

Design Studio Group Ltd

(Previously known as “Design Studio Furniture Manufacturer Ltd”)

(Incorporated in Singapore)

(Registration Number: 199401553D)

**2nd Quarter and Half Year Financial Statements
And Dividend Announcement
For The Period Ended
30 June 2014**

Design Studio Group Ltd
(Registration Number: 199401553D)

2nd Quarter and Half Year Financial Statements and Dividend Announcement

**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
 HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement

		Group					
		2nd Quarter ended			Half Year ended		
		30.06.2014 S\$'000	30.06.2013 S\$'000	+ / (-) %	30.06.2014 S\$'000	30.06.2013 S\$'000	+ / (-) %
Revenue		32,634	44,438	(26.6)	57,727	72,953	(20.9)
Cost of sales		(24,420)	(37,672)	(35.2)	(43,550)	(61,388)	(29.1)
Gross profit		8,214	6,766	21.4	14,177	11,565	22.6
Other income	1(a)(1)	-	-	N.M.	94	19	394.7
		8,214	6,766	21.4	14,271	11,584	23.2
Marketing and distribution expenses		(1,395)	(1,370)	1.8	(2,779)	(2,989)	(7.0)
General and administrative expenses		(2,236)	(2,002)	11.7	(4,699)	(4,158)	13.0
Profit from operations	1(a)(2)	4,583	3,394	35.0	6,793	4,437	53.1
Finance income	1(a)(3)	16	1	1,500.0	25	2	1,150.0
Profit before tax		4,599	3,395	35.5	6,818	4,439	53.6
Tax expense	1(a)(4)	(623)	(791)	(21.2)	(769)	(1,138)	(32.4)
Profit net of tax		3,976	2,604	52.7	6,049	3,301	83.2
Profit attributable to:							
Equity holders of the Company		3,984	2,643		6,064	3,359	
Non-controlling interests		(8)	(39)		(15)	(58)	
		3,976	2,604		6,049	3,301	

N.M.: Not Meaningful

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Notes to Income Statement

Note 1(a)(1) Other income

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2014	30.06.2013	+ / (-)	30.06.2014	30.06.2013	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sundry income	-	-	N.M.	94	19	394.7

Note 1(a)(2) Profit from operations is determined after charging/(crediting) the following:

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2014	30.06.2013	+ / (-)	30.06.2014	30.06.2013	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	1,100	1,092	0.7	2,265	2,208	2.6
Foreign exchange loss/ (gain), net	103	(230)	N.M.	384	(453)	N.M.
Gain on disposal of property, plant and equipment	(8)	-	N.M.	(20)	(19)	5.3
Interest accretion	-	(53)	N.M.	22	(53)	N.M.
Amortisation of club membership	1	2	(50.0)	3	3	-
Impairment loss on club membership	18	-	N.M.	18	-	N.M.
Impairment loss on doubtful receivables	-	80	N.M.	-	440	N.M.

Note 1(a)(3) Finance income:

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2014	30.06.2013	+ / (-)	30.06.2014	30.06.2013	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Finance income						
- Cash and short-term deposits	16	1	1,500.0	25	2	1,150.0

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Note 1(a)(4) Tax expense include the following:

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2014	30.06.2013	+ / (-)	30.06.2014	30.06.2013	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current tax						
Singapore						
- current year	597	412	44.9	895	453	97.6
- over provision for prior year	-	-	N.M.	(43)	-	N.M.
Foreign						
- current year	26	362	(92.8)	100	671	(85.1)
- under provision for prior year	-	9	N.M.	-	6	N.M.
	<u>623</u>	<u>783</u>	<u>(20.4)</u>	<u>952</u>	<u>1,130</u>	<u>(15.8)</u>
Deferred tax						
Singapore						
	-	11	N.M.	14	11	27.3
Foreign						
	-	(3)	N.M.	(197)	(3)	6,466.7
	<u>623</u>	<u>791</u>	<u>(21.2)</u>	<u>769</u>	<u>1,138</u>	<u>(32.4)</u>

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets

	Note	Group		Company	
		30.06.2014 S\$'000	31.12.2013 S\$'000	30.06.2014 S\$'000	31.12.2013 S\$'000
Non-current assets					
Property, plant and equipment		21,993	24,697	2,894	4,125
Investment in subsidiaries		-	-	42,277	42,743
Intangible assets	1(b)(2)	2,757	2,778	28	49
Deferred tax assets		170	61	61	61
Trade and other receivables	1(b)(1)	9,192	8,180	4,982	5,699
Prepayments		201	201	-	-
Current assets					
Inventories	1(b)(3)	20,053	14,774	345	1,823
Gross amount due from customers for contract work-in-progress	1(b)(4)	10,843	6,394	1,112	2,926
Trade and other receivables	1(b)(1)	39,509	53,147	20,305	32,314
Prepayments		2,157	1,531	690	936
Loan to subsidiaries		-	-	7,290	2,000
Tax recoverable		1,585	539	-	-
Cash and short-term deposits		23,982	44,877	5,868	11,478
		98,129	121,262	35,610	51,477
Current liabilities					
Trade and other payables	1(b)(5)	35,132	49,435	11,979	21,867
Provision for tax		2,043	2,170	1,005	1,178
		37,175	51,605	12,984	23,045
Net current assets		60,954	69,657	22,626	28,432
Non-current liabilities					
Deferred tax liabilities		5	97	-	-
Net assets		95,262	105,477	72,868	81,109
Equity attributable to equity holders of the Company					
Share capital		32,732	32,732	32,732	32,732
Reserves		62,945	73,145	40,136	48,377
		95,677	105,877	72,868	81,109
Non-controlling interests		(415)	(400)	-	-
Total equity		95,262	105,477	72,868	81,109

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Notes to Balance Sheets

Note 1(b)(1) Trade and other receivables

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other receivables (non-current):				
<u>Trade receivables: Retention monies</u>				
Third parties	8,924	8,009	3,979	4,726
Corporate shareholder	268	171	268	171
Subsidiaries	-	-	735	802
	<u>9,192</u>	<u>8,180</u>	<u>4,982</u>	<u>5,699</u>
Trade and other receivables (current):				
Trade receivables	29,395	44,643	9,204	24,698
Other receivables and deposits	10,114	8,504	11,101	7,616
	<u>39,509</u>	<u>53,147</u>	<u>20,305</u>	<u>32,314</u>
Trade receivables:				
<u>Third parties:</u>				
Trade receivables	22,113	32,843	3,742	15,517
Retention monies	7,722	11,621	3,844	5,126
	29,835	44,464	7,586	20,643
Less: Allowance for doubtful receivables	(440)	(440)	(440)	(440)
	<u>29,395</u>	<u>44,024</u>	<u>7,146</u>	<u>20,203</u>
Movement in allowance accounts:				
At beginning of the year	440	-	440	-
Charge for the year	-	440	-	440
At end of the year	<u>440</u>	<u>440</u>	<u>440</u>	<u>440</u>
Corporate shareholder:				
Trade receivables	-	448	-	448
Retention monies	-	171	-	171
	<u>-</u>	<u>619</u>	<u>-</u>	<u>619</u>
Subsidiaries:				
Trade receivables	-	-	1,768	2,887
Retention monies	-	-	290	989
	<u>-</u>	<u>-</u>	<u>2,058</u>	<u>3,876</u>
Total trade receivables (current)	<u>29,395</u>	<u>44,643</u>	<u>9,204</u>	<u>24,698</u>
Other receivables and deposits:				
Other receivables	4,442	4,554	99	74
Deposits	5,672	3,950	67	227
	10,114	8,504	166	301
Amount due from subsidiaries (non-trade)	-	-	10,935	7,409
Less: Allowance for doubtful receivables	-	-	-	(94)
	<u>10,114</u>	<u>8,504</u>	<u>11,101</u>	<u>7,616</u>

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Note 1(b)(2) Intangible assets

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Club membership	128	128	128	128
Order backlog	3,116	3,116	-	-
Less: Impairment loss on club membership	(18)	-	(18)	-
	3,226	3,244	110	128
Less: Accumulated amortisation	(3,198)	(3,195)	(82)	(79)
Goodwill	2,729	2,729	-	-
	<u>2,757</u>	<u>2,778</u>	<u>28</u>	<u>49</u>

Note 1(b)(3) Inventories

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Raw materials, at cost	14,093	11,428	345	1,105
Work-in-progress, at cost	4,126	2,468	-	211
Finished goods, at cost	1,834	878	-	507
	<u>20,053</u>	<u>14,774</u>	<u>345</u>	<u>1,823</u>

Note 1(b)(4) Gross amount due from customers for contract work-in-progress

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	364,317	418,019	284,682	292,144
Less: Progress billings	(353,474)	(411,625)	(283,570)	(289,218)
	<u>10,843</u>	<u>6,394</u>	<u>1,112</u>	<u>2,926</u>
Presented as:				
Gross amount due from customers for contract work	<u>10,843</u>	<u>6,394</u>	<u>1,112</u>	<u>2,926</u>

Note 1(b)(5) Trade and other payables

	Group		Company	
	30.06.2014	31.12.2013	30.06.2014	31.12.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables:				
Amount due to third parties	9,236	8,414	1,292	3,525
Amount due to subsidiaries	-	-	3,515	6,001
Amount due to a corporate shareholder	113	141	-	-
Retention payables	6,752	7,529	1,332	1,283
	<u>16,101</u>	<u>16,084</u>	<u>6,139</u>	<u>10,809</u>
Other payables	1,467	1,885	105	430
Non-trade payables due to a corporate shareholder	46	18	22	-
Accrued operating expenses	14,745	28,575	2,406	10,062
Deposits received	2,773	2,873	3,307	566
	<u>35,132</u>	<u>49,435</u>	<u>11,979</u>	<u>21,867</u>

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1(b)(ii) Aggregate amount of group's borrowings and debts securities

Amount repayable in one year or less, or on demand

As at 30.06.2014		As at 31.12.2013	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Amount repayable after one year

As at 30.06.2014		As at 31.12.2013	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2014, our Group's bank facilities were secured by the following:

- (i) pledge of cash and short-term deposits of a subsidiary amounting to approximately S\$92,000 (31 December 2013: S\$92,000); and
- (ii) corporate guarantees provided by the Company;

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before tax	4,599	3,395	6,818	4,439
Adjustments:				
Impairment loss on doubtful receivables	-	80	-	440
Depreciation of property, plant and equipment	1,100	1,092	2,265	2,208
Gain on disposal of property, plant and equipment	(8)	-	(20)	(19)
Finance income	(16)	(1)	(25)	(2)
Amortisation of club membership	1	2	3	3
Impairment loss on club membership	18	-	18	-
Interest accretion	-	(53)	22	(53)
Currency translation difference	55	(112)	57	(83)
Operating profit before working capital changes	5,749	4,403	9,138	6,933
(Increase)/ decrease in:				
Inventories	(4,060)	(1,155)	(5,279)	(2,365)
Contract work-in-progress	(2,618)	(4,338)	(4,449)	(6,821)
Trade and other receivables	(1,206)	(1,252)	12,595	2,721
Prepayments	(127)	(292)	(626)	(534)
Increase/ (decrease) in:				
Trade and other payables	(1,162)	11,427	(14,295)	5,358
Cash flows (used in)/ from operations	(3,424)	8,793	(2,916)	5,292
Income taxes paid	(1,476)	(1,701)	(2,143)	(2,272)
Net cash flows (used in)/ from operating activities	(4,900)	7,092	(5,059)	3,020
Cash flows from investing activities				
Costs incurred for construction-in-progress	-	-	-	(19)
Finance income received	16	1	25	2
Proceeds from sale of property, plant and equipment	9	-	37	26
Purchase of property, plant and equipment	(38)	(314)	(282)	(782)
Net cash flows used in investing activities	(13)	(313)	(220)	(773)

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Consolidated Statement of Cash Flows (cont'd)

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
Decrease in fixed deposits pledged	-	1,833	-	1,978
Dividends paid on ordinary shares by the Company	(15,616)	(8,459)	(15,616)	(8,459)
Net cash flows used in financing activities	(15,616)	(6,626)	(15,616)	(6,481)
Net (decrease)/ increase in cash and cash equivalents	(20,529)	153	(20,895)	(4,234)
Cash and cash equivalents at beginning of the period	44,419	22,462	44,785	26,849
Cash and cash equivalents at end of the period (Note A)	23,890	22,615	23,890	22,615

Notes to Consolidated Statement of Cash Flows

A. Cash and cash equivalents

	Group	
	30.06.2014	30.06.2013
	S\$'000	S\$'000
Cash at banks and on hand	23,184	22,883
Fixed deposits	798	-
Cash and short-term deposits	23,982	22,883
Less: Cash and short-terms deposits pledged	(92)	(268)
Cash and cash equivalents	23,890	22,615

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(A) Consolidated Statement of Comprehensive Income

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2014	30.06.2013	+ / (-)	30.06.2014	30.06.2013	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit net of tax	3,976	2,604	52.7	6,049	3,301	83.2
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(81)	518	N.M.	(648)	894	N.M.
Total comprehensive income	<u>3,895</u>	<u>3,122</u>	<u>24.8</u>	<u>5,401</u>	<u>4,195</u>	<u>28.7</u>

Total comprehensive income attributable to:

Equity holders of the Company	3,904	3,165		5,416	4,248
Non-controlling interests	(9)	(43)		(15)	(53)
	<u>3,895</u>	<u>3,122</u>		<u>5,401</u>	<u>4,195</u>

(B) Statement of Changes in Equity

Group

	Attributable to Equity holders of Company				Non-controlling interests	Total Equity
	Share capital	Revenue reserve	Other reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000		
2014						
Balance at 1 January 2014	32,732	71,950	1,195	105,877	(400)	105,477
Total comprehensive income for 1H2014	-	6,064	(648)	5,416	(15)	5,401
Dividends on ordinary shares	-	(15,616)	-	(15,616)	-	(15,616)
Balance at 30 June 2014	<u>32,732</u>	<u>62,398</u>	<u>547</u>	<u>95,677</u>	<u>(415)</u>	<u>95,262</u>
2013						
Balance at 1 January 2013	32,732	69,765	268	102,765	(314)	102,451
Total comprehensive income for 1H2013	-	3,359	889	4,248	(53)	4,195
Dividends on ordinary shares	-	(8,459)	-	(8,459)	-	(8,459)
Balance at 30 June 2013	<u>32,732</u>	<u>64,665</u>	<u>1,157</u>	<u>98,554</u>	<u>(367)</u>	<u>98,187</u>

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(B) Statement of Changes in Equity (cont'd)

<u>Company</u>	Share capital	Revenue reserves	Total
	S\$'000	S\$'000	S\$'000
2014			
Balance at 1 January 2014	32,732	48,377	81,109
Total comprehensive income for 1H2014	-	7,375	7,375
Dividends on ordinary shares	-	(15,616)	(15,616)
Balance at 30 June 2014	32,732	40,136	72,868
2013			
Balance at 1 January 2013	32,732	44,132	76,864
Total comprehensive income for 1H2013	-	5,691	5,691
Dividends on ordinary shares	-	(8,459)	(8,459)
Balance at 30 June 2013	32,732	41,364	74,096

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, exercise of share options of warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Share capital in S\$'000
Issued and fully paid ordinary shares:		
At 31 December 2013 and 30 June 2014	260,264,171	32,732

There were no outstanding convertible securities as at 31 December 2013 and 30 June 2014.

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

As of 30 June 2014, no options or shares have been granted to employees or directors.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.06.2014	31.12.2013
Total number of shares (excluding treasury shares)	260,264,171	260,264,171

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1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2014 as the Company does not have any treasury shares.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard).

The figures have not been audited or reviewed.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2013, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2014. Please see note 5.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

In the current year, the Group adopted the new/revised Financial Reporting Standards ("FRS") that are effective for annual periods beginning on or after 1 January 2014. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The following are the new or revised FRS that are relevant to the Group:

Description	Effective for annual periods beginning on or after
FRS 27 (Revised) <i>Separate Financial Statements</i>	1 January 2014
FRS 110 <i>Consolidated Financial Statements</i>	1 January 2014
FRS 112 <i>Disclosure of Interests in Other Entities</i>	1 January 2014

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies or any significant financial impact on the financial statements.

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6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: -**

- (a) **Based on weighted average number of ordinary shares on issue**
(b) **Based on fully diluted basis (detailing any adjustments made to the earnings)**

	Group			
	2nd Quarter ended		Half Year ended	
	30.06.2014	30.06.2013	30.06.2014	30.06.2013
(a) Based on weighted average number of ordinary shares in issue	1.53 cents	1.02 cents	2.33 cents	1.29 cents
(b) On fully diluted basis	1.53 cents	1.02 cents	2.33 cents	1.29 cents

The basic earnings per ordinary share for the second quarter ended 30 June 2014 is calculated by dividing the 2nd quarter profit attributable to shareholders of S\$4.0 million (30 June 2013: S\$2.6 million) by the weighted average number of 260,264,171 (30 June 2013: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the half year ended 30 June 2014 is calculated by dividing the half year profit attributable to shareholders of S\$6.1 million (30 June 2013: S\$3.4 million) by the weighted average number of 260,264,171 (30 June 2013: 260,264,171) shares in issue during the financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

- (1) **Current period reported on**

	Group 30.06.2014	Company 30.06.2014
Net asset value per ordinary share for the period based on existing issued share capital as at 30 June 2014 of 260,264,171 ordinary shares	36.60 cents	28.00 cents

- (2) **Immediately preceding financial year**

	Group 31.12.2013	Company 31.12.2013
Net asset value per ordinary share for the period based on existing issued share capital as at 31 December 2013 of 260,264,171 ordinary shares	40.53 cents	31.16 cents

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8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Review of Group Performance

2Q2014 vs 2Q2013

	2nd Quarter ended		+/(-) %
	30.06.2014 S\$'000	30.06.2013 S\$'000	
Residential property	17,732	14,678	20.8
Hospitality and commercial	14,867	29,510	(49.6)
Distribution	35	250	(86.0)
Total	32,634	44,438	(26.6)

For 2Q2014, the Group's revenue decreased by 26.6% to S\$32.6 million as compared with the revenue for 2Q2013 as a result of the decrease in Hospitality and commercial projects and Distribution projects completed during the quarter. It is partially offset by the higher revenue contribution from the Residential property projects.

The gross margin increased from 15.2% in 2Q2013 to 25.2% for 2Q2014. The improvement was due to higher margins recorded for projects completed during the quarter as a result of improved cost efficiencies achieved by the Group's production facility in China.

Marketing and distribution expenses increased marginally by 1.8% to S\$1.4 million in 2Q2014, due to higher showroom expenses in China.

General and administrative expenses increased from S\$2.0 million in 2Q2013 to S\$2.2 million in 2Q2014. The increase was due to an exchange loss in 2Q2014 as compared with an exchange gain in 2Q2013.

As a result, the Group achieved higher profit before tax of S\$4.6 million for 2Q2014, an increase of 35.5% as compared with S\$3.4 million for 2Q2013. After taking into account tax expenses, the Group's net profit after tax was S\$4.0 million for 2Q2014.

1H2014 vs 1H2013

	Half Year ended		+/(-) %
	30.06.2014 S\$'000	30.06.2013 S\$'000	
Residential property	30,279	27,921	8.4
Hospitality and commercial	27,373	44,019	(37.8)
Distribution	75	1,013	(92.6)
Total	57,727	72,953	(20.9)

The Group's revenue for 1H2014 decreased by 20.9% to S\$57.7 million as compared with the revenue for 1H2013. The decrease was mainly due to fewer Hospitality and commercial projects and Distribution projects completed during the period, offset by the higher revenue contribution from the Residential property projects.

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The Group's gross margin for 1H2014 was higher as compared with 1H2013, increased from 15.9% for 1H2013 to 24.6% for 1H2014. The improvement was due to higher margins recorded for projects completed during 1H2014 as a result of improved cost efficiencies achieved by the Group's production facility in China.

For 1H2014, marketing and distribution expenses decreased by 7.0% to S\$2.8 million as compared with S\$3.0 million in 1H2013. The decrease was mainly due to reduction in staff costs and travelling expenses as a result of lower headcount.

General and administrative expenses increased from S\$4.2 million in 1H2013 to S\$4.7 million in 1H2014. The increase was mainly due to exchange loss of S\$384,000 in 1H2014 as compared with exchange gain of S\$453,000 in 1H2013.

As a result, the Group achieved a higher profit before tax of S\$6.8 million for 1H2014, as compared with S\$4.4 million for 1H2013. After taking into account the tax expenses, the Group's net profit after tax was S\$6.0 million for 1H2014.

Balance Sheet (30 June 2014 vs 31 December 2013)

Property, plant and equipment decreased by S\$2.7 million mainly due to depreciation charges, offset by the purchase of plant and equipment during the period.

Inventories increased by S\$5.3 million as a result of higher level of raw materials purchased for ongoing projects.

Contracts work-in-progress increased by S\$4.4 million to S\$10.8 million [Note 1(b)(4)] as at 30 June 2014. The increase was due to the work in progress yet to be certified by clients.

Total current trade receivables decreased to S\$29.4 million [Note 1(b)(1)] as at 30 June 2014 as compared with S\$44.6 million as at 31 December 2013. The decrease was in line with the lower revenue recorded.

Other receivables and deposits increased by S\$1.6 million to S\$10.1 million [Note 1(b)(1)]. The increase was mainly due to deposits paid to suppliers and subcontractors.

Accrued operating expenses decreased by S\$13.8 million to S\$14.7 million [Note 1(b)(5)]. The decrease was mainly due to lower accruals made on project costs and payment of bonus.

Cash Flow

2Q2014 vs 2Q2013

For 2Q2014, there was cash outflow of S\$20.5 million. The cash outflow is mainly due to the operating activities and payment of dividends in May 2014.

1H2014 vs 1H2013

For 1H2014, there was cash outflow of S\$20.9 million. The cash outflow is mainly due to the operating activities and payment of dividends in May 2014.

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9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance is in line with the commentary previously disclosed in the results announcement via SGXNET for the full year ended 31 March 2014.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

The Group's operating environment is expected to remain challenging in 2H2014, in view of property cooling measures implemented by regulators in the markets in which the Group operates, namely, Singapore, Malaysia and China; the tightening of supply of foreign labour in Singapore and the associated increased costs.

The Group remains well-positioned to engage current market conditions with a record-high order book which stood at S\$337.1 million as at 7 August 2014 and a healthy cash position of S\$24.0 million as at 30 June 2014. The Group expects to generate higher revenue and profitability for 2H2014 as compared with 2H2013 barring any unforeseen circumstances.

11. Dividend

(1) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	Cash
Dividend type	Interim
Dividend amount per share (in SG cents)	0.50 cents per ordinary share
Tax rate	One-tier tax exempt

(2) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of dividend	Cash
Dividend type	Interim
Dividend amount per share (in SG cents)	0.50 cents per ordinary share
Tax rate	One-tier tax exempt

Date payable

8th September 2014

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Books closure date

NOTICE IS HEREBY GIVEN THAT the Transfer Books and the Register of Members of the Company will be closed on 22 August 2014 for the purposes of determining Shareholders' entitlements to the interim dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 21 August 2014 will be registered to determine shareholders' entitlements to the interim dividends.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 22 August 2014 will be entitled to the interim dividend.

12. If no dividend has been declared/recommended, a statement to the effect.

Not applicable

PART II- ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT **(This part is not applicable to Q1, Q2, Q3 or Half Year Results)**

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Not applicable

15. A breakdown of sales

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable

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AGGREGATE VALUE OF TRANSACTION UNDER RULE 920(1)(A)(II) OF THE LISTING MANUAL

Aggregate value of transactions conducted pursuant to the general mandate for interested persons transactions for the 3 months period ended 30 June 2014 pursuant to Rule 920(1)(a)(ii) of the listing Manual:

Name of interest person	Aggregate value of all interested persons transactions during the period under review (excluding transactions less than S\$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 S\$100,000)
Depa Interiors LLC & its associates	Nil	Nil

BY ORDER OF THE BOARD

Helen Campos
Secretary

Date: 7 August 2014

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the 1H ended 30 June 2014 to be false or misleading in any material respect.

ON BEHALF OF BOARD OF DIRECTORS

Name: Bernard Lim Leng Foo
Director

Name: Kelly Ng Chai Choey
Director

Date: 7 August 2014