He is a member of the College of Civil Engineers, Australia.

Prior to joining Design Studio Group, he was Chief Executive, Asia at UGL Limited where he was responsible for leading UGL's business in the Asian region. Before that, he was Project Director at Leighton Asia (CIMIC Group) managing large scale projects across a number of countries across Asia, Middle East and Australia. Mr Ramani commenced his career as a Project Engineer with Rinker Group in Australia, and later with Clough Engineering in Australia and Indonesia.

Hamish Gordon Tyrwhitt
Non-Executive Director

Mr Hamish Gordon Tyrwhitt was appointed as a Non-Executive Director of the Company on 29 June 2016. Mr Tyrwhitt is the Group Chief Executive Officer of Design Studio's largest shareholder, the Depa Group, one of the world's leading providers of interior solutions. Since November 2016, he has also held the position of Chief Executive Officer of the Arabtec Group, one of the leading construction and engineering groups in the Middle East and North Africa.

Mr Tyrwhitt has three decades of senior leadership experience in the global engineering and construction sectors. Most recently, he was CEO of Asia Resource Minerals Plc, a coal mining company listed in London. Prior to this, he was CEO of Australian Securities Exchange-listed Leighton Group (now known as CIMIC Group) with annual revenues of around USD20 billion and operations in more than 20 international markets. In his previous roles, Mr Tyrwhitt supervised the delivery of numerous multi-billion dollar projects, and as Managing Director for Leighton Asia, he ran the business across all of Asia based from their headquarters in Hong Kong.

BOARD OF DIRECTORS

Marwan Anthony Shehadeh
Non-Executive Director

Mr Marwan Anthony Shehadeh was appointed as a Non-Executive Director of the Company on 19 April 2018. Mr Shehadeh is a Non-Executive Director of Depa Limited, the ultimate controlling shareholder of the Company.

For more than a decade and a half, Mr Shehadeh has been working with Al-Futtaim, covering various positions. He is the Group Director for corporate development of Al-Futtaim Group, a senior executive officer of Al-Futtaim Investment Management Ltd and since 2007, the Managing Director of Al-Futtaim Capital. He joined Al-Futtaim in 2003 as Director of Finance of Dubai Festival City LLC. Mr Shehadeh started his career in corporate finance at Chase Manhattan Bank, New York.

Mr Shehadeh holds a master's degree in International Business from the Institute D'Etudes des Relations Internationales, Paris and has completed several general management executive programmes at Harvard Business School.

Ong Tiew Siam
Independent Director

Mr Ong Tiew Siam was appointed as an Independent Director of the Company on 1 March 2007. He has more than 38 years of experience in finance and administration. He graduated with a Bachelor of Commerce (Accountancy) (Honours) degree in 1975 from the Nanyang University of Singapore. He is a fellow member of the Institute of Singapore Chartered Accountants and member of the Singapore Institute of Directors. Mr Ong also sits on the board of several listed companies.

Dr Adelle Maree Howse
Independent Director

Dr Adelle Maree Howse was appointed as an Independent Director of the Company on 1 February 2019. Dr Howse has worked in energy, construction, resources, infrastructure and property for more than 20 years and has a track record in the delivery of strategic business transformation, operational performance improvement, market positioning, business analysis, structured M&A and corporate finance solutions.

Since 2016, Dr Howse has established a personal business entity for consulting and contract engagements, and is the Chairman for the Australian Mathematical Sciences Institute.

Dr Howse has an Executive MBA from IMD Switzerland, a PhD in mathematics from University of Queensland, a graduate diploma in applied finance and investment from Securities Institute of Australia and has completed the AICD company directors course.

Proposed New Director

Steven James Salo

Mr Steven James Salo is nominated by Depa Interiors LLC, the Company's controlling shareholder, for appointment as a Director of the Company subject to shareholders' approval at the Company's Annual General Meeting to be held on 26 April 2019. As a nominee of Depa Interiors LLC, he will be considered a Non-Executive Director.

Mr Salo was appointed Group Chief Financial Officer to Depa PLC in November 2016. Mr Salo has close to two decades of finance, investment banking, merger and acquisitions and strategy experience, including significant construction and engineering exposure.

Most recently, Mr Salo headed Arabtec Holding's Group Strategy and Mergers & Acquisitions function. Prior to Arabtec Holding, Mr Salo held a senior position in Citigroup's Investment Banking division, advising companies on strategic direction and multibillion dollars' worth of financing and merger & acquisitions.

Before Citigroup, Mr Salo also held positions at Dresdner Kleinwort Wasserstein, the European investment bank, and PricewaterhouseCoopers, where he qualified as a Chartered Accountant. Mr Salo remains a member of the Institute of Chartered Accountants in England and Wales. In addition to his qualification as Chartered Accountant, Mr Salo also holds a master's degree in Applied Finance and Investment from Finsia, a bachelor's degree in Commerce from Deakin University and is a CFA® charterholder.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CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") and the 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, and in conformity with the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code"), where applicable, unless otherwise specified. Good corporate governance establishes and maintains a legal and ethical environment in the Group to preserve the interest of all shareholders.

On 6 August 2018, the Monetary Authority of Singapore issued the revised Code of Corporate Governance (the "2018 CG Code"). The 2018 CG Code replaces the Code and is applicable to the Company with effect from the financial year commencing from 1 January 2019. The Company will review its corporate governance practices to be in line with the 2018 CG Code and the accompanying Practice Guidance, where appropriate.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board meets regularly to:

- Oversee the business affairs of the Group by providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- Approve financial objectives and business strategies;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding shareholders' interests and the Group's assets. Monitor the standard of performances and adequacy of such internal controls and risk management, both directly and through Board Committees set up by the Board;
- Review the Management's performance;
- 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 business operations are not disrupted, Board and Board Committees 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 Company's Constitution provides for Directors to convene meetings other than physical meetings, via telephone conference, video conferencing or other similar means of communication.

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

CORPORATE GOVERNANCE REPORT

The number of Board and Board Committees meetings held in the financial year ended 31 December 2018 ("FY2018") including the attendance of each member are set out below:

Directors	Board Meetings	Audit Committee Meetings	Nominating Committee Meetings	Remuneration Committee Meetings
Ms Tan Siok Chin	6	5	3	4
Mr Edgar Ramani	6	N.A.	N.A.	N.A.
Mr Hamish Gordon Tyrwhitt (1)	6	4	N.A.	N.A.
Mr Roderick David Maciver (2)	4	N.A.	3	4
Mr Marwan Anthony Shehadeh (3)	2	N.A.	N.A.	N.A.
Mr Ong Tiew Siam	6	5	3	4
Dr Adelle Maree Howse (4)	N.A.	N.A.	N.A.	N.A.
No. of meetings held in FY2018	**6**	**5**	**3**	**4**

(1) Mr Hamish Gordon Tyrwhitt was appointed as a member of the RC with effect from 20 July 2018.
(2) Mr Roderick David Maciver resigned as Non-Executive Director and member of the NC and RC with effect from 20 July 2018.
(3) Mr Marwan Anthony Shehadeh was appointed as Non-Executive Director on 19 April 2018 and a member of the NC on 20 July 2018.
(4) Dr Adelle Maree Howse was appointed as Independent Director on 1 February 2019.
N.A. Not applicable

Newly appointed Directors are issued a letter of appointment setting out their duties, obligations and terms of appointment.

The Company has an orientation program for newly appointed Directors to familiarise themselves with the Group's operations and business, the relevant rules and regulations and governance practices as well as their duties as directors. For newly appointed Directors who do not have prior experience as a director of a company listed on the SGX-ST, they are also required by the Company to attend courses and training organised by organisations such as the SID or ACRA on topics relating to, inter alia, the duties of AC, NC and RC as well as Board and directors' duties. In addition, the Company will also organise training for newly appointed Directors in areas such as accounting, legal and industry-specific knowledge, as appropriate.

Mr Marwan Anthony Shehadeh, who was appointed to the Board in April 2018, and Dr Adelle Maree Howse, who was appointed to the Board in February 2019, have attended a directors' training conducted by SID in March 2019 and were briefed by the Executive Director and Chief Executive Officer, namely Mr Edgar Ramani on the Group's business and operations.

The Directors have attended courses and trainings conducted by the SID and ACRA on topics relating to, inter alia, the duties of AC, NC and RC as well as Board and directors' duties.

The Company will, from time to time, 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.

The Company Secretary, whose appointment and removal are subject to the Board's approval as a whole, attends all Board and Board Committees meetings, where appropriate. She provides advice, secretarial support and assistance to the Board and ensures that Board procedures are followed, and the Company complies with the relevant rules and regulations applicable to the Company. The Directors have independent access to the Company Secretary at all times.

CORPORATE GOVERNANCE REPORT

The 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 clarification 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 expense.

The Board supervises the management and corporate affairs of the Group. The Board has adopted a set of internal guidelines specifying matters requiring the Board's approval. The Board has also given clear directions to the Management on matters (including setting thresholds for certain operational matters) that require the Board's approval.

Matters that require the Board's decision and approval include, amongst others, the following:

- Annual budgets and business/financial performance of the Group;
- Major funding proposals, including investments and divestments;
- Interested person transactions;
- Dividend payments;
- Appointment of Directors and key management staff;
- Convening of shareholders' meetings; and
- Internal controls and risk management strategies and execution.

Principle 2: Board Composition and Guidance

As at the date of this Annual Report, the Board comprises six members, three of whom are independent Directors ("Independent Directors"), two non-executive non-independent Directors ("Non-Executive Directors") and one executive Director ("Executive Director"). They are:

Ms Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Mr Edgar Ramani	(Executive Director & Chief Executive Officer)
Mr Hamish Gordon Tyrwhitt	(Non-Executive Director)
Mr Marwan Anthony Shehadeh	(Non-Executive Director)
Mr Ong Tiew Siam	(Independent Director)
Dr Adelle Maree Howse	(Independent Director)

The Board, through its NC, reviews, on an on-going basis, the structure, size and 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 size and operations. The current Board comprises individuals, who as a group, provide an appropriate balance and diversity of skills, experience, gender and industry knowledge to the Group. Given these attributes, the Board collectively possesses core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. As such, the Board is of the opinion that the current Board members as a group provides an appropriate balance and diversity of the relevant skills, experience and expertise required for effective management of the Group.

CORPORATE GOVERNANCE REPORT

Notwithstanding the above, the NC recognises the merits of gender diversity in relation to the composition of the Board and, in identifying candidates for new appointment to the Board, would consider suitable female candidates. Having said that, gender is but one aspect of diversity and new directors will continue to be selected based on objective criteria set as part of the process for appointment of new Directors and Board succession planning. As at the date of this Annual Report, there were two female Directors out of a total of six Directors on the Board.

The Company recognises the benefits of diversity in the boardroom, and views diversity at the Board level is important to effective corporate governance and sustained commercial success of the Company. In FY2018, the Company has put in place a Board Diversity Policy.

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 composition of the three Board Committees is set out below:

Board Committee	Composition	Members
Nominating Committee (NC)	Three members: two Independent Directors and one Non-Executive Director The NC is comprised entirely of non-executive Directors, the majority of whom, including the Chairman, are independent	Mr Ong Tiew Siam (Chairman) Ms Tan Siok Chin Mr Marwan Anthony Shehadeh
Audit Committee (AC)	Three members: two Independent Directors and one Non-Executive Director The AC is comprised entirely of non-executive Directors, the majority of whom, including the Chairman, are independent	Mr Ong Tiew Siam (Chairman) Ms Tan Siok Chin Mr Hamish Gordon Tyrwhitt
Remuneration Committee (RC)	Three members: two Independent Directors and one Non-Executive Director The RC is comprised entirely of non-executive Directors, the majority of whom, including the Chairman, are independent	Ms Tan Siok Chin (Chairman) Mr Ong Tiew Siam Mr Hamish Gordon Tyrwhitt

The NC has reviewed and is satisfied that with the Independent Directors making up at least one-third of the number of Directors on the Board for FY2018, the Board has 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.

The Board recognises that an effective and robust board is crucial to good corporate governance and encourages its members to engage in open and constructive debates, challenge Management on its assumptions and proposals and assist in the development of proposals on strategy. The non-executive Directors also review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance. To facilitate this process, the Board, in particular, the non-executive Directors, are kept well informed of the Company's businesses and affairs by the Management.

The non-executive Directors also meet regularly without the presence of the Management to exercise objective judgement on corporate affairs independently.

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 Edgar Ramani is the Chief Executive Officer and Executive Director. The Chairman of the Board and the Chief Executive Officer are not related to each other. There is a clear division of responsibilities between the Non-Executive Chairman and Chief Executive Officer, which provides a balance of power and authority.

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

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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 constructive debate at the Board;
- Ensure that the Directors receive complete, adequate and timely information from the Management;
- Ensure effective communication with shareholders;
- Encourage constructive relations within the Board and between the Board and the 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 Board Committees, namely, AC, NC and RC which are all chaired by Independent Directors.

The Company does not have any Lead Independent Director given that the Chairman and the Chief Executive Officer are separate persons and are not immediate family members; the Chairman is also not part of the Management team and is an Independent Director.

Independent Directors also meet regularly without the presence of the other Directors.

Principle 4: Board Membership

The Company believes that Board renewal should be an on-going process in order to ensure good corporate governance. In accordance with the Company's Constitution, at least one-third of the Directors shall retire by rotation at each annual general meeting ("AGM"), provided that each Director shall be subject to retirement and rotation, at least once in every three years. All new Directors appointed by the Board shall retire at the next AGM following their appointments. The Directors retiring from office shall be eligible for re-election at the AGM.

Pursuant to the Company's Constitution, Mr Ong Tiew Siam and Dr Adelle Maree Howse will be retiring at the 2019 AGM. Mr Ong Tiew Siam has indicated his intention not to seek re-election at the 2019 AGM. Dr Adelle Maree Howse has offered herself for re-election at the 2019 AGM.

The NC has recommended to the Board Dr Adelle Maree Howse for re-appointment at the 2019 AGM having regard to her skills, experience, contributions and participation at the Board and Board Committees meetings. The Board has accepted the NC's recommendation and accordingly, Dr Adelle Maree Howse will be seeking re-election at the 2019 AGM.

The Company does not have any Alternate Directors.

The NC comprises the following members:

Mr Ong Tiew Siam	(Chairman)
Ms Tan Siok Chin	(Member)
Mr Marwan Anthony Shehadeh	(Member)

CORPORATE GOVERNANCE REPORT

The NC has three members comprising entirely non-executive Directors, the majority of whom, including the Chairman, are independent. 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 Committees;

- Develop and maintain a formal and transparent process for evaluation of the performance of the Board, its Board Committees and Directors;

- Review Board succession plans for Directors, in particular, the Chairman and for the 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 has formalised procedures for the selection, appointment and re-appointment of Directors. The desired profile of new directors are developed before comprehensive external searches are carried out and are subsequently recommended to the Board for appointment.

The NC also reviews the independence of the Independent Directors annually, in accordance with the guidelines on independence set out in the Code and the SGX-ST's Listing Manual.

The Board considers an Independent Director as one who, inter alia, has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company. In line with the guidance in the Code, the Board takes into account the existence of relationships or circumstances that are relevant in its determination as to whether a Director is independent, including the employment of a Director by the Company or any of its related corporations during the financial year in question or any of the previous three financial years; the employment of an immediate family member by the Company or any of its related corporations during the financial year in question or any of the past three financial years and whose remuneration is determined by the RC; the acceptance by a Director of any significant compensation from the Company or any of its related corporations for the provision of services during the financial year in question or the previous financial year, other than compensation for board service; and a Director being related to any organisation from which the Company or any of its subsidiaries received significant payments or material services during the financial year in question or the previous financial year; a Director who is a 10% shareholder of the Company or is an immediate family member of a 10% shareholder; and a Director who is or has been directly associated with a 10% shareholder of the Company in the financial year in question or the previous financial year.

The Board recognises that Independent Directors may over time develop significant insights into the Group's businesses and operations and can continue to provide significant and valuable contributions to the Board. Where there are such Directors, the NC and the Board will review vigorously their continuing contributions and independence and may exercise its discretion to extend the tenure of these Directors where appropriate.

As at 31 December 2018, both the Independent Directors, namely, Ms Tan Siok Chin ("Ms Tan") and Mr Ong Tiew Siam ("Mr Ong"), have served the Board for more than nine years. Mr Ong will not be standing for re-election at the 2019 AGM.

After due consideration, the Board at the recommendation of the NC continues to regard Ms Tan as independent as she has continued to demonstrate independence in judgement in the best interest of the Company in the discharge of her duties as Director and through her active participations and objective questioning of all matters discussed at Board and Board Committees meetings without undue reliance, influence or consideration of the Group's interested parties such as the Chief Executive Officer, the other non-independent Directors, controlling shareholders and/or their associates. Notwithstanding the years of service, Ms Tan has provided valuable contributions to the Board through her integrity, objectivity and professionalism. In addition, Ms Tan has continued to provide overall guidance to the Management and in protecting the Company's assets and upholding shareholders' interests.

CORPORATE GOVERNANCE REPORT

Notwithstanding the foregoing, the Board will continue to review the composition of the Board and consider the appropriateness of Board renewal should the opportunity arise.

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 (5).

Key information regarding the Directors as at 12 March 2019 is set out below:

Name of Director	Date of First Appointment	Date of Last Re-appointment	Directorships or Chairmanships in Other Listed Companies		Other Principal Commitments
			Present	Past (Preceding 3 Years)	
Tan Siok Chin	1 January 2006	20 April 2017	Independent Director of Cosmosteel Holdings Limited Independent Director of Valuetronics Holdings Limited	Nil	Director of ACIES Law Corporation
Edgar Ramani	22 February 2017	20 April 2017	Nil	Chief Executive of UGL Limited (Asia Business Unit)	Nil
Marwan Anthony Shehadeh	19 April 2018	N.A.	Non-Executive Board member of Depa Limited, Dubai Non-Executive Board member of Emirates Investment Bank, Dubai	Nil	Corporate development (Al Futtaim Group of Companies) & Senior Executive Officer – Al Futtaim Investment Management
Hamish Gordon Tyrwhitt	29 June 2016	20 April 2017	Executive Director of Depa PLC Director of Jordan Wood Industries Co.	Independent Director of Asia Resource Minerals plc.	Nil
Ong Tiew Siam	1 March 2007	19 April 2018	Independent Director of: CSC Holdings Limited Valuetronics Holdings Limited	Independent Director of: Tat Hong Holdings Ltd Fung Choi Media Group Limited (Liquidated)	Nil
Adelle Maree Howse	1 February 2019	N.A.	Nil	Alternate Director, Devine Limited	Management consultant and executive contractor

Further information on the Directors' background, experience and skills is found in the "Board of Directors" section in this Annual Report. In addition, information on the shareholding (if any) held by each Director in the Company and its related corporations is found on page 36 of this Annual Report.

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The Company has received a letter of nomination from its controlling shareholder, Depa Interiors LLC, nominating the appointment of Mr Steven James Salo as an additional Director, for approval by the Company's shareholders at the Company's AGM to be held on 26 April 2019. Please refer to "Proposed New Director" under the section entitled "Board of Directors" on page 15 of this Annual Report for more information relating to Mr Salo.

Principle 5: Board Performance

The NC will review and evaluate the performance of the Board as a whole, taking into consideration attendance records at respective Board and Board Committees 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 complete and submit a board evaluation form for the year under review. This self-assessment process takes into account, inter alia, the Board composition, maintenance of Board independence, Board information, Board process, Board accountability, communication with top management, and standard of conduct. The Board evaluation form requires each Director to evaluate the Board's composition as a whole, whilst members of the relevant Board Committees are also required to evaluate their respective Board Committees, namely, the AC, NC and RC.

In addition, the Board members are required to complete peer assessment checklists to identify their strengths, weaknesses and contributions to the effectiveness of the Board. No external facilitator had been appointed by the Board for the assessment of the performance of the Board as a whole, respective Board Committees and peers.

Principle 6: Access to Information

All Board members have separate and unrestricted access to the 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 the Management, Non-Executive Directors and Independent Directors. An agenda for Board meetings together with the relevant papers which are prepared in consultation with the Non-Executive Chairman are usually circulated before the holding of each Board and Board Committees meeting. This allows control over the quality, quantity and timeliness of the flow of information between the Management and the Board.

The Company Secretary also attends all Board and Board Committees meetings, as appropriate, and 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 the 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.

CORPORATE GOVERNANCE REPORT

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:

Ms Tan Siok Chin	(Chairman)
Mr Ong Tiew Siam	(Member)
Mr Hamish Gordon Tyrwhitt	(Member)

The RC has three members comprising entirely 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, allowances, bonuses, options, share-based incentives, awards, 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 aspects 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 the 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. The Company also engaged external executive search firm, Michael Page International Pte Limited to aid the search for suitable candidates for the position of executives. The RC and Board confirmed that the Company has no existing relationships with the external remuneration consultants and executive search firm that would affect their independence and objectivity.

The fees for Non-Executive Directors and Independent Directors which are paid on a current year basis, will be payable to the Directors on a quarterly basis, in arrears. The Directors are reimbursed for travelling expenses or allowances incurred by them in carrying out their duties. In respect of fees for the Non-Executive Directors and Independent Directors, the Board would table its recommendation at the 2019 AGM for shareholders' approval.

The Executive Director, Mr Edgar Ramani ("Mr Ramani"), has entered into service agreement with the Company. The review of service contract for Executive Director comes under the purview of the RC and the RC ensures that fair and reasonable terms of remuneration are aligned with performance. Mr Ramani is paid a fixed salary and a performance incentive bonus from the Group's incentive bonus pool. The performance incentive bonus pool is calculated based on profit before taxation of the Group for each financial year. The allocation of the performance incentive bonus to Mr Ramani is at the recommendation of the RC based on how he has fulfilled key performance indicators, which include order book, profitability and cash.

Having reviewed and considered the incentive components of remuneration of Mr Ramani and the key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

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The RC will review the feasibility of implementing such contractual provisions when appropriate.

Mr Ramani does not receive Directors' fees and attendance fees. As at the date of this Annual Report, the two Non-Executive Directors, Mr Hamish Gordon Tyrwhitt and Mr Marwan Anthony Shehadeh, have waived their respective entitlements to non-executive Director's fees on the basis that they are acting as nominees of Depa Interiors LLC (the Controlling Shareholder of the Company).

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

(a) Eligibility

The selection of an ESOS/PSP Participant will be determined by the RC at its discretion taking into account criteria such as the performance of the Group, the length of service, individual performance based on prescribed performance targets covering market competitiveness, quality of returns, business growth and productivity growth, and contribution of the participant to the success and development of the Group. 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/Grants of Awards

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

The selection of a PSP Participant and the number of Shares which are subject of each Award to be granted to a PSP Participant in accordance with the PSP shall be determined at the absolute discretion of the RC, which shall take into account criteria such as his rank, performance, length of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve performance targets prescribed by the RC within the performance period.

(c) Size of the ESOS/PSP

The aggregate number of new Shares over which Options may be granted under the ESOS when added to the number of Shares issued and/or issuable under the 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 and subsidiary holdings) 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 Share Plans 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.

The aggregate number of new Shares to be issued pursuant to Awards granted on any date, when added to the number of Shares issued and/or issuable under the ESOS 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 and subsidiary holdings) 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 PSP and the ESOS are in force with the 1st year and 2nd year of the adoption and implementation of the PSP and the ESOS being the first 2-year period, the 3rd year and 4th year being the second 2-year period, the 5th year and 6th year being the third 2-year period, the 7th year and 8th year being the fourth 2-year period and the 9th and the 10th year being the fifth 2-year period. 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.

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(d) Duration of the ESOS/PSP

The Share Plans will continue in operation, at the absolute discretion of the RC, for a maximum duration of 10 years. The Share Plans 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 ESOS/PSP

The ESOS/PSP are administered by the RC.

In accordance with the SGX-ST Listing Rules, a member of the RC who is also an ESOS/PSP Participant of the 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 ESOS

Under the ESOS, 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

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/Award of Shares

Options and share awards may be granted under the ESOS/PSP at any time during the period while the ESOS/ PSP are in force.

(j) Validity Period of Options/Vesting Period for Share Awards

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 RC 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 RC 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 RC, 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 ESOS/PSP shall be subject to the Company's Constitution 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/Share Awards

Special provisions in the ESOS/PSP deal with the lapse or earlier exercise of Options/Share Awards 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.

CORPORATE GOVERNANCE REPORT

The number of shares options/awards granted under the ESOS/PSP shall be determined at the discretion of the RC which shall take into account criteria such as the performance of the Group, the length of service, individual performance based on prescribed performance targets covering market competitiveness, quality of returns, business growth and productivity growth, and contribution of the participant to the success and development of the Group.

No options and awards have been granted under the ESOS or PSP during FY 2018.

Non-executive Directors' fee structure is as follows:

	S$
Basic Director fee	55,000
Board Chairmanship	Additional 100% of Basic Fee
AC Chairmanship	Additional 60% of Basic Fee
AC Membership	Additional 50% of fee paid to the AC Chairman
RC Chairmanship	Additional 45% of Basic Fee
RC Membership	Additional 13% of Basic Fee
NC Chairmanship	Additional 25% of Basic Fee
NC Membership	Additional 13% of Basic Fee

The attendance fee payable to non-executive Directors is S$4,000 for a full day meeting and S$2,000 for a half-day meeting. The attendance fee is applicable for attendance at Board and Board Committee meetings outside of the regular scheduled Board and Board Committees meetings.

The remuneration of Directors and top seven key management personnel for FY2018 are set out below:

Remuneration band Name of Directors	Salary (%)	Performance Incentive Bonus (%)	Director Fees (%)	Other Benefits (%)	Total (%)
Above S$500,000 and up to S$750,000					
Executive Director & Chief Executive Officer					
Edgar Ramani	96	–	–	4	100
Below S$250,000					
Non-Executive Directors					
Hamish Gordon Tyrwhitt [(1)]	–	–	–	–	–
Roderick David Maciver [(2)]	–	–	100	–	100
Marwan Anthony Shehadeh [(3)]	–	–	–	–	–
Independent Directors					
Tan Siok Chin	–	–	100	–	100
Ong Tiew Siam	–	–	100	–	100
Adelle Maree Howse [(4)]	–	–	–	–	–

(1) Mr Hamish Gordon Tyrwhitt was appointed a member of the RC on 20 July 2018. As a nominee of Depa Interiors LLC (the Controlling Shareholder of the Company), he has waived his entitlement to Non-Executive Director's fee.

(2) Mr Roderick David Maciver resigned as Non-Executive Director and member of the NC and RC with effect from 20 July 2018.

(3) Mr Marwan Anthony Shehadeh was appointed as Non-Executive Director on 19 April 2018 and a member of the NC on 20 July 2018. As a nominee of Depa Interiors LLC (the Controlling Shareholder of the Company), he has waived his entitlement to Non-Executive Director's fee.

(4) Dr Adelle Maree Howse was only appointed as Independent Director on 1 February 2019 and therefore did not receive any remuneration in the year 2018.

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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 remuneration of Directors and top seven key management personnel in bands of S$250,000 with a breakdown showing the level and mix of remuneration in percentage terms.

The Board is also 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 Top Seven Key Management Personnel	Salary (%)	Performance Incentive Bonus (%)	Other Benefits (%)	Total (%)
Above S$250,000 and up to S$500,000				
David Potts	100	–	–	100
Ronald Kurniadi [1]	93	–	7	100
Below S$250,000				
Eugene Yapp	94	–	6	100
William Lim Wee Liang [2]	94	–	6	100
Chew Keng Meng [3]	79	–	21	100
Don Cunningham	100	–	–	100
Nick Potts	100	–	–	100

(1) Mr Ronald Kurniadi was appointed as Acting Chief Financial Officer on 1 December 2017 and re-designated to Group Chief Financial Officer on 1 May 2018.
(2) Mr William Lim Wee Liang was appointed as General Manager (Singapore) on 23 August 2018.
(3) Mr Chew Keng Meng resigned as Group General Manager (Singapore) on 19 July 2018.

The total remuneration paid to the above top seven key management personnel (who are not Directors or Chief Executive Officer) for FY2018 was S$1,520,208.

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

There was no employee of the Group who was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded S$50,000 per annum during the financial year under review.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accepts that it is accountable to the shareholders and adopts best practices to maintain shareholders' confidentiality and trust. Quarterly financial statements/results are released via SGXNET within the respective periods stipulated in the SGX-ST's Listing Manual after approval by the Board. In presenting the quarterly and yearly financial statements/results, 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 Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

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. In addition, the Management provides the Board with a continual flow of relevant information as and when required and on a timely basis in order to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Company maintains sound risk management and internal control systems to safeguard the shareholders' interests and the Company's assets.

The AC, through the assistance of internal and external auditors, reviews and reports to the Board at least annually on the adequacy of the Company's system of internal controls and risk management (including financial, operational, compliance and information technology controls) and 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 of internal controls provide absolute assurance against the occurrence of material financial misstatement or losses, poor judgement in decision-making, human errors, fraud or other irregularities.

For FY2018, the Board has obtained 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 (including financial, operational, compliance and information technology controls) and risk management systems within the Group are adequate and effective.

The Company has not established a separate Board Risk Committee. The Board has delegated the AC to assist in its oversight of the risk management framework, policies and processes.

CORPORATE GOVERNANCE REPORT

Principle 12: Audit Committee

The AC comprises the following members:

Mr Ong Tiew Siam	(Chairman)
Ms Tan Siok Chin	(Member)
Mr Hamish Gordon Tyrwhitt	(Member)

The AC has three members comprising entirely of non-executive Directors, the majority of whom, including the Chairman, are independent.

The AC carries 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:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Management to the internal and external auditors;
- Assesses the adequacy and effectiveness of the internal controls (including financial, operational, compliance and information technology controls) and risk management systems established by the Management to identify, assess, manage, and disclose financial and non-financial risks including those relating to compliance with existing legislation and regulation;
- Meets with the external auditors, internal auditors, and the Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews the quarterly and full-year financial statements announcements and the auditors' report on the full-year financial statements of the Company before their submission to the Board;
- Reviews 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;
- Reviews the cost effectiveness and the independence and the objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board the appointment, re-appointment and removal of the external auditors, and approves the compensation and terms of engagement of the external auditors, and reviews the scope and results of the audit;
- Reviews whistle-blowing policy and arrangements;
- Reviews interested person transactions ("IPTs") in accordance with the requirements of the SGX-ST's Listing Manual; and
- Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow up of any instances of non-compliance.

None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firms.

The Board is of the view that the AC members have adequate, relevant and recent accounting or related financial management expertise and experience to discharge the AC's functions.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being provided by the external and internal auditors.

CORPORATE GOVERNANCE REPORT

In its review of the financial statements of the Group, the AC has discussed with Management the accounting principles that were applied and its judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were reviewed by the AC and discussed with the Management and the external auditor:

Significant Matters	How the AC reviewed these matter
Accounting for contract revenue	The AC considered the approach and assessed the reasonableness of Management's estimated total contract cost to complete the contracts. Based on its understanding of the various contracts including discussions with the Management, the AC was satisfied that Management had adopted and consistently applied appropriate accounting treatment in the financial statements to ensure that revenue and provision for onerous contracts were recorded appropriately. This matter was also an area of focus for the external auditor and reported as a key audit matter in the independent auditor's report for the financial year ended 31 December 2018.
Impairment assessment of trade receivables and contract assets	The AC assessed the reasonableness of Management's determination of impairment losses on trade receivables and contract assets. Based on discussions with Management on various significant contract receivables, the AC was satisfied that the impairment recorded by Management is adequate. This matter was also an area of focus for the external auditor and reported as a key audit matter in the independent auditor's report for the financial year ended 31 December 2018.

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 the IPTs carried out in FY2018. An aggregate value of all IPTs conducted pursuant to the shareholders' mandate and other IPT more than $100,000 during FY2018 is set out in the "Supplementary Information" section on page 104 in this Annual Report.

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

The Board and AC had reviewed the appointment of a different audit firm for one foreign-incorporated subsidiary and are satisfied that the appointment of a different auditor for this subsidiary would not compromise the standard and effectiveness of the audit of the Company. Hence, the Company has complied with Rule 716 of the Listing Manual of SGX-ST.

The Company has also complied with Rule 715 of the Listing Manual of SGX-ST in relation to the appointment of auditors for its Singapore-incorporated subsidiaries and other significant foreign-incorporated subsidiaries.

The AC had met with PricewaterhouseCoopers LLP ("PwC") to review and consider various factors, including the adequacy of the resources of PwC, 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 financial statements and PwC's proposed audit arrangements for the Company. The AC is of the opinion that PwC would be able to meet the audit requirements of the Company and the Group. The Board had accepted the AC's recommendation and would table the re-appointment of PwC as the Company's external auditors for shareholders' approval at the forthcoming AGM. In re-appointing PwC as the Company's external auditors, the Company has complied with Rule 712 of the SGX-ST's Listing Manual.

CORPORATE GOVERNANCE REPORT

Whistle-blowing Policy

The Company has adopted a whistle-blowing policy to provide well-defined and accessible channels in the Group through which employees of the Group and external parties 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 RSM Risk Advisory Pte. Ltd. ("RSM"), an international accounting firm. The AC reviews and approves the internal audit plan put up by the internal auditors on an annual basis. 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 internal auditors' reports on 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.

RSM has adopted the international quality standards set by internal auditing professional bodies including the Standards for the Professional Practice of Internal Auditing prescribed by The Institute of Internal Auditors.

As the Group's outsourced internal auditors, RSM ensures that the professionals on the engagement team possess the relevant qualifications and experience to conduct the internal audits reviews and risk management engagements. RSM maintains a formal structured continual professional training program which ensures that engagement team members possess the required attributes and performance capabilities to maintain the quality of every engagement and its deliverables.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication 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 and explanatory notes for AGM/Extraordinary General Meeting ("EGM") advertised in the newspapers and released via SGXNET;
- Announcements and press releases (if any) on major developments of the Group released via SGXNET in accordance with the requirements of the Listing Manual of SGX-ST; and
- The Company's website at www.ds-group.com 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 Company's AGM/EGMs. 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. Shareholders are also encouraged to participate effectively and to vote at AGMs and EGMs, either in person or by proxy. The Company's Constitution allows (i) a member who is not a relevant intermediary to appoint not more than two proxies; and (ii) a member who is a relevant intermediary to appoint more than two proxies, to attend, speak and vote at AGM and EGMs. The Company has not implemented measures to allow shareholders to vote in absentia at general meetings (such as, via mail, electronic mail or facsimile).

CORPORATE GOVERNANCE REPORT

Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions at general meetings. All polls for AGM and EGMs are conducted in the presence of independent scrutineer(s). The results of the poll voting are announced at the meetings and via SGXNET on the same day of the AGM/EGMs.

Minutes of AGM and EGMs are prepared and made available to shareholders upon their written request.

The Directors, Chairman of the AC, RC and NC and external auditors are normally present at AGM/EGMs to address relevant questions.

The Company solicits feedback from and addresses the concerns of shareholders through the in-house investor relations team. Relevant contact information is available in the Company's website as a channel to address inquiries from shareholders and investors.

SECURITIES TRANSACTIONS

The Company has adopted an internal code in relation to dealings in the Company's securities pursuant to Rule 1207(19) of the SGX-ST's Listing Manual (the "Rule") that is applicable to the Company and all its officers. All Directors, key officers and employees of the Group who have access to "price-sensitive" information are required to observe this Rule. Under the Rule, the Company, its Directors, key officers and employees are prohibited from dealing in the Company's securities during the period commencing (i) two weeks before the announcement of the Company's financial statements for each of the first three quarters of a financial year ("Quarters") and one month before the announcement of the Company's full year financial statements; or (ii) on the 25th day of the month following the end of the Quarters or financial year, whichever is earlier.

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.

DIVIDENDS

The Company has adopted a dividend policy to recommend and distribute annual dividends of not less than 25% of its net profits attributable to shareholders. In proposing dividend payouts, the Directors take into consideration the Company's cash, gearings, earnings, expected financial performance and condition, projected capital expenditure, other investment plans, funding requirements and any other factor that the Directors consider relevant. The Company will communicate any dividend payouts to shareholders via announcements released via SGXNET.

No dividend was recommended for FY2018 in view of the Company's loss reported for FY2018.

FINANCIAL STATEMENTS

CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members 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 2018.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Tan Siok Chin	(Non-Executive Chairman)	
Edgar Ramani	(Chief Executive Officer)	
Hamish Gordon Tyrwhitt	(Non-Executive Director)	
Marwan Anthony Shehadeh	(Non-Executive Director)	(appointed on 19 April 2018)
Ong Tiew Siam	(Independent Director)	
Adelle Maree Howse	(Independent Director)	(appointed on 1 February 2019)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

The directors' interests in shares of the Company as at 21 January 2019 were the same as those as at 31 December 2018.

SHARE OPTIONS

The Company has adopted an employee share option scheme and performance share plan known as the Design Studio Employee Share Option Scheme (the "ESOS") and the Design Studio 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 2018, 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.

DIRECTORS' STATEMENT

AUDIT COMMITTEE

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

Ong Tiew Siam (Chairman)
Tan Siok Chin
Hamish Gordon Tyrwhitt

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:

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

- Assessed 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;

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

- Reviewed the quarterly and full year financial statements announcements and the auditors' report on the full year financial statements of the Group and the Company before their submission to the Board;

- Reviewed 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;

- Reviewed the cost effectiveness and the independence and objectivity of the external auditors;

- Reviewed the nature and extent of non-audit services provided by the external auditors;

- Recommended to the Board the appointment, re-appointment and removal of the external auditors, approved the compensation and terms of engagement of the external auditors, and reviewed the scope and results of the audit;

- Reviewed whistle-blowing policy and arrangements;

- Reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual; and

- Reviewed 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.

The AC convened five meetings during the year. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

DIRECTORS' STATEMENT

INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors:

Ong Tiew Siam
Director

Edgar Ramani
Director

Singapore

29 March 2019

INDEPENDENT AUDITOR'S REPORT

To the Members of Design Studio Group Ltd and its subsidiaries

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the accompanying consolidated financial statements of Design Studio Group Ltd (the "Company") and its subsidiaries ("the Group") and the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 ("the Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group, and the changes in equity of the Company for the financial year ended on that date.

What we have audited

The financial statements of the Company and the Group comprise:

- the consolidated income statement of the Group for the year ended 31 December 2018;
- the consolidated statement of comprehensive income of the Group for the year then ended;
- the balance sheets of the Group and Company as at 31 December 2018;
- the statements of changes in equity of the Group and Company for the year then ended;
- the consolidated cash flow statement of the Group for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code.

INDEPENDENT AUDITOR'S REPORT

To the Members of Design Studio Group Ltd and its subsidiaries

Our Audit Approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the accompanying financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year ended 31 December 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Accounting for contract revenue *Refer to Note 3(a) and Note 4* For the financial year ended 31 December 2018, the Group recognised contract revenue amounting to $161.0 million. The Group recognises contract revenue over time by reference to the Group's progress towards completing the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Significant management judgement is involved in estimating the cost to complete including the assessment of the remaining contingencies that a project is or could be facing until delivery. The amount of revenue and cost recognised is also influenced by the estimates of variation orders, claims, provision for onerous contracts and provision for liquidated damages.	We obtained an understanding of on-going contracts through discussions with management and examination of contract documentation (including correspondences with customers). In relation to total contract revenue, we: • traced a sample of total contract sums to contract entered into with the customer; • inspected correspondences with customers concerning variations and claims; and • assessed the completeness of the amount of liquidated damages to be netted off against contract revenue recognised, based on our understanding of the projects. In relation to actual contract costs incurred, we: • agreed, on a sample basis, the related cost incurred to date to relevant suppliers' invoices; • assessed the competence of surveyor/architect; and • assessed the reasonableness of cost incurred against our understanding of the project and through discussions with project managers. In relation to estimated total contract costs, we: • discussed with the project managers to assess the reasonableness of estimated total contract costs; • agreed the cost to complete for a sample of contracts by substantiating costs that have been committed to quotations from and contracts with suppliers; • tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and • re-computed the measure of progress. We also recomputed the cumulative contract revenue and contract costs and the contract revenue and contract cost for the current financial year, as well as provision for onerous contracts (where relevant) for each project, and traced to the accounting records. No material differences were identified. We found the disclosures of the assumptions and the sensitivity analysis in the financial statements to be appropriate.

INDEPENDENT AUDITOR'S REPORT

To the Members of Design Studio Group Ltd and its subsidiaries

Key Audit Matter	*How our audit addressed the Key Audit Matter*
Impairment assessment of trade receivables and contract assets *Refer to Note 3(e) and Note 14* As at 31 December 2018, the Group's trade receivables amounted to $48.5 million (30% of total assets). Contract assets as at 31 December 2018 amounted to $65.7 million (41% of total assets). Management judgement is required in assessing on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables and contract assets, the Group applies the simplified approach under SFRS(I) 9, which requires lifetime expected credit losses to be recognised from initial recognition of the receivables. The key assumptions and estimation on impairment of trade receivables and contract assets and the Group's credit risk management are disclosed in Note 3(e) and Note 27(a) to the financial statements.	Our audit procedures include the following: • reviewed management's process to estimate the expected credit loss rates based on historical loss rates and forward looking information; • considered factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments; • obtained views from legal counsel appointed by management in respect of certain receivables under dispute; • circularised trade receivable confirmations to major trade debtors and performed alternative testing for confirmations with no replies; • performed substantive procedures to assess the adequacy of impairment of receivables, such as testing of customer receipts subsequent to year-end and review of repayment and sales trend during the year with the affected customers; • tested to subsequent invoices billed (if any) after year end for contract assets; and • discussed with management on the recoverability of contract assets. We found the judgements and assumptions used by management in determining the impairment of trade receivables and contract assets to be supportable based on available evidence. We have also assessed the adequacy and appropriateness of the disclosures made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the Directors' Statement (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the other sections of the annual report ("the Other Sections"), which are expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Other Sections, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

INDEPENDENT AUDITOR'S REPORT

To the Members of Design Studio Group Ltd and its subsidiaries

Responsibilities of Management and Directors 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 Act and SFRS(I)s, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITOR'S REPORT

To the Members of Design Studio Group Ltd and its subsidiaries

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Chua Lay See.

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore

29 March 2019

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Revenue	4(a)	167,144	139,084
Other items of income			
Other income	5	255	158
Interest income	6	64	90
		167,463	139,332
Items of expenses			
Changes in inventories of finished goods and work in progress		87	(1,019)
Raw materials and consumables used		(35,988)	(46,674)
Subcontractors costs		(101,050)	(40,797)
Employee benefits		(32,925)	(28,120)
Depreciation and amortisation expenses		(2,354)	(3,554)
Finance costs		(8)	(7)
Impairment loss on financial assets and contract assets		(834)	(1,219)
Reversal of impairment loss on financial assets		1,070	8
Other expenses	7	(20,299)	(16,134)
(Loss)/profit before tax		(24,838)	1,816
Income tax expense	8	(1,548)	(304)
(Loss)/profit after tax		(26,386)	1,512
(Loss)/profit attributable to:			
Owners of the Company		(26,446)	1,515
Non-controlling interests		60	(3)
		(26,386)	1,512
(Loss)/earnings per share (cents)			
– basic	9	(10.16)	0.58
– diluted	9	(10.16)	0.58

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2018

	Group	
	2018	2017
	$'000	$'000
(Loss)/profit after tax	(26,386)	1,512
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Currency translation differences arising from consolidation		
– Losses	(755)	(105)
Total comprehensive (loss)/income for the year, net of tax	(27,141)	1,407
Total comprehensive (loss)/income attributable to:		
Owners of the Company	(27,201)	1,410
Non-controlling interests	60	(3)
	(27,141)	1,407

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

BALANCE SHEET – GROUP

As at 31 December 2018

		Group		
		31 December		1 January
	Note	2018	2017	2017
		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	10	14,109	14,536	15,041
Intangible assets	12	2,762	2,738	2,741
Deferred tax assets	13	554	1,333	424
Trade and other receivables	14	7,277	11,852	14,790
Total non-current assets		24,702	30,459	32,996
Current assets				
Inventories	15	4,050	7,886	13,252
Contract assets	4(b)	65,735	16,400	4,955
Trade and other receivables	14	51,427	55,286	72,743
Prepayments		709	1,297	1,427
Tax recoverable		1,501	1,070	1,131
Cash and short-term deposits	16	11,805	28,942	53,963
Total current assets		135,227	110,881	147,471
Current liabilities				
Trade and other payables	17	80,689	40,382	45,442
Contract liabilities	4(b)	8,490	7,039	23,532
Provisions	18	2,225	517	–
Finance lease liabilities	19	–	50	–
Borrowings	20	3,000	–	–
Provision for tax		186	824	3,402
Total current liabilities		94,590	48,812	72,376
Net current assets		40,637	62,069	75,095
Non-current liabilities				
Deferred tax liabilities	13	37	85	63
Provisions	18	–	–	75
Net assets		65,302	92,443	107,953
Equity attributable to owners of the Company				
Share capital	21	32,732	32,732	32,732
Retained profits		34,692	61,138	76,540
Translation reserve		(1,723)	(968)	(863)
		65,701	92,902	108,409
Non-controlling interests		(399)	(459)	(456)
Total equity		65,302	92,443	107,953

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

BALANCE SHEET – COMPANY

As at 31 December 2018

		Company		
		31 December		1 January
	Note	2018	2017	2017
		$'000	$'000	$'000
Non-current assets				
Property, plant and equipment	10	3,321	3,249	2,040
Investment in subsidiaries and loan to a subsidiary	11	41,359	41,359	41,359
Intangible assets	12	33	9	12
Deferred tax assets	13	287	280	272
Total non-current assets		45,000	44,897	43,683
Current assets				
Trade and other receivables	14	3,413	3,346	2,975
Prepayments		69	42	26
Loans to subsidiaries	11	6,155	8,725	2,675
Cash and short-term deposits	16	365	1,693	12,767
Total current assets		10,002	13,806	18,443
Current liabilities				
Trade and other payables	17	1,463	1,139	721
Provision for tax		–	–	11
Total current liabilities		1,463	1,139	732
Net current assets		8,539	12,667	17,711
Net assets		53,539	57,564	61,394
Equity attributable to owners of the Company				
Share capital	21	32,732	32,732	32,732
Retained profits		20,807	24,832	28,662
Total equity		53,539	57,564	61,394

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Group	Share capital $'000	Retained profits $'000	Translation reserves $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2018						
Balance as at 31 December 2017	32,732	61,488	(959)	93,261	(459)	92,802
Adoption of SFRS(I) 15	–	(47)	(9)	(56)	–	(56)
Adoption of SFRS(I) 9	–	(303)	–	(303)	–	(303)
Balance as at 1 January 2018, after adoption of SFRS(I)	32,732	61,138	(968)	92,902	(459)	92,443
Loss after tax	–	(26,446)	–	(26,446)	60	(26,386)
Other comprehensive loss for the year	–	–	(755)	(755)	–	(755)
Total comprehensive loss for the year	–	(26,446)	(755)	(27,201)	60	(27,141)
At 31 December 2018	32,732	34,692	(1,723)	65,701	(399)	65,302
2017						
At 31 December 2016	32,732	77,204	(863)	109,073	(456)	108,617
Adoption of SFRS(I) 15	–	(417)	–	(417)	–	(417)
Adoption of SFRS(I) 9	–	(247)	–	(247)	–	(247)
Balance as at 1 January 2017, after adoption of SFRS(I)	32,732	76,540	(863)	108,409	(456)	107,953
Profit after tax	–	1,515	–	1,515	(3)	1,512
Other comprehensive loss for the year	–	–	(105)	(105)	–	(105)
Total comprehensive income for the year	–	1,515	(105)	1,410	(3)	1,407
Transaction with owners, recognised directly in equity:						
– Dividends on ordinary shares (Note 30)	–	(16,917)	–	(16,917)	–	(16,917)
At 31 December 2017	32,732	61,138	(968)	92,902	(459)	92,443

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2018

Company	Share capital $'000	Retained profits $'000	Total equity $'000
2018			
At 1 January 2018	32,732	24,832	57,564
Loss after tax, representing total comprehensive loss for the year	–	(4,025)	(4,025)
At 31 December 2018	32,732	20,807	53,539
2017			
At 1 January 2017	32,732	28,662	61,394
Profit after tax, representing total comprehensive income for the year	–	13,087	13,087
Transaction with owners, recognised directly in equity:			
– Dividends on ordinary shares (Note 30)	–	(16,917)	(16,917)
At 31 December 2017	32,732	24,832	57,564

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
(Loss)/profit before tax		(24,838)	1,816
Adjustments for:			
Depreciation of property, plant and equipment	10	2,350	3,551
Loss/(gain) on disposal of property, plant and equipment	7	543	(81)
Finance expenses		8	7
Interest income	6	(64)	(90)
Impairment loss on property, plant and equipment	7	305	–
Amortisation of club membership	7	4	3
Reversal of impairment loss on club membership	7	(28)	–
Reversal of impairment loss on financial assets		(1,070)	(8)
Impairment loss on financial assets		716	1,177
Impairment loss on contract assets		118	42
Inventories written off	15	108	–
Inventories written down, net	15	1,473	2,045
Operating cash flows before changes in working capital		(20,375)	8,462
Decrease in inventories		2,199	3,235
Increase in contract assets and liabilities		(48,115)	(28,001)
Decrease in trade and other receivables		8,399	19,668
Decrease in prepayments		593	128
Increase/(decrease) in trade and other payables		41,986	(4,799)
Cash flows used in operations		(15,313)	(1,307)
Finance expenses paid		(8)	(7)
Income taxes paid		(1,883)	(3,679)
Net cash used in operating activities		(17,204)	(4,993)
Cash flows from investing activities			
Costs incurred for construction-in-progress		(1,011)	–
Interest income received		64	90
Proceeds from disposal of property, plant and equipment		348	133
Purchases of property, plant and equipment		(2,370)	(3,162)
Net cash used in investing activities		(2,969)	(2,939)
Cash flows from financing activities			
Decrease/(increase) in cash and short-term deposits pledged		1,023	(1,023)
Dividends paid on ordinary shares by the Company	30	–	(16,917)
Proceeds from bank borrowings		3,000	–
Repayment of finance lease liabilities (Note B)		(50)	(50)
Net cash provided by/(used in) financing activities		3,973	(17,990)
Net decrease in cash and cash equivalents		(16,200)	(25,922)
Effect of exchange rate changes on cash and cash equivalents		86	(122)
Cash and cash equivalents at 1 January		27,919	53,963
Cash and cash equivalents at 31 December (Note A)		11,805	27,919

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2018

A. Cash and cash equivalents

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

	Note	Group 2018 $'000	Group 2017 $'000
Cash at banks and on hand		11,805	27,893
Fixed deposits		–	1,049
Cash and short-term deposits	16	11,805	28,942
Less: Cash and short-term deposits pledged		–	(1,023)
Cash and cash equivalents		11,805	27,919

B. Reconciliation of liabilities arising from financing activities

	1 January 2018 $'000	Principal and interest payments $'000	Non-cash changes: Addition to property, plant and equipment $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Proceeds from Borrowings $'000	Non-cash changes: Interest Expenses $'000	31 December 2018 $'000
Finance lease liabilities	50	(50)	–	–	–	–	–
Borrowings	–	(8)	–	–	3,000	8	3,000

	1 January 2017 $'000	Principal and interest payments $'000	Non-cash changes: Addition to property, plant and equipment $'000	Non-cash changes: Foreign exchange movement $'000	Non-cash changes: Proceeds from Borrowings $'000	Non-cash changes: Interest Expenses $'000	31 December 2017 $'000
Finance lease liabilities	–	(50)	100	–	–	–	50

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. GENERAL INFORMATION

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. Depa Limited is listed on Nasdaq Dubai.

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

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are shown in Note 11 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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 Singapore Financial Reporting Standards (International) ("SFRS(I)") under the historical cost convention except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

The preparation of financial statements in conformity with SFRS(I) requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

2.2 Adoption of SFRS(I)

As required by the listing requirements of Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018. These financial statements for the year ended 31 December 2018 are the first set of financial statements the Group prepared in accordance with SFRS(I). The Group's previously issued financial statements for periods up to and including the financial year ended 31 December 2017 were prepared in accordance with Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I) on 1 January 2018, the Group is required to apply all of the specific transition requirements in SFRS(I) 1 First-time Adoption of SFRS(I).

Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 31 December 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening balance sheet has been prepared as at 1 January 2017, which is the Group's date of transition to SFRS(I) ("date of transition").

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(a) Optional exemptions applied

SFRS(I) 1 allows the exemption from application of certain requirements under SFRS(I) on a retrospective basis. The Group has applied the following exemptions in preparing this first set of financial statements in accordance with SFRS(I):

(i) Business combinations

SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 January 2017. The same classification as in its previous SFRS financial statements has been adopted.

The Group has not applied SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 January 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 1-21.

(ii) Leases

The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.

(iii) Practical expedients on adoption of SFRS(I) 15 *Revenue from Contracts with Customers*

The Group has elected to apply the transitional provisions under paragraph C5 of SFRS(I) 15 at 1 January 2018 and have used the following practical expedients provided under SFRS(I) 15 as follows:

- for contracts which were modified before the date of transition, the Group did not retrospectively restate the contract for those contract modifications; and

- for the financial year ended 31 December 2017, the Group did not disclose the amount of transaction price allocated to the remaining performance obligations and explanation of when the Group expects to recognise that amount as revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's balance sheet reported in accordance with SFRS to SFRS(I)

As at 1 January 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Non-current assets					
Property, plant and equipment		15,041	–	–	15,041
Intangible assets		2,741	–	–	2,741
Deferred tax assets		424	–	–	424
Trade and other receivables	B1	14,828	–	(38)	14,790
Total non-current assets		33,034	–	(38)	32,996
Current assets					
Inventories		13,252	–	–	13,252
Gross amount due from customers for contract work-in-progress	A2	5,232	(5,232)	–	–
Contract assets	A1, A2, B1	–	4,968	(13)	4,955
Trade and other receivables	B1	72,939	–	(196)	72,743
Prepayments		1,427	–	–	1,427
Tax recoverable		1,131	–	–	1,131
Cash and short-term deposits		53,963	–	–	53,963
Total current assets		147,944	(264)	(209)	147,471
Current liabilities					
Trade and other payables	A2	46,386	(944)	–	45,442
Gross amount due to customers for contract work-in-progress	A2	22,435	(22,435)	–	–
Contract liabilities	A1, A2	–	23,532	–	23,532
Provision for tax		3,402	–	–	3,402
Total current liabilities		72,223	153	–	72,376
Net current assets		75,721	(417)	(209)	75,095
Non-current liabilities					
Deferred tax liabilities		63	–	–	63
Provisions	A3	75	–	–	75
Net assets		108,617	(417)	(247)	107,953
Equity attributable to owners of the Company					
Share capital		32,732	–	–	32,732
Retained profits	A1, B1	77,204	(417)	(247)	76,540
Translation reserve	A1	(863)	–	–	(863)
		109,073	(417)	(247)	108,409
Non-controlling interests		(456)	–	–	(456)
Total Equity		108,617	(417)	(247)	107,953

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(b) Reconciliation of the Group's balance sheet reported in accordance with SFRS to SFRS(I) (continued)

As at 31 December 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Non-current assets					
Property, plant and equipment		14,536	–	–	14,536
Intangible assets		2,738	–	–	2,738
Deferred tax assets		1,333	–	–	1,333
Trade and other receivables	B1	11,896	–	(44)	11,852
Total non-current assets		30,503	–	(44)	30,459
Current assets					
Inventories	A1	8,047	(161)	–	7,886
Gross amount due from customers for contract work-in-progress	A2	4,990	(4,990)	–	–
Contract assets	A1, A2, B1	–	16,455	(55)	16,400
Trade and other receivables	A2, B1	66,239	(10,749)	(204)	55,286
Prepayments		1,297	–	–	1,297
Tax recoverable		1,070	–	–	1,070
Cash and short-term deposits		28,942	–	–	28,942
Total current assets		110,585	555	(259)	110,881
Current liabilities					
Trade and other payables	A2	41,208	(826)	–	40,382
Gross amount due to customers for contract work-in-progress	A2	5,949	(5,949)	–	–
Contract liabilities	A1, A2	–	7,039	–	7,039
Provisions	A3	170	347	–	517
Finance lease liabilities		50	–	–	50
Provision for tax		824	–	–	824
Total current liabilities		48,201	611	–	48,812
Net current assets		62,384	(56)	(259)	62,069
Non-current liabilities					
Deferred tax liabilities		85	–	–	85
Net assets		92,802	(56)	(303)	92,443
Equity attributable to owners of the Company					
Share capital		32,732	–	–	32,732
Retained profits	A1, B1	61,488	(47)	(303)	61,138
Translation reserve	A1	(959)	(9)	–	(968)
		93,261	(56)	(303)	92,902
Non-controlling interests		(459)	–	–	(459)
Total Equity		92,802	(56)	(303)	92,443

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

(c) Reconciliation of the Group's total comprehensive income reported in accordance with SFRS to SFRS(I)

For the financial year ended 31 December 2017	Note	Reported under SFRS $'000	Effects of applying SFRS(I) 15 $'000	Effects of applying SFRS(I) 9 $'000	Reported under SFRS(I) $'000
Revenue	A1	142,049	(2,965)	–	139,084
Other items of Income					
Other Income		158	–	–	158
Finance Income		90	–	–	90
		142,297	(2,965)	–	139,332
Items of expenses					
Changes in inventories of finished goods and work-in-progress	A1	(948)	(71)	–	(1,019)
Raw materials and consumables used	A1	(47,818)	1,144	–	(46,674)
Subcontractors costs	A1	(41,797)	1,000	–	(40,797)
Staff costs	A1	(28,986)	866	–	(28,120)
Depreciation and amortisation expenses		(3,554)	–	–	(3,554)
Finance costs	A1	(7)	–	–	(7)
Impairment loss on financial assets and contract assets	B1	(1,163)	–	(56)	(1,219)
Reversal of impairment loss on financial assets		8	–	–	8
Other expenses	A1	(16,530)	396	–	(16,134)
Profit before tax		1,502	370	(56)	1,816
Income tax expenses		(304)	–	–	(304)
Profit after tax		1,198	370	(56)	1,512
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Foreign currency translation	A1	(96)	(9)	–	(105)
Total comprehensive income for the year, net of tax		1,102	361	(56)	1,407

(d) There were no material adjustments to the Group's statement of cash flows arising from the transition from SFRS to SFRS(I).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

Explanatory notes to reconciliations:

The effects of transition to SFRS(I) mainly arises from the optional exemptions provided for under SFRS(I) 1 and the adoption of SFRS(I) 9 *Financial Instruments* and SFRS(I) 15 *Revenue from Contracts with Customers*.

A. Adoption of SFRS(I) 15

In accordance with the requirements of SFRS(I) 1, the Group adopted SFRS(I) 15 retrospectively. As disclosed in Note 2.2(a)(iii), the Group has also elected to apply the transition provisions under paragraph C5 of the SFRS(I) 15 at 1 January 2018.

The adoption of SFRS(I) 15 resulted in adjustments to the previously issued SFRS financial statements as explained below:

A1. Transition from output measure to input measure

Under SFRS(I), the Group has assessed that an input measure using the cost-to-cost method will best depict the transfer of goods and services to customers. This will result in the Group's adoption of the cost-to-cost method where the stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total contract costs for the contract.

A2. Presentation of contract assets and contract liabilities

The Group has also changed the presentation of certain amounts in the balance sheet as at 31 December 2017 on adopting SFRS(I) 15:

(i) Contract assets relating to contracts were previously presented as "Gross amount due from customers for contract work-in-progress" and "Unbilled receivables" within trade and other receivables of $4,990,000 and $10,749,000 (1 January 2017: $5,232,000 and Nil) under SFRS.

(ii) Contract liabilities in relation to contracts were previously presented as "Advance payments from customers" within trade and other payables and "Gross amount due to customers for contract work-in-progress" of $826,000 and $5,949,000 (1 January 2017: $944,000 and $22,435,000) under SFRS.

A3. Presentation of provision for onerous contracts

Previously under SFRS 11, when it was probable that total contract costs will exceed total contract revenue for construction contracts, the expected loss was recognised as an expense immediately on a contract-by-contract basis, and was accounted for on the balance sheet in accordance with SFRS 11.

Under the SFRS(I) 15, there is no guidance on how to account for expected losses on loss-making contracts. As such, the Group will need to apply SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* to identify and account for onerous contracts.

The Group has assessed and concluded that these loss-making contracts are onerous and will be recognised and measured as a provision. Provision for onerous contracts as at 31 December 2017 amounting to $347,000 (1 January 2017: Nil) was recognised as a result of this change.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Adoption of SFRS(I) (continued)

B. Adoption of SFRS(I) 9

B1. Classification and measurement of financial assets

For financial assets held by the Group on 1 January 2018, management has assessed the business models that are applicable on that date to these assets so as to classify them into the appropriate categories under SFRS(I) 9. There are no material adjustments resulting from management's assessments.

(i) Impairment loss of financial assets

The Group has the following financial assets subject to the expected credit loss impairment model under SFRS(I) 9:

- Cash and cash equivalents;
- Trade receivables and contract assets recognised under SFRS(I) 15;
- Other receivables at amortised cost

The impairment methodology under SFRS and SFRS(I) for the financial assets at amortised cost is different. The impairment methodology for financial assets at amortised cost under SFRS(I) 9 is as disclosed in Note 2.10 and Note 27(a).

C. Reconciliation of the Company's equity reported in accordance with SFRS to SFRS(I)

The Company's opening balance sheet was prepared at 1 January 2017, which was the Company's date of transition to SFRS(I). There was no material impact to the Company's balances on adoption of SFRS(I).

(i) Impairment of financial assets

The Company has its trade receivables recognised under SFRS(I) 15, and loans to subsidiaries and other receivables at amortised costs subject to the expected credit loss impairment model under SFRS(I) 9.

The impairment methodology under SFRS and SFRS(I) for the financial assets at amortised cost is different. The impairment methodology for financial assets at amortised cost under SFRS(I) 9 is as disclosed in Note 2.10 and Note 27(a).

2.3 New or revised accounting standards and interpretations

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2019 and which the Group has not early adopted:

<u>SFRS(I) 16 *Leases* (effective for annual periods beginning on or after 1 January 2019)</u>

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

As at 31 December 2018, the Group has non-cancellable operating lease commitments of $3,517,000 (Note 24). Of these commitments, approximately $244,000 relates to short-term leases and $59,000 relates to low-value leases which will both be recognised on a straight-line basis as expense in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 New or revised accounting standards and interpretations (continued)

For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately $2,910,000 on 1 January 2019 and lease liabilities of $3,161,000 (after adjustments for prepayment and accrued lease payments recognised).

SFRS(I) INT 23 *Uncertainty Over Income Tax Treatments* (effective for annual periods beginning on or after 1 January 2019)

The interpretation explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

(i) how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;

(ii) that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored

(iii) that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment

(iv) that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty, and

(v) that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Group does not expect additional tax liability to be recognised arising from the uncertain tax positions on the adoption of the interpretation on 1 January 2019.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained profits, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another SFRS(I).

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is recognised separately as an intangible asset and carried at cost less accumulated impairment losses. Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

2.5 Transactions with non-controlling interests

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated income statement, consolidated statement of comprehensive income, statement of changes in equity, and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency

The financial statements are presented in Singapore Dollars ("SGD"), which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of Group entities that have a functional currency different from the presentation currency are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at average exchange rate. The exchange differences arising on the translation are recognised in other comprehensive income and accumulated in the currency translation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold factory building	–	23 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 15 years
Site equipment	–	5 years

Assets under construction are not depreciated as these assets are not yet available for use.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.7 Property, plant and equipment (continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value-in-use, the estimated future cash flows expected to be generated by the asset are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses are recognised in profit or loss. An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Investment in subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Loan to a subsidiary which contains no contractual obligations to be repaid ("quasi-equity loan") is accounted for as an investment in subsidiary. In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Financial assets

(a) Classification and measurement

The Group classifies its financial assets at amortised cost. The classification depends on the Group's business model for managing financial assets as well as the contractual terms of the cash flows of the financial assets.

The Group reclassified debts instruments when and only when its business model at managing those assets changes.

At initial recognition

At initial recognition, the Group measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

At subsequent measurement

Debt instruments

The Group's debt instruments mainly comprise of cash and cash equivalents, trade and other receivables and loan to subsidiaries. These debt instruments are subsequently measured at amortised cost.

Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

(b) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 27 details how the Group determines whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach under SFRS(I) 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(c) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a debt instrument, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.11 Financial liabilities

(a) Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus directly attributable transaction costs.

(b) Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

(c) De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.13 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a first-in first-out basis.

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Where necessary, a write down is made 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 the business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Restructuring provisions comprises lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

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

Present obligation arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

2.15 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

The subsidiaries in Malaysia make contribution to the Employees Provident Fund ("EPF").

The subsidiary incorporated in the People's Republic of China ("PRC") is 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. The Group has no further payment obligations once the contributions have been paid.

(b) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.16 Leases

Leasee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are received by lessors are classified as operating lease.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

2.17 Revenue recognition

(a) Sale of goods

The Group sells a range of products. Revenue are recognised when control of the products has transferred to its customer, being when the products are delivered to the customer. There is no unfulfilled obligation that would affect the customer's acceptance of the products. Delivery occurs when products have been shipped to the specific location and the customer accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

No element of financing is deemed present. The credit terms for these sales are generally 30 to 90 days.

A receivable (financial asset) is recognised when the products are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before payment is due.

(b) Contract revenue

The Group provides complete interior fit-out solutions and supply and installation of paneling products to its customers operating in a variety of industries. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls or the Group creates an asset with no alternative use and has an enforceable right to payment for work completed.

For these contracts, revenue is recognised over time by reference to the Group's progress towards completing the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Revenue recognition (continued)

(b) Contract revenue (continued)

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

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

Variations which are in the nature of extension of existing scope of work are accounted for using cumulative catch up adjustments to the input method of revenue recognition. Variation orders which require addition of distinct goods and services to the scope at discounted prices are accounted for prospectively and variation orders which require addition of distinct goods and services to the scope at standalone selling prices are accounted for as new contracts with the customers.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract asset based on the amount of revenue recognized by the performance that exceeds consideration received. Where the amount of consideration received from a customer exceeds the amount of revenue recognised this gives rise to a contract liability.

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. Inventories), these have been accounted in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs assets only if (a) these costs relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Income taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary taxable differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liabilty in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.20 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.22 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.23 Dividends to Company's shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

2.24 Financial guarantees

The Company has issued corporate guarantees to banks for credit facilities of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee contracts are initially measured at fair value plus transaction costs and subsequently measured at the higher of:

a. premium received on initial recognition less the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15; and

b. the amount of expected loss computed using impairment methodology under SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.25 Intangible assets

(a) Goodwill

Please refer to Note 2.4(b) for the recognition of goodwill.

(b) Club membership

Club membership acquired is measured initially at cost and subsequently at cost less accumulated amortisation and any accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 21 years.

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported revenue and expenses during the financial year.

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates.

(a) Estimation of total contract costs

The Group recognises revenue over time by reference to the Group's progress towards completing the contracts. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Management has to estimate the total contract cost to complete, which are used in the input method to determine the Group's recognition of contract revenue. When it is probable that the total contract costs will exceed the total contract revenue, a provision for onerous contracts is recognised immediately.

Significant judgement is used to estimate these total contract costs to complete. In making these estimates, management has relied on the expertise of the quantity surveyors to determine the progress of the construction and also on past experience of completed projects.

As at 31 December 2018, $65,735,000 of the Group's contract assets is subject to the estimation of progress towards completion using the input method. If the total contract costs of on-going contracts to be incurred had been higher/lower by 1% from management's estimates, the Group's profit before tax would have been lower/higher by $2,500,000 and $1,800,000 respectively.

(b) Impairment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amounts of the goodwill are determined based on value-in-use calculations. The value-in-use calculations are based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value-in-use are disclosed and further explained in Note 12 to the financial statements.

The carrying amount of goodwill at the end of the reporting period was $2,729,000 (2017: $2,729,000). No impairment loss has been recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (continued)

(c) Depreciation of property, plant and equipment – Machinery

The Group's machinery as at 31 December 2018 was $8,435,000 (31 December 2017: $8,141,000 and 1 January 2017: $9,824,000).

During the financial year, the Group revised the estimated useful lives of its machinery after conducting an operational review of their useful lives. The effect of the change is a reduction in depreciation expense of approximately $802,000 for the financial year ended 31 December 2018.

Changes in estimates (in $'000)	2018	2019	2020	2021	2022
Decrease in depreciation expense:					
Machinery	802	802	802	802	802

(d) Inventories written down

The Group reviews an ageing analysis at the end of each reporting period, and write down inventories that are identified as obsolete and slow-moving. Inventories written down amounted to $1,473,000 (2017: $2,045,000). Management estimates the net realisable value for inventories based primarily on the latest selling prices and current market conditions. Changes in demand levels, technological developments and pricing competition could affect the saleability and selling prices of the inventories. The carrying amount of the Group's inventories as at 31 December 2018 was $4,050,000 (2017: $7,886,000).

(e) Impairment of trade receivables and contract assets

As at 31 December 2018, the Group's trade receivables and contract assets amounted to $48,543,000 (Note 14) and $65,735,000 (Note 4(b)) respectively.

Based on the Group's historical credit loss experience, trade receivables exhibited different loss patterns for each geographical segment. Accordingly, management has determined the expected loss rates by grouping the receivables across geographical regions. Loss allowance of $827,000 for trade receivables and $172,000 for contract assets were recognised as at 31 December 2018.

Notwithstanding the above, the Group evaluates the expected credit loss on customers as set out in Note 27(a)(i).

The Group's and the Company's credit risk exposure for trade receivables and contract assets by geographical segment are set out in Note 27(a)(i).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS

(a) Disaggregation of revenue from contracts with customers

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines and geographical regions. Revenue is attributed to countries by location of customers.

	At a point in time $'000	Over time $'000	Total $'000
2018			
Contract revenue			
– Singapore	–	75,111	75,111
– Malaysia	–	58,275	58,275
– People's Republic of China	–	5,140	5,140
– United Arab Emirates	–	7,534	7,534
– Thailand	–	13,416	13,416
– Other countries*	–	1,476	1,476
	–	160,952	160,952
Sales of goods			
– Singapore	458	–	458
– Malaysia	228	–	228
– People's Republic of China	5,141	–	5,141
– Other countries*	365	–	365
	6,192	–	6,192
Total	6,192	160,952	167,144
2017			
Contract revenue			
– Singapore	–	67,165	67,165
– Malaysia	–	45,354	45,354
– People's Republic of China	–	1,886	1,886
– United Arab Emirates	–	20,911	20,911
– Thailand	–	812	812
– Other countries*	–	380	380
	–	136,508	136,508
Sales of goods			
– Singapore	477	–	477
– Malaysia	18	–	18
– People's Republic of China	1,922	–	1,922
– Other countries*	159	–	159
	2,576	–	2,576
Total	2,576	136,508	139,084

* Other countries – consists of Sri Lanka, United States of America, Ghana and Japan

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For the financial year ended 31 December 2018

4. REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

(b) Contract assets and liabilities

	Note	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Contract assets				
– Contract revenue	(i)	65,907	16,454	4,968
Less: Loss allowance		(172)	(54)	(13)
Total contract assets		65,735	16,400	4,955
Contract liabilities				
– Contract revenue		1,146	6,213	22,588
– Advance payment from customers		7,344	826	944
Total contract liabilities	(i), (ii)	8,490	7,039	23,532

Contract assets and contract liabilities relate to interior fit-out contracts. The contract assets balance increased as the Group provided and transferred more works ahead of certified claims or agreed payment schedules. The Group recognised a loss allowance of $172,000 for contract assets following the adoption of SFRS(I) 9 (Note 27(a)).

Contract liabilities for contracts have increased due to more contracts in which the Group billed and received consideration ahead of the value of the works to be transferred.

(i) *Revenue recognised in relation to contract liabilities*

	2018 $'000	2017 $'000
Revenue recognised in current period that was included in the contract liability balance at the beginning of the period		
– Contracts	7,093	23,497

(ii) *Unsatisfied performance obligations*

	31 December 2018 $'000	31 December 2017 $'000	1 January 2017 $'000
Aggregate amount of the transaction price allocated to contracts that are partially or fully unsatisfied as at 31 December			
– Contracts	137,601	–*	–*

* As permitted under the transitional provisions in the SFRS(I) 15, the transaction price allocated to partially or fully unsatisfied performance obligations as of 31 December 2017 and 1 January 2017 is not disclosed.

Management expects that the aggregate amount of the transaction price allocated to unsatisfied performance obligations as of 31 December 2018 will be recognised as revenue as the Group continue to perform to complete the contracts, which is expected to occur over the next few years up to financial year 2022. The amount disclosed above does not include variable consideration which is subject to significant risk of reversal.

As permitted under the SFRS(I) 15, the aggregated transaction price allocated to unsatisfied contracts of periods one year or less is not disclosed.

There are no assets recognised in relation to costs to fulfil contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

5. OTHER INCOME

	Group	
	2018	2017
	$'000	$'000
Sundry income	29	43
Income from wage credit schemes	69	115
Insurance claim	157	–
	255	158

The Wage Credit Scheme is a 3 year scheme that was introduced in the Singapore Budget 2013 (extended in Budget 2018 up to year 2020) to help businesses alleviate business costs in a tight labour market. The wage credit will be paid to eligible employers for wage increases between 2013 to 2020.

6. INTEREST INCOME

	Group	
	2018	2017
	$'000	$'000
Interest income from fixed deposits	64	90

7. OTHER EXPENSES

Other expenses include the followings:

	Group	
	2018	2017
	$'000	$'000
Amortisation of club membership	4	3
Reversal of impairment loss on club membership	(28)	–
Directors' fees	350	383
Operating lease expenses	3,285	2,202
Professional and legal expenses	2,013	1,672
Fixed asset expensed off	29	11
Repair and maintenance expenses	1,204	1,489
Audit fee		
– auditors of the Company	223	195
– other auditors	179	135
Non-audit fee		
– auditors of the Company	–	20
Provision for onerous contracts (Note 18)	1,540	347
Net foreign exchange (gain)/loss	(27)	846
Recruitment expenses	969	240
Utilities	1,030	1,198
Travelling expenses	1,076	907
Transport expenses	593	1,176
Freight and shipping charges	661	913
Meals and entertainment	944	716
Impairment loss on property, plant and equipment	305	–
Loss/(Gain) on disposal of property, plant and equipment	543	(81)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. INCOME TAX EXPENSE

Major components of income tax expense

	Group 2018 $'000	Group 2017 $'000
Current income tax:		
Singapore		
– current year	–	1,084
– (over)/under provision in respect of previous years	(11)	27
Foreign		
– current year	789	206
– under/(over) provision in respect of previous years	36	(126)
	814	1,191
Deferred income tax:		
Singapore		
– origination and reversal of temporary differences	(55)	25
– under provision in respect of previous years	–	8
Foreign		
– origination and reversal of temporary differences	789	(913)
– over provision in respect of previous years	–	(7)
	734	(887)
Income tax expense recognised in profit or loss	1,548	304

Domestic income tax is calculated at 17% (2017: 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:

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2018 and 2017 is as follows:

	Group 2018 $'000	Group 2017 $'000
(Loss)/profit before tax	(24,838)	1,816
Income tax at the domestic rates applicable to profits in the countries where the Group operates	(4,866)	43
Non-deductible expenses	1,725	403
Income not subject to taxation	(6)	(99)
Effect of partial tax exemption and other reliefs	–	(26)
Tax incentives	–	(159)
Over provision of income tax in respect of previous years	25	(99)
Under provision of deferred tax in respect of previous years	–	1
Deferred tax assets written off	789	–
Deferred tax assets not recognised	3,881	240
Income tax expense recognised in profit or loss	1,548	304

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

8. INCOME TAX EXPENSE (continued)

Relationship between tax expense and accounting profit: (continued)

Under the group tax relief system introduced by the Inland Revenue Authority of Singapore ("IRAS"), a Singapore incorporated company may, upon satisfaction of the criteria set out by the IRAS, transfer its current year's unabsorbed capital allowances, trade losses and donations to another company belonging to the same group, to be deducted against the assessable income of the latter company. A subsidiary within the Group has applied to transfer group tax relief amounting to $75,000 (2017: $600,000) to the Company (2017: another subsidiary within the group).

9. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit after tax for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted (loss)/earnings per share is calculated by dividing the (loss)/profit after tax for the year attributable to owners of the Company 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 (loss)/profit and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2018 $'000	**2017 $'000**
(Loss)/profit attributable to owners of the Company	(26,446)	1,515
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic (loss)/earnings per share and diluted (loss)/earnings per share	260,264	260,264
Basic (loss)/earnings per share (cents)	(10.16)	0.58

There are no dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold factory building $'000	Leasehold improvement $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Renovations $'000	Machinery $'000	Site equipment $'000	Construction-in-progress $'000	Total $'000
Cost											
At 1 January 2017	5,680	99	478	2,651	1,313	2,292	6,943	33,967	72	–	53,495
Additions	–	–	207	280	501	357	1,894	9	14	–	3,262
Disposals	–	–	(156)	(502)	(723)	(146)	(1,043)	–	(58)	–	(2,628)
Exchange differences	–	–	(2)	(27)	(2)	(11)	(41)	(268)	–	–	(351)
At 31 December 2017 and 1 January 2018	5,680	99	527	2,402	1,089	2,492	7,753	33,708	28	–	53,778
Additions	–	–	40	111	–	430	352	1,422	15	1,011	3,381
Disposals	–	–	(37)	(281)	(211)	(16)	(4,733)	(12,773)	(3)	–	(18,054)
Impairment	–	–	(78)	(119)	–	(187)	(366)	–	–	–	(750)
Reclassifications	–	–	7	–	–	–	–	–	(7)	–	–
Exchange differences	–	–	(4)	(60)	(11)	(30)	(117)	(592)	–	–	(814)
At 31 December 2018	5,680	99	455	2,053	867	2,689	2,889	21,765	33	1,011	37,541
Accumulated depreciation											
At 1 January 2017	3,764	99	432	1,900	1,227	1,718	5,117	24,143	54	–	38,454
Depreciation charge for the year	258	–	25	319	96	234	1,072	1,540	7	–	3,551
Disposals	–	–	(140)	(473)	(723)	(139)	(1,043)	–	(58)	–	(2,576)
Exchange differences	–	–	(2)	(17)	(3)	(6)	(43)	(116)	–	–	(187)
At 31 December 2017 and 1 January 2018	4,022	99	315	1,729	597	1,807	5,103	25,567	3	–	39,242
Depreciation charge for the year	223	–	55	220	104	260	675	807	6	–	2,350
Disposals	–	–	(32)	(231)	(206)	(61)	(3,924)	(12,708)	(1)	–	(17,163)
Impairment	–	–	(66)	(49)	–	(121)	(209)	–	–	–	(445)
Reclassifications	–	–	3	–	–	–	–	–	(3)	–	–
Exchange differences	–	–	(4)	(52)	(8)	(22)	(130)	(336)	–	–	(552)
At 31 December 2018	4,245	99	271	1,617	487	1,863	1,515	13,330	5	–	23,432
Net carrying amount											
At 31 December 2017	1,658	–	212	673	492	685	2,650	8,141	25	–	14,536
At 31 December 2018	1,435	–	184	436	380	826	1,374	8,435	28	1,011	14,109

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Leasehold factory building $'000	Leasehold improvement $'000	Motor vehicles $'000	Renovations $'000	Construction-in-progress $'000	Total $'000
Cost						
At 1 January 2017	5,680	67	923	1,159	–	7,829
Additions	–	–	–	1,517	–	1,517
Disposals	–	–	(485)	(943)	–	(1,428)
At 31 December 2017 and 1 January 2018	5,680	67	438	1,733	–	7,918
Additions	–	–	–	47	722	769
Disposals	–	–	(173)	(170)	–	(343)
At 31 December 2018	5,680	67	265	1,610	722	8,344
Accumulated depreciation						
At 1 January 2017	3,764	67	880	1,078	–	5,789
Depreciation charge for the year	258	–	33	17	–	308
Disposals	–	–	(485)	(943)	–	(1,428)
At 31 December 2017 and 1 January 2018	4,022	67	428	152	–	4,669
Depreciation charge for the year	223	–	5	294	–	522
Disposals	–	–	(168)	–	–	(168)
At 31 December 2018	4,245	67	265	446	–	5,023
Net carrying amount						
At 31 December 2017	1,658	–	10	1,581	–	3,249
At 31 December 2018	1,435	–	–	1,164	722	3,321

Assets held under finance leases

Included within additions in the consolidated financial statements as at 31 December 2017 is a motor vehicle acquired under finance lease amounting to $100,000.

The carrying amount of property, plant and equipment held under finance leases at the end of the year was as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
Net book value of – motor vehicles	–	253	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Unquoted shares, at cost	18,058	18,058	18,058
Less: Allowance for impairment	(1,127)	(1,127)	(1,127)
	16,931	16,931	16,931
Long-term loan to a subsidiary	24,428	24,428	24,428
	41,359	41,359	41,359
Movement in the allowance for impairment:			
Balance at beginning and at end of the year	1,127	1,127	1,127

Impairment losses of $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 with no contractual obligations to be repaid.

	Company		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Short-term loans to subsidiaries	8,925	8,725	2,675
Less: loss allowance	(2,770)	–	–
	6,155	8,725	2,675

Short-term loans to subsidiaries are unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES (continued)

Details of the subsidiaries are as follows:

Name	Principal activities/country of incorporation and operation	Proportion of ownership interest (%)			Voting power (%)		
		31 December		1 January	31 December		1 January
		2018	2017	2017	2018	2017	2017
Held by the Company:							
Design Studio Asia Pte. Ltd. [(1)]	Investment holding company (Singapore)	100	100	100	100	100	100
Design Studio (China) Pte. Ltd. [(1)]	Investment holding company (Singapore)	100	100	100	100	100	100
D S Interior Decoration (Middle East) LLC [(3)]	Interior fitting-out and furnishing solutions (United Arab Emirates)	49	49	49	100	100	100
DSG Asia Holdings Pte. Ltd. (Formally known as "DDS Asia Holdings Pte. Ltd.") [(1)]	Investment holding company (Singapore)	100	100	100	100	100	100
Design Studio Furniture (Shanghai) Co., Ltd [(6)]	Dormant (People's Republic of China)	100	100	100	100	100	100
DS Interior Contracts & Renovation (Shanghai) Co., Ltd [(6)]	Dormant (People's Republic of China)	100	100	100	100	100	100
Held by Design Studio (China) Pte. Ltd.:							
Design Studio (Huizhou) Home Furnishing Co., Ltd(7)	Manufacture, installation and trading of paneling products (People's Republic of China)	100	100	100	100	100	100
Held by Design Studio Asia Pte. Ltd.:							
DSG Manufacturing Singapore Pte. Ltd. (Formally known as "Design Studio Singapore Pte. Ltd.") [(1)]	Design, manufacture, installation and trading of paneling products (Singapore)	100	100	100	100	100	100
DSG Manufacturing Malaysia Sdn. Bhd. (Formally known as "DS Furniture Manufacturer Sdn. Bhd.") [(2)]	Design, manufacture, installation and trading of paneling products (Malaysia)	100	100	100	100	100	100
DS Project Management Sdn. Bhd. [(2)]	Project management, installation and trading of paneling products (Malaysia)	100	100	100	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

11. INVESTMENT IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES (continued)

Details of the subsidiaries are as follows: (continued)

Name	Principal activities/country of incorporation and operation	Proportion of ownership interest (%)			Voting power (%)		
		31 December		1 January	31 December		1 January
		2018	2017	2017	2018	2017	2017
Held by DSG Asia Holdings Pte. Ltd.:							
DSG Projects Singapore Pte. Ltd. (Formally known as "DDS Contracts & Interior Solutions Pte. Ltd.") (1)	Interior fitting-out and furnishing solutions (Singapore)	100	100	100	100	100	100
DSG Projects Malaysia Sdn. Bhd. (Formally known as "DDS Contracts & Interior Solutions Sdn. Bhd.") (2)	Interior fitting-out and furnishing solutions (Malaysia)	100	100	100	100	100	100
DDS Contracts & Interior Solutions (Thailand) Co., Ltd (4)	Interior fitting-out and furnishing solutions (Thailand)	69.39	69.39	69.39	69.39	69.39	69.39
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd (5)	Interior fitting-out and furnishing solutions (Vietnam)	100	100	100	100	100	100
Design Studio Lanka (Private) Limited (5)	Project management and installation work for commercial, hospitality and residential projects (Sri Lanka)	100	100	–	100	100	–
DSG (Thailand) Co., Ltd (2) (8)	Project management and installation work for commercial, hospitality and residential project (Thailand)	49	–	–	95	–	–

(1) Audited by PricewaterhouseCoopers LLP, Singapore.
(2) Audited by PricewaterhouseCoopers firms outside Singapore.
(3) 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.
(4) Audited by Chatchawat Auditing & Tax Co., Ltd.
(5) Not required to present audited financial statements under the laws of its country of incorporation and considered not material to the Group.
(6) In the process of liquidation.
(7) Audited by PricewaterhouseCoopers Zhong Tian LLP, Guangzhou Office.
(8) On 27 April 18, DSG Asia Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, has established a subsidiary in Thailand known as DSG (Thailand) Co., Ltd as part of the Group's ongoing overseas business development. Although the Group holds 49% of the issued shares of DSG (Thailand) Co., Ltd ("DST"), DST is accounted for as a subsidiary as the Group controls 95% of the voting rights of DST.

Significant restrictions

Cash and short-term deposits of $3,212,000 (31 December 2017: $1,823,000 and 1 January 2017: $4,540,000) are held in the People's Republic of China and are subject to local exchange control regulations. These local exchange control regulations provide for restrictions on exporting capital from the country, other than through normal dividends.

NOTES TO THE FINANCIAL STATEMENTS
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12. INTANGIBLE ASSETS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Club membership [Note (a)]	128	128	128	128	128	128
Order backlog [Note (b)]	–	–	3,116	–	–	–
Less: Accumulated impairment loss on club membership	–	(28)	(28)	–	(28)	(28)
	128	100	3,216	128	100	100
Less: Accumulated amortisation	(95)	(91)	(3,204)	(95)	(91)	(88)
	33	9	12	33	9	12
Goodwill [Note (c)]	2,729	2,729	2,729	–	–	–
	2,762	2,738	2,741	33	9	12

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 1 year respectively.

(a) *Club membership*

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

	Group and Company	
	2018	2017
	$'000	$'000
At 1 January	91	88
Amortisation during the year (Note 7)	4	3
At 31 December	95	91

(b) *Order backlog*

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

	Group	
	2018	2017
	$'000	$'000
Cost		
At 1 January	–	3,116
Write-off	–	(3,116)
At 31 December	–	–
Accumulated amortisation		
At 1 January	–	(3,116)
Write-off	–	3,116
At 31 December	–	–
Carrying amount		
At 1 January and 31 December	–	–

Order backlog arose from the acquisition of DSG Asia Holdings Pte. Ltd. in 2012 which was related to work on existing projects that had not yet been fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

12. INTANGIBLE ASSETS (continued)

(c) Goodwill

	Group	
	2018	**2017**
	$'000	**$'000**
Cost		
At 1 January and 31 December	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 DSG 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 0% (31 December 2017: 0% and 1 January 2017: 0%). 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 17.3% (31 December 2017: 16.8% and 1 January 2017: 17.5%).

At 31 December 2018, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

13. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Deferred income tax assets	554	1,333	424	287	280	272
Deferred income tax liabilities	37	85	63	–	–	–

The movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

Group

Deferred income tax liabilities

	Accelerated tax depreciation $'000	Total $'000
2018		
Beginning of financial year	85	85
Charged to profit or loss	(48)	(48)
End of financial year	37	37
2017		
Beginning of financial year	63	63
Charged to profit or loss	22	22
End of financial year	85	85

NOTES TO THE FINANCIAL STATEMENTS

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13. DEFERRED TAX (continued)

Group (continued)

Deferred income tax assets

	Differences in depreciation $'000	Unutilised tax losses $'000	Provisions $'000	Total $'000
2018				
Beginning of financial year	368	528	437	1,333
Charged to profit or loss	(81)	(540)	(161)	(782)
Currency translation difference	–	12	(9)	3
End of financial year	287	–	267	554
2017				
Beginning of financial year	359	–	65	424
Credited to profit or loss	9	528	372	909
End of financial year	368	528	437	1,333

Deferred income tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses of $14,372,000 (31 December 2017: $1,112,000 and 1 January 2017: Nil) and capital allowances of Nil (31 December 2017: $202,000 and 1 January 2017: Nil) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses and capital allowances in their respective countries of incorporation. The tax losses have no expiry date.

Company

Deferred income tax assets

	Differences in depreciation $'000
2018	
Beginning of financial year	280
Credited to profit or loss	7
End of financial year	287
2017	
Beginning of financial year	272
Credited to profit or loss	8
End of financial year	280

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2018

14. TRADE AND OTHER RECEIVABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade receivables (non-current):						
Retention monies:						
– Third parties	6,056	10,709	14,540	–	–	–
– Immediate holding company	1,239	1,187	288	–	–	–
	7,295	11,896	14,828	–	–	–
Less: Loss allowance	(18)	(44)	(38)	–	–	–
	7,277	11,852	14,790	–	–	–
Trade receivables (current):						
Retention monies:						
– Third parties	9,371	7,151	10,221	–	–	–
Trade receivables:						
– Third parties	29,666	31,990	48,876	1	277	–
– Immediate holding company	2,516	12,056	5,470	–	–	–
– Subsidiary	–	–	–	665	665	665
– Related companies	522	499	2,048	–	–	–
	42,075	51,696	66,615	666	942	665
Less: Loss allowance	(809)	(1,442)	(648)	–	–	–
	41,266	50,254	65,967	666	942	665
Other receivables and deposits:						
Other receivables	606	295	747	–	64	64
Deposits	9,518	4,737	6,029	69	61	61
	10,124	5,032	6,776	69	125	125
Amount due from a related company	37	–	–	28	–	–
Amounts due from subsidiaries (non-trade)	–	–	–	2,650	2,279	2,185
	10,161	5,032	6,776	2,747	2,404	2,310
Total trade and other receivables (current)	51,427	55,286	72,743	3,413	3,346	2,975

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms (2017: 30 to 90 days' terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade amounts due from subsidiary, related companies and immediate holding company

Trade amounts due from subsidiary, related companies and immediate holding company are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

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For the financial year ended 31 December 2018

14. TRADE AND OTHER RECEIVABLES (continued)

Other receivables and non-trade amounts due from subsidiaries

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

Trade and other receivables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore Dollars	405	–	–	–	–	–
United States Dollars	2,201	1,272	3,482	–	–	–
Malaysian Ringgit	–	14,454	8,217	–	–	–
United Arab Emirates Dirham	4,105	12,917	5,786	28	–	–
Euro	27	–	–	–	–	–

15. INVENTORIES

	Group		
	31 December		1 January
	2018	2017	2017
	$'000	$'000	$'000
Balance sheet:			
Raw materials	2,369	5,256	10,119
Work-in-progress	576	1,584	2,500
Finished goods	1,105	1,046	633
	4,050	7,886	13,252

During 2018, the Group has written off and written down inventories of $108,000 (31 December 2017: Nil and 1 January 2017: Nil) and $1,473,000 (31 December 2017: $2,045,000 and 1 January 2017: $545,000). The Group reversed $27,000 (31 December 2017: Nil and 1 January 2017: Nil) of a previous inventory write-down due to actual usage in a project.

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For the financial year ended 31 December 2018

16. CASH AND SHORT-TERM DEPOSITS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Cash at banks and on hand	11,805	27,893	52,570	365	1,693	12,767
Fixed deposits (unsecured)	–	1,049	1,393	–	–	–
Total cash and short-term deposits	11,805	28,942	53,963	365	1,693	12,767

Cash and short-term deposits denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Malaysian Ringgit	–	335	1,003	–	–	–
United States Dollar	484	6,481	1,759	58	146	815
Euro	57	59	56	57	59	56

17. TRADE AND OTHER PAYABLES

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade payables (current):						
Amounts due to third parties	19,799	7,001	18,427	–	1	129
Amounts due to subsidiaries	–	–	–	28	187	29
Amount due to immediate holding company	1,866	2,653	873	–	–	–
Amounts due to related companies	58	231	220	–	–	–
Retention payables	8,396	8,609	8,043	–	–	–
Accrued contract costs	44,997	13,541	9,228	–	–	–
	75,116	32,035	36,791	28	188	158
Other payables (current):						
Other payables	2,230	1,707	1,838	80	247	103
Amount due to a subsidiary	–	–	–	7	–	–
Amount due to immediate holding company	–	–	244	–	–	224
Amount due to a related company	1,165	360	–	1,122	317	–
Accrued operating expenses	2,178	6,280	6,569	226	387	236
	5,573	8,347	8,651	1,435	951	563
Total trade and other payables	80,689	40,382	45,442	1,463	1,139	721

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For the financial year ended 31 December 2018

17. TRADE AND OTHER PAYABLES (continued)

Trade and other payables

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 days' terms (2017: 30 to 60 days' terms).

Trade and other payables denominated in currencies other than the respective group entities' functional currencies are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Singapore Dollars	9,876	3,695	5	–	–	–
Malaysian Ringgit	1,760	5,192	3,352	–	–	–
United States Dollars	373	257	765	–	1	–
Euro	7	–	174	–	–	–
United Arab Emirates Dirham	4,845	3,116	1,086	1,122	317	224
Chinese Renminbi	6,876	12,593	6,666	28	29	29

Amounts due to subsidiaries, related companies and immediate holding company

Amounts due to subsidiaries, related companies and immediate holding company are unsecured, non-interest bearing and are repayable on demand.

18. PROVISIONS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Reinstatement (a)	–	170	–	–	–	–
Restructuring (b)	685	–	–	–	–	–
Onerous (c)	1,540	347	–	–	–	–
	2,225	517	–	–	–	–
Non-current						
Reinstatement	–	–	75	–	–	–
Total	2,225	517	75	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

18. PROVISIONS (continued)

a. Provision for reinstatement cost

Provision for reinstatement cost was made for the estimated cost for reinstating the Group's rented premises to the original condition upon termination of the lease.

Movements in the provision for reinstatement cost are as follows:

	Group	
	2018 $'000	2017 $'000
At beginning of the financial year	170	75
Provision made	–	95
Provision utilised	(170)	–
At end of the financial year	–	170

b. Provision for restructuring

In 2018, the Malaysia manufacturing segment conducted a restructuring exercise which had resulted in the retrenchment of 102 employees. Staff redundancy costs amounting to $196,000 has been paid and recognised. A further estimated staff redundancy costs of $133,000 was provided for as at 31 December 2018 for the remaining 12 employees who will be made redundant. Other restructuring provision amounting to $552,000 mainly comprises penalties on the early termination of leases on vacated properties.

c. Provision for onerous contracts

Movements in the provision for onerous contracts are as follows:

	Group	
	2018 $'000	2017 $'000
At beginning of the financial year	347	–
Provision made	1,540	347
Provision utilised	(347)	–
At end of the financial year	1,540	347

19. FINANCE LEASE LIABILITIES

The Group leases motor vehicles from non-related parties under finance leases.

Group	Minimum lease payment $'000	Future finance charges $'000	Present value of minimum lease payments $'000
31 December 2018			
To be settled within one year	–	–	–
31 December 2017			
To be settled within one year	51	(1)	50
1 January 2017			
To be settled within one year	–	–	–

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For the financial year ended 31 December 2018

20. BORROWINGS

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Current						
Bank Borrowings	3,000	–	–	–	–	–

The Group's bank borrowing was secured by a corporate guarantees provided by the Company and requires the Group to maintain a minimum tangible net worth of $80,000,000. As at 31 December 2018, the Group's tangible net worth is below $80,000,000. Thus, the Group was not in compliance with its bank covenants. Subsequent to the financial year end, the Group has obtained a waiver from the bank on the breach of loan covenant.

The bank borrowings are repayable on 6 June 2019 with interest chargeable at 1.5% per annum over the Singapore Interbank Offered rate.

21. SHARE CAPITAL

	Group and Company			
	2018	2018	2017	2017
	No. of shares		No. of shares	
	'000	$'000	'000	$'000
Issued and fully paid:				
At 1 January and 31 December	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.

22. EMPLOYEE BENEFITS

	Group	
	2018	2017
	$'000	$'000
Salaries and bonuses	28,813	24,847
Defined contribution plan	2,525	2,830
Other short-term benefits	1,587	443
	32,925	28,120

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

23. RELATED PARTY TRANSACTIONS

(a) 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.

	Group	
	2018 $'000	2017 $'000
Sales to immediate holding company	3,220	19,571
Sales to related companies	4,255	1,684
Purchase from immediate holding company	6,243	4,240
Purchase from related companies	721	1,343
Purchase of services from firms related to directors	35	31

(b) Compensation of key management personnel

	Group	
	2018 $'000	2017 $'000
Short-term employee benefits	2,008	2,311
Defined contribution plans	36	70
	2,044	2,381
Comprise amounts paid to:		
– Directors of the Company	524	822
– Other directors	425	731
– Other key management personnel	1,095	828
	2,044	2,381

24. COMMITMENTS

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 two 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 the end of the reporting period are as follows:

	Group			Company		
	31 December		1 January	31 December		1 January
	2018 $'000	2017 $'000	2017 $'000	2018 $'000	2017 $'000	2017 $'000
Not later than one year	1,516	2,242	1,904	111	131	131
Later than one year but not later than five years	1,732	3,566	2,787	445	523	392
Later than five years	269	185	484	269	185	447
	3,517	5,993	5,175	825	839	970

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

25. CONTINGENCIES

As at 31 December 2018, the Group has issued performance guarantees of $35,483,000 (31 December 2017: $27,204,000 and 1 January 2017: $24,160,000) and has obtained a loan of $3,000,000 through credit facilities. The Company has provided corporate guarantees in favour of banks and financial institutions for the granting of these credit facilities to five (31 December 2017: five and 1 January 2017: five) subsidiaries.

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the instrument could be exchanged for or settled between knowledgeable parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, borrowings and short term loan to subsidiaries, reasonably approximate their fair values because these are mostly short-term in nature.

The carrying amounts of non-current trade and other receivables approximate its fair values.

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables and contract assets. For other financial assets including cash and short-term deposits, the Group minimises 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.

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is the carrying amount of each class of financial assets recognised in the balance sheets.

At the end of the reporting period, 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 corporate guarantee provided by the Company to a bank on a subsidiary's loan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Exposure to credit risk (continued)

The movements in credit loss allowance are as follows:

	Trade receivables $'000	Contract assets $'000	Loans to subsidiaries $'000	Total $'000
Group				
Balance at 1 January 2018 under SFRS(I) 9	1,486	54	–	1,540
Loss allowance recognised in profit or loss during the year on:				
Assets originated	–	118	–	118
Changes in credit risk	716	–	–	716
Reversal of unutilised amounts	(1,070)	–	–	(1,070)
	(354)	118	–	(236)
Assets written off as uncollectible	(273)	–	–	(273)
Currency translation difference	(32)	–	–	(32)
Balance at 31 December 2018	827	172	–	999
Company				
Balance at 1 January 2018 under SFRS(I) 9	–	–	–	–
Loss allowance recognised in profit or loss during the year on changes in credit risk	–	–	2,770	2,770
Balance at 31 December 2018	–	–	2,770	2,770

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

The movements in credit loss allowance are as follows:

	Trade receivables $'000	Contract assets $'000	Total $'000
Group			
Balance at 1 January 2017 under SFRS	452	–	452
Application of SFRS(I) 9 (Note 2.2B)	234	13	247
Balance at 1 January 2017 under SFRS(I) 9	686	13	699
Loss allowance recognised in profit or loss during the year on:			
Assets originated	15	41	56
Changes in credit risk	1,163	–	1,163
Reversal of unutilised amounts	(8)	–	(8)
	1,170	41	1,211
Assets written off as uncollectible	(370)	–	(370)
Balance at 31 December 2017	1,486	54	1,540

Cash and cash equivalents and other receivables are subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

(i) Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

In measuring the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and days past due. The contract assets relate to unbilled work-in-progress, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rate for trade receivables are a reasonable approximation of the loss rates for the contract assets.

In calculating the expected credit loss rates, the Group considers historical loss rates for each category of customers and current forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. The Group considers a financial assets as in default if the counterparty fails to make contractual payments within 30 days when they fall due, and writes off the financial asset when the Group assesses that the debts are uncollectible. Where recoveries are made, these are recognised in profit or loss.

In determining the specific credit losses for individual customers, the Group considered factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Management has assessed that trade receivables amounting to $1,501,000 (31 December 2017: $1,647,000) has been specifically impaired as at 31 December 2018, and recognised a loss allowance of $661,000 (31 December 2017: $1,237,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to the remaining trade receivables and contract assets under SFRS(I) 9 as at 31 December 2018 are set out in the provisional matrix as follows:

		Past due					
	Current $'000	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	91 to 150 days $'000	Over 150 days $'000	Total $'000
Group							
Singapore entities							
Trade receivables	13,819	3,240	380	2,739	249	4,073	24,500
Contract assets	24,882	–	–	–	–	–	24,882
Loss allowance	16	1	–	–	–	2	19
Malaysia entities							
Trade receivables	6,655	1,756	2,564	1,548	975	2,768	16,266
Contract assets	28,064	–	–	–	–	–	28,064
Loss allowance	168	8	15	10	7	28	236
People's Republic of China entity							
Trade receivables	684	724	–	91	809	3,048	5,356
Contract assets	537	–	–	–	–	–	537
Loss allowance	7	3	–	–	5	20	35
Other Countries							
Trade receivables	660	515	572	–	–	–	1,747
Contract assets	12,424	–	–	–	–	–	12,424
Loss allowance	43	–	5	–	–	–	48
Company							
Singapore							
Trade receivables	–	–	–	–	–	–	–
Loss allowance	–	–	–	–	–	–	–

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For the financial year ended 31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

(i) Trade receivables and contract assets (continued)

The Group's and the Company's credit risk exposure in relation to the remaining trade receivables and contract assets under SFRS(I) 9 as at 31 December 2017 are set out in the provisional matrix as follows:

		Past due					
	Current $'000	1 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	91 to 150 days $'000	Over 150 days $'000	Total $'000
Group							
Singapore entities							
Trade receivables	25,679	3,199	4,895	201	4,045	839	38,858
Contract assets	5,155	–	–	–	–	–	5,155
Loss allowance	11	1	2	–	3	1	18
Malaysia entities							
Trade receivables	13,338	664	1,215	487	1,161	3,157	20,022
Contract assets	11,046	–	–	–	–	–	11,046
Loss allowance	155	5	6	4	16	39	225
People's Republic of China entity							
Trade receivables	1,508	295	18	–	–	1,244	3,065
Contract assets	253	–	–	–	–	–	253
Loss allowance	34	5	–	–	–	21	60
Company							
Singapore							
Trade receivables	–	158	–	–	–	–	158
Loss allowance	–	–	–	–	–	–	–

(ii) Financial guarantee contracts

The Company has issued financial guarantee to bank for borrowing of its subsidiary. The guarantee is subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiary has strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from this guarantee.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting period based on contractual undiscounted repayment obligations.

	One year or less $'000
Group	
At 31 December 2018	
Trade and other payables	80,594
Borrowings	3,016
At 31 December 2017	
Trade and other payables	39,708
Finance lease liabilities	51
At 1 January 2017	
Trade and other payables	43,670
Company	
At 31 December 2018	
Trade and other payables	1,463
At 31 December 2017	
Trade and other payables	1,139
At 1 January 2017	
Trade and other payables	597

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27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) 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 the Group entities, primarily United States Dollars (USD), Malaysian Ringgit (MYR), United Arab Emirates Dirham (AED) and Chinese Renminbi (RMB).

Sensitivity analysis for foreign exchange risk

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the MYR, RMB, USD and AED exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Increase/(Decrease)		
		Group		
		31 December		1 January
		2018	2017	2017
		Loss before tax	Profit before tax	Profit before tax
		$'000	$'000	$'000
USD/SGD	– strengthened 3% (2017: 3%)	(69)	224	95
	– weakened 3% (2017: 3%)	67	(218)	(93)
MYR/SGD	– strengthened 3% (2017: 3%)	53	288	176
	– weakened 3% (2017: 3%)	(51)	(280)	(171)
RMB/SGD	– strengthened 3% (2017: 3%)	206	(378)	(200)
	– weakened 3% (2017: 3%)	(200)	367	194
AED/SGD	– strengthened 3% (2017: 3%)	(22)	294	140
	– weakened 3% (2017: 3%)	21	(285)	(136)

(d) Financial instruments by category

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets at amortised cost	69,057	95,222	136,060	9,932	13,645	18,417
Financial liabilities at amortised cost	83,594	39,708	43,670	1,463	1,139	597

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28. 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 financial years ended 31 December 2018 and 31 December 2017.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade and other payables, provisions and contract liabilities less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	Group			Company		
	31 December		1 January	31 December		1 January
	2018	2017	2017	2018	2017	2017
	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables (Note 17)	80,689	40,382	45,442	1,463	1,139	721
Add: Provisions (Note 18)	2,225	517	75	–	–	–
Add: Contract liabilities (Note 4)	8,490	7,039	23,532	–	–	–
Add: Borrowings (Note 20)	3,000	–	–	–	–	–
Less: Cash at banks and on hand (Note 16)	(11,805)	(27,893)	(52,570)	(365)	(1,693)	(12,767)
Less: Fixed deposits (Note 16)	–	(1,049)	(1,393)	–	–	–
Net debt/(cash)	82,599	18,996	15,086	1,098	(554)	(12,046)
Equity attributable to the owners of the Company, representing total capital	65,701	92,902	108,409	53,539	57,564	61,394
Capital and net debt	148,300	111,898	123,495	54,637	N.A.*	N.A.*
Gearing ratio	55.7%	17.0%	12.2%	2.0%	N.A.*	N.A.*

* Not applicable as the Company was in a net cash position.

The Group and the Company are subject to externally imposed capital requirements for the financial year ended 31 December 2018 as disclosed in Note 20.

The Group and the Company are not subject to any externally imposed capital requirements for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. SEGMENT INFORMATION

The operating segments are determined based on the segment reports reviewed by the Executive Committee ("EC") for strategic and operational decisions making purposes. The EC comprises the Group Chief Executive Officer, Group Chief Financial Officer, Group General Manager, Commercial and Legal and the Heads of each business unit.

The EC considers the business from both a geographic and business segment perspective. In the current financial year, the organisation of the Group's business units and segment reports reviewed by the EC, were changed to reflect the Group's expanded geographical and business operations. The 2017 comparative segment information presented below has been restated to conform to the current year segment basis.

The following summary describes the operations from business segment perspective:

Singapore BU

Interior fit-out solutions and supply and installation of paneling products for contracts in Singapore.

Malaysia BU

Interior fit-out solutions and supply and installation of paneling products for contracts in Malaysia.

International BU

Interior fit-out solutions and supply and installation of paneling products for contracts in United Arab Emirates, Thailand, Sri Lanka and other countries.

Manufacture BU

Manufacturing and supply of paneling products in Singapore, Malaysia and People's Republic of China. The manufacturing in these geographical areas were aggregated into one reportable segment, named as Manufacture BU.

Others

Corporate activities supporting the segments within the Group.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. SEGMENT INFORMATION (continued)

	Singapore BU $'000	Malaysia BU $'000	International BU $'000	Manufacture BU $'000	Others $'000	Eliminations $'000	Notes	Consolidated $'000
2018								
Revenue:								
External customers	75,378	54,485	22,426	14,855	–	–		167,144
Inter-segment	–	1,937	–	17,428	–	(19,365)	A	–
Total revenue	75,378	56,422	22,426	32,283	–	(19,365)		167,144
Results:								
Other income	28	2	–	176	49	–		255
Other non-cash expenses	116	1,113	22	2,749	519	–	B	4,519
Segment profit/(loss) before tax	(923)	494	(6,641)	(11,264)	(6,504)	–		(24,838)
Assets:								
Additions to non-current assets	147	63	214	1,912	1,045	–	C	3,381
Segment assets	48,165	46,828	26,527	31,261	7,148	–		159,929
Liabilities:								
Segment liabilities	38,760	26,966	17,573	9,153	2,175	–		94,627
2017								
Revenue:								
External customers	67,079	32,258	22,103	17,644	–	–		139,084
Inter-segment	–	3,929	–	42,114	–	(46,043)	A	–
Total revenue	67,079	36,187	22,103	59,758	–	(46,043)		139,084
Results:								
Other income	10	29	–	56	63	–		158
Other non-cash expenses	155	371	–	5,925	278	–	B	6,729
Segment profit/(loss) before tax	8,361	30	3,893	(3,787)	(6,681)	–		1,816
Assets:								
Additions to non-current assets	185	419	–	1,139	1,519	–	C	3,262
Segment assets	44,836	29,181	13,294	35,570	18,459	–		141,340
Liabilities:								
Segment liabilities	25,273	9,678	2,934	8,524	2,488	–		48,897

A Inter-segment revenue is eliminated on consolidation.

B Other non-cash expenses consist of impairment loss on financial assets and contract assets, reversal of impairment loss on financial assets, depreciation expenses, loss/gain on disposal of property, plant and equipment, impairment loss on property, plant and equipment, reversal of impairment loss on club membership, amortisation of club membership, inventories written down and inventories written off.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2018

29. SEGMENT INFORMATION (continued)

Geographical information

The Group's revenue by geographical area is disclosed under Note 4(a).

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

	Group	
	2018	**2017**
	$'000	**$'000**
Singapore	7,864	7,101
Malaysia	1,109	1,210
People's Republic of China	7,700	8,963
Thailand	169	–
Others	29	–
	16,871	17,274

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about major customers

Revenue from three (2017: three) major customers amounted to $44,480,000 (2017: $48,225,000) arising from interior fit-out work.

30. DIVIDENDS

	Group	
	2018	**2017**
	$'000	**$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2017: nil cents (2016: 1.25 cents) per share	–	3,253
– Special exempt (one-tier) dividend for 2017: nil cents (2016: 4.00 cents) per share	–	10,411
– Interim exempt (one-tier) dividend for 2018: nil cents (2017: 1.25 cents) per share	–	3,253
	–	16,917

31. PRESENTATION OF EXPENSES

The presentation of analysis of expenses in the statement of comprehensive income have been changed to the classification based on nature of expenses, which provides information that is more relevant and informative to users of the financial statements. Presentation of expenses under SFRS(I) in the statement of comprehensive income based on function of expenses have been changed from the previous year to conform to current year's presentation. There is no impact to the balance sheet and net loss after tax.

32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2018 were authorised for issue in accordance with a resolution of the Directors on 29 March 2019.

SUPPLEMENTARY INFORMATION

31 December 2018

1. AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDERS' MANDATE

Name of interested person	Aggregate value of all interested person transactions during the financial year under 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	$498,087	$14,198,791

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 2018.

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	31 years commencing 1 June 1994	1,435

STATISTICS OF SHAREHOLDINGS

As at 12 March 2019

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

Treasury Shares and Subsidiary Holdings

The Company does not hold any treasury shares and has no subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.13	25	0.00
100 – 1,000	81	10.83	61,571	0.02
1,001 – 10,000	331	44.25	2,118,300	0.82
10,001 – 1,000,000	329	43.99	17,548,859	6.74
1,000,001 and above	6	0.80	240,535,416	92.42
Total	**748**	**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	DBS Nominees (Private) Limited	1,933,000	0.74
3	UOB Kay Hian Private Limited	1,702,600	0.65
4	Raffles Nominees (Pte.) Limited	1,466,500	0.56
5	ABN AMRO Clearing Bank N.V.	1,238,200	0.48
6	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,086,400	0.42
7	Phillip Securities Pte Ltd	936,400	0.36
8	Ng Hock Kon	800,000	0.31
9	United Overseas Bank Nominees (Private) Limited	384,500	0.15
10	OCBC Nominees Singapore Private Limited	378,100	0.15
11	Amin Leo @ Liauw Tjen Min	350,000	0.13
12	Ruan Gangtai	302,000	0.12
13	Yeow Ping	295,800	0.11
14	Tan Boon Keng Kennedy	294,700	0.11
15	RHB Securities Singapore Pte. Ltd.	278,000	0.11
16	Yeo Siew Mian	250,600	0.10
17	Maybank Kim Eng Securities Pte. Ltd.	236,900	0.09
18	Ah Hot Gerard Andre	230,000	0.09
19	Lee Ong Lock	213,000	0.08
20	OCBC Securities Private Limited	201,000	0.08
	Total	**245,686,416**	**94.41**

STATISTICS OF SHAREHOLDINGS

As at 12 March 2019

SUBSTANTIAL SHAREHOLDERS AS AT 12 MARCH 2019

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest		Total Interest	
	No. of shares held	**%**	**No. of shares held**	**%**	**No. of shares held**	**%**
Depa Interiors LLC	233,723,716 [1]	89.80	–	–	233,723,716	89.80

Note:

[1] This relates to 233,108,716 shares held by Depa Interiors LLC and 615,000 shares held by Depa Interiors LLC, through its nominee, CGS-CIMB Securities (Singapore) Pte. Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 12 March 2019, approximately 10.20% of the total number of issued shares of the Company are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDENDUM TO THE ANNUAL REPORT 2018

Additional Information on Directors seeking Re-election/Appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST

Dr Adelle Maree Howse is seeking re-election, and Mr Steven James Salo is seeking appointment, as a Director respectively at the forthcoming annual general meeting of the Company to be held on 26 April 2019 ("AGM") under Ordinary Resolutions 2 and 5 as set out in the Notice of AGM dated 10 April 2019.

Pursuant to Rule 720(6) of the SGX Listing Manual, information as required in Appendix 7.4.1 to the SGX Listing Manual in relation to Dr Adelle Maree Howse and Mr Steven James Salo is set out below:

Name of Director	Adelle Maree Howse	Steven James Salo
Date of Appointment	1 February 2019	–
Date of Last Re-Appointment	–	–
Age	48	38
Country of principal residence	Australia	United Arab Emirates
The Board's comments on this re-appointment/appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company (the "Board"), having considered the recommendation of the Nominating Committee and assessed the skills and working experience, contributions and participation at the Board and Board Committees meetings of Dr Adelle Maree Howse ("Dr Howse"), approved the re-appointment of Dr Howse as Independent Director of the Company and is of the view that her re-appointment as Director will continue to strengthen the Board's capabilities and contribute positively to the Company.	Mr Steven James Salo ("Mr Salo") is seeking appointment as a Director of the Company pursuant to Section 149B of the Companies Act (Chapter 50) of Singapore at the AGM. As Mr Salo is nominated by Depa Interiors LLC, the controlling shareholder of the Company, he will be considered a nominee of Depa Interiors LLC and a Non-Executive Director if appointed.
Whether appointment is executive, and if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director	Non-Executive Director
Professional qualifications	Master of Business Administration (MBA) – IMD, Switzerland Graduate Diploma: Applied Finance & Investment – Securities Institute of Australia PhD Mathematics – University of Queensland BSc, First Class Honours – University of Queensland Company Directors Course – Australia Institute of Company Directors High Performance Leadership – IMD, Singapore Program for Executive Development – IMD, Switzerland	Member of the Institute of Chartered Accountants in England and Wales CFA® charterholder Master's Degree in Applied Finance and Investment – Finsia Bachelor's Degree in Commerce – Deakin University

ADDENDUM TO THE ANNUAL REPORT 2018

Additional Information on Directors seeking Re-election/Appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (continued)

Working experience and occupation(s) during the past 10 years	July 2016 up to present: Management consultant and executive contractor August 2014 up to May 2016: CIMIC Group Ltd (previously known as Leighton Holdings) – Chief Strategy Officer March 2012 up to August 2014: Leighton Holdings – Executive General Manager Investments, Divestments & Acquisitions January 2010 up to February 2012: Leighton Holdings – Executive General Manager Strategy March 2008 up to December 2009: Leighton Holdings – General Manager Investments & Acquisitions	2016 to present: Depa PLC, Dubai – Group Chief Financial Officer 2013 to 2016: Arabtec Holding PJSC, Dubai – Head of Strategy and M&A 2007 to 2012: Citigroup, London; Johannesburg – Director, Investment Banking M&A 2005 to 2007: Dresdner Kleinwort Wasserstein, London – Associate, UK and European M&A 2001 to 2005: PricewaterhouseCoopers, Melbourne – Analyst, Investment Banking/Tax
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	Group Chief Financial Officer of Depa Limited. He is nominated by our controlling shareholder, Depa Interiors LLC to be a director of the Company, and if appointed will be considered a nominee of Depa Interiors LLC and a Non-Executive Director.
Conflict of interest (including any competing business)	No	None, other than employment by Depa PLC
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Past (for the last 5 years) other principal commitments including directorships	2015 – 2016: Board Director, Ventia 2013 – 2016: Board Director, Nextgen Holdings 2016: Alternate Director, Devine Limited	Arabtec Holding PJSC, Dubai UAE
Present other principal commitments including directorships	Chairman and Industry Advisory Committee Member; AMSI (Australian Mathematical Sciences Institute)	Depa PLC, Dubai UAE Jordan Wood Industries Co.

ADDENDUM TO THE ANNUAL REPORT 2018

Additional Information on Directors seeking Re-election/Appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (continued)

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No

ADDENDUM TO THE ANNUAL REPORT 2018

Additional Information on Directors seeking Re-election/Appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (continued)

(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No

ADDENDUM TO THE ANNUAL REPORT 2018

Additional Information on Directors seeking Re-election/Appointment pursuant to Rule 720(6) of the Listing Manual of the SGX-ST (continued)

(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, **in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?**	No	No
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only. **Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of any relevant experience and the Nominating Committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).**	No (as at her appointment on 1 February 2019) Dr Howse has attended a directors' training conducted by the Singapore Institute of Directors in March 2019 to familiarise herself with the roles and responsibilities of a director of a SGX-ST listed company. She was also briefed on the Group's business and operations.	No The Company will arrange for Mr Salo to attend relevant training on the roles and responsibilities of a director of a company listed on the Exchange, as prescribed by the Exchange.

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DSG

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