DSG

DESIGNED FOR SUSTAINABILITY STRUCTURED FOR EFFICIENCY GROWTH AND PROFITABILITY

DESIGN STUDIO GROUP LTD

ANNUAL REPORT 2017

CONTENTS

DESIGN STUDIO GROUP

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

Our Journey And The Road Ahead

Design Studio Group provides high-quality joinery manufacturing and interior fit-out solutions to the hospitality, commercial, retail and residential 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 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

Transforming
For The Future

DSG

As part of Design Studio Group's transformation, we are pleased to present our refreshed logo, which represents our continued professionalism, our strive to become an innovative and forward-thinking brand, and most importantly, our vision to become the Global Interior Fit-out Partner of Choice.

3-PHASE TRANSFORMATION STRATEGY TO ACHIEVE OUR VISION

THIRD PHASE, 2019 – SUSTAINABLE GROWTH

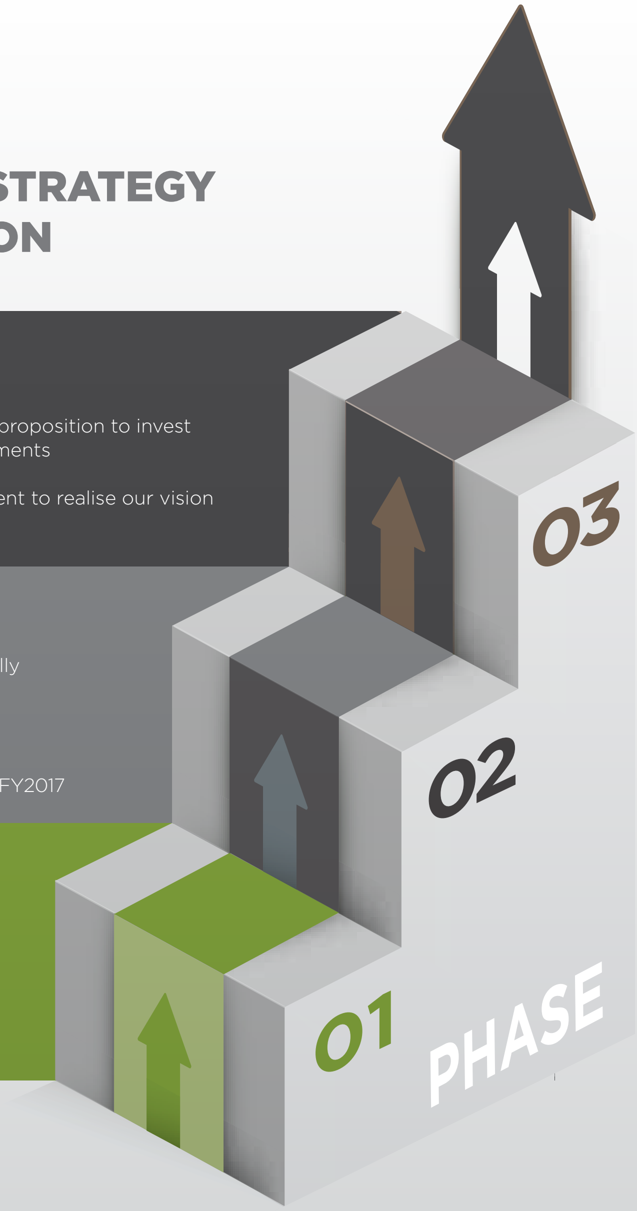
- Consistent economic returns for our shareholders with a strong value proposition to invest
- Establish a sizeable market share in new geographies and market segments
- Become a relevant-sized business
- Continuously seek new opportunities for growth and value enhancement to realise our vision

SECOND PHASE, 2018 – REINVIGORATE OUR BUSINESS

- Deliver predictable returns
- Strive to re-establish DSG as a market leader in Singapore and regionally
- Continue to expand internationally
- Drive innovation
- Convert identified pipeline opportunities and increase backlog
- Training, developing and attracting talent in our business
- Realising cost reductions from efficiencies and initiatives implemented in FY2017

FIRST PHASE, 2017 – RESETTING, RESTRUCTURING AND TURNAROUND

- Revamped organization structure and employed key staff
- Addressed reputational issues
- Resized overheads
- Introduction of Oracle, Enterprise Resource Planning system
- Strengthen our risk management framework
- Implementation of Key Performance Indicators to promote a performance-driven culture



Guiding **Principles**

UPHOLDING HIGH STANDARDS OF CORPORATE GOVERNANCE

> New Delegation of Authority process to ensure controls are in place to manage decision making within the business units and Group, driving accountability and responsibility

> Implement 'Gate' process to determine the risk profile of projects, clients and countries where are operate

> Oracle Enterprise Resource Planning (ERP) system to achieve efficiency and better cost savings across the group from 2019 onwards

STRENGTHENING OUR GLOBAL PORTFOLIO

> Focus on regaining market share in Singapore and expanding our international footprint organically in a measured and disciplined manner, aligned with the Group's core business and strategy

DRIVING INNOVATIONS AS INDUSTRY LEADER

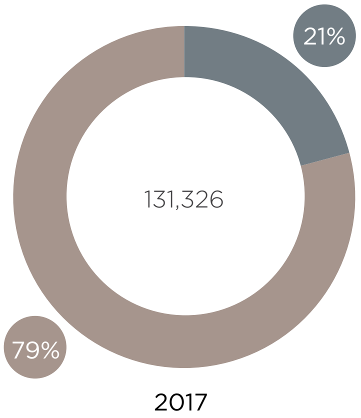
> Initiatives in virtual reality and 3D technology to offer better solutions and services for clients

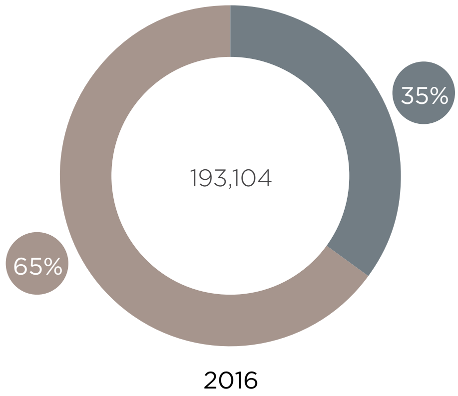
> Upgrading our manufacturing facilities with improved equipment

GUIDING PRINCIPLES TO DRIVE SUSTAINABLE GROWTH

Financial Highlights

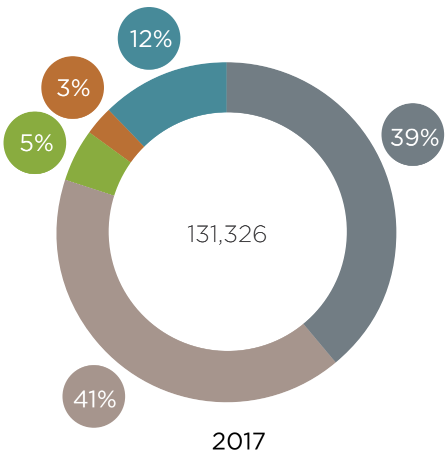
Order book on hand by business segments
(in S$'000)

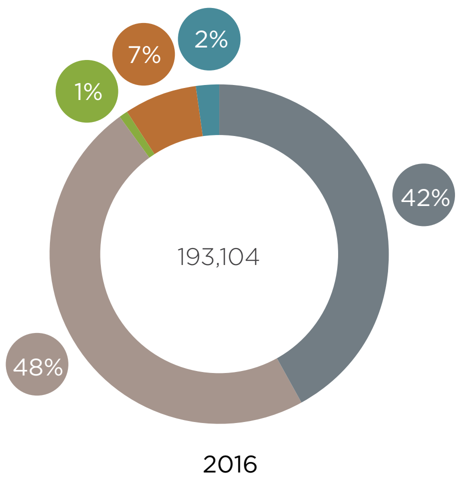




YEAR	Residential property projects	Hospitality and commercial projects
As at 31 December 2017	27,650	103,676
As at 31 December 2016	67,865	125,239

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

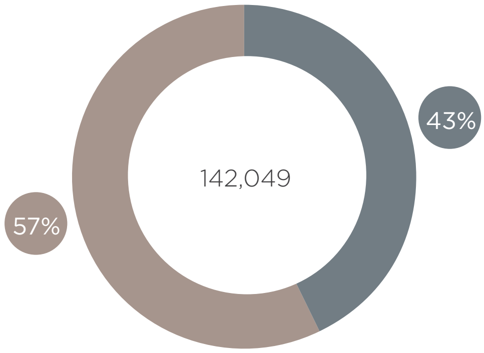




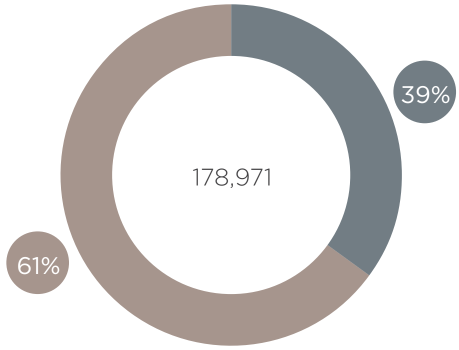
YEAR	Singapore	Malaysia	United Arab Emirates	China	Others
As at 31 December 2017	51,097	53,772	4,558	6,928	14,971
As at 31 December 2016	80,963	93,021	13,816	2,387	2,917

Financial **Highlights**

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



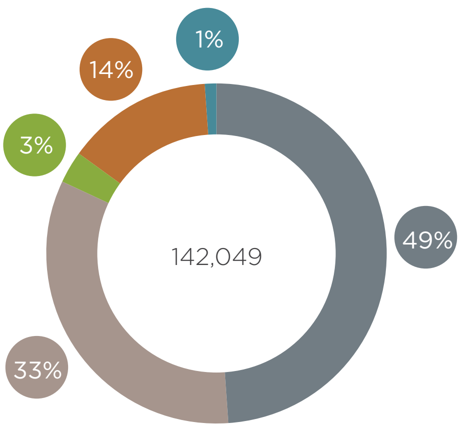
2017



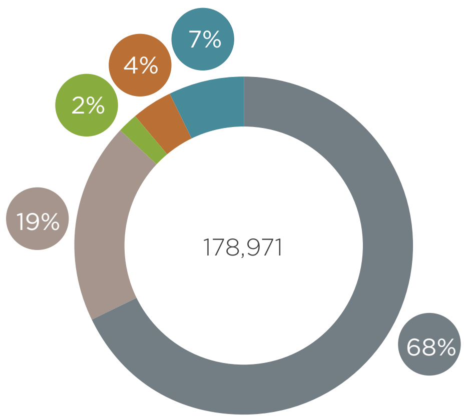
2016

YEAR	Residential property projects	Hospitality and commercial projects	Distribution projects
As at 31 December 2017	60,629	81,372	48
As at 31 December 2016	68,907	109,990	74

Group revenue by geography
(in S$'000)



2017



2016

YEAR	Singapore	Malaysia	United Arab Emirates	China	Others
As at 31 December 2017	69,128	47,052	20,945	4,079	845
As at 31 December 2016	121,765	34,403	7,298	3,438	12,067

Financial Summary

5 YEARS FINANCIAL SUMMARY

Income Statement

(in S$'000)	2013	2014	2015	2016	2017
Revenue	178,097	177,808	166,926	178,971	142,049
Gross profit	30,539	39,604	34,565	39,890	18,669
Profit from operations	15,326	23,827	19,642	25,161	1,419
Profit before tax	15,340	23,866	19,795	25,313	1,502
Profit attributable to owners of the company	11,945	20,582	16,877	20,498	1,201

Balance Sheet

(in S$'000)	2013	2014	2015	2016	2017
Property, plant and equipment	24,697	21,128	18,543	15,041	14,536
Inventories	14,774	14,002	13,690	13,252	8,047
Contract work-in-progress	6,394	9,755	5,654	5,232	4,990
Trade receivables	52,823	60,981	46,787	80,991	73,103
Cash and short-term deposits	44,877	48,404	54,107	53,963	28,942
Trade payables	16,084	18,726	14,687	27,563	18,494
Accrued operating expenses	28,575	33,301	22,038	15,797	19,821
Deposits received	2,873	1,766	1,777	944	828
Shareholders' equity	105,477	109,429	106,546	108,617	92,802
Total assets	157,179	168,241	148,967	180,978	141,088
Total liabilities	51,702	58,812	42,421	72,361	48,286

Cash Flow

(in S$'000)	2013	2014	2015	2016	2017
Operating activities	26,741	20,966	26,221	17,754	(4,993)
Investing activities	(1,199)	(457)	(924)	(712)	(2,939)
Financing activities	(7,606)	(16,915)	(19,011)	(16,685)	(17,990)
Net movement	17,936	3,594	6,286	357	(25,922)

Financial Ratios

	2013	2014	2015	2016	2017
Earnings per share (S$cents)	4.59	7.91	6.48	7.88	0.46
Net asset value per share (S$cents)	40.53	42.05	40.94	41.73	35.66
Dividend per share (S$cents)	6.50	6.50	6.50	6.50	1.25
Return on equity (%)	11.32	18.81	15.84	18.87	1.29
Return on asset (%)	7.60	12.23	11.33	11.33	0.85
Current ratio	2.35	2.32	2.67	2.05	2.29

Corporate Structure

- **DSG** Design Studio Group Ltd. (Singapore)
  - Design Studio Asia Pte. Ltd. (Singapore)
    - Design Studio Singapore Pte. Ltd. (Singapore)
    - DS Furniture Manufacturer Sdn. Bhd. (Malaysia)
    - DS Project Management Sdn. Bhd. (Malaysia)
  - Design Studio (China) Pte. Ltd. (Singapore)
    - Design Studio (Huizhou) Home Furnishing Co., Ltd. (China)
  - DDS Asia Holdings Pte. Ltd. (Singapore)
    - DDS Contracts & Interior Solutions Pte. Ltd. (Singapore)
    - DDS Contracts & Interior Solutions 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.
  - 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

Ong Tiew Siam
Independent Director

Roderick David Maciver
Non-Executive Director

Audit Committee

Ong Tiew Siam
Chairman

Hamish Gordon Tyrwhitt

Tan Siok Chin

Remuneration Committee

Tan Siok Chin
Chairman

Ong Tiew Siam

Roderick David Maciver

Nominating Committee

Ong Tiew Siam
Chairman

Tan Siok Chin

Roderick David Maciver

Company Secretary

Hazel Chia Luang Chew

Management Team

Edgar Ramani
Executive Director & Chief Executive Officer

Ronald Kurniadi
Acting Group CFO

Chew Keng Meng
GM Singapore

Nick Potts
GM Malaysia

Ho Ming
GM China

George Soh
Group GM Operations

Ronnie Chu
Group GM Manufacturing

Imogene Siw
Group GM HR & Admin

Eugene Yapp
Group GM Corporate Affairs

Don Cunningham
Group GM Commercial & Legal

David Potts
Group GM Business Development

Tan Zi Hui
Group Financial Controller

Auditors

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

Principal Bankers

United Overseas Bank
Oversea-Chinese Banking Corporation
Citibank N.A. Singapore Branch

Share Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place Singapore Land Tower
#32-01, Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

Registered Office

8 Sungei Kadut Crescent
Singapore 728682
Tel: +65 6367 0133
Fax: +65 6366 2612

Website: www.ds-group.com

Email: corpcomm@ds-group.com

Group Directory

SINGAPORE

Design Studio Group Ltd.
Head Office

Design Studio Singapore Pte. Ltd.
Office / Showroom / Factory

DDS Contracts and Interior Solutions Pte. Ltd.
Office

8 Sungei Kadut Crescent
Singapore 728682
Tel: +65 6367 0133
Fax: +65 6366 2612

MALAYSIA

DS Furniture Manufacturer Sdn. Bhd.
Factory

PLO 44 Kawasan Perindustrian Senai
81400 Senai, Johor Bahru
Malaysia
Tel: +60 7 598 6363
Fax: +60 7 598 6368

DDS Contracts and Interior Solutions Sdn. Bhd.
Office

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50450 Kuala Lumpur
Malaysia
Tel: +60 3 2181 9339
Fax: +60 3 2164 3393

Showroom

No. 158 Jalan Maarof
Taman Bandaraya
59100 Kuala Lumpur
Malaysia

CHINA

Design Studio (Huizhou) Home Furnishing Co., Ltd.
Factory

1 North Road, Technology Park, Boluo County
Shiwan Town, Huizhou City, Guangdong Province, China
Postal Code 516127
Tel: +86 752 636 0333
Fax: +86 752 611 6333

Office / Showroom

Chiling Lane, Guan Tai Road, Houjie San Tun
Houjie Town, Dongguan City, Guangdong Province, China
Postal Code 523963
Tel: +86 769 8583 4222
Fax: +86 769 8581 7488

THAILAND

DDS Contracts and Interior Solutions (Thailand) Co., Ltd.
Office

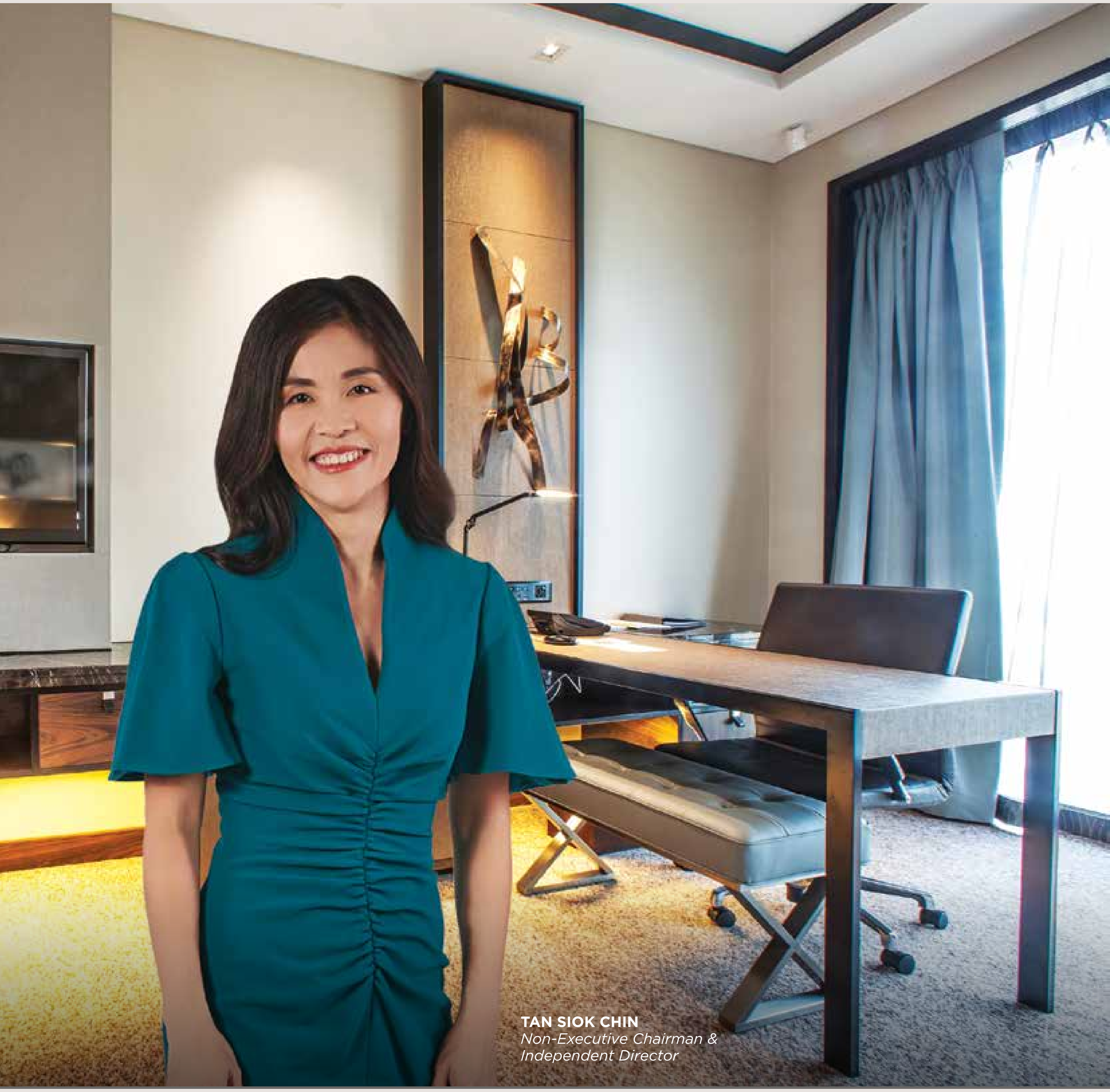
Euro Creations Building (B1)
119 Sukhumvit 55
North Klong Ton, Wattana
Bangkok 10110 Thailand
Tel: +66 2 712 7080
Fax: +66 2 712 7081

SRI LANKA

Design Studio Lanka (Private) Limited
Registered Office

No.47, Alexandra Place
Colombo 7, Sri Lanka

Chairman's **Statement**



TAN SIOK CHIN
Non-Executive Chairman & Independent Director

Chairman's **Statement**

> With an improving business environment and advancement in our transformation process, I am optimistic towards the overall outlook for the Group's prospect. Barring any unforeseen circumstances, I am confident that the management team will be able to deliver on its promise and achieve positive results in FY2018.

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of Design Studio Group Ltd ("The Group") for the financial year ended 31 December 2017 ("FY2017").

FY 2017 was a challenging year for us. The Group's performance was adversely affected by the continued slowdown in our core markets, competitive price pressure, as well as by the internal organisational restructuring that we initiated during the year to transform the Group.

The ebbs and flows of business cycles are unavoidable. While we put into place measures to mitigate effects of cycles, we will not be distracted by short-term volatility and will stay focused on implementing our strategy for long-term sustainable growth. This is the reason why we have enhanced our best practices and discarded systems that are inefficient and loss-making.

Attaining Sustainable Growth for the Long-Term

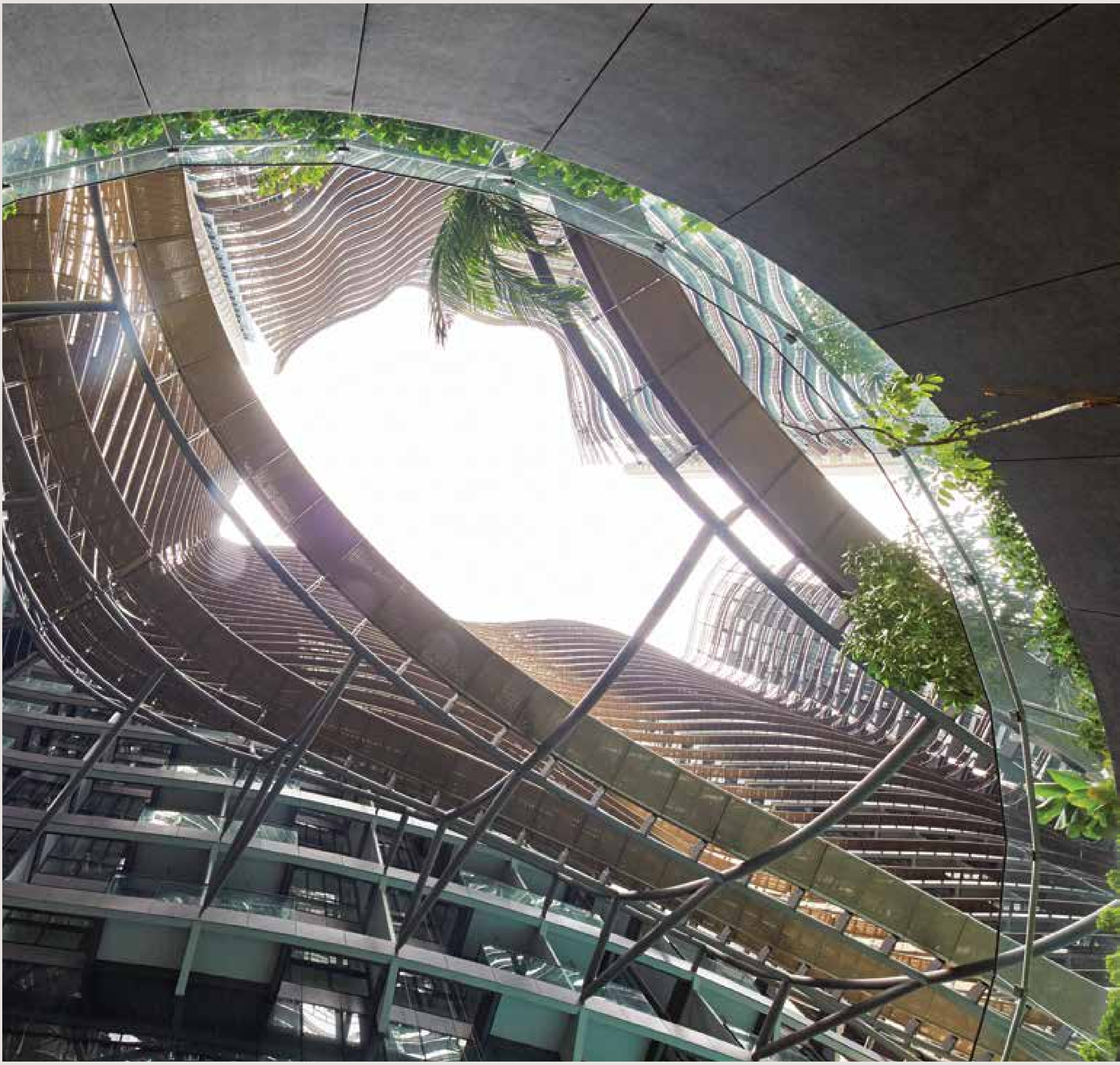
We have implemented fundamental changes to transform our business model and strategy to promote profitability and ensure continued success of the Group.

We launched a three-phase transformation strategy across the Group in 2017 with the objective of setting up the business for growth both locally in Singapore and internationally.

We have completed the first phase of restructuring and stabilising the Group in 2017, and we are already seeing positive results. The management team will continue to drive the next phases to focus on reinvigorating the business and achieving sustainable growth. These include strengthening our internationally diversified portfolio, increasing efficiency and cost-savings, as well as actualising profitability of projects through increased revenue streams. The plan is elaborated in the CEO's business review in this report.

Our fundamentals remain sound. We have a healthy balance sheet, with low gearing and positive cash balances. Our strengths are underpinned by a strong brand image, broad expertise, extensive network across the region, intimate knowledge of the industry and the markets we operate in, as well as the talents and diversity of our workforce.

Chairman's **Statement**



Chairman's **Statement**

Nonetheless, we can do more to build on our strengths. In particular, we will leverage technology to increase productivity and bolster efficiency of our operations. We will train our people to acquire the requisite skill sets so as to reap the benefits of enhanced innovative solutions and systems.

We have introduced a new management team who are focused and committed, and are able to make tough yet pragmatic decisions for the future of the Group. Many initiatives have been implemented during the year and much has been done to gear up the Group for the uncertainties we will face in the different markets we operate in.

As our business expand internationally, we have to operate in an increasingly complex environment with diverse regulations and practices. We continue to strengthen our compliance and control processes to ensure that our people are well-equipped to navigate the challenges of myriad laws and regulations in different jurisdictions. We adopt a zero-tolerance policy to all forms of corruption. We regularly review our processes to safeguard against corruption, as well as to protect the integrity of the Group.

Integrity is an invaluable asset in our business. It gives us a competitive advantage in the international marketplace. Through the years, we have earned a strong reputation of trust, credibility and reliability among our clients. We will employ all efforts to maintain our solid position in the market and fortify our competitiveness.

Outlook for 2018

The global economy entered 2018 on a surer footing. With a strong track record, we are well-positioned to grow our interior fit-out business and increase market share in countries we operate in. The Group will increasingly seek to tap opportunities in turnkey projects which typically provide higher margins.

With an improving business environment and advancement in our transformation process, I am optimistic towards the overall outlook for the Group's prospect. Barring any unforeseen circumstances, I am confident that the management team will be able to deliver on its promise and achieve positive results in FY2018.

Acknowledgements

My heartfelt appreciation goes to the management and staff of the Group for their commitment and diligence in carrying out the transformation for the business.

I would also like to thank the Board of Directors for their guidance through this difficult year.

Last but not least, I would like to express my deep appreciation to shareholders for their patience and support as we transform our business and reinvigorate the Group for the future.

I look forward to continuing this journey together.

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

CEO's **Statement**

EDGAR RAMANI
Executive Director and Chief Executive Officer

CEO's **Statement**

> The Group will seek to grow returns from existing markets and export skills to new countries as we expand, while delivering the best solutions for our clients and driving sustainable growth for our shareholders.

INTRODUCTION

2017 was a year of change for the Group. Since joining as Executive Director and Chief Executive Officer in February 2017, we have implemented a three-phase growth strategy to restructure, stabilise and reinvigorate the business. A new senior management team, including a new Acting Chief Financial Officer and several core members, has been put in place to drive the transformation process.

Change is difficult yet necessary in an evolving business landscape. Over the course of the year, we committed substantial effort and resources to enhance the Group's fundamentals and build a sustainable growth platform for the future.

Our transformation strategy is still a work in progress. However, with our strong underlying business, we are well-positioned to overcome challenges and achieve success in the coming years.

FINANCIAL PERFORMANCE

The Group's performance for FY2017 was adversely impacted by a slowdown in some of the markets we operate in, coupled with a changeover in management and close-out of problem projects. The Group achieved a net profit after tax for the year ended 31 December 2017 ("FY2017") of S$1.2 million. The Group's underlying profit before tax, excluding the one-off items (S$8.2 million) is S$9.7 million for FY2017.

The reported result includes S$4.9 million of losses from the residential segment, S$2.1 million for write down on slow moving inventory and an impairment of S$1.2 million for doubtful receivables on projects with ongoing contractual disputes and long outstanding amounts with collection issues on completed projects. Revenue was $142.0 million and order book as at 31 December 2017 was S$131.4 million.

The Group's balance sheet remains healthy with no net borrowings and with cash and short-term deposits of S$28.9 million (FY2016: S$54.0 million). The decline in the cash balance was largely due to dividend payments made during FY2017 totaling S$16.9 million. Working capital negative cash outflow of S$5.0 million during FY2017 was due to timing on collection of receivables. Investment net cash outflow also contributed S$2.9 million to the reduction in cash from FY2016.

The Singapore commercial and hospitality segment reported mixed performance in 2017 with some good performing projects, but failed to win sufficient new work throughout the year to replenish the order book. The Singapore residential segment and Malaysia business both performed poorly due to project cost overruns, prolongation on project construction durations and lower revenue.

VISION AND STRATEGIC PRIORITIES

We revisited our Group vision and values in 2017, which we revamped to better align with our beliefs as a business. In collaboration with

CEO's **Statement**

our leadership team, we developed a new vision which is clear, simple and will shape the future of our company. Our vision is to be a Global Interior Fit-out Partner of Choice. Our core business is about high-quality manufacturing and turnkey project solutions. Our new vision recognises that we deliver our strongest performance when we strive for the best in everything we do. To deliver our vision, we are working through a very clear three-phase transformation process.

The first phase of 'resetting, restructuring and turnaround' is complete with a multitude of significant changes implemented in the Group. We have revamped the organisation and employed key staff, addressed reputational issues, and resized overheads. We also introduced an Enterprise Resource Planning system to strengthen our risk management framework and set clear Key Performance Indicators to promote a performance-driven culture.

The second phase is to 'reinvigorate our business' in FY2018. Simply put, we expect to deliver predictable returns and strive to re-establish Design Studio Group as a market leader in Singapore and regionally. We will continue to expand internationally, drive innovation, convert identified pipeline opportunities and increase backlog. We will also focus on training, developing and attracting talent in our business and realising cost reductions from efficiencies and initiatives implemented in FY2017. We have embarked to rebrand our business from Design Studio Group to DSG with a new logo to reflect our new company vision.
The final phase is 'sustainable growth'. This means consistent economic returns for our shareholders with a strong value proposition to invest, and establish a sizeable market share in new geographies and market segments. We will become a relevant-sized business and continuously seek new opportunities for growth and value enhancement to realise our vision.

SETTING UP FOR SUCCESS

The 'resetting, restructuring and turnaround' phase we launched in 2017 helped mitigate the issues we faced and much has been achieved over the past year. These included initiatives to develop and promote key talent, and strengthen our risk management systems.

In our business, everyone has a key role to play and we must all respect each other's contributions, be cognizant of our corporate values, and work in unity to achieve our collective goals.

CEO's **Statement**

In 2017, we welcomed Ronald Kurniadi to the Group as Acting Chief Financial Officer who replaced Eddie Chua who stepped down in November 2017 to pursue personal interests. Ronald brings with him over 20 years of professional experience in finance, accounting, commercial and general management for publicly listed multinational companies. Ronald has held Group Financial Controller, GM commercial and GM Finance roles for multinationals listed on the ASX and SGX. Ronald comes with significant Asian experience particularly in Singapore, Malaysia and Indonesia. He holds a Bachelor of Commerce degree from the University of Western Australia, a Master of Applied Finance from the Securities Institute of Australia and is a member of CPA (Australia).

We have embarked on a graduate development program and a diversity program within our Group, focusing on fostering and developing young talents in Singapore and countries we operate in to ensure that we are able to continuously tap on our talent pool to assume senior roles as the Group expands.

As the Group transitions from the 'restructure' phase to the next of our transformation process, we will focus on building a sustainable business based on securing projects where we have an edge in terms of manufacturing and delivery, recruiting and retaining trusted and experienced people, as well as driving performance and cost optimisation through efficiency and excellence at all levels. We will continue to innovate and forge strategic partnerships in segments that are synergistic to our business. Ultimately, we will strive to deliver consistent economic returns for our valued shareholders.

ENHANCING OUR RISK MANAGEMENT FRAMEWORK

We conducted a strategic review and overhaul of our project management processes in 2017. These reviews uncovered some key contributors to our FY2017 performance and we have since

CEO's **Statement**

put in place measures for tighter control to monitor risks on all our projects which inherently help us as a company to manage risk.

A revised Delegation of Authority process was implemented within the Group to ensure controls are in place to manage decision making within the business units and Group, and drive accountability and responsibility across the teams. Along with this a 'Gate' process is being used to determine the risk profile of projects that we decide to pursue, clients we decide to work with and countries we operate in. More importantly, we have implemented Oracle, an Enterprise Resource Planning (ERP) system across our Group to achieve efficiency and better cost savings from 2019 onwards.

IMPROVING OPERATIONAL EFFICIENCIES

In 2017, the manufacturing businesses in the Group have been restructured with cost reductions made in the Singapore manufacturing facility. The Malaysia manufacturing facility is being revamped with improved machines and a new management team who have vast experience in furniture manufacturing.

A key initiative in 2018 is to improve the cost structure of our business by standardising certain business and support functions, focusing on improving margins and profitability, and setting clear priorities to stabilise and reinvigorate the business. The Group will seek to grow returns from existing markets and export skills to new countries as we expand, while delivering the best solutions for our clients and driving sustainable growth for our shareholders.

STRENGTHENING OUR DIVERSIFIED PORTFOLIO

In Singapore the Group secured key projects such as Funan with CapitaLand Mall Trust, Dulwich College with Dulwich College Singapore and Outpost Hotel Sentosa with Fontaine Investment Pte Ltd. In Malaysia the Group secured key projects such as citizenM Hotel Kuala Lumpur with Artyzen Hospitality Group and Pinnacle Supreme, Hotel Equatorial Kuala Lumpur with Hotel Equatorial, as well as Robinsons department store with Al-Futtaim Group. In China the Group secured new projects, such as Shenzhen Hengyu Residences with Shenzhen Hengyu Group.

We will keep up the momentum by continuing to grow in the commercial, hospitality and residential segments in Singapore and the countries we operate in, as well as expanding our offering into the cruise segment where we see great potential. Other growth areas, which are still in their infancy, comprise initiatives in virtual reality, smart furniture and rooms, as well as 3D printing. The Company has already commenced research and development projects in these areas, which we believe will reap benefits in coming years.

OUR UNWAVERING COMMITMENT

FY2017 was a challenging year for Design Studio Group, with a slow-down in the markets we operate in and the changes in the business. However, it was critical for us to take the necessary steps to position the business for the bright future it deserves. I believe we have undertaken what was required, and while some actions remain a work in progress, we have already seen an increase in new projects being secured and we are well underway to deliver the targets we have set for FY2018.

I appreciate that our achievements would not have been possible without the dedication and commitment of our people, ongoing support of our clients, partners and shareholders. My sincere thanks to all of you for your continued support and your confidence in the future of Design Studio Group.

Edgar Ramani
Executive Director and
Chief Executive Officer

Board of **Directors**

From left to right

Mr Ong Tiew Siam, Ms Tan Siok Chin, Mr Roderick David Maciver, Mr Edgar Ramani, Mr Hamish Gordon Tyrwhitt

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

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 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.

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.

Roderick David Maciver
Non-Executive Director

Mr Roderick David Maciver was appointed as a Non-Executive Director of the Company on 9 November 2015. Mr Maciver is Depa Limited's Vice Chairman.

Mr Maciver has over 40 years of experience in the construction industry in the Middle East, including periods as a Managing Director for Wimpey International and Managing Director, Operations for both Tarmac International and more recently Carillion International. Since retiring from full time employment in 2006, Mr Maciver has worked as an advisor for various companies including Kempe Engineering Pty Ltd, Al-Futtaim Group Real Estate and for the past nine years Consolidated Contractors Company (CCC).

Mr Maciver holds an HNC in Building (Structural Engineering Stream).

Proposed New Director

Marwan Anthony Shehadeh

Mr Marwan Shehadeh 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 19th April 2018. As a nominee of Depa Interiors LLC he will be considered a Non-Executive Director.

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.

Key **Management**

Edgar Ramani 01
Executive Director and Chief Executive Officer

Please refer to profile of Mr Edgar Ramani under "Board of Directors" section for more information.

Ronald Kurniadi 02
Acting Group CFO

Ronald Kurniadi has over 20 years of professional experience in finance, accounting, commercial and general management for publicly listed multinational companies. Prior to joining the Group he was the Asia regional manager for one of Australia's largest engineering and construction groups. Ronald has also held Group Financial Controller, GM Commercial and GM Finance roles for multinationals listed on the ASX and SGX. Ronald's industrial experience covers delivery of EPC, fabrication, contract mining, operations and maintenance projects for the resources and public infrastructure sectors. His career to date has taken him to companies based in Australia, Indonesia, Singapore and Malaysia. He holds a Bachelor of Commerce degree from the University of Western Australia, a Master of Applied Finance from the Securities Institute of Australia and is a member of CPA (Australia).

Chew Keng Meng 03
GM Singapore

Chew Keng Meng has 30 years of experience in the interior fit-out industry. His wealth of experience is borne out of numerous projects delivered across hospitality, commercial, retail, and residential market sectors. He has been involved in landmark projects in Singapore such as the Shangri-La, Mandarin, Capella, Ritz Carlton, and Resorts World Sentosa. He has also held various senior management and project delivery roles across Malaysia, Thailand and China. Keng Meng leads the Group's Singapore projects business unit.

Key **Management**

Nick Potts 04
GM Malaysia

Nick Potts has over 30 years of experience in interiors-related business, 28 of those in Asia. He has extensive project management track record across hospitality, residential, retail and commercial market sectors throughout the Asian region (China, Hong Kong, Singapore, Malaysia, Vietnam, India, Indonesia, Sri Lanka) and globally (USA, Europe, Africa, Middle East and Australia). Notable projects in his experience include Singapore Changi Airport Terminals 1, 2 and 3, Singapore National Library, and Hewlett Packard's SE Asia headquarters in Malaysia.
Nick leads the Group's Malaysia projects business unit and is based in Kuala Lumpur, Malaysia.

Ho Ming 05
GM China

Ho Ming graduated from National Cheng Kung University of Taiwan with a Bachelor of Architecture degree. He has extensive experience in China and Canada in fit-out engineering and construction sectors. He is the Professional Member of "American Society of Interior Designers" (ASID) and the Registered Member of "Association of Registered Interior Designers of Ontario" (ARIDO). His past experience includes the Dow Chemical Shanghai Centre, Johnson & Johnson Xian Janssen Pharmaceutical project, and the University of Chicago EMBA Campus in Hong Kong. Ming leads the Group's China projects business unit and is based in Dongguan, China.

George Soh 06
Group GM Operations

George Soh has almost 20 years of experience in Main Contract Builder's works and Interior Fit-out projects. He is a Civil Engineer and graduated from the National University of Singapore. George provides functional oversight and support to project operations across the Group. He has overseen various projects for the Group including: 6 Shenton Way, DUO Andaz, Swissotel Merchant Court, Clifford Centre, JW Marriott and Hilton Garden Inn in Singapore; and Hilton KL Sentral, CIMB Headquaters, Platinum Suites, Plaza Atrium, Ritz Carlton Langkawi and Mandarin Oriental KLCC in Kuala Lumpur.

Ronnie Chu 07
Group GM Manufacturing

Ronnie Chu is a qualified engineer with over 30 years of experience in the wood and furniture industry.
He is an innovative manager who has proven experience revitalizing several factories in Indonesia, Malaysia, China and Vietnam to meet the challenges of ever-changing markets. His expertise also includes developing new factories in India with advanced manufacturing systems. Ronnie leads the Group's manufacturing business unit encompassing the China, Malaysia and Singapore manufacturing facilities.

Imogene Siw 08
Group GM HR & Admin

Imogene Siw has more than 30 years of experience in Human Resources and Administrations, Project and Logistics Management. She holds a Master Degree in Leadership and Management and Post Graduate Diploma in Education with RMIT University, Melbourne Australia and Graduate Diploma of HR Management in Singapore. Her professional experience includes roles as Regional Head of HR for Asia Pacific Region with various MNCs. Imogene is also a Life Member of MDIS.

Eugene Yapp 09
Group GM Corporate Affairs

Eugene Yapp has over 15 years of international experience in various infrastructure, building construction and asset maintenance works, spanning Australia, Canada, Singapore and Malaysia. He holds a Master of Engineering Studies and double Bachelor Degree in Electrical Engineering and Computer Science. His professional experience spans project and design management, pre-contracts, strategy and analytics, and business unit management.

Don Cunningham 10
Group GM Commercial & Legal

Don Cunningham is a professional Chartered Quantity Surveyor and Chartered Arbitrator with 30 years of experience in the building construction industry and major civil engineering projects.
He has 20 years of international experience in South East Asia and the Middle East. Don has extensive experience in project and business unit commercial management. He has a proven track record of pre- and post-contract negotiations from award to commercial close out on numerous prestigious high value contracts; and the successful close out of numerous complex design & build and EPC projects.

David Potts 11
Group GM Business Development

David Potts has over 25 years of international experience in high end Interior Fit-out works and has been based in Singapore for the last 10 years. His professional experience spans all aspects of interior construction. His track record includes the Royal enclosure and Her Majesty's private box at Royal Ascot, UK; exclusive high profile residences in the Bahamas; and Singapore's iconic developments such as Marina Bay Sands and Raffles Hotel. Leveraging his strength and experience in high quality project delivery, David provides functional support on business development activities for the Group.

Tan Zi Hui 12
Group Financial Controller

Tan Zi Hui has more than 12 years working experience in finance and accounting field. She is responsible for the Group's overall financial accounting and corporate finance functions. Zi Hui graduated from the Nanyang Technological University with a Bachelor of Accountancy (Honours). She is also a member of the Institute of Singapore Chartered Accountants.

DESIGNED FOR SUSTAINABILITY

We are focused on transforming our business and harnessing our core strengths so as to build a sustainable business for the future.

H O S P I


T A L I T Y

Hospitality Sector

Our breadth of experience in the Hospitality sector spans joinery supply and interior fit-out, to main contractor turnkey refurbishments including mechanical, electrical and structural works. We have serviced various major international hotel and resort brands and been involved with the delivery of globally iconic projects, such as Marina Bay Sands.

We continue to be a market leader in the Hospitality sector delivering ongoing and securing new projects in 2017, including:

- 6 Shenton Way, Singapore
- Duo Andaz, Singapore
- Mandarin Oriental Hotel, Kuala Lumpur, Malaysia
- W Hotel, Kuala Lumpur, Malaysia
- Outpost Hotel Sentosa, Singapore
- citizenM Hotel, Kuala Lumpur, Malaysia

Yeow Meiling
Business Development Manager

Over the years, our team has been successful in establishing Design Studio Group as the premium brand in the interior fit-out and joinery solutions business. We continue to set the industry benchmark in interior solutions of living spaces and superior workmanship. With our impeccable track record of delivering quality and outstanding projects, we have built trusted and extensive relationships with clients and business leaders in industry spanning residential, hospitality, retail and commercial.

Hospitality Sector

STRUCTURED FOR EFFICIENCY

We have restructured our organisation, revamped our operations, strengthened our team and optimised our cost structure with a clear objective to increase efficiency and effectiveness.

COMMERCI


AL&RETAIL

Commercial & Retail Sector

The Commercial & Retail sector is an area where we continue to deliver successful projects demonstrating our strengths in project management and interior fit-out construction, and leveraging our manufacturing capabilities. Across public areas and lift lobbies, to office and executive areas, and retail department store fit-out, we have a proven track-record.

In 2017, Commercial & Retail projects delivered and secured include:

- Funan, Singapore
- Four Seasons Place, Kuala Lumpur, Malaysia
- Robinsons department store, Kuala Lumpur, Malaysia

Srikanth P
Senior QHSE Manager

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As a responsible employer, we have put in place processes & systems and have provided necessary resources to ensure that our staff can work in a safe and healthy environment so that we can leverage our collective skills and experience to deliver projects with highest quality.

Commercial & Retail Sector

Steven Koh
Assistant Project Director

I relished the opportunity to work on a project outfitting a prestigious commercial building located in Singapore's premier business district. The technical specifications were demanding and I am glad that we were able to outfit and furnish the building with finesse and skilled craftsmanship and complete the project on time.

GROWTH AND PROFITABILITY

We are committed to provide innovative solutions and value-added services to our clients and build a solid track record of profitability and sustainable growth, enhancing our ability to deliver consistent value to shareholders.

R E S I D


E N T I A L

Residential Sector

Whilst we have faced challenging market cycles and ongoing projects in the Residential sector for 2017, we continue to deliver our projects with commitment. Our industry leading joinery manufacturing facilities and capabilities provide us the differentiator which has earned us our extensive track-record in the Residential sector.

Residential projects delivered and secured in 2017 include:

- Marina One, Singapore
- Fountain View, Dubai, UAE
- Ritz Carlton Residence, Kuala Lumpur, Malaysia
- Tropicana Residence, Kuala Lumpur, Malaysia
- Lakeville Residences, Kuala Lumpur, Malaysia
- Shenzhen Hengyu Residences, Shenzhen, China

Residential Sector

Gan Chin Hoe
Production Manager

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As our production orders are mostly project based, often we have to manufacture fittings and other products under very tight timeline and specifications. Our seamless production processes and effective quality control systems enable us to meet the high quality and stringent requirements of our clients.

INNOVATIVE TALENTS
& SOLUTIONS

HIGH-QUALITY **MANUFACTURING**

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.

BOARD MATTERS

Principle 1: The 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 provide 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 2017 ("FY2017") including the attendance of each member are set out below:-

Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Tan Siok Chin	7	7	5	5	3	3	3	3
Edgar Ramani (1)	7	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Hamish Gordon Tyrwhitt	7	7	5	5	N.A.	N.A.	N.A.	N.A.
Roderick David Maciver	7	7	N.A.	N.A.	3	3	3	3
Ong Tiew Siam	7	7	5	5	3	3	3	3

(1) Mr Edgar Ramani was appointed a Director of the Company on 22 February 2017 and Chief Executive Officer of the Company on 23 February 2017.
N.A. Not applicable

The Company has and will organise orientation programs for new Directors to familiarise themselves with the Group's operations and business and the relevant regulations and governance requirements. The Company will also provide training for the first-time Directors[1] in areas such as accounting, legal and industry-specific knowledge, as appropriate. New Directors will be provided with a letter of appointment setting out their duties, obligations and terms of appointment.

Majority of the Directors have attended trainings and/or seminars conducted by organisations including, *inter alia*, SID and ACRA on topics relating to, *inter alia*, the duties of the AC, NC and RC as well as Board and directors' duties, as part of the Board's commitment to professional development.

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. 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.

[1] A first-time director is a director who has no prior experience as a director of a listed company.

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

The Board comprises the following members:-

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Edgar Ramani	(Executive Director & Chief Executive Officer)
Hamish Gordon Tyrwhitt	(Non-Executive Director)
Roderick David Maciver	(Non-Executive Director)
Ong Tiew Siam	(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 operations. The current Board comprises persons, who as a group, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group, and also provide core competencies necessary to meet the Group's objectives.

Corporate Governance **Report**

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 (IDs) and one Non-Executive Director (NED) The NC is comprised entirely NEDs, the majority of whom, including the Chairman, are independent	Mr Ong Tiew Siam (Chairman) Ms Tan Siok Chin Mr Roderick David Maciver
Audit Committee (AC)	Three members: two IDs and one NED The AC is comprised entirely NEDs, 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 IDs and one NED The RC is comprised entirely NEDs, the majority of whom, including the Chairman, are independent	Ms Tan Siok Chin (Chairman) Mr Ong Tiew Siam Mr Roderick David Maciver

The NC has reviewed and is satisfied that with the Independent Directors making up at least one-third of the number of Directors and that the Board 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 Non-Executive Directors constructively challenge the Management 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.

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.

Corporate Governance **Report**

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 Director retiring from office shall be eligible for re-election at the AGM. The following Director who will be due to retire at the 2018 AGM has offered himself for re-election at the 2018 AGM:-

- Director retiring by rotation under Article 102 of the Constitution:

  (I) Ong Tiew Siam

The NC has recommended to the Board the above-named Director for re-appointment at the 2018 AGM having regard to his performance and contributions and taking into account his participation and attendance at Board and Board Committees meetings.

The Company does not have any Alternate Directors.

The NC comprises the following members:-

Ong Tiew Siam	(Chairman)
Tan Siok Chin	(Member)
Roderick David Maciver	(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 Non-Executive Directors annually, in accordance with the guidelines on independence set out in the Code and the Board structure, size and composition and makes recommendation to the Board if any adjustment is necessary.

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

As at 31 December 2017, both the Independent Directors, namely, Ms Tan Siok Chin ("Ms Tan") and Mr Ong Tiew Siam ("Mr Ong"), had served the Board for more than nine (9) years. The NC and Board had assessed and were of the view that both Ms Tan and Mr Ong are independent as they have continued to demonstrate independence in judgement in the best interest of the Company in the discharge of their duties as Directors and through their active participations and objective questioning of all matters discussed at Board and Board Committees meetings. Notwithstanding the years of service, both Ms Tan and Mr Ong have provided very valuable contributions to the Board through their integrity, objectivity and professionalism. In addition, Ms Tan and Mr Ong had continued to provide overall guidance to the Management and in protecting the Company's assets and upholding shareholders' interests. Accordingly, the NC and Board have determined that both Ms Tan and Mr Ong shall continue to be Independent Directors.

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).

Corporate Governance **Report**

Key information regarding the Directors as at 16 March 2018 is set out below:-

Name of Director	Date of First Appointment	Date of Last Re-appointment	Directorships or Chairmanships in Other Listed Companies: Present	Directorships or Chairmanships in Other Listed Companies: Past (Preceding 3 Years)	Other Principal Commitments
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
Roderick David Maciver	9 November 2015	29 April 2016	Vice Chairman and Independent Director of Depa Limited	Non-Executive Director of Al-Futtaim Group Real Estate	Advisor to Consolidated Contractors Company (CCC)
Hamish Gordon Tyrwhitt	29 June 2016	20 April 2017	CEO of Depa Group and Arabtec Holding Executive Board member of Depa Limited	CEO of Leighton Group Independent Director of Asia Resource Minerals plc.	Nil
Ong Tiew Siam	1 March 2007	29 April 2016	Independent Director of:- (i) Tat Hong Holdings Ltd (ii) Valuetronics Holdings Limited	Independent Director of:- (i) Ace Achieve Infocom Limited (ii) Lizhong Wheel Group Ltd. (iii) Fung Choi Media Group Limited (Liquidated)	Director of Thomson Ng Chwee Cheng Foundation Limited

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 60 of this Annual Report.

The Company has received a letter of nomination from its controlling shareholder, Depa Interiors LLC, nominating the appointment of Mr Marwan Anthony Shehadeh as an additional Director, for approval by the Company's shareholders at the Company's Annual General Meeting to be held on 19 April 2018. Please refer to "Proposed New Director" under the section on "Board of Directors" on page 21 of this Annual Report for more information relating to Mr Shehadeh.

Corporate Governance **Report**

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, standard of conduct and the consideration of shareholders' value in its decision-making process. 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, members of the Board 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 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 our Company and Directors, the Board members will be required to attend briefing sessions conducted during Board meetings or at specially convened sessions conducted by professionals.

REMUNERATION MATTERS

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

The RC comprises the following members:-

Tan Siok Chin	(Chairman)
Ong Tiew Siam	(Member)
Roderick David Maciver	(Member)

Corporate Governance **Report**

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 aspect of remuneration matters, as well as the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service; and

- Maintain an effective working relationship with the Board and 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 firms, Egon Zehnder International Pte Ltd and Michael Page International Pte Limited to aid the search for suitable candidates for position of executives. The RC and Board confirmed that the Company has no existing relationship with the executive search firms 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 2018 AGM for shareholders' approval.

Executive Director, Mr Edgar Ramani, has entered into service agreement with the Company. The review of service contract for Executive Director(s) come under the purview of the RC and the RC ensures that fair and reasonable terms of remuneration are aligned with performance. Executive Director 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 the Executive Director is at the discretion of RC based on how the Executive Director has fulfilled key performance indicators, which include order book, profitability and cash.

Having reviewed and considered the incentive components of remuneration of the Executive Director(s) and 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.

The RC will review the feasibility of implementing such contractual provisions when appropriate. The Executive Director does not receive Directors' fees and attendance fees.

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.

Corporate Governance **Report**

(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 the 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 Design Studio 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.

(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%.

Corporate Governance **Report**

(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.

The number of share 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 2017.

Corporate Governance **Report**

Non-Executive Directors and Independent 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 and Independent Directors is S$4,000 for full day meetings and S$2,000 for half-day meetings. The attendance fee is applicable for attendance at Board and Board Committee meetings other than the regular scheduled Board and Board Committees meetings.

The remuneration of Directors and top seven key management personnel for FY2017 are set out below:-

Remuneration band Name of Directors	Salary (%)	Performance Incentive Bonus (%)	Director Fees (%)	Other Benefits (%)	Total (%)
Above S$250,000 and up to S$500,000					
Executive Director & Chief Executive Officer					
Edgar Ramani [(1)]	94	-	-	6	100
Ku Wei Siong [(2)]	90	-	-	10	100
Executive Director					
Kelly Ng Chai Choey [(3)]	94	-	-	6	100
Below S$250,000					
Non-Executive Directors					
Hamish Gordon Tyrwhitt	-	-	- [(4)]	-	-
Roderick David Maciver	-	-	100	-	100
Independent Directors					
Tan Siok Chin	-	-	100	-	100
Ong Tiew Siam	-	-	100	-	100

(1) Mr Edgar Ramani was appointed as Director of the Company on 22 February 2017 and Chief Executive Officer of the Company on 23 February 2017.

(2) Mr Ku Wei Siong ceased to be Executive Director and Chief Executive Officer of the Company on 22 February 2017.

(3) Ms Kelly Ng Chai Choey ceased to be Executive Director of the Company on 31 March 2017.

(4) As a nominee of Depa Interiors LLC (controlling shareholder of the Company), Mr Hamish Gordon Tyrwhitt has waived his entitlement to Director's fee.

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, Chief Executive Officer 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.

Corporate Governance **Report**

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				
Chew Keng Meng	75	–	25	100
Jeremy Koh Kah Liam [(1)]	84	–	16	100
Below S$250,000				
Eddie Chua Wui Lik [(2)]	95	–	5	100
Ronald Kurniadi [(3)]	100	–	–	100
Nick Potts [(4)]	96	–	4	100
Ho Ming [(5)]	70	–	30	100
Ronnie Chu [(6)]	100	–	–	100

(1) Mr Jeremy Koh Kah Liam resigned on 18 September 2017.

(2) Mr Eddie Chua Wui Lik was appointed Chief Financial Officer on 3 April 2017 and resigned as Chief Financial Officer with effect from 31 January 2018.

(3) Mr Ronald Kurniadi was appointed as GM (Commercial, Finance & Reporting) on 9 October 2017 and promoted to Acting Chief Financial Officer on 1 December 2017.

(4) Mr Nick Potts was appointed as GM (Malaysia) with effect from 1 October 2017.

(5) Mr Ho Ming was appointed as GM (China) with effect from 9 October 2017.

(6) Mr Ronnie Chu was appointed as Group GM (Manufacturing) with effect from 16 October 2017.

The total remuneration paid to the above top seven key management personnel (who are not Directors or Chief Executive Officer) for FY2017 was S$864,862.

There are no termination, retirement and post-employment benefits granted to the Directors, 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 or internal control provide absolute assurance against the occurrence of material financial misstatement or losses, poor judgement in decision-making, human errors, fraud or other irregularities.

For FY2017, the Board has obtained assurance from the Chief Executive Officer and Acting Chief Financial Officer that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and that the Company's risk management and internal control systems are in place and effective.

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

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:-

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

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

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

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

- Assesses the adequacy and effectiveness of the internal control (including financial, operational, compliance, 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 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, 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.

Corporate Governance **Report**

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.

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 FY2017. An aggregate value of all IPTs conducted pursuant to the shareholders' mandate during FY2017 is set out in the "Supplementary Information" section on page 122 of 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 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.

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 Company and its subsidiaries may raise concerns about the possible improprieties in matters of financial reporting or other matters directly to the Chairman of the AC.

Corporate Governance **Report**

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 audit 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 auditors have the necessary resources to adequately carry out its functions.

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 does not allow shareholders to vote in absentia at general meetings except through the appointment of a proxy/proxies, attorney or corporate representative (in the case of a corporation) to attend in their stead.

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 made 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.

Corporate Governance Report

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 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 its 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 dividend 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.

The Company had declared and paid an interim dividend of 1.25 cents per share during FY2017. No final dividend was recommended for FY2017 in view of the Company's financial performance for FY2017.

CONTENTS

Directors' **Statement**

The directors are pleased to 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 2017.

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 2017 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)	(appointed on 22 February 2017)
Hamish Gordon Tyrwhitt	(Non-Executive Director)	
Roderick David Maciver	(Non-Executive Director)	
Ong Tiew Siam	(Independent Director)	

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.

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 2017, 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 with full attendance from all members. 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

16 March 2018

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 Financial Reporting Standards in Singapore ("FRSs") 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 2017 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 2017;
- 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 2017;
- 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.

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.

Independent Auditor's Report
to the Members of Design Studio Group Ltd and its subsidiaries

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 2017. 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 construction contracts *Refer to Note 3(a), Note 4 and Note 16* During the financial year ended 31 December 2017, contract revenue and cost amounted to $142.0 million and $123.4 million respectively. The Group recognises contract revenue and contract cost using the percentage-of-completion ("POC") method in accordance with FRS 11 *Construction Contracts*, by reference to the stage of completion of the contract activities as indicated by Quantity Surveyor ("QS") Certification issued by external surveyors/architects. As the certification date of the QS may not necessarily be at the end of the reporting period, management is required to exercise judgement and use estimates to determine and record revenue and cost at the reporting period. The amount of revenue and cost is influenced by the valuation of work in progress, variation orders, claims, provision for foreseeable losses and provision for liquidated damages. Significant management judgement is also involved in estimating the cost to complete including the assessment of the remaining contingencies that a project is or could be facing until delivery. We focused on revenue recognition and provision for foreseeable losses on ongoing contracts based on POC as significant management judgements were required in determining the total contract sum, total contract costs and the POC.	We obtained an understanding of ongoing contracts through discussions with management and examination of contract documentation. In relation to total contract revenue, we: • traced total contract sums to contracts entered into with customers; • traced revenue from variation orders recognised to surveyor/architect's certifications; • assessed the competence of the external surveyors/architects; • obtained and reviewed QS certifications and credit notes issued after year-end to establish that revenue were properly recorded in the correct period; • recomputed the POC; and • assessed the completeness of the amount of liquidated damages, if any, to be netted off against contract revenue recognised, based on our understanding of the projects. In relation to estimated total contract costs, we: • traced cost incurred to date to relevant suppliers' invoices; • traced the cost to complete for each contract 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 • assessed the reasonableness of cost incurred against our understanding of the project and through discussions with project managers. We also recomputed the cumulative contract revenue and cumulative contract costs and the contract revenue and contract costs for the current financial year, as well as the amount of foreseeable loss (where relevant) for each project, and agreed to 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 *Refer to Note 3(e) and Note 14* As at 31 December 2017, the Group's trade receivables and retention receivables amount to \$54.0 million (38% of total assets) and \$19.0 million (13% of total assets). Allowances for doubtful receivables amounted to \$1.2 million. Management judgement is required in assessing and determining the recoverability of trade and retention receivables and adequacy of allowance made. These judgements include estimating and evaluating expected future receipts from customers based on historical payment patterns, age of the outstanding balance and other available information concerning the creditworthiness of customers. The key assumptions and estimation on allowance for doubtful receivables 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 determine collectability of debts and adequacy of allowance; • considered factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments; • circularised trade receivable confirmations to major trade debtors and performed alternative testing for confirmations with no replies; and • performed substantive procedures to assess the adequacy of allowance for 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. We found the judgements and assumptions used by management in determining the allowance for impairment of trade and retention receivables to be supportable based on available evidence.
Write down of inventory *Refer to Note 3(d), Note 7 and Note 15* As at 31 December 2017, the carrying amount of the inventory amounted to \$8.0 million. Write down of inventory for the year amounted to \$2.0 million. We focused on this key audit matter as the inventory and related inventory write down amounts are material to the financial statements. Further, the determination of write down of inventory requires management to exercise judgement in identifying slow moving and obsolete inventory and make estimates of the appropriate level of allowance required.	Our audit procedures include the following: • attended management's inventory counts at selected inventory locations and observed the process implemented by management to identify and monitor obsolete inventories; • tested the inventory ageing analysis of the Group at year end; • evaluated the assessment made by management with respect to slow moving and obsolete inventories; and • assessed the reasonableness of the provisioning methodology. We have also assessed the appropriateness of disclosures in the financial statements. We found management's assessment in respect of inventory write down to be reasonable.

Independent Auditor's Report
to the Members of Design Studio Group Ltd and its subsidiaries

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.

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 FRSs, 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.

Independent Auditor's Report
to the Members of Design Studio Group Ltd and its subsidiaries

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- 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.

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, 16 March 2018

Consolidated
Income Statement

For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Revenue	4	142,049	178,971
Cost of sales		(123,380)	(139,081)
Gross profit		18,669	39,890
Other income	5	158	219
Marketing and distribution expenses		(6,509)	(6,079)
General and administrative expenses		(10,899)	(8,869)
Profit from operations		1,419	25,161
Finance expenses		(7)	-
Finance income	6	90	152
Profit before tax	7	1,502	25,313
Income tax expense	8	(304)	(4,817)
Profit after tax		1,198	20,496
Profit attributable to:			
Owners of the Company		1,201	20,498
Non-controlling interests		(3)	(2)
		1,198	20,496
Earnings per share (cents)			
- basic	9	0.46	7.88
- diluted	9	0.46	7.88

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

Consolidated Statement of **Comprehensive Income**

As at 31 December 2017

	Group	
	2017	2016
	$'000	$'000
Profit after tax	1,198	20,496
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(96)	(1,508)
Total comprehensive income for the year, net of tax	1,102	18,988
Total comprehensive income attributable to:		
Owners of the Company	1,105	18,990
Non-controlling interests	(3)	(2)
	1,102	18,988

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

Balance Sheets

As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Non-current assets					
Property, plant and equipment	10	14,536	15,041	3,249	2,040
Investment in subsidiaries and loan to a subsidiary	11	–	–	41,359	41,359
Intangible assets	12	2,738	2,741	9	12
Deferred tax assets	13	1,333	424	280	272
Trade and other receivables	14	11,896	14,828	–	–
Total non-current assets		30,503	33,034	44,897	43,683
Current assets					
Inventories	15	8,047	13,252	–	–
Gross amount due from customers for contract work-in-progress	16	4,990	5,232	–	–
Trade and other receivables	14	66,239	72,939	3,346	2,975
Prepayments		1,297	1,427	42	26
Loans to subsidiaries	11	–	–	8,725	2,675
Tax recoverable		1,070	1,131	–	–
Cash and short-term deposits	17	28,942	53,963	1,693	12,767
Total current assets		110,585	147,944	13,806	18,443
Current liabilities					
Trade and other payables	18	41,208	46,386	1,139	721
Gross amount due to customers for contract work-in-progress	16	5,949	22,435	–	–
Provision for reinstatement cost	19	170	–	–	–
Finance lease liabilities	20	50	–	–	–
Provision for tax		824	3,402	–	11
Total current liabilities		48,201	72,223	1,139	732
Net current assets		62,384	75,721	12,667	17,711
Non-current liabilities					
Deferred tax liabilities	13	85	63	–	–
Provision for reinstatement cost	19	–	75	–	–
Net assets		92,802	108,617	57,564	61,394
Equity attributable to owners of the Company					
Share capital	21	32,732	32,732	32,732	32,732
Retained profits		61,488	77,204	24,832	28,662
Translation reserve		(959)	(863)	–	–
		93,261	109,073	57,564	61,394
Non-controlling interests		(459)	(456)	–	–
Total equity		92,802	108,617	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 2017

	Share capital $'000	Retained profits $'000	Translation reserves $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
Group						
2017						
At 1 January 2017	32,732	77,204	(863)	109,073	(456)	108,617
Profit after tax	–	1,201	–	1,201	(3)	1,198
Other comprehensive income for the year						
- Foreign currency translation	–	–	(96)	(96)	–	(96)
Total comprehensive income for the year	–	1,201	(96)	1,105	(3)	1,102
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	61,488	(959)	93,261	(459)	92,802
2016						
At 1 January 2016	32,732	73,623	645	107,000	(454)	106,546
Profit after tax	–	20,498	–	20,498	(2)	20,496
Other comprehensive income for the year						
- Foreign currency translation	–	–	(1,508)	(1,508)	–	(1,508)
Total comprehensive income for the year	–	20,498	(1,508)	18,990	(2)	18,988
Transaction with owners, recognised directly in equity:						
- Dividends on ordinary shares (Note 30)	–	(16,917)	–	(16,917)	–	(16,917)
At 31 December 2016	32,732	77,204	(863)	109,073	(456)	108,617

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

Statements of **Changes in Equity**

For the financial year ended 31 December 2017

	Share capital $'000	Retained profits $'000	Total equity $'000
Company			
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
2016			
At 1 January 2016	32,732	28,732	61,464
Profit after tax, representing total comprehensive income for the year	–	16,847	16,847
Transaction with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 30)	–	(16,917)	(16,917)
At 31 December 2016	32,732	28,662	61,394

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

Consolidated
Cash Flow Statement

For the financial year ended 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000
Cash flows from operating activities			
Profit before tax		1,502	25,313
Adjustments for:			
Depreciation of property, plant and equipment	10	3,551	3,694
(Gain)/loss on disposal of property, plant and equipment	7	(81)	78
Finance expenses		7	–
Finance income	6	(90)	(152)
Amortisation of club membership	7	3	2
Write back of doubtful receivables	7	(8)	-
Impairment loss on doubtful receivables	7	1,163	252
Inventories written down	7	2,045	545
Operating cash flows before changes in working capital		8,092	29,732
Decrease/(increase) in inventories		3,074	(338)
(Increase)/decrease in contract work-in-progress		(16,256)	601
Decrease/(increase) in trade and other receivables		8,919	(38,260)
Decrease in prepayments		128	791
(Decrease)/increase in trade and other payables		(5,264)	29,425
Cash flows (used in)/generated from operations		(1,307)	21,951
Finance expenses paid		(7)	-
Income taxes paid		(3,679)	(4,197)
Net cash flows (used in)/provided by operating activities		(4,993)	17,754
Cash flows from investing activities			
Costs incurred for construction-in-progress		–	(497)
Finance income received		90	152
Proceeds from disposal of property, plant and equipment		133	4
Purchases of property, plant and equipment		(3,162)	(371)
Net cash flows used in investing activities		(2,939)	(712)
Cash flows from financing activities			
(Increase)/decrease in cash and short-term deposits pledged		(1,023)	232
Dividends paid on ordinary shares by the Company	30	(16,917)	(16,917)
Repayment of finance lease liabilities (Note B)		(50)	–
Net cash flows used in financing activities		(17,990)	(16,685)
Net (decrease)/increase in cash and cash equivalents		(25,922)	357
Effect of exchange rate changes on cash and cash equivalents		(122)	(269)
Cash and cash equivalents at 1 January		53,963	53,875
Cash and cash equivalents at 31 December (Note A)		27,919	53,963

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

Consolidated
Cash Flow Statement

For the financial year ended 31 December 2017

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 2017 $'000	Group 2016 $'000
Cash at banks and on hand		27,893	52,570
Fixed deposits		1,049	1,393
Cash and short-term deposits	17	28,942	53,963
Less: Cash and short-term deposits pledged		(1,023)	–
Cash and cash equivalents		27,919	53,963

B. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	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	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 2017

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 ("FRS").

The financial statements have been prepared on a historical cost basis 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 FRS 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 Interpretations and amendments to published standards effective in 2017

On 1 January 2017, the Group adopted the new or amended FRS and Interpretations of FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

<u>FRS 7 *Statement of Cash Flows*</u>

The amendments to FRS 7 *Statement of Cash Flows (Disclosure Initiative)* sets out required disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group has included the additional required disclosures in Consolidated Cash Flow Statement.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 2018 and which the Group has not early adopted:

FRS 109 *Financial Instruments* (effective for annual periods beginning on or after 1 January 2018)

FRS 109 replaces FRS 39 *Financial Instruments: Recognition and Measurement* and its relevant interpretations.

FRS 109 retains the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income (OCI) and fair value through Profit or Loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI (FVOCI). Gains and losses realised on the sale of such financial assets at FVOCI are not transferred to profit or loss on sale but reclassified from the FVOCI reserve to retained profits.

Under FRS 109, there were no changes to the classification and measurement requirements for financial liabilities except for the recognition of fair value changes arising from changes in own credit risk. For liabilities designated at fair value through profit or loss, such changes are recognised in OCI.

FRS 109 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes.

There is also now a new expected credit losses model that replaces the incurred loss impairment model used in FRS 39. It applies to financial assets classified at amortised cost, debt instruments measured at fair value through OCI, contract assets under FRS 115 *Revenue from Contracts with Customers*, lease receivables, loan commitments and certain financial guarantee contracts.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 31). The new accounting framework has similar requirements of FRS 109 and the impact of adopting the equivalent FRS 109 is disclosed in Note 31.

FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018)

FRS 115 replaces FRS 11 *Construction Contracts*, FRS 18 *Revenue*, and related interpretations.

Revenue is recognised when a customer obtains control of a good or service. A customer obtains control when it has the ability to direct the use of and obtain the benefits from the good or service. The core principle of FRS 115 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

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

Notes to the
Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 New or revised accounting standards and interpretations (continued)

FRS 115 *Revenue from Contracts with Customers* (effective for annual periods beginning on or after 1 January 2018) (continued)

FRS 115 also includes a cohesive set of disclosure requirements that will result in an entity providing users of financial statements with comprehensive information about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 31). The new accounting framework has similar requirements of FRS 115 and the impact of adopting the equivalent FRS 115 is disclosed in Note 31.

FRS 116 *Leases* (effective for annual periods beginning on or after 1 January 2019)

FRS 116 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.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under FRS 116.

The new standard also introduces expanded disclosure requirements and changes in presentation.

The Group is required to adopt a new accounting framework from 1 January 2018 (Note 31). The new accounting framework has similar requirements of FRS 116. The Group has yet to determine to what extent the commitments as at the reporting date will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

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 2017

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 FRS.

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 2017

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

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 2017

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 in substance forms part of the Company's net investment in the subsidiary ("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 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) Classification

The Group classifies its financial assets as loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables" (Note 14) and "cash and short-term deposits" (Note 17) on the balance sheet.

(b) 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 financial asset, 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.

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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 Construction contracts

The Group principally operates fixed priced contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date, when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

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

Revenue is recognised in accordance with percentage-of-completion method. The stage of completion is determined by reference to professional surveys of work performed.

Variations in contract work, claims and incentive payments are included in contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim and they are capable of being reliably measured.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Construction contracts (continued)

At the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as "gross amount due from customers for contract work-in-progress". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as "gross amount due to customers for contract work-in-progress".

Progress billings not yet billed or not yet paid by customers and retentions by customers are included within "trade and other receivables". Advances received are included within "trade and other payables".

2.14 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.

2.15 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.

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.

2.16 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").

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Employee benefits (continued)

(a) Defined contribution plans (continued)

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) 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.

2.17 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.

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (continued)

(b) Construction contract

Revenue from construction contracts are recognised in accordance with the Group's accounting policy on construction contracts (see Note 2.13).

(c) Finance income

Finance 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.

2.19 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Taxes (continued)

(b) Deferred income tax (continued)

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.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Notes to the Financial Statements

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 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.

2.21 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.

2.22 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.

2.23 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.

2.24 Dividends to Company's shareholders

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

Notes to the Financial Statements

For the financial year ended 31 December 2017

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 FRS 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) Stage of completion of construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to professional surveys of work performed. Significant assumptions are required to estimate the total contract costs and the recoverability of variation works. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 16 to the financial statements.

If the estimated total contract costs increase/decrease by 1% from management's estimates, the Group's profit before income tax will decrease/increase by approximately $1,700,000.

(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 (2016: $2,729,000). No impairment loss has been recognised.

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

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

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgement is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax recoverable, income tax payable, deferred tax assets and deferred tax liabilities at the end of the reporting period was $1,070,000 (2016: $1,131,000), $824,000 (2016: $3,402,000), $1,333,000 (2016: $424,000) and $85,000 (2016: $63,000) respectively.

(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 $2,045,000 (2016: $545,000). 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 2017 was $8,047,000 (2016: $13,252,000).

(e) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 14 to the financial statements.

4. REVENUE

	Group	
	2017 $'000	2016 $'000
Revenue from construction contracts	142,001	178,897
Sale of goods	48	74
	142,049	178,971

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Financial Statements

For the financial year ended 31 December 2017

5. OTHER INCOME

	Group	
	2017	2016
	$'000	$'000
Sundry income	43	66
Income from wage credit schemes	115	153
	158	219

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. FINANCE INCOME

	Group	
	2017	2016
	$'000	$'000
Interest income from fixed deposits	90	152

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group	
	2017	2016
	$'000	$'000
Audit fees		
- auditors of the Company	195	195
- other auditors	135	92
Non-audit fees		
- auditors of the Company	20	6
- other auditors	–	16
Depreciation of property, plant and equipment (Note 10)	1,431	1,359
Directors' fees	383	398
Directors' remuneration		
- directors of the Company (Note 23)	822	1,456
- other directors	731	1,637
Net foreign exchange loss/(gain)	846	(233)
(Gain)/loss on disposal of property, plant and equipment	(81)	78
Operating lease expenses	1,170	1,164
Employee benefits (Note 22)	6,575	5,294
Amortisation of club membership (Note 12)	3	2
Write back of doubtful receivables (Note 14)	(8)	–
Impairment loss on doubtful receivables (Note 14)	1,163	252
Inventories written down	2,045	545
Contract costs (comprised mainly contractors, material and labour costs)	121,335	138,536

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

8. INCOME TAX EXPENSE

Major components of income tax expense

	Group	
	2017 $'000	2016 $'000
Current income tax:		
Singapore		
- current year	1,084	2,977
- under/(over) provision in respect of previous years	27	(11)
Foreign		
- current year	206	1,888
- (over)/under provision in respect of previous years	(126)	3
	1,191	4,857
Deferred income tax:		
Singapore		
- origination and reversal of temporary differences	25	(82)
- under provision in respect of previous years	8	–
Foreign		
- origination and reversal of temporary differences	(913)	42
- over provision in respect of previous years	(7)	–
	(887)	(40)
Income tax expense recognised in profit or loss	304	4,817

Domestic income tax is calculated at 17% (2016: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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8. INCOME TAX EXPENSE (CONTINUED)

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 2017 and 2016 is as follows:

	Group	
	2017	2016
	$'000	$'000
Profit before tax	1,502	25,313
Income tax at the domestic rates applicable to profits in the countries where the Group operates	43	4,910
Non-deductible expenses	403	206
Income not subject to taxation	(99)	(61)
Effect of partial tax exemption and other reliefs	(26)	(92)
Tax incentives	(159)	(75)
Over provision of income tax in respect of previous years	(99)	(8)
Under provision of deferred tax in respect of previous years	1	–
Deferred tax assets not recognised	240	–
Utilisation of deferred tax assets not recognised in previous years	–	(63)
Income tax expense recognised in profit or loss	304	4,817

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. During the financial year, a subsidiary within the Group has applied to transfer group tax relief amounting to $600,000 to another subsidiary within the group.

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9. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the 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 earnings per share is calculated by dividing the 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 profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2017 $'000	2016 $'000
Profit attributable to owners of the Company	1,201	20,498
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	260,264	260,264

There are no dilutive potential ordinary shares.

10. PROPERTY, PLANT AND EQUIPMENT

	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
Group											
Cost											
At 1 January 2016	5,680	99	477	2,725	1,578	2,194	5,821	34,934	62	740	54,310
Additions	–	–	14	44	–	181	150	47	10	497	943
Disposals	–	–	(6)	(27)	(252)	(41)	(64)	(159)	–	–	(549)
Reclassifications	–	–	–	–	–	–	1,237	–	–	(1,237)	–
Exchange differences	–	–	(7)	(91)	(13)	(42)	(201)	(855)	–	–	(1,209)
At 31 December 2016 and 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	5,680	99	527	2,402	1,089	2,492	7,753	33,708	28	–	53,778
Accumulated depreciation											
At 1 January 2016	3,506	99	402	1,607	1,419	1,473	4,309	22,905	47	–	35,767
Depreciation charge for the year	258	–	40	354	70	309	1,015	1,641	7	–	3,694
Disposals	–	–	(5)	(16)	(252)	(39)	(64)	(91)	–	–	(467)
Exchange differences	–	–	(5)	(45)	(10)	(25)	(143)	(312)	–	–	(540)
At 31 December 2016 and 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	4,022	99	315	1,729	597	1,807	5,103	25,567	3	–	39,242
Net carrying amount											
At 31 December 2016	1,916	–	46	751	86	574	1,826	9,824	18	–	15,041
At 31 December 2017	1,658	–	212	673	492	685	2,650	8,141	25	–	14,536

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold factory building $'000	Leasehold improvement $'000	Motor vehicles $'000	Renovations $'000	Total $'000
Company					
Cost					
At 1 January 2016	5,680	67	1,175	1,139	8,061
Additions	–	–	–	84	84
Disposals	–	–	(252)	(64)	(316)
At 31 December 2016 and 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	5,680	67	438	1,733	7,918
Accumulated depreciation					
At 1 January 2016	3,506	67	1,097	1,136	5,806
Depreciation charge for the year	258	–	35	6	299
Disposals	–	–	(252)	(64)	(316)
At 31 December 2016 and 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	4,022	67	428	152	4,669
Net carrying amount					
At 31 December 2016	1,916	–	43	81	2,040
At 31 December 2017	1,658	–	10	1,581	3,249

	Group 2017 $'000	Group 2016 $'000
Depreciation allocated to contract costs during the year	2,120	2,335
Depreciation charged to profit or loss (Note 7)	1,431	1,359
Total depreciation	3,551	3,694

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10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets held under finance leases

Included within additions in the consolidated financial statements is a motor vehicle acquired under finance lease amounting to $100,000 (2016: $Nil).

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Net book value of				
- motor vehicles	253	–	–	–

11. INVESTMENT IN SUBSIDIARIES AND LOANS TO SUBSIDIARIES

	Company	
	2017 $'000	2016 $'000
Unquoted shares, at cost	18,058	18,058
Less: Allowance for impairment	(1,127)	(1,127)
	16,931	16,931
Long-term loan to a subsidiary	24,428	24,428
	41,359	41,359
Movement in the allowance for impairment:		
Balance at beginning and at end of the year	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 which has no fixed repayment terms.

	Company	
	2017 $'000	2016 $'000
Short-term loans to subsidiaries	8,725	2,675

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

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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 (%)	
		2017	2016	2017	2016
Held by the Company:					
Design Studio Asia Pte. Ltd. [(1)]	Investment holding company (Singapore)	100	100	100	100
Design Studio (China) Pte. Ltd. [(1)]	Investment holding company (Singapore)	100	100	100	100
D S Interior Decoration (Middle East) LLC [(3)]	Dormant (United Arab Emirates)	49	49	100	100
DDS Asia Holdings Pte. Ltd. [(1)]	Investment holding company (Singapore)	100	100	100	100
Design Studio Furniture (Shanghai) Co., Ltd [(6)]	Dormant (People's Republic of China)	100	100	100	100
DS Interior Contracts & Renovation (Shanghai) Co., Ltd [(6)]	Dormant (People's Republic of China)	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
Held by Design Studio Asia Pte. Ltd.:					
Design Studio Singapore Pte. Ltd. [(1)]	Design, manufacture, installation and trading of paneling products (Singapore)	100	100	100	100
DS Furniture Manufacturer Sdn. Bhd. [(2)]	Design, manufacture, installation and trading of paneling products (Malaysia)	100	100	100	100
DS Project Management Sdn. Bhd. [(2)]	Project management, installation and trading of paneling products (Malaysia)	100	100	100	100

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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 (%)	
		2017	2016	2017	2016
Held by DDS Asia Holdings Pte. Ltd.:					
DDS Contracts & Interior Solutions Pte. Ltd. (1)	Interior fitting-out and furnishing solutions (Singapore)	100	100	100	100
DDS Contracts & Interior Solutions Sdn. Bhd. (2)	Interior fitting-out and furnishing solutions (Malaysia)	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
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd (5)	Interior fitting-out and furnishing solutions (Vietnam)	100	100	100	100
Design Studio Lanka (Private) Limited (5) (8)	Project management and installation work for commercial, hospitality and residential projects (Sri Lanka)	100	-	100	-

(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 2 November 2017, DDS Asia Holdings Pte. Ltd., a wholly-owned subsidiary of the Company, has established a wholly-owned subsidiary in Sri Lanka known as Design Studio Lanka (Private) Limited ("DS Lanka") as part of the Group's ongoing overseas business development.

Significant restrictions

Cash and short-term deposits of $1,823,000 (2016: $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.

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12. INTANGIBLE ASSETS

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Club membership [Note (a)]	128	128	128	128
Order backlog [Note (b)]	–	3,116	–	–
Less: accumulated impairment loss on club membership	(28)	(28)	(28)	(28)
	100	3,216	100	100
Less: Accumulated amortisation	(91)	(3,204)	(91)	(88)
	9	12	9	12
Goodwill [Note (c)]	2,729	2,729	–	–
	2,738	2,741	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 one year respectively.

(a) *Club membership*

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

	Group and Company	
	2017	2016
	$'000	$'000
At 1 January	88	86
Amortisation during the year (Note 7)	3	2
At 31 December	91	88

The amortisation expense has been included in the line item "general and administrative expenses" in the consolidated income statement.

(b) *Order backlog*

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

	Group	
	2017	2016
	$'000	$'000
Cost		
At 1 January	3,116	3,116
Write-off	(3,116)	–
At 31 December	–	3,116
Accumulated amortisation		
At 1 January	(3,116)	(3,116)
Write-off	3,116	–
At 31 December	–	(3,116)
Carrying amount		
At 1 January and 31 December	–	–

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

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12. INTANGIBLE ASSETS (CONTINUED)

(c) Goodwill

	Group	
	2017	2016
	$'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 DDS Asia Holdings Pte. Ltd. and its subsidiaries. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on estimated growth rate of 0% (2016: 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 16.8% (2016: 17.5%).

At 31 December 2017, 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.

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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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred income tax assets				
- To be recovered after one year	1,333	424	280	272
Deferred income tax liabilities				
- To be settled after one year	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
2017		
Beginning of financial year	63	63
Charged to profit or loss	22	22
End of financial year	85	85
2016		
Beginning of financial year	–	–
Charged to profit or loss	63	63
End of financial year	63	63

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13. DEFERRED TAX (CONTINUED)

Group (continued)

Deferred income tax assets

	Differences in depreciation $'000	Unutilised Tax losses $'000	Unrealised foreign exchange $'000	Provisions $'000	Total $'000
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)
2016					
Beginning of financial year	(249)	–	(72)	–	(321)
(Credited)/charged to profit or loss	(110)	–	72	(65)	(103)
End of financial year	(359)	–	–	(65)	(424)

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 $1,112,000 (2016: $Nil) and capital allowances of $202,000 (2016: $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
2017	
Beginning of financial year	(272)
Credited to profit or loss	(8)
End of financial year	(280)
2016	
Beginning of financial year	(257)
Credited to profit or loss	(15)
End of financial year	(272)

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14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables (non-current):				
Retention monies:				
Third parties	10,709	14,540	–	–
Immediate holding company	1,187	288	–	–
	11,896	14,828	–	–
Trade receivables (current):				
Retention monies:				
Third parties	7,151	10,221	–	–
Unbilled receivables – third parties	10,749	–	–	–
Trade receivables:				
Third parties	31,989	48,876	277	–
Immediate holding company	12,056	5,470	–	–
Subsidiary	–	–	665	665
Related companies	499	2,048	–	–
	62,444	66,615	942	665
Less: Allowance for doubtful receivables	(1,237)	(452)	–	–
	61,207	66,163	942	665
Other receivables and deposits:				
Other receivables	295	747	64	64
Deposits	4,737	6,029	61	61
	5,032	6,776	125	125
Amounts due from subsidiaries (non-trade)	–	–	2,279	2,185
	5,032	6,776	2,404	2,310
Total trade and other receivables (current)	66,239	72,939	3,346	2,975

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms (2016: 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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14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Other receivables and non-trade amounts due from subsidiaries

Other receivables and non-trade amounts due from subsidiaries 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 at 31 December are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
United States Dollars	1,272	3,482	–	–
Malaysian Ringgit	14,454	8,217	–	–
United Arab Emirates Dirham	12,917	5,786	–	–

Receivables that are past due but not impaired

The Group and the Company have trade receivables, excluding retention monies and including amount due from immediate holding company and related companies, amounting to $21,402,000 and $822,000 respectively (2016: $12,177,000 and $Nil) that are past due at the end of the respective reporting period but not impaired.

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

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables past due but not impaired:				
1 to 30 days	4,158	6,635	–	–
31 to 60 days	6,127	954	–	–
61 to 90 days	688	967	157	–
91 to 150 days	5,206	837	–	–
More than 150 days	5,223	2,784	665	–
	21,402	12,177	822	–

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14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables - nominal amount	1,647	662	–	–
Less: Allowance for impairment	(1,237)	(452)	–	–
	410	210	–	–
Third parties:				
At 1 January	(452)	(270)	–	–
Allowance for the financial year (Note 7)	(1,163)	(252)	–	–
Write back (Note 7)	8	–	–	–
Written off	370	70	–	–
At 31 December	(1,237)	(452)	–	–

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. INVENTORIES

	Group	
	2017 $'000	2016 $'000
Balance sheet:		
Raw materials	5,256	10,119
Work-in-progress	1,584	2,500
Finished goods	1,207	633
	8,047	13,252

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16. GROSS AMOUNT DUE FROM CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	417,834	374,739	–	–
Less: Progress billings	(418,793)	(391,942)	–	–
	(959)	(17,203)	–	–
Presented as:				
Gross amount due from customers for contract work-in-progress	4,990	5,232	–	–
Gross amount due to customers for contract work-in-progress	(5,949)	(22,435)	–	–
	(959)	(17,203)	–	–
Retention monies on construction contract included in trade receivables (Note 14)	19,047	25,049	–	–
Advance payments from customers (Note 18)	828	478	–	–

17. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Cash at banks and on hand	27,893	52,570	1,693	12,767
Fixed deposits (unsecured)	1,049	1,393	–	–
Total cash and short-term deposits	28,942	53,963	1,693	12,767

Cash and short-term deposits denominated in currencies other than the respective group entities' functional currencies at 31 December are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Malaysian Ringgit	335	1,003	–	–
United States Dollars	6,481	1,759	146	815
Euro	59	56	59	56

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18. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade payables (current):				
Amounts due to third parties	7,001	18,427	1	129
Amounts due to subsidiaries	–	–	187	29
Amount due to immediate holding company	2,653	873	–	–
Amounts due to related companies	231	220	–	–
Retention payables	8,609	8,043	–	–
Advance payments from customers	828	478	–	–
Advance payments from a related company	–	466	–	–
Accrued contract costs	13,541	9,228	–	–
	32,863	37,735	188	158
Other payables (current):				
Other payables	1,705	1,838	–	103
Amount due to immediate holding company	–	244	–	224
Amount due to a related company	360	–	317	–
Accrued operating expenses	6,280	6,569	634	236
	8,345	8,651	951	563
Total trade and other payables	41,208	46,386	1,139	721

Trade and other payables

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 days' terms (2016: 30 to 60 days' terms).

Trade and other payables denominated in currencies other than the respective group entities' functional currencies at 31 December are as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Singapore Dollars	3,695	5	–	–
Malaysian Ringgit	5,192	3,352	–	–
United States Dollars	257	765	1	–
Euro	–	174	–	–
United Arab Emirates Dirham	3,116	1,086	317	224
Chinese Renminbi	12,593	6,666	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.

Advance payments from customers and a related company

Advance payments from customers and a related company are non-interest bearing and are proportionately offset against the progress billings made to customers.

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19. 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	
	2017 $'000	2016 $'000
At beginning of the financial year	75	–
Provision made	95	75
At end of the financial year	170	75

20. 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
2017			
To be settled within one year	51	(1)	50
2016			
To be settled within one year	–	–	–

21. SHARE CAPITAL

	Group and Company			
	2017 No. of shares '000	2017 $'000	2016 No. of shares '000	2016 $'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.

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

22. EMPLOYEE BENEFITS

	Group	
	2017 $'000	2016 $'000
Salaries and bonuses	25,713	28,733
Defined contribution plan	2,830	3,010
Other short-term benefits	443	573
	28,986	32,316
Less: Directors' remuneration	(1,553)	(3,093)
	27,433	29,223
Less: staff cost allocated to contract costs	(20,858)	(23,929)
Staff cost recognised in profit or loss	6,575	5,294

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	
	2017 $'000	2016 $'000
Sales to immediate holding company	19,284	5,572
Sales to related companies	1,661	3,893
Purchase from immediate holding company	4,240	23
Purchase from related companies	1,343	–
Purchase of services from firms related to directors	31	11
Sales to a director	–	12

(b) Compensation of key management personnel

	Group	
	2017 $'000	2016 $'000
Short-term employee benefits	2,311	4,273
Defined contribution plans	70	255
	2,381	4,528
Comprise amounts paid to:		
- Directors of the Company	822	1,456
- Other key management personnel	1,559	3,072
	2,381	4,528

Notes to the Financial Statements

For the financial year ended 31 December 2017

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Not later than one year	2,242	1,904	131	131
Later than one year but not later than five years	3,566	2,787	523	392
Later than five years	185	484	185	447
	5,993	5,175	839	970

25. CONTINGENCIES

As at 31 December 2017, the Company had provided corporate guarantees of approximately $40,567,000 (2016: $38,374,000) in favour of banks and financial institutions for the granting of credit facilities to five (2016: 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 and short term loan to a subsidiary, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2017

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. 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 represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of $40,567,000 (2016: $38,374,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities to five (2016: five) subsidiaries.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables including amounts due from an immediate holding company at the end of the reporting period is as follows:

	2017		2016	
	$'000	% of total	$'000	% of total
Group				
By country				
Singapore	20,014	27.4	37,145	45.9
Malaysia	27,504	37.6	18,511	22.9
South Korea	5,257	7.2	5,478	6.8
Japan	3,990	5.5	8,601	10.6
People's Republic of China	1,541	2.1	3,450	4.2
United Arab Emirates	13,742	18.8	7,806	9.6
Germany	714	1.0	–	–
Thailand	341	0.4	–	–
	73,103	100.0	80,991	100.0

Notes to the Financial Statements

For the financial year ended 31 December 2017

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (continued)

At the end of the reporting period, approximately:

- 35.0% (2016: 47.2%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates in Singapore, South Korea and Malaysia. (2016: property conglomerates or hotel management companies in Singapore, Japan, South Korea and Malaysia).

- 0.7% (2016: 2.5%) of the Group's trade receivables was due from one (2016: three) related company located in United Arab Emirates.

- 18.1% (2016: 7.1%) of the Group's trade receivables were due from an immediate holding company.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14.

(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 assets and liabilities at the reporting period based on contractual undiscounted repayment obligations.

	One year or less $'000
Group	
2017	
Financial liabilities:	
Trade and other payables	39,706
Finance lease liabilities	51
2016	
Financial liabilities:	
Trade and other payables	43,670

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (continued)

	One year or less $'000
Company	
2017	
Financial liabilities:	
Trade and other payables	1,139
2016	
Financial liabilities:	
Trade and other payables	597

(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 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 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.

		Group Profit before tax	
		2017 $'000	2016 $'000
USD/SGD	- strengthened 3% (2016: 3%)	224	95
	- weakened 3% (2016: 3%)	(218)	(93)
MYR/SGD	- strengthened 3% (2016: 3%)	288	176
	- weakened 3% (2016: 3%)	(280)	(171)
RMB/SGD	- strengthened 3% (2016: 3%)	(378)	(200)
	- weakened 3% (2016: 3%)	367	194
AED/SGD	- strengthened 3% (2016: 3%)	294	140
	- weakened 3% (2016: 3%)	(285)	(136)

Notes to the Financial Statements

For the financial year ended 31 December 2017

27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Financial instruments by category

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Loans and receivables	106,219	136,294	13,644	15,742
Financial liabilities at amortised cost	39,706	43,670	1,139	597

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 2017 and 31 December 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 30% in view of strong cash position. The Group includes within net debt, trade and other payables and gross amount due to customers for contract work-in-progress less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade and other payables (Note 18)	41,208	46,386	1,139	721
Add: Gross amount due to customers for contract work-in-progress (Note 16)	5,949	22,435	–	–
Less:				
Cash at banks and on hand (Note 17)	(27,893)	(52,570)	(1,693)	(12,767)
Fixed deposits (Note 17)	(1,049)	(1,393)	–	–
Net debt/(cash)	18,215	14,858	(554)	(12,046)
Equity attributable to the owners of the Company, representing total capital	93,261	109,073	57,564	61,394
Capital and net debt	111,476	123,931	N.A.*	N.A.*
Gearing ratio	16.3%	12.0%	N.A.*	N.A.*

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

The Group and the Company are not subject to any externally imposed capital requirements for the financial years ended 31 December 2017 and 2016.

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

29. SEGMENT INFORMATION

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

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

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

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

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

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

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

	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and elimination $'000	Notes	Consolidated $'000
2017						
Revenue:						
External customers	60,629	81,372	48	–		142,049
Inter-segment	30,382	15,662	–	(46,044)	A	–
Total revenue	91,011	97,034	48	(46,044)		142,049
Results:						
Other income	–	–	–	158		158
Other non-cash expenses	3,152	295	–	3,307	B	6,754
Segment profit before tax	(3,904)	8,470	(1)	(3,063)	C	1,502
Assets:						
Additions to non-current assets	–	603	–	2,659	D	3,262
Segment assets	36,190	68,720	5	36,173	E	141,088
Liabilities:						
Segment liabilities	11,068	31,038	6	6,174	F	48,286

Notes to the
Financial Statements

For the financial year ended 31 December 2017

29. SEGMENT INFORMATION (CONTINUED)

	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and elimination $'000	Notes	Consolidated $'000
2016						
Revenue:						
External customers	68,907	109,990	74	–		178,971
Inter-segment	23,530	30,047	–	(53,577)	A	–
Total revenue	92,437	140,037	74	(53,577)		178,971
Results:						
Other income	–	–	–	219		219
Other non-cash expenses	797	127	–	3,569	B	4,493
Segment profit before tax	13,577	14,662	270	(3,196)	C	25,313
Assets:						
Additions to non-current assets	–	196	–	747	D	943
Segment assets	33,236	89,258	243	58,241	E	180,978
Liabilities:						
Segment liabilities	11,440	50,027	18	10,876	F	72,361

A Inter-segment revenue is eliminated on consolidation.

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

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

	Group 2017 $'000	Group 2016 $'000
Other income	158	219
Finance expenses	(7)	–
Finance income	90	152
Depreciation of property, plant and equipment	(3,304)	(3,567)
	(3,063)	(3,196)

D 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 2017

29. SEGMENT INFORMATION (CONTINUED)

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

	Group	
	2017 $'000	2016 $'000
Property, plant and equipment	13,962	14,813
Club membership	9	12
Deferred tax assets	1,333	424
Tax recoverable	197	327
Cash and short-term deposits	12,478	30,247
Inventories	6,779	11,234
Trade receivables	250	–
Contract work-in-progress	29	–
Other receivables, deposits and prepayments	1,136	1,184
	36,173	58,241

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

	Group	
	2017 $'000	2016 $'000
Other payables	3,636	6,319
Trade payables	2,575	2,653
Finance lease obligations	50	–
(Tax recoverable)/provision for tax	(87)	1,904
	6,174	10,876

Geographical information

Revenue by geographical markets are as follows:

	Group	
	2017 $'000	2016 $'000
Singapore	69,128	121,765
Malaysia	47,052	34,403
United Arab Emirates	20,945	7,298
People's Republic of China	4,079	3,438
Japan	2	6,715
United States of America	37	5,196
Others	806	156
	142,049	178,971

Notes to the Financial Statements

For the financial year ended 31 December 2017

29. SEGMENT INFORMATION (CONTINUED)

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

	Group	
	2017 $'000	2016 $'000
Singapore	7,101	5,214
Malaysia	1,210	1,187
People's Republic of China	8,963	11,381
	17,274	17,782

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 (2016: three) major customers amounted to $48,225,000 (2016: $61,145,000) arising from sales in the residential property projects and hospitality and commercial projects segments.

30. DIVIDENDS

	Group	
	2017 $'000	2016 $'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2016: 1.25 cents (2015: 1.25 cents) per share	3,253	3,253
- Special exempt (one-tier) dividend for 2016: 4.00 cents (2015: 4.00 cents) per share	10,411	10,411
- Interim exempt (one-tier) dividend for 2017: 1.25 cents (2016: 1.25 cents) per share	3,253	3,253
	16,917	16,917
Proposed but not recognised as liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2017: – cents (2016: 1.25 cents) per share	–	3,253
- Special exempt (one-tier) dividend for 2017: – cents (2016: 4.00 cents) per share	–	10,411
	–	13,664

Notes to the
Financial Statements
For the financial year ended 31 December 2017

31. ADOPTION OF SFRS(I)

The Singapore Accounting Standards Council has introduced a new Singapore financial reporting framework that is identical to the International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). The new framework is referred to as 'Singapore IFRS-identical Financial Reporting Standards' ["SFRS(I)"] hereinafter.

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS(I) on 1 January 2018 and will be issuing its first set of financial information prepared under SFRS(I) for the quarter ended 31 March 2018.

In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) equivalent of IFRS 1 First-time Adoption of IFRS. The Group will also concurrently apply new major SFRS(I) equivalents of IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers*. The estimated impact arising from the adoption of SFRS(I) on the Group's financial statements are set out as follows:

(a) Application of SFRS(I) equivalent of IFRS 1

The Group is required to retrospectively apply all SFRS(I) effective at the end of the first SFRS(I) reporting period (financial year ending 31 December 2018), subject to the mandatory exceptions and optional exemptions under IFRS 1.

(b) Adoption of SFRS(I) equivalent of IFRS 9

The Group plans to elect to apply the short-term exemption under IFRS 1 to adopt SFRS(I) equivalent of IFRS 9 on 1 January 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 31 December 2017.

(i) Classification and measurement

The Group has assessed the business models that are applicable on 1 January 2018 to financial assets so as to classify them into the appropriate categories under SFRS(I) equivalent of IFRS 9. There are no significant adjustments expected to the Group's balance sheet line items as a result of management's assessment.

(ii) Impairment of financial assets

The following financial assets will be subject to the expected credit loss model under the SFRS(I) equivalent of IFRS 9:

- Trade and other receivables and contract assets recognised under the SFRS(I) equivalent of IFRS 15;
- loans to subsidiaries at amortised cost.

An increase in provision for impairment for the above financial assets and corresponding decrease in opening retained profits is expected to arise from the application of the expected credit loss model. The Group has assessed the expected impact not to be material.

Notes to the **Financial Statements**

For the financial year ended 31 December 2017

31. ADOPTION OF SFRS(I) (CONTINUED)

(c) Adoption of SFRS(I) equivalent of IFRS 15

In accordance with the requirements of IFRS 1, the Group will adopt the SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

(i) Measurement of progress of contracts

Under FRS 18 and FRS 11, revenue is recognised in accordance with percentage-of-completion method. The stage of completion is determined by reference to professional surveys of work performed.

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 costs for the contract.

(ii) Presentation of contract assets and liabilities

The Group is also expected to change the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Gross amounts due from customers for contract work-in-progress under FRS 11 will be reclassified to be presented as part of contract assets.
- Advances payments from customers arising from construction contracts and gross amounts due to customers for contract work-in-progress under FRS 11 will be reclassified to be presented as part of contract liabilities.

Notes to the Financial Statements

For the financial year ended 31 December 2017

31. ADOPTION OF SFRS(I) (CONTINUED)

(c) Adoption of SFRS(I) equivalent of IFRS 15 (continued)

The line items on the Group's financial statements that may be adjusted with significant impact arising from the adoption of SFRS(I) equivalent of IFRS 15 are summarised below:

	Group			
	As at 31 Dec 2017 reported under FRS 11 $'000	(Provisional) As at 1 Jan 2018 reported under SFRS(I) $'000	As at 1 Jan 17 reported under FRS 11 $'000	(Provisional) As at 1 Jan 2017 reported under SFRS(I) $'000
Balance Sheet:				
Gross amount due from customers for contract work-in-progress	4,990	–	5,232	–
Contract assets	–	5,269	–	4,968
Gross amount due to customers for contract work-in-progress	(5,949)	–	(22,435)	–
Contract liabilities	–	(6,268)	–	(22,588)
Retained profits	(61,488)	(61,448)	(77,204)	(76,787)

	Group	
	For the year ended 31 Dec 2017 reported under FRS 11 $'000	(Provisional) For the year ended 31 Dec 2017 reported under SFRS(I) $'000
Consolidated Income Statement:		
Revenue	(142,049)	(138,842)
Cost of sales	123,380	119,796

32. AUTHORISATION OF FINANCIAL STATEMENTS

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the Directors on 16 March 2018.

Supplementary **Information**

For the financial year ended 31 December 2017

1. AGGREGATE VALUE OF ALL INTERESTED PERSON TRANSACTIONS CONDUCTED UNDER SHAREHOLDER'S 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	$Nil	$13,007,138

2. MATERIAL CONTRACTS

There were no material contracts of the Group involving the interests of the executive director(s) or controlling shareholders subsisting at the end of the financial year ended 31 December 2017.

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	1,658

Statistics of **Shareholdings**

As at 8 March 2018

Issued and fully paid-up share capital (excluding treasury shares)	–	S$33,390,983
Number of issued shares (excluding treasury shares)	–	260,264,171
Class of shares	–	Ordinary shares
Voting rights (excluding treasury shares)	–	One vote per share
Treasury Shares	–	The Company does not hold any treasury shares

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	1	0.12	25	0.00
100 – 1000	73	8.93	57,921	0.02
1,001 – 10,000	377	46.09	2,400,209	0.92
10,001 – 1,000,000	361	44.13	16,674,600	6.41
1,000,001 and above	6	0.73	241,131,416	92.65
Total	**818**	**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	UOB Kay Hian Private Limited	2,055,400	0.79
3	DBS Nominees (Private) Limited	1,781,600	0.68
4	Raffles Nominees (Pte) Limited	1,762,100	0.68
5	ABN AMRO Clearing Bank N.V.	1,298,600	0.50
6	CGS-CIMB Securities (Singapore) Pte. Ltd.	1,125,000	0.43
7	Ng Hock Kon	730,000	0.28
8	Phillip Securities Pte Ltd	677,100	0.26
9	United Overseas Bank Nominees (Private) Limited	493,200	0.19
10	OCBC Nominees Singapore Private Limited	356,000	0.14
11	Citibank Nominees Singapore Pte Ltd	336,700	0.13
12	Yeow Ping	295,800	0.11
13	Lee Ong Lock	283,000	0.11
14	RHB Securities Singapore Pte. Ltd.	200,000	0.08
15	Tan Kwee Hong @ Tan Kui Hwa or Cheong Ai Koon	200,000	0.08
16	Maybank Kim Eng Securities Pte. Ltd.	197,800	0.08
17	Chong Kim Loi	180,000	0.07
18	Ting Kian Wei (Ding Jianwei)	167,200	0.06
19	Lee Jia Ray	165,100	0.06
20	Wong Guan See	160,000	0.06
	Total	**245,573,316**	**94.36**

Statistics of **Shareholdings**

As at 8 March 2018

SUBSTANTIAL SHAREHOLDERS AS AT 8 MARCH 2018

(As recorded in the Register of Substantial Shareholders)

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

Note:

(1) This relates to 233,108,716 shares held by Depa Interiors LLC, and 625,000 shares held by Depa Interiors LLC, through nominee(s).

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 8 March 2018, approximately 10.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Notice of
Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **DESIGN STUDIO GROUP LTD.** (the "Company") will be held at the Company's registered office, 8 Sungei Kadut Crescent, Singapore 728682 on 19 April 2018 (Thursday) at 9:00 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Auditors' Report thereon.

(Resolution 1)

2. To re-elect Ong Tiew Siam, a Director retiring by rotation pursuant to Article 102 of the Company's Constitution. *[See Explanatory Note (i)]*

(Resolution 2)

3. To approve the payment of Directors' fees of up to S$384,600 for the financial year ending 31 December 2018, to be paid quarterly in arrears (FY2017: S$382,600).
[See Explanatory Note(ii)]

(Resolution 3)

4. To re-appoint PricewaterhouseCoopers LLP as the Company's auditors and to authorise the Directors to fix their remuneration.

(Resolution 4)

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. That Marwan Anthony Shehadeh be appointed as a Director of the Company pursuant to Section 149B of the Companies Act (Chapter 50) of Singapore.
[See Explanatory Note(iii)]

(Resolution 5)

7. **Authority to Issue Shares**

That pursuant to Section 161 of the Companies Act (Chapter 50) of Singapore (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

A. (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise, and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

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B. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.
[See Explanatory Note (iv)]

(Resolution 6)

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8. **Approval for the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions**

That:

(a) approval be and is hereby given for the proposed renewal of the shareholders' mandate, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as defined in Chapter 9 of the Listing Manual of the SGX-ST), or any of them, to enter into any of the transactions falling within the categories of Interested Person Transactions set out in the Company's Addendum to Notice of Annual General Meeting dated 3 April 2018 in relation to the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions (the "Addendum") with any party who is of the class or classes of Interested Persons described in the Addendum, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Addendum (the "IPT Mandate");

(b) the IPT Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier; and

(c) the Directors of the Company and/or any of them be and are/is hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
[See Explanatory Note (v)]

(Resolution 7)

9. **Authority to Allot and Issue Shares Under the Design Studio Performance Share Plan**

That the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Design Studio Performance Share Plan (the "PSP") and to allot, issue, transfer and/or deliver from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued or delivered pursuant to the vesting of the awards under the PSP, provided that the aggregate number of new shares to be issued or delivered pursuant to the PSP when added to the number of shares issued and/or issuable under the Design Studio Employee Share Option Scheme (the "ESOS") or such other share-based incentive plans of the Company shall not exceed 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. 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.
[See Explanatory Note (vi)]

(Resolution 8)

By Order of the Board

Hazel Chia Luang Chew
Company Secretary

Singapore, 3 April 2018

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Explanatory Notes:

(i) Ordinary Resolution 2 is to re-elect Mr Ong Tiew Siam as a Director of the Company. Mr Ong will, upon re-election, remain as Chairman of each of the Audit and Nominating Committees and a member of the Remuneration Committee. He is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Mr Ong and the other Directors, the Company or its 10% shareholder.

* *Information on the Director who is proposed to be re-appointed can be found under "Board of Directors" and "Corporate Governance Report" sections in this Annual Report.*

(ii) Ordinary Resolution 3 is to seek approval for the Company to pay Directors' fees of up to S$384,600 to the Non-Executive Director and Independent Directors on a quarterly basis, in arrears, for their services rendered during the course of the financial year ending 31 December 2018. This will facilitate Directors' compensation for services rendered in a more timely manner.

(iii) The Company has received a letter from its Controlling Shareholder, Depa Interiors LLC to nominate Mr Marwan Anthony Shehadeh as an additional Director. Ordinary Resolution 5 is to seek approval for the appointment of Mr Marwan Anthony Shehadeh as an additional Director under Section 149B of the Companies Act. As a nominee of Depa Interiors LLC, Mr Shehadeh will be considered as Non-Executive Director. Please refer to the section on "Proposed New Director" under "Board of Directors" in the Annual Report for more information relating to Mr Shehadeh. Save as disclosed in the Company's Annual Report, there are no relationships (including immediate family relationships) between Mr Shehadeh and the other Directors or the Company.

(iv) Ordinary Resolution 6 is to empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to issue shares and/or to make or grant Instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such Instruments, up to a number not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company.

(v) Ordinary Resolution 7 is to seek approval for the proposed renewal of the IPT Mandate to allow the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as defined in Chapter 9 of the Listing Manual of the SGX-ST), or any of them, to enter into transactions with persons who are considered "Interested Persons" (as described in the Addendum) from the date of the above meeting until the date of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, and to empower the Directors of the Company to do all acts and things necessary to give effect to the IPT Mandate or this Resolution. Please refer to the Addendum for details.

(vi) Ordinary Resolution 8 is to empower the Directors to grant awards, and to allot, issue, transfer and/or deliver such number of fully paid-up shares in the capital of the Company pursuant to the PSP, up to an amount (which include shares issued and/or issuable pursuant to any other existing share scheme(s) or plan(s) of the Company for the time being) not exceeding in total 7.5% of the total number of issued shares of the Company (excluding treasury shares and subsidiary holdings) and subject to the sub-limit imposed for the time being pursuant to the vesting of the awards under the PSP.

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Notes:

1. (a) A member of the Company ("Member") who is not a relevant intermediary* is entitled to attend, speak and vote at the Annual General Meeting ("AGM") or to appoint not more than two (2) proxies to attend, speak and vote in his/her stead.

   (b) A Member who is a relevant intermediary* may appoint more than two (2) proxies to attend, speak and vote at the AGM but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her.

   * *"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.*

2. A proxy need not be a Member.

3. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed under seal or the hand of its duly authorised officer or attorney.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 8 Sungei Kadut Crescent, Singapore 728682 not less than 48 hours before the time appointed for holding the AGM.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty. In addition, by attending the AGM and/or any adjournment thereof, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for any of the Purposes.

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DESIGN STUDIO GROUP LTD.

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199401553D)

IMPORTANT:
1. Relevant intermediaries (as defined in Section 181 of the Companies Act (Cap. 50) of Singapore) may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy ordinary shares in the capital of Design Studio Group Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF investors who wish to attend and vote at the Annual General Meeting should contact their respective CPF Approved Nominees within the specified timeframe.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ______________________________ (Name) ______________ (NRIC/Passport/Registration No.)

of ____ (Address)

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at the Company's registered office, 8 Sungei Kadut Crescent, Singapore 728682 on 19 April 2018 (Thursday) at 9:00 am and at any adjournment thereof.

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

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please tick (✔) within the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided below.)

No.	Resolutions relating to:	Number of Votes For	Number of Votes Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 and the Auditors' Report thereon		
2	Re-election of Mr Ong Tiew Siam as a Director		
3	Approval of Directors' fees for the financial year ending 31 December 2018		
4	Re-appointment of PricewaterhouseCoopers LLP as Auditors		
5	Appointment of Mr Marwan Anthony Shehadeh as a Director		
6	Authority to Issue Shares		
7	Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions		
8	Authority to Allot and Issue Shares under the Design Studio Performance Share Plan		

Dated this ________ day of __________________ 2018.

Total Number of Shares in:	Number of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

**Delete where inapplicable*

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Cap. 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend, speak and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend, speak and vote at the Meeting is entitled to appoint more than two (2) proxies to attend, speak and vote instead of such member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number and class of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) of Singapore and who holds shares in that capacity; or

   (c) the Central Provident Fund Board ("CPF Board") established by the Central Provident Fund Act (Cap. 36) of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Sungei Kadut Crescent, Singapore 728682 not less than 48 hours before the time appointed for holding the Meeting, failing which the instrument may be treated as invalid.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act (Cap. 50) of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

A depositor shall not be regarded as a member of the Company entitled to attend the Meeting and to speak and vote thereat unless his name appears on the Depository Register as at 72 hours before the time set for the Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member(s) accept(s) and agree(s) to the personal data privacy terms set out in the Notice of Annual General Meeting dated 3 April 2018.

DSG

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a member of depa