Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.

Well Positioned

ANNUAL REPORT 2013

We have successfully completed another year with increased revenue, owing to the significant contribution from our residential property projects. At a time of economic challenge and stiff competition, we consider this an achievement and proof of our commitment to deliver stakeholders' value.

As we prepare for yet another financial year, we examine our abilities that have allowed us to meet expectations despite unpredictable circumstances.

Experienced and brilliant, we pride ourselves as a human capital-based firm that delivers only the highest standards of interior design. The quality that we serve is tantamount to the unique people that make up the Company, that is, individuals who are focused on delivering talent, integrity and excellence in the work that they do.

Such exceptional manpower would be at times complicated to handle but we at Design Studio relish in diversity. After many years of operation, we have established a robust system of working together for the successive growth of the Company. We have formed a symphony of talents whose melodies and cadences can be translated into outstanding workmanship and sustainable value. Moving ahead we expect different challenges to arise, but with such a dynamic workforce behind us, we are confident in our progress in the years to come.

得益于本集团住宅产业项目斐然的业绩，集团在过去的一年硕果累累，收益连增。在当前整体经济迟缓，竞争激烈的大环境下，我们认为这已是成就，也显示了集团格守股东价值至上的承诺。

在为下一财政年准备之际，我们也不断评估和提升竞争能力，以确保集团能在不可预测的环境下依然能够达到预期目标。

以质为基、以人为本，一直是瑞胜发展壮大的基础。我们每一位员工对客户的需求都用尽心力，对产品质量不懈追求，务求提供卓越的产品。

经过多年的营运，我们已建立了完善的工作机制，大家同心协力，为集团业务连续增长不懈奋斗。尽管这种独特的人力资源模式不易掌控，但有着充满活力和弹性的团队做坚强后盾，我们有信心能在未来继续缔造佳绩。

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Chairman's Statement

Dear Shareholders,

Design Studio Group delivered a strong set of financial results for the year ended 31 December 2013 ("FY2013") to mark our eighth straight year of profitability. This commendable performance was achieved in a year marked by economic challenges exacerbated by slowing growth in Asia, fears of a Euro crisis, and property cooling measures implemented by regulators in markets which the Group operates.

Amidst these challenging circumstances, the Group posted revenue of S$178.1 million in FY2013, an increase of 10.9% from S$160.6 million in the previous year. This healthy increase was driven by the Residential division which grew 44.1% to S$72.0 million, partially offset by lower revenue contribution from the Distribution division which declined 68.4% to S$2.1 million. Revenue contribution from the Hospitality and Commercial division remained almost unchanged at S$104.0 million during the year. Net profit after tax remained relatively flat at S$11.9 million in FY2013, compared with S$11.3 million in FY2012.

The Group generated healthy cash inflow of S$17.9 million in FY2013, demonstrating the resilience of its business model through different phases of the market cycle.

As of 31 December 2013, the Group's balance sheet remained healthy, with a strong cash position of S$44.9 million, compared to S$29.1 million as of 31 December 2012.

Strategic Focus on Quality and Efficiency

Following an internal strategic review in 2013, the Board announced the restructuring of the Group's corporate structure. The restructuring [which has been completed] would see the Company operate as an investment holding company and the distinct segregation of the Group's various business segments. This would enable the Group to more effectively manage each segment, and enhance business focus and accountability within the Group.

Going forward, the Group's core businesses would be segregated into: Manufacturing and Project Management. To better reflect our new profile, business activities and business direction as an investment holding company, the Company was renamed 'Design Studio Group Ltd' in January 2014.

Notwithstanding these changes, our values and business objectives remain unchanged. We will continue to build on Design Studio's established brand name, which is underpinned by a solid track record of delivering high-quality, innovative products and projects to leading developers in Singapore and overseas.

Our fundamental strengths in project management, customer engagement and manufacturing, have allowed us to form long-term relationships with customers and clinch high-profile residential, hospitality and commercial projects through the various market cycles. We will continue to enhance our capabilities in these areas by strengthening our human capital through training and talent development. This will ensure that our employees have the necessary knowledge and technical skills to take our products and service delivery to the next level. We will continue to strengthen our cost control measures in order to further improve productivity and efficiency in the manufacturing processes across the Group.

To thank our shareholders for their continued trust and support, and to mark our 8th consecutive year of healthy cash flows and profitability, the Board is pleased to propose a special dividend of 5.00 cents per share in addition to a final dividend of 1.00 cents per share. Combined with the interim dividend of 0.50 cents per share declared in August 2013, the Board is proposing a record dividend distribution of 6.50 cents per share in FY2013, providing our shareholders with an attractive dividend yield of 13.5% based on the closing price of S$0.48 per share[4].

2014 and Beyond

Moving forward, the Group will continue to focus on its key markets: Singapore, Malaysia and China, while adopting a mindful and prudent approach in seeking viable projects into new export markets.

Singapore, our largest market accounting for 72.2% of our total revenue in FY2013, recorded an estimated economic growth rate of 3.7%[1] ,while Malaysia, the Group's second largest market accounting for 24.2% of our total revenue in FY2013, is expected to record a GDP growth rate of 4.6%[2] during the period. With respect to these markets, the Group remains moderately optimistic of overcoming the challenging operating environment heightened by the prevailing property cooling measures, increased labour costs, uncertainty surrounding rising interest rates and a tighter credit environment.

China continues to be a strategic market for the Group. Despite having reported slowing growth over the past three years, the country continues to be one of the fastest growing economies in the world with a forecast growth rate of approximately 7.7%[3] in FY2013. We will take a measured and prudent approach to our China growth plans, which will better position the Group to tap into the diverse opportunities in the growing markets of China over the longer-term.

A Word of Appreciation

On behalf of the Board, I wish to extend my sincere gratitude to our management and staff for their hard work, foresight, dedication and contributions; and our clients, business partners and vendors for their trust and unwavering support. I would also like to thank all our shareholders for your confidence in, as well as your continued loyalty to and support for Design Studio.

I am confident that with your continued support, we will overcome the challenges ahead to further grow our business and build on our leadership position in the industry.

Tan Siok Chin (Ms)
Non-Executive Chairman

1. Department of Statistics, Singapore (www.singstat.gov.sg)
2. "Economic and Financial Developments in Malaysia in the Fourth Quarter of 2013", Bank Negara Malaysia, 12 Feb 2014
3. "China economic growth rate stabilises at 7.7%", BBC News, 20 January 2014
4. As at 28 February 2014

主席致词

致全体股东：

瑞胜集团在2013财政年，财务业绩突出，连续八年取得盈利。即使在全球经济挑战频频：亚洲经济发展速度放缓，欧元危机担忧及集团主要营运市场实施多项房地产降温措施的情况下，我们仍然保持优异业绩，表现令人鼓舞。

面对这些挑战，集团在2013财政年收入增长10.9%，从2012年的16,060万新元，达到17,810万新元。这增长源自于住宅产业项目收入，相较2012年增长了44.1%，达到7,200万新元，部分抵消分销项目降低的68.4%的收入。酒店、综合娱乐场所及商业项目的收入保持平稳，本年收入为10,400万新元。2013财政年净利润为1,190万新元，相较2012年的1,130万新元有小幅度的增长。

在2013财政年，集团产生的现金流量为1,790万新元，这也证明了集团的业务模式能有弹性地面对挑战。

截至2013年12月31日，集团财务状况保持良好，现金余额为4,490万新元，相较截至2012年12月31日的2,910万新元有所增长。

质量及效率战略

2013年，集团进行了内部战略审查，董事会宣布对瑞胜母公司的业务活动进行改革。改革后，母公司将成为控股公司，并把旗下的分公司重组和分佈在不同的业务领域。为了更确切反映母公司的新发展方向，业务活动和作为控股公司，母公司于2014年1月改名为“瑞胜集团有限公司”。

接下来，瑞胜将主攻两项核心业务：生产和项目管理。这将使集团更加有效地管理每个业务领域，强化集团内的业务重点和经营责任。

瑞胜品牌一向拥有提供高品质创新产品和项目的良好业绩记录。尽管集团结构改革，我们的价值观和业务目标仍然保持不变，继续发展瑞胜已建立的优越品牌。

我们对项目管理、客户接洽和生产管理的丰富经验，有助于建立我们与客户的长期友好关系，也使我们获得许多知名的产业项目，酒店、综合娱乐场所及商业项目订单。我们将继续强化我们在这些领域的能力，通过培训及人才培养，加强人力资本。这将确保我们的员工拥有相关的知识和技术能力，持续加强我们的产品竞争力和服务质量，以及提高生产力和效率。

为了感谢集团股东一直以来的信任和支持，及表彰集团连续八年的良好现金流量和盈利能力，董事会提议，除了1.00分的期末股息外，每股分配5.00分的额外股息。连同2013年8月宣布的每股0.50分的中期股息，2013财政年度的股利分配将达每股6.50分。基于每股0.48[4]的收盘价格，集团向股东提供了13.5%的股息收益率，颇为引人注目。

展望2014和未来

集团将继续主攻以下市场：新加坡、马来西亚和中国，同时也以理智和谨慎的态度进军新的国外市场，寻求可行和有利的工程项目。

新加坡，做为我们最大的市场，其来源收入占2013财政年总收入的72.2%，预计经济增长率为3.7%[1]，而集团第二大市场马来西亚，其2013财政年来源收入占总收入的24.2%，预计经济增长率为4.6%[2]。对于这些市场，尽管普遍存在房地产降温措施、人力成本增加、周边利率不断增长和愈加紧缩的信贷环境等影响因素，集团对于克服这些具有挑战性的营运环境，还是较乐观。

中国将继续成为集团的战略市场。尽管报告显示中国近三年经济增长速度有所放缓，但该国仍然继续成为世界经济增长最快的经济体之一，2013年度预计经济增长率约为7.7%[3]。我们将对集团在中国的发展计划持谨慎态度，巩固优越的定位，从中获得多样化的项目订单。

衷心感激

本人谨代表董事会，向集团的管理层和员工表示衷心的谢意，感谢他们的辛劳工作和卓越贡献；感谢集团客户、业务伙伴和供应商的信任和坚定不移的支持。在此，我也要感激所有股东对瑞胜的忠诚、信任和支持。

我相信，有了您持续不断的支持，我们将克服前方的挑战，扩大业务，建立集团在业界的领先地位。

陳淑君(女士)
非执行主席

1. 新加坡统计局 (www.singstat.gov.sg)
2. "Economic and Financial Developments in Malaysia in the Fourth Quarter of 2013"，马来西亚中央银行，2014年2月12日
3. "China economic growth rate stabilises at 7.7%", BBC 新闻，2014年1月20日
4. 截至2014年2月28日

CEO's Business Review

Dear Shareholders,

During the year, we focused on delivering greater operational efficiencies and enhancing our service delivery, ensuring that Design Studio continues to be a partner of choice with reputable, brand-name developers in Singapore and overseas.

Financial Review

For the year ended 31 December 2013 ("FY2013"), Group revenue increased 10.9% to S$178.1 million from S$160.6 million for the year ended 31 December 2012 ("FY2012"). The increase was mainly due to higher revenue contribution from the Residential division, partially offset by a decline in Distribution projects during the period.

The Group's Residential division overcame weak market and investor sentiments arising from the property cooling measures introduced by the local authorities during the year and recorded a 44.1% increase in revenue to S$72.0 million in FY2013. The Residential division accounted for 40.4% of total Group revenue in FY2013, compared to 31.1% in the previous year.

The Group's Hospitality and Commercial division, continued to be the strongest contributor, recording S$104.0 million or 58.4% of total Group revenue in FY2013. These gains were partially offset by a 68.4% decline in revenue from the Distribution division, from S$6.7 million in FY2012 to S$2.1 million in FY2013.

Geographically, Singapore remained the major revenue contributor, with S$128.6 million in FY2013 making up 72.2% of the total revenue and representing a 15.6% increase from S$111.2 million in FY2012. Revenue from Malaysia marginally declined to S$43.0 million in FY2013 from S$43.9 million in the previous year, and accounted for 24.2% of total revenues during the year.

Since the opening of the Group's first retail showroom in Dongguan, Guangzhou in FY2012, revenues from China have increased four-fold from S$0.5 million in FY2012 to S$2.1 million in FY2013. Revenue from the United Arab Emirates declined from S$2.3 million to S$1.4 million; while revenue from other regions marginally increased, from S$2.7 million to S$2.9 million.

Cost of sales increased 14.5% from S$128.9 million in FY2012 to S$147.6 million in FY2013, mainly due to the continued tightening of foreign labour in Singapore and higher labour costs in the Group's key markets. As a result, the Group's gross margin declined from 19.8% for FY2012 to 17.1% for FY2013.

Other income decreased by 97.7% from S$2.4 million in FY2012 to S$55,000 in FY2013. In FY2012, other income included a S$2.3 million gain on re-measurement of equity interest to fair value in relation to the acquisition of DDS Asia Holdings Pte Ltd.

Marketing and distribution expenses increased slightly by 1.8% to S$6.2 million in FY2013, mainly due to an increase in staff cost and depreciation expenses incurred for the China showrooms, partially offset by a decline in exhibition related expenses.

General and administrative expenses decreased from S$13.3 million in FY2012 to S$9.1 million in FY2013, primarily due to a foreign exchange gain in FY2013 and an amortisation of order backlog of S$3.1 million in FY2012.

As a result, Design Studio achieved an improved profit before tax of S$15.3 million for FY2013, as compared with S$14.8 million for FY2012. After taking into account tax expenses, net profit after tax was S$11.9 million for FY2013, as compared with S$11.3 million in the previous year.

We took prudent steps to strengthen our balance sheet and ended the year in a net cash position of S$44.9 million, up from S$29.1 million in FY2012. This healthy net cash position is a reflection of the strong cash flow generation capacity of our business.

Operational Review

With an established brand name and solid track record of delivering products and projects that are synonymous with quality and innovation, Design Studio continues to be a partner of choice with reputable, brand-name developers in Singapore and overseas. Our strong positioning has allowed us to secure new projects and strengthen our order book to S$243.9 million as of 31 December 2013, despite the challenging business conditions.

Residential

Since the award of our first residential project in 1996, our Residential division has continued to grow from strength to strength, completing numerous notable high-end residential projects by renowned developers. This attests to the Group's core strength of delivering quality products and innovative solutions on a timely basis to leading developers in Singapore and abroad. During the year, we secured a pipeline of high-caliber projects which include:

- St. Thomas Walk, a 219-unit high-end freehold development by Bukit Sembawang Estates Limited;
- TP 180, a 181-unit residential tower within Tanjong Pagar Centre developed by GuocoLand Limited;
- Bedok Residences, a 582-unit condominium in the heart of Bedok Town developed by CapitaLand Singapore Limited;
- Sea Esta, a 376-unit condominium located along Pasir Ris beach developed by Hoi Hup Sunway Pasir Ris Pte Ltd;
- The Palette, a 892-unit condominium joint-development by City Developments Ltd, Hong Realty (Private) Limited and Hong Leong Holdings Ltd;
- J Gateway, a 738-unit leasehold condominium located in the vibrant Jurong East district developed by MCL Land;
- Woodhaven, a 337-unit leasehold condominium developed by Far East Organization; and
- Waterbay EC, a 383-unit leasehold executive condominium developed by Qingjian Realty (South Pacific) Pte Ltd.

The Palette
梦彩苑
Image is courtesy of City Developments Limited
城市发展集团

Bedok Residences
勿洛馨居
Image is courtesy of CapitaLand Singapore Limited
凯德集团

CEO's Business Review

Hospitality and Commercial

The Group's Hospitality and Commercial division, DDS Group, is a leader in the interior fitting-out business, affording clients a holistic suite of ID fit-out solutions for the hospitality and commercial sectors. The Group's commitment to perfection is unsurpassed and is embodied in every project that we undertake, from the simplest to the most complex project, down to the minute detail.

Our Hospitality and Commercial portfolio features some of Singapore's renowned hotels and resorts as well as world-class projects in leisure destinations such as Malaysia and Thailand.

During the year, DDS Malaysia secured the following projects:

- Interior fit-out works to Executive Offices at Menara CIMB;
- Interior fit-out works to 168 apartment units at Somerset Puteri Harbour JB;
- ID fit-out works to 496 apartment units at Platinum Suites The Face at KLCC; and
- Interior fit-out works to 247 serviced apartment units for redevelopment of Plaza Atrium, a corporate office tower located in Kuala Lumpur.

While in Singapore, DDS Singapore secured the following projects in 2013:

- Robinsons Department Store's new 150,000 sq ft flagship store, which is designed to offer shoppers a differentiated retail experience over six levels at The Heeren;
- Singapore's first liberal arts college, Yale-NUS College. The Group has been contracted to provide interior fit-out works to residential colleges within the future campus, which is designed by two world class architects, Singapore's Forum Architects and Pelli Clarke Pelli in the U.S.;
- Fit-out of hotel guestrooms, suites, corridors and lift lobbies at the South Tower of South Beach Hotel, part of South Beach, a Mixed Development located on Beach Road in the downtown core of Singapore. A joint-venture project between CDL Developments Limited and IOI Group, South Beach is designed by British architectural firm, Foster + Partners, and Aedas Architects; and
- Fit-out of hotel guestrooms, corridors and lift lobbies at Park Hotel@Alexandra, a hotel-cum-mall development by CEL Development.

Platinum Suite The Face
Image is courtesy of Platinum Victory Property Sdn Bhd

South Beach Mixed Development
Image is courtesy of South Beach Consortium Pte Ltd

Menara CIMB
Image is courtesy of CIMB Bank Berhad

Distribution

Distribution continues to be an area of focus for the Group. We continue to see long-term value in our strategic partnership with SieMatic, one of the world's leading luxury kitchen brands. Sharing similar values and aspirations with Design Studio, SieMatic produces attractive and innovative kitchen products that are exemplary in technology, design and quality. Our partnership with such a reputable German brand that shares our philosophy of sustainability, quality and excellence can only enhance our distribution portfolio.

Laying the Foundation in China

China, the world's most populous country with more than 1.3 billion nationals, continues to be a strategic market. Despite China's slower pace of growth over the past two years, the nation continues to be one of the fastest growing economies in the world with a forecast growth rate of approximately 7.7% in FY2013.

Underpinned by a strong urbanisation trend and a growing middle class with high disposable income, the longer-term outlook for the real estate sector in China looks positive. With an established presence in the country, Design Studio seeks to leverage on the positives of the urbanisation rate which hit 54% in FY2013 and is expected to top 60% by FY2018.

The Group's production facility in Huizhou, Guangdong, turned fully operational in FY2012 and continues to produce quality products for the Group's projects. The Group will continue to leverage on the manufacturing capability of the production facility to achieve better costs efficiency. The Group will continue to step-up its marketing efforts and to tap into the diverse opportunities in the growing markets of China over the longer-term.

Going Forward

Looking into 2014, we expect the Group's operating environment to remain challenging and competitive with the property cooling measures implemented by the Singapore and Malaysia government for the Singapore and Malaysia property market respectively; the tightening of supply of foreign labour in Singapore; the uncertainty surrounding rising interest rates and a tighter credit environment.

For the coming year, we will endeavour to grow our businesses and continue to tighten our operating costs to improve productivity and efficiency of the manufacturing processes. We are confident that the strategies that we have employed and the foundation laid over the past year, will allow us to overcome these challenges and create further value for our shareholders.

Acknowledgements

In closing, I would like to thank our management team and employees for their hard work, dedication and unwavering contributions, which have enabled us to cement our leadership position in the markets in which we operate. I look forward to your continued support as we take Design Studio to greater heights.

Bernard Lim Leng Foo
Chief Executive Officer

总裁营运回顾

致各位股东：

在过去的一年，我们集中力量提高营运效益，增强服务水平，继续成为国内外声誉卓著开发商的合作伙伴。

财务回顾

集团在2013财政年的销售收入为17,810万新元，相较2012财政年的16,060万新元，增长率达10.9%，收入增长主要得益于住宅产业项目收入增加，但由于该期间分销项目收入下滑而部分抵消。

集团住宅产业项目业务克服了由本地房地产降温措施导致的市场疲软，实现了在2013财政年销售收入增长44.1%，增长总额达到7,200万新元。住宅产业项目的收入占2013财政年总收入的40.4%，相较上一财政年的31.1%有所增长。

酒店、综合娱乐场所及商业项目的收入在2013财政年继续成为主要收入来源，实现创收10,400万新元，占总收入58.4%。分销项目在2013财政年收入下滑了68.4%，收入从2012财政年的670万新元下滑到2013财政年的210万新元，部分抵消集团总收入。

按地理区域分析，在2013财政年，新加坡仍旧是主要收入来源地，实现收入12,860万新元，占集团总收入的72.2%，相比2012财政年度的11,120万新元收入，2013财政年收入增长了15.6%。来自马来西亚的收入略有下滑，从2012财政年的4,390万新元下降到了4,300万新元，占总收入的24.2%。

自2012年集团在广东东莞建立首个展厅兼销售办事处以来，瑞胜集团2013财政年在中国的收入高达2012财政年的四倍，实现收入从2012财政年的50万新元增至210万新元。在阿联酋，集团收入下滑，从2012年的230万新元下降至140万新元；在其它地区，集团收入略有增加，从270万新元增加到290万新元。

在2013财政年，销售成本达到14,760万新元，相比2012财政年的12,890万新元增加14.5%。这主要归结于新加坡外籍劳工市场趋紧及劳工成本增加。因此，2013财政年净利润相比2012财政年略有下滑，从19.8%降至17.1%。

2013财政年其他收入相比2012财政年下滑了97.7%，从240万新元降至55,000新元。在2012财政年，其他收入包括收购DDS亚洲控股私人有限公司的权益公允价值再衡量230万新元。

营销费用小幅增长1.8%，达到620万新元。营销费用增幅源于人事费用增长及中国展厅产生的折旧费用，但因展厅相关费用降低而部分抵消。

企业管理费用从2012年的1,330万新元降至2013年的910万新元，这主要源于2013财政年汇总损益和2012财政年310万新元的订单积压摊销。

2013财政年的利润有所增长，税前利润达到1,530万新元，相比2012财政年的1,480万新元略有增长。2013财政年净利润为1,190万新元，相比2012财政年的1,130万新元也略有增长。

我们采取谨慎态度，加强资产负债表，年末现金从2012财政年的2,910万新元增长到4,490万新元。这良好的现金流量状况反映了集团强劲的折现率。

Sea Esta
望海轩
Image is courtesy of Hoi Hup Sunway Pasir Ris Pte Ltd
海峡双威巴西立私人有限公司

经营概况

秉着已建立的卓越品牌声誉、绝佳的产品和服务记录，瑞胜将继续创新并提供优质产品，成为海内外著名品牌开发商的首选合作伙伴。这使瑞胜在具有挑战的商业环境中，仍获得新项目订单，截至2013年12月31日订单金额已达24,390万新元。

住宅产业项目

自1996年获得首个住宅产业项目以来，瑞胜住宅产业项目不断持续发展，完成多项著名的高端住宅项目。这证明了集团向新加坡和海外主要开发商及时提供优质产品和创新性解决方案的核心能力。本年度，我们取得一系列高端项目订单，包括：

- St. Thomas Walk，由万国公司(Bukit Sembawang Estates Ltd)开发的拥有219个单位的高端自有保有开发项目；
- TP180，由国浩房地产有限公司（GuocoLand Limited）在丹戎巴葛中心开发的一处拥有181个单位的高层住宅；
- 勿洛馨居(Bedok Residences)，由凯德集团（CapitaLand Singapore Limited）在勿洛中心开发的一处拥有582个单位的共管公寓；
- 望海轩(Sea Esta)，由海峡双威巴西立私人有限公司(Hoi Hup Sunway Pasir Ris Pte Ltd）在巴西立海滩沿线开发的一处拥有376个单位的共管公寓；
- 梦彩苑 (The Palette)，一处由城市发展集团(City Developments Ltd）开发的拥有892个单位的共管公寓；
- J Gateway，由 MCL Land 位于充满生气的裕廊东区所开发的拥有738个单位的共管公寓；
- 木兰苑(Woodhaven)，由远东机构有限公司(Far East Organization)开发的拥有337个单位的共管公寓；和
- 清水湾(Waterbay EC)，由青建地产南洋集团有限公司开发的拥有383个单位的执行共管公寓。

总裁营运回顾

Waterbay EC
清水湾
Image is courtesy of Qingjian Realty (South Pacific) Pte Ltd
青建地产南洋集团有限公司

Plaza Atrium
Image is courtesy of Pinehigh Development Sdn Bhd

酒店、综合娱乐场所及商业项目

DDS集团身为室内装潢行业的领军人物，负责瑞胜集团的酒店、综合娱乐场所及商业项目，为客户提供全套的室内装潢方案。集团力求完美的精神，充分体现在其负责的每一个项目中，从最简单到最复杂的项目，直至每一处细节。项目包括新加坡著名酒店和度假村及马来西亚和泰国等国家级顶尖休闲胜地。

2013年由DDS马来西亚取得的知名项目订单如下：

- Menara CIMB，行政办公室的室内装潢工程；
- Somerset Puteri Harbour JB，168户公寓的室内装潢工程；
- Platinum Suites The Face at KLCC，496户公寓的室内装潢工程；和
- Plaza Atrium 大厦再开发的247户酒店式公寓的室内装潢工程。

Robinsons Department Store at Orchard
Images are courtesy of Robinson & Co. (Singapore) Pte Ltd

2013年由DDS新加坡取得的知名项目订单如下：

- Robinsons Department Store at Orchard 是Robinson 集团的新旗舰店，占据麒麟大厦（The Heeren）的六层楼，为消费者带来15万平方英尺的崭新购物体验；
- 新加坡首家博雅学院，耶鲁-新加坡国大学院。集团受雇为即将落成校园的寄宿学院提供室内装潢工程，该校园由两家世界级建筑师事务所设计，一家是新加坡Forum Architects，另一家是美国的 Pelli Clarke Pelli；
- South Beach Hotel 酒店客房、套房、走廊和电梯大堂装潢工程。该项目位于美芝路，是由城市发展和马来西亚IOI集团（IOI Corporation）负责联营发展的大型综合商业发展项目，由英国建筑事务所Foster ＋ Partners和Aedas设计事务所设计；和
- 新加坡百樂歷山酒店 （Park Hotel @ Alexandra）酒店客房、走廊和电梯大堂的装潢。该酒店是CEL公司集酒店及零售为一体的开发项目。

分销项目

分销项目将继续成为集团关注的领域之一。我们十分重视与伙伴西曼帝克的长远合作关系。西曼帝克是全球顶尖的厨房品牌，与瑞胜持有一致的价值观和使命感，生产既有吸引力又具有创新性的厨房产品，堪称技术设计和质量的典范。

奠定在中国的基础

中国拥有超过13亿人口，是世界上人口最多的国家，瑞胜将继续视中国为重要战略市场。尽管在过去两年内，中国的经济增长速度有所放缓，但中国仍然是全球经济增长速度最快的经济体之一，2013年预计经济增长率约为7.7%。

由于中国城市化趋势强劲，拥有高收入的中产阶级人数不断增加，中国房地产市场的长期发展前景预计乐观。2013年，中国的城市化率已达54%，预计2018年将超过60%。集团设于广东省惠州市的工厂在2012已全面运作，并将继续为集团项目提供优质产品。集团将继续提高生产设备的生产能力，获得更高的成本效率。瑞胜把在中国建立的工厂及展厅兼销售办事处设为基地，并利用这一竞争优势，扩展瑞胜在中国的市场版图。

展望2014年

由于新加坡和马来西亚政府对两国房地产市场实施降温措施，新加坡缩紧外籍劳工供应，周边地区加息不明朗，以及更严峻的信贷环境，我们预计2014年集团的营运环境将更具挑战性。

展望未来，我们将努力扩展业务，继续加强成本控制，提高生产力和效率。我们相信，在集团去年采取的战略为基础的情况下，我们将克服挑战，为股东创造更大的价值。

致谢

我谨此感谢各级管理团队和员工为集团所做出的贡献，使我们能巩固集团在市场的领导地位。我期待诸位继续支持，再将瑞胜推上更辉煌的高峰。

林麟波
行政总裁

A Foundation of Strength

Challenges drive us further in our pursuit of excellence. As a recognized brand in the field, we refuse to rest on laurels by building upon years of experience for the continuous improvement of the Company. Our intensified approach not only gives us the necessary strength required to sustain steady revenue despite economic uncertainties, but gives us assurance that we are adaptable in any economic scenario. This is the cornerstone of our business, and this will bring us further into the industry.

力量源泉

在追求卓越品质的过程中，挑战激励我们不断前行。作为业界认可的品牌，我们拒绝固步自封，以多年的经验，持续发展技能，提升竞争能力。一步一脚印，循序渐进，扎实发展，不但赋予我们在经济动荡时维持稳定收入的必要力量，也提高我们面对竞争的应变能力。这是我们企业的基石，也是我们在业界更上一层楼的动力。

Financial Highlights / 财务摘要

FOR THE YEAR 本年度

Revenue 销售收入

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
1st quarter 第一季度	28,515	24,716	3,799	15.4
2nd quarter 第二季度	44,438	41,317	3,121	7.6
3rd quarter 第三季度	41,728	40,788	940	2.3
4th quarter 第四季度	63,416	53,810	9,606	17.9
Total 合计	**178,097**	**160,631**	**17,466**	**10.9**

Gross profit 毛利润

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
1st quarter 第一季度	4,799	6,668	(1,869)	(28.0)
2nd quarter 第二季度	6,766	7,617	(851)	(11.2)
3rd quarter 第三季度	6,736	8,395	(1,659)	(19.8)
4th quarter 第四季度	12,238	9,068	3,170	35.0
Total 合计	**30,539**	**31,748**	**(1,209)**	**(3.8)**

Profit from operations 业务溢利

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
1st quarter 第一季度	1,043	4,569	(3,526)	(77.2)
2nd quarter 第二季度	3,394	3,335	59	1.8
3rd quarter 第三季度	3,158	3,483	(325)	(9.3)
4th quarter 第四季度	7,731	3,380	4,351	128.7
Total 合计	**15,326**	**14,767**	**559**	**3.8**

Net profit attributable to shareholders 可归权益持有人净利

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
1st quarter 第一季度	716	4,192	(3,476)	(82.9)
2nd quarter第二季度	2,643	2,623	20	0.8
3rd quarter 第三季度	2,330	2,466	(136)	(5.5)
4th quarter 第四季度	6,256	2,382	3,874	162.6
Total 合计	**11,945**	**11,663**	**282**	**2.4**

Dividend 股息

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
Interim dividend 中期股息	1,301	1,952	(651)	(33.4)
Proposed/Final dividend 拟派/末期股息	2,603	1,952	651	33.4
Proposed/Special dividend 拟派/特别股息	13,013	6,507	6,506	100.0
Total 合计	**16,917**	**10,411**	**6,506**	**62.5**

AT YEAR END 年底

Equity 权益

(in S$'000) 千元	2013	2012	Variance 差额	% Change 百分比变化
Share capital 股本	32,732	32,732	-	-
Reserves 法定及其他储备金	73,145	70,033	3,112	4.4
Non-controlling interest 非控制性权益	(400)	(314)	(86)	27.4
Total equity 总权益	**105,477**	**102,451**	**3,026**	**3.0**

Per share 每股

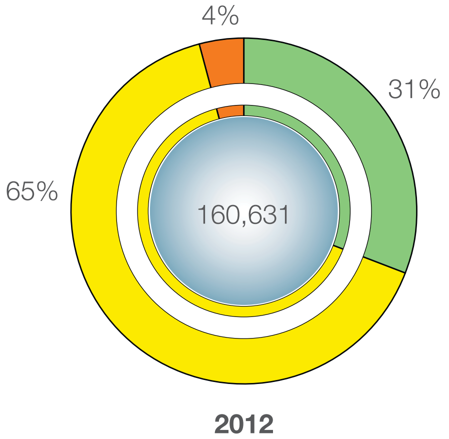
(in S$cents) 分	2013	2012	Variance 差额	% Change 百分比变化
Earnings 收益	4.59	4.50	0.09	2.0
Net asset value 净资产	40.53	39.36	1.17	3.0
Interim dividend 中期股息	0.50	0.75	(0.25)	(33.3)
Proposed/Final dividend 拟派/末期股息	1.00	0.75	0.25	33.3
Proposed/Special dividend 拟派/特别股息	5.00	2.50	2.50	100.0

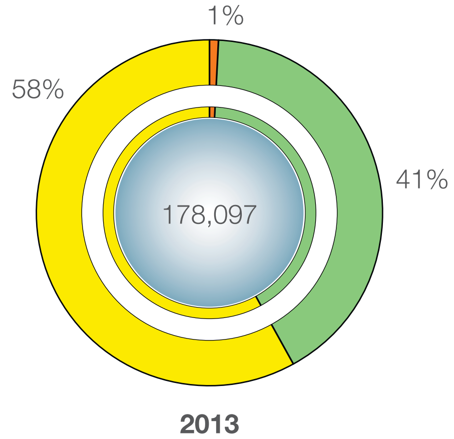
Financial ratios 财务比率

(%)	2013	2012	Variance 差额	% Change 百分比变化
Return on assets 资产回报	7.60	8.04	(0.44)	(5.5)
Return on equity 股本回报	11.32	11.38	(0.06)	(0.5)

Financial Highlights / 财务摘要

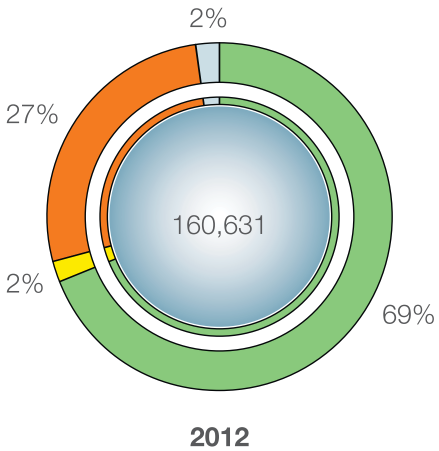
Group revenue by business segments 集团营业额（按业务分部）
(in S$'000) 千元

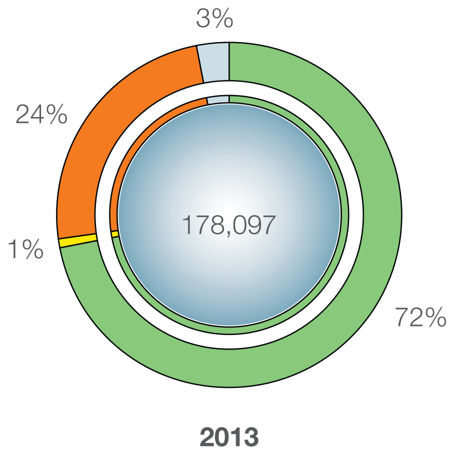




- Residential property projects 住宅产业项目
- Hospitality and commercial projects 酒店、综合娱乐场所及商业项目
- Distribution projects 分销项目

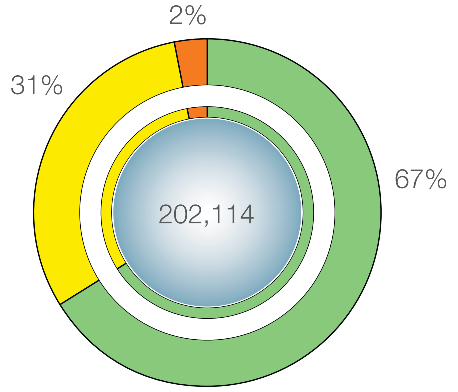
Group revenue by geography 集团营业额（按地理区域 ）
(in S$'000) 千元



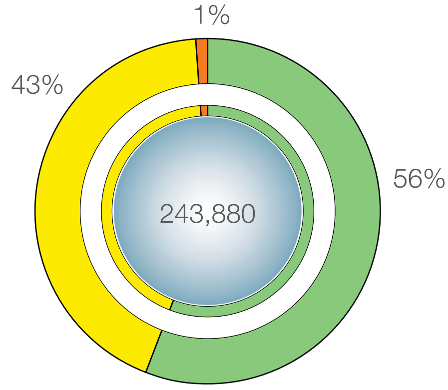


- Singapore 新加坡
- United Arab Emirates 阿联酋
- Malaysia 马来西亚
- Others 其它

Order book on hand by business segments 在即订单（按业务分部）
(in S$'000) 千元



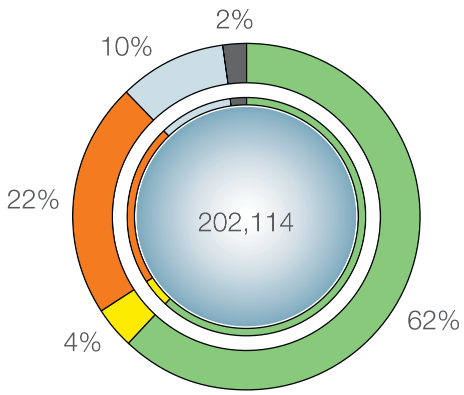
As at 31 December 2012
2012年12月31日



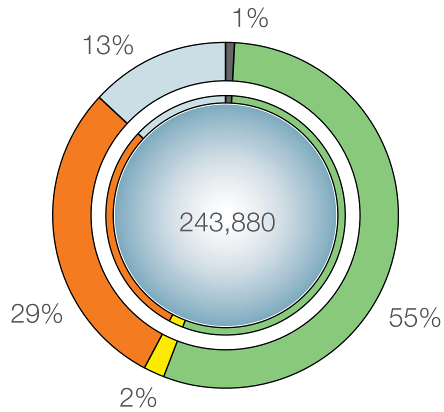
As at 31 December 2013
2013年12月31日

- Residential property projects 住宅产业项目
- Hospitality and commercial projects 酒店、综合娱乐场所及商业项目
- Distribution projects 分销项目

Order book on hand by business segment and geography 在即订单（按业务分部及地理区域）
(in S$'000) 千元



As at 31 December 2012
2012年12月31日



As at 31 December 2013
2013年12月31日

- Residential property projects - Local 住宅产业项目 – 本地
- Residential property projects - Export 住宅产业项目 – 出口
- Hospitality and commercial projects - Local 酒店、综合娱乐场所及商业项目 – 本地
- Hospitality and commercial projects - Export 酒店、综合娱乐场所及商业项目 – 出口
- Distribution projects - Local 分销项目 – 本地

Financial Summary / 业绩汇总

FIVE YEARS FINANCIAL SUMMARY 五年业绩汇总

Income statement 损益表

(in S$'000) 千元	2009	2010	2011	2012	2013
Revenue 销售收入	113,935	107,970	93,222	160,631	178,097
Gross profit 毛利润	35,611	31,928	27,176	31,748	30,539
Profit from operations 业务溢利	25,951	21,771	16,159	14,767	15,326
Profit before tax 税前利润	29,961	23,088	18,746	14,781	15,340
Net profit 净利润	25,377	19,617	15,257	11,663	11,945

Balance sheet 资产负债表

(in S$'000) 千元	2009	2010	2011	2012	2013
Property, plant & equipment 物业，厂房及设备	9,845	11,616	25,886	26,793	24,697
Inventories 存货	6,890	9,126	11,610	15,031	14,774
Construction work-in-progress 在建合同工程	6,381	8,008	6,776	7,103	6,394
Trade receivables 应收账款	33,002	40,605	28,220	53,012	52,823
Cash and fixed deposits 货币资金	36,359	34,701	28,611	29,095	44,877
Trade payables 应付账款	5,120	9,523	6,175	13,166	16,084
Accrued operating expenses 应计运作开支	19,925	15,558	11,731	22,026	28,575
Deposits received 已收按金	592	1,587	2,463	2,615	2,873
Shareholders' equity 股东权益	71,291	84,626	94,758	102,451	105,477
Total assets 总资产	101,299	116,395	119,163	145,030	157,179
Total liabilities 总负债	30,008	31,769	24,405	42,579	51,702

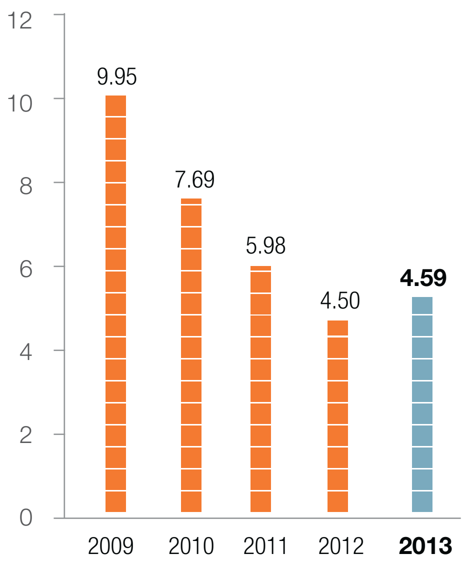
Cash flow 现金流量

(in S$'000) 千元	2009	2010	2011	2012	2013
Operating activities 经营活动	18,603	8,112	16,642	11,133	26,741
Investing activities 投资活动	(4,385)	(3,258)	(16,325)	(7,187)	(1,199)
Financing activities 融资活动	(9,578)	(8,591)	(5,189)	(4,178)	(7,606)
Net movement 变动净额	4,640	(3,737)	(4,872)	(232)	17,936

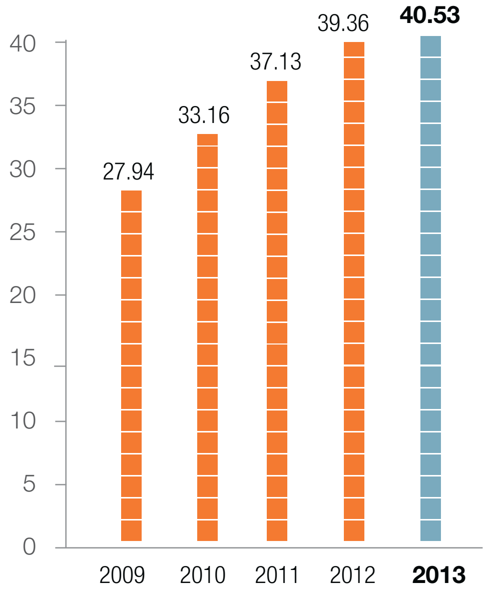
Financial Ratios 财务比率

	2009	2010	2011	2012	2013
Earnings per share (S$cents) 每股收益（分）	9.95	7.69	5.98	4.50	4.59
Net asset value per share (S$cents) 每股净资产值（分）	27.94	33.16	37.13	39.36	40.53
Dividend per share (S$cents) 每股股息（分）	2.50	2.50	2.50	4.00	6.50
Return on equity (%) 股本回报率（%）	35.60	23.18	16.10	11.38	11.32
Return on assets (%) 资产回报率（%）	25.05	16.85	12.80	8.04	7.60
Current ratio 流动比率	2.51	2.80	3.00	2.53	2.35

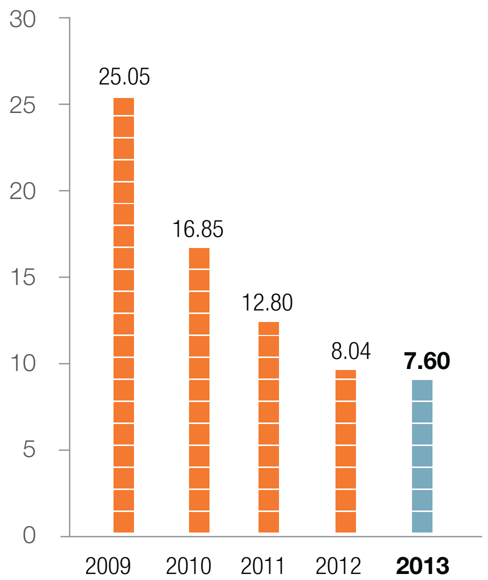
Earnings per share (in S$cents)
每股收益（分）



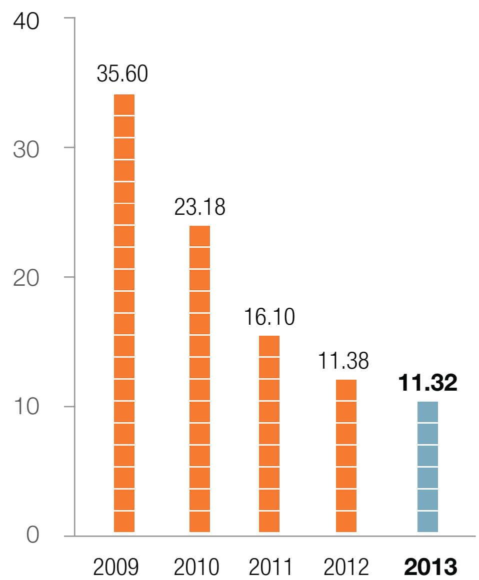
Net asset value per share (in S$cents)
每股净资产值（分）



Return on assets (%)
资产回报率（%）

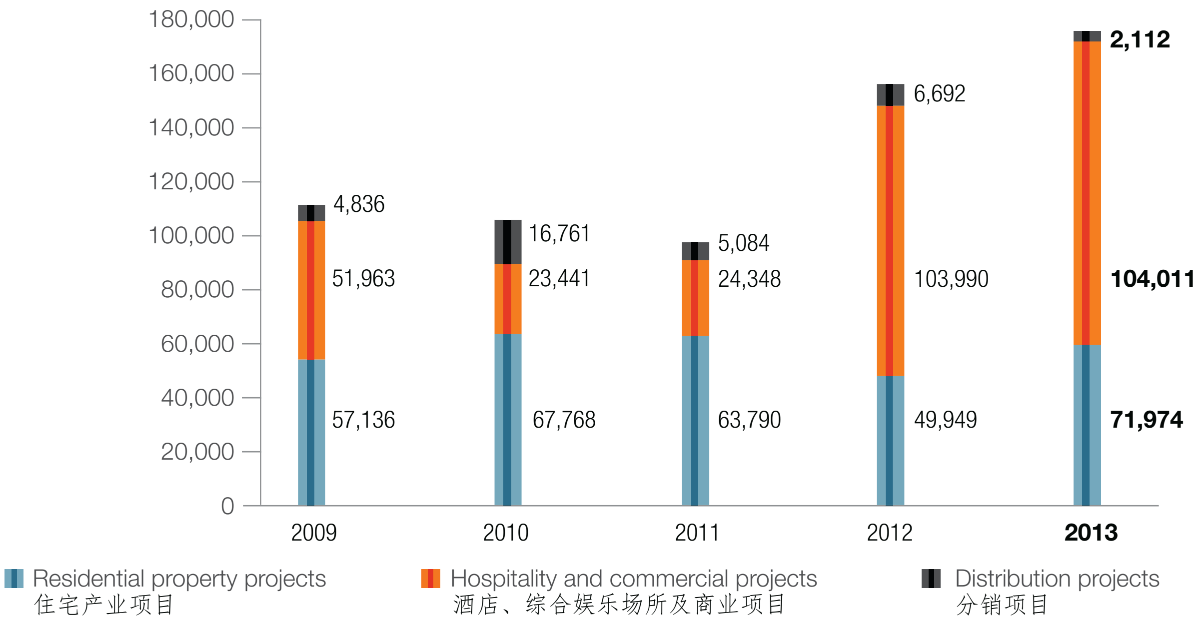


Return on equity (%)
股本回报率（%）

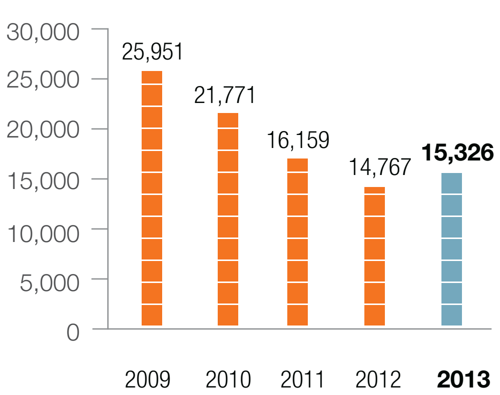


Financial Summary / 业绩汇总

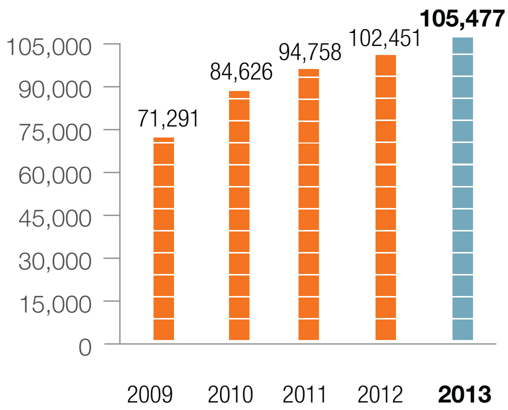
Group revenue by business segments (in S$'000)
集团营业额（按业务分部）（千元）



Profit from operations (in S$'000)
业务溢利（千元）



Shareholders' equity (in S$'000)
股东权益（千元）



Corporate Structure / 集团架构

DESIGN STUDIO GROUP LTD (Singapore)
瑞胜集团有限公司（新加坡）

- Design Studio Asia Pte Ltd (Singapore) 瑞胜亚洲私人有限公司 (新加坡) — 100%
  - Design Studio Singapore Pte. Ltd. (Singapore) 瑞胜新加坡私人有限公司（新加坡） — 100%
  - DS Furniture Manufacturer Sdn. Bhd. (Malaysia) 瑞胜家具制造商（马来西亚）私人有限公司 (马来西亚) — 100%
  - DS Project Management Sdn. Bhd. (Malaysia) 瑞胜工程项目管理（马来西亚)私人有限公司 (马来西亚) — 100%
- Design Studio (China) Pte. Ltd. (Singapore) 瑞胜（中国)有限公司 (新加坡) — 100%
  - Design Studio (Huizhou) Home Furnishing Co., Ltd. (People's Republic of China) 瑞胜（惠州）家居用品有限公司（中国） — 100%
- DDS Asia Holdings Pte Ltd (Singapore) DDS亚洲控股私人有限公司 (新加坡) — 100%
  - DDS Contracts & Interior Solutions Pte Ltd (Singapore) DDS 室内装潢(新加坡)私人有限公司 (新加坡) — 100%
  - DDS Contracts & Interior Solutions Sdn Bhd (Malaysia) DDS 室内装潢（马来西亚）私人有限公司 (马来西亚) — 100%
  - DDS Contracts & Interior Solutions (Thailand) Co., Ltd (Thailand) DDS 室内装潢（泰国）有限公司（泰国） — 69%
  - DDS Contracts & Interior Solutions (Vietnam) Co., Ltd (Vietnam) DDS 室内装潢（越南）有限公司（越南） — 100%
- Design Studio Furniture (Shanghai) Co., Ltd (People's Republic of China) 瑞胜家具（上海）有限公司（中国) — 100%
- DS Interior Contracts & Renovation (Shanghai) Co., Ltd (People's Republic of China) 瑞胜建筑装潢（上海) 有限公司（中国) — 100%
- D S Interior Decoration (Middle East) LLC (United Arab Emirates) 瑞胜室内装潢（中东）有限公司 (阿联酋) — 49%

A Synergy of Expertise

We carry an eclectic portfolio of superior and stylish interiors that satisfy clients with specialised needs. With our acute business aptitude and refined taste for exquisite quality, we have established a kind of co-operation that has enabled us to be ahead in the competition. The patronage of our clientele is a very crucial part of our business, that is why we continually focus our efforts in delivering modern elegance and craftsmanship to improve our potential for growth.

专业协同效应

我们的设计质量上乘、风格各异，可以满足客户的各种需求。我们的业务能力卓越、品味高雅，对产品质量不懈追求，让我们在业界出类拔萃、独占鳌头。客户的认可对提高我们在这个行业的增长潜力至关重要，也是促使我们维持技艺精湛和注重品牌时尚优雅的推动力。

Board of Directors /董事会

Tan Siok Chin

(Non-Executive Chairman)
非执行主席

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

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

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

Bernard Lim Leng Foo

(Chief Executive Officer)
行政总裁

Bernard Lim has been Chief Executive Officer of our Company since 5 March 1994. He bears overall responsibility for the Group's business development, research and product developments and oversees the Group's business operation. He has over 32 years of experience in the furniture industry and has been instrumental in the establishment and development of the Group's business.

Kelly Ng Chai Choey

(Executive Director)
执行董事

Kelly Ng Chai Choey was appointed as Executive Director on 15 September 2008. She is responsible for the Group's financial and corporate functions, including treasury, tax, risk management, corporate communications and investor relations. In addition, she is assisting the Chief Executive Officer in overseeing the Group's business operation. She has more than 22 years working experience in tax, finance and accounting field with big four accounting firm and various companies in construction, pulp & paper and shipping industries. She is a fellow member of the Institute of Singapore Chartered Accountants and Association of Chartered Certified Accountants. She is also a member of the Singapore Institute of Directors.

Ong Tiew Siam

(Independent Director)

独立董事

Ong Tiew Siam was appointed as our Independent Director on 1 March 2007. He has more than 34 years of experience in finance and administrations. He graduated with a Bachelor of Commerce (Accountancy) (Honours) degree in 1975 from the Nanyang University, Singapore and is a fellow member of the Institute of Singapore Chartered Accountants. He is also a member of the Singapore Institute of Directors. Mr Ong also sits on the board of several listed companies.

Muhammad Umar Saleem

(Non-Executive Director)

非执行董事

Muhammad Umar Saleem was appointed as Non-Executive Director on 9 November 2010. Mr Saleem is Depa's Managing Director of Finance & IT. Mr Saleem has over 23 years of experience in Corporate Finance, Operations Management, Business Consulting and Restructuring across a broad spectrum of industries. Prior to joining Depa, Mr Saleem was a Senior Director at Alvarez & Marsal and was also the General Manager of the firm's Saudi practice. Prior to that, he was a Senior Vice President and Chief Financial Officer at Tech Access, one of the leading technology distributors in the MENA region. Mr Saleem has also held various leadership roles in the consulting practices of IBM Canada, Oracle Middle East and PricewaterhouseCoopers. Mr Saleem also worked as Financial Controller and Senior Investment Analyst at Majid Al-Futtaim Group in UAE where he was instrumental in streamlining the Finance operations of multiple subsidiaries and conducted investment appraisals and due diligence on a number of projects. Mr Saleem is a fellow member of The Institute of Chartered Accountants in England & Wales (ICAEW) and is also a Certified Information Systems Auditor (CISA).

At the Apex of Success

Ultimately, what we have achieved would not be possible without our passionate and industrious workforce. Excellence and a professional work ethic fuel us in our quest to be a recognized brand and to become a key player in the field. Our collective skills and talents have enabled us to distinguish ourselves in the field, emphasising our innate strength that transcends boundaries and challenges. We at Design Studio do not do different things, but we do things differently. And this puts us on top of our game.

成功顶点

如果没有一群对工作充满热情、辛勤，和让我们引以为豪的员工，我们的成功将无从谈起。追求卓越的信念和良好的敬业精神，推动我们努力成为品质卓越的品牌，跃升为业界的佼佼者。集体的技能和才干使我们鹤立鸡群，敢于创新和自我挑战。瑞胜所做之事并非与众不同，但方式却与众不同，也因此奠定了我们在业界的领先地位。

Corporate Information /企业资讯

Board of Directors

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

Audit Committee

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

Remuneration Committee

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

Nominating Committee

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

Company Secretaries

Helen Campos
Kelly Ng Chai Choey

Management Team

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

Auditors

Deloitte & Touche LLP
Partner: Seah Gek Choo (appointed on 24 April 2013)

Principal Bankers

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

Share Registrar

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

Registered Office

8 Sungei Kadut Crescent Singapore 728682
Tel: (65) 6367 0133
Fax: (65) 6366 2612
Website: www.designstudio.com.sg
www.designstudio.com.cn
Email: corpcommunications@designstudio.com.sg

Financial Contents

CORPORATE GOVERNANCE REPORT

The Board of Directors and Management of Design Studio Group Ltd (previously known as "Design Studio Furniture Manufacturer Ltd") (the "Company") and its subsidiaries (together, the "Group") are committed to maintaining a high standard of corporate governance within the Group, in conformity with the Code of Corporate Governance (the "Code") issued by the Singapore Exchange Securities Trading Limited ("SGX-ST"). Good corporate governance establishes and maintains a legal and ethical environment in the Group to preserve the interest of all shareholders.

BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

The Board meets regularly to:

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

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

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

The number of Board meetings held in the financial year 2013 by the Board and meetings of specialised committees established by the Board including the attendance of the members are set out below:

	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
Directors	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Tan Siok Chin	4	4	4	4	1	1	2	2
Bernard Lim Leng Foo	4	4	N.A.	N.A.	1	1	N.A.	N.A.
Elin Wong Hong Keow*	1	1	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kelly Ng Chai Choey	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mohannad Izzat Sweid**	3	2	N.A.	N.A.	N.A.	N.A.	2	1
Hadi Solh*	1	-	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Muhammad Umar Saleem	4	4	4	4	N.A.	N.A.	N.A.	N.A.
Seah Hou Kee*	1	1	1	1	1	1	2	2
Ong Tiew Siam	4	4	4	4	1	1	2	2

* Ms Elin Wong, Mr Seah Hou Kee and Mr Hadi Solh resigned from the Board with effect from 31 March 2013.

** Mr Mohannad Izzat Sweid resigned from the Board with effect from 10 October 2013 as he has resigned as the CEO of Depa Limited, the ultimate controlling shareholder of the Company.

N.A. Not applicable

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

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

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

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

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

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

Principle 2: Board Composition and Guidance

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

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

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

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

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

Principle 3: Non-Executive Chairman and Chief Executive Officer

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

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

The role of the Non-Executive Chairman is to:

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

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

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

Principle 4: Board Membership

We believe that Board renewal should be an on-going process in order to ensure good corporate governance. In accordance with the Code, all Directors are required to submit themselves for re-nomination and re-election at regular intervals. The following Directors will be retiring under the provisions of the Company's Articles of Association and are eligible for re-election at the 2014 Annual General Meeting:

- Rotation under the Article 102 of the Articles of Association

  i) Bernard Lim Leng Foo
  ii) Tan Siok Chin

Principle 5: Board Performance

The NC comprises the following members:

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

The NC is authorised by the Board to:

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

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

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

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

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

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

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).

Principle 6: Access to Information

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

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

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

Remuneration Matters

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

The RC comprises the following members:

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

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

- Review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowance, bonus, annual incentive bonus and benefits in-kind;
- Review and recommend to the Board the specific remuneration packages for each Director as well as for the key management personnel, covering all aspect of remuneration matters, as well as the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service; and
- Maintain an effective working relationship with the Board and Management while refraining from interfering in any business decisions.

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

Our Executive Directors have entered into service agreements with the Company, subject to renewal every three (3) years. The review of service contracts for Executive Directors come under the purview of the RC and ensures that fair and reasonable terms of service is tied in with performance. Executive Directors are paid a fixed salary and a performance incentive bonus in respect of each financial year commencing from financial year ended 2012 based on the Company's performance incentive bonus pool as shall be awarded by the Company at its discretion based on the Executive Directors' performance. Executive Directors do not receive directors' fees and attendance fees.

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

(a) Eligibility

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

(b) Maximum Entitlement to Options

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

(c) Size of the Design Studio ESOS/PSP

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

(d) Duration of the Design Studio ESOS/PSP

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

(e) Administration of the Design Studio ESOS/PSP

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

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

(f) Exercise Price

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

(g) Market Price Options

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

(h) Discount Price Options and Quantum of discount

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

(i) Grant and Acceptance of Options

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

(j) Validity period of options

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

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

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

(k) Rights of Shares arising

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

(l) Termination of Options

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

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

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

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

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

For the financial year ended 31 December 2013, the remuneration of Directors and top eight key executives are set out below:

Remuneration band Name of Directors	Salary (%)	Performance Incentive Bonus (%)	Director Fees (%)	Other Benefits (%)	Total (%)
>S$750,000 to S$1,000,000					
Chief Executive Officer					
Bernard Lim Leng Foo	54%	40%		6%	100%
>S$500,000 to S$750,000					
Executive Director					
Kelly Ng Chai Choey	55%	40%		5%	100%
<S$250,000					
Executive Director					
Elin Wong Hong Keow*	97%			3%	100%
Non-Executive Directors					
Mohannad Izzat Sweid**			100%		100%
Hadi Solh*			100%		100%
Muhammad Umar Saleem			100%		100%
Independent Directors					
Seah Hou Kee*			100%		100%
Tan Siok Chin			100%		100%
Ong Tiew Siam			100%		100%

* Ms Elin Wong, Mr Seah Hou Kee and Mr Hadi Solh resigned from the Board with effect from 31 March 2013.

** Mr Mohannad Izzat Sweid resigned from the Board with effect from 10 October 2013 as he has resigned as the CEO of Depa Limited, the ultimate controlling shareholder of the Company.

Remuneration band Name of Executive Officers	Salary (%)	Performance Incentive Bonus (%)	Other Benefits (%)	Total (%)
>S$250,000 to S$500,000				
Wong Chee Seng	62%	26%	12%	100%
Jeremy Koh Kah Liam	62%	31%	7%	100%
Chua Wei Ping	39%	32%	29%	100%
<S$250,000				
Chan Pheng Chun	54%	31%	15%	100%
Mak Soon Heng	58%	39%	3%	100%
Jack Chen Voon Loong	46%	27%	27%	100%
Chew Keng Meng	63%	24%	13%	100%
Alvin Gui Kang Hock	61%	29%	10%	100%

Total remuneration paid to the above key executive officers for FY2013 was S$2,391,000.

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

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

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

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

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

Principle 11: Risk Management and Internal Controls

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

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

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

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

The Board is satisfied that the Company's framework on internal controls is adequate to provide the 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 system of internal controls is adequate in addressing financial, operational and compliance risk within the Group.

Principle 12: Audit Committee

The members of the Audit Committee ("AC") are as the following:

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

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

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

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

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

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

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

The AC had met with Deloitte & Touche LLP ("D&T") to review and consider various factors, including the adequacy of the resources of D&T, their experience and audit engagements, the number and experience of the supervisory and professional staff who will be assigned to the audit of the Group's consolidated accounts and D&T's proposed audit arrangements for the Company. The AC is of the opinion that D&T would be able to meet the audit requirements of the Company and the Group and that accordingly, in respect of the proposed re-appointment of D&T as auditors, the Company would be able to comply with Rule 712 of the Listing Manual.

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

Whistle-blowing Policy

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

Principle 13: Internal Audit

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

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

Information is communicated to shareholders on a timely basis through:

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

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

SECURITIES TRANSACTIONS

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

The Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions.

REPORT OF THE DIRECTORS

The directors present their report together with the audited consolidated financial statements of Design Studio Group Ltd (previously known as "Design Studio Furniture Manufacturer 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 2013.

1 DIRECTORS

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

Tan Siok Chin	(Non-Executive Chairman)
Bernard Lim Leng Foo	(Chief Executive Officer)
Kelly Ng Chai Choey	
Muhammad Umar Saleem	
Ong Tiew Siam	

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

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

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
	1 January 2013	31 December 2013	1 January 2013	31 December 2013
The Company				
Ordinary shares				
Bernard Lim Leng Foo	7,000,000	4,000,000	–	–

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

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

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

5 SHARE OPTIONS

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

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

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2013, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding. During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

6 AUDIT COMMITTEE

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

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

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

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

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

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

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

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

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

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

- Recommend to the Board the external auditors to be nominated, approve the compensation of the external auditors, and review the scope and results of the audit;

- Report actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and

- Review interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual.

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

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

7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

Bernard Lim Leng Foo

Kelly Ng Chai Choey

6 March 2014

STATEMENT OF DIRECTORS

In the opinion of the directors, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company as set out on pages 48 to 93 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

Bernard Lim Leng Foo

Kelly Ng Chai Choey

6 March 2014

INDEPENDENT AUDITORS' REPORT

To the Members of Design Studio Group Ltd

Report on the Financial Statements

We have audited the financial statements of Design Studio Group Ltd (previously known as "Design Studio Furniture Manufacturer Ltd") (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2013, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory notes as set out on pages 48 to 93.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

6 March 2014

BALANCE SHEETS

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Company 2013 $'000	Company 2012 $'000
Non-current assets					
Property, plant and equipment	4	24,697	26,793	4,125	4,896
Investment in subsidiaries	5	–	–	42,743	43,063
Intangible assets	6	2,778	2,784	49	55
Deferred tax assets	18	61	10	61	10
Trade and other receivables	9	8,180	7,725	5,699	4,459
Prepayments		201	298	–	–
Current assets					
Inventories	7	14,774	15,031	1,823	1,723
Gross amount due from customers for contract work-in-progress	8	6,394	7,103	2,926	5,938
Trade and other receivables	9	53,147	55,633	32,314	29,140
Prepayments		1,531	558	936	225
Loan to a subsidiary	5	–	–	2,000	–
Tax recoverable		539	–	–	–
Cash and short-term deposits	10	44,877	29,095	11,478	9,680
		121,262	107,420	51,477	46,706
Current liabilities					
Trade and other payables	11	49,435	39,413	21,867	21,391
Provision for tax		2,170	2,978	1,178	934
		51,605	42,391	23,045	22,325
Net current assets		69,657	65,029	28,432	24,381
Non-current liabilities					
Deferred tax liabilities	18	97	63	–	–
Other payables	11	–	125	–	–
Net assets		105,477	102,451	81,109	76,864
Equity attributable to equity holders of the Company					
Share capital	12	32,732	32,732	32,732	32,732
Reserves		73,145	70,033	48,377	44,132
		105,877	102,765	81,109	76,864
Non-controlling interests		(400)	(314)	–	–
Total equity		105,477	102,451	81,109	76,864

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000
Revenue	13	178,097	160,631
Cost of sales		(147,558)	(128,883)
Gross profit		30,539	31,748
Other income	15	55	2,369
		30,594	34,117
Marketing and distribution expenses		(6,161)	(6,055)
General and administrative expenses		(9,107)	(13,295)
Profit from operations	16	15,326	14,767
Finance expenses	17	–	(4)
Finance income	17	14	18
Profit before tax		15,340	14,781
Tax expense	18	(3,481)	(3,472)
Profit net of tax		11,859	11,309
Profit attributable to:			
Equity holders of the Company		11,945	11,663
Non-controlling interests		(86)	(354)
		11,859	11,309
Earnings per share ($cents)			
- basic	19	4.59	4.50
- diluted	19	4.59	4.50

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2013

	Group	
	2013	2012
	$'000	$'000
Profit net of tax	11,859	11,309
Other comprehensive income:		
Item that may be reclassified subsequently to profit or loss:		
Foreign currency translation	927	(1,027)
Total comprehensive income for the year	12,786	10,282
Total comprehensive income attributable to:		
Equity holders of the Company	12,872	10,641
Non-controlling interests	(86)	(359)
	12,786	10,282

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

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2013

	Share capital $'000	Revenue reserve $'000	Other reserves $'000	Attributable to equity holders of the Company $'000	Non-controlling interests $'000	Total $'000
Group						
Balance at 1 January 2012	30,161	63,307	1,290	94,758	–	94,758
Profit net of tax	–	11,663	–	11,663	(354)	11,309
Other comprehensive income	–	–	(1,022)	(1,022)	(5)	(1,027)
Total comprehensive income for the year	–	11,663	(1,022)	10,641	(359)	10,282
Transactions with owners, recognised directly in equity:						
Dividends on ordinary shares (Note 27)	–	(5,205)	–	(5,205)	–	(5,205)
Non-controlling interest arising from acquisition of a subsidiary (Note 28)	–	–	–	–	45	45
Shares issued for acquisition of a subsidiary (Note 28)	2,571	–	–	2,571	–	2,571
Balance at 31 December 2012	32,732	69,765	268	102,765	(314)	102,451
Profit net of tax	–	11,945	–	11,945	(86)	11,859
Other comprehensive income	–	–	927	927	–	927
Total comprehensive income for the year	–	11,945	927	12,872	(86)	12,786
Transactions with owners, recognised directly in equity:						
Dividends on ordinary shares (Note 27)	–	(9,760)	–	(9,760)	–	(9,760)
Balance at 31 December 2013	32,732	71,950	1,195	105,877	(400)	105,477

	Share capital $'000	Revenue reserve $'000	Total $'000
Company			
Balance at 1 January 2012	30,161	42,739	72,900
Profit net of tax, representing total comprehensive income for the year	–	6,598	6,598
Transactions with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 27)	–	(5,205)	(5,205)
Shares issued for acquisition of a subsidiary (Note 28)	2,571	–	2,571
Balance at 31 December 2012	32,732	44,132	76,864
Profit net of tax, representing total comprehensive income for the year	–	14,005	14,005
Transactions with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 27)	–	(9,760)	(9,760)
Balance at 31 December 2013	32,732	48,377	81,109

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000
Cash flows from operating activities			
Profit before tax		15,340	14,781
Adjustments:			
Impairment loss on doubtful receivables	16	440	–
Depreciation of property, plant and equipment	16	4,575	3,863
Gain on disposal of property, plant and equipment	16	(12)	(64)
Finance expenses	17	–	4
Finance income	17	(14)	(18)
Amortisation of club membership	16	6	6
Amortisation of order backlog	16	–	3,116
Interest accretion	16	(106)	(179)
Gain on re-measurement of equity interest to fair value	28	–	(2,339)
Currency translation difference		(327)	(209)
Operating profit before working capital changes		19,902	18,961
(Increase) Decrease in:			
Inventories		257	(3,421)
Contract work-in-progress		709	3,123
Trade and other receivables		1,734	(5,266)
Prepayments		(876)	2,577
Increase (Decrease) in:			
Trade and other payables		9,860	455
Cash flows generated from operations		31,586	16,429
Finance expenses paid		–	(4)
Income taxes paid		(4,845)	(5,292)
Net cash flows from operating activities		26,741	11,133
Cash flows from investing activities			
Costs incurred for construction-in-progress		(19)	(3,498)
Finance income received		14	18
Proceeds from disposal of property, plant and equipment		42	125
Purchase of property, plant and equipment		(1,236)	(1,685)
Net cash outflow on acquisition of subsidiary	28	–	(2,147)
Net cash flows used in investing activities		(1,199)	(7,187)
Cash flows from financing activities			
Decrease in cash and short-term deposits pledged		2,154	1,058
Dividends paid on ordinary shares by the Company	27	(9,760)	(5,205)
Repayment of finance lease liabilities		–	(31)
Net cash flows used in financing activities		(7,606)	(4,178)
Net increase (decrease) in cash and cash equivalents		17,936	(232)
Cash and cash equivalents at beginning of year		26,849	27,081
Cash and cash equivalents at end of year	A	44,785	26,849

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

Notes to the consolidated statement of cash flows

A Cash and cash equivalents

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

	Group	
	2013	2012
	$'000	$'000
Cash at banks and on hand	41,399	29,095
Fixed deposits	3,478	–
Cash and short-term deposits	44,877	29,095
Less: Cash and short-term deposits pledged	(92)	(2,246)
Cash and cash equivalents	44,785	26,849

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

1 GENERAL

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

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

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

Subsequent to the end of the reporting period, the business of the Company will be gradually transferred to a newly incorporated subsidiary as part of an internal restructuring exercise. The Company will gradually become an investment holding company.

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

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

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company for the year ended 31 December 2013 were authorised for issue by the Board of Directors on 6 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.2 ADOPTION OF NEW AND REVISED STANDARDS - On 1 January 2013, the Group and Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Group has applied the amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*

The Group has applied the amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities* for the first time in the current year. The amendments to FRS 107 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The Group and the Company do not have any financial instruments which are subject to offsetting, enforceable master netting arrangements or similar netting arrangements. The application of the amendments has had no material impact on the amounts recognised in the consolidated financial statements.

FRS 113 *Fair Value Measurement*

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the standard in comparative information provided for periods before the initial application of the standard. Consequently the Group has not made any new disclosures required by FRS 113 for the comparative period.

The application of FRS 113 has not had any material impact on the amounts recognised in the financial statements.

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

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

FRS 110 *Consolidated Financial Statements* and FRS 27 *Separate Financial Statements*

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after 1 January 2014, with full retrospective application subject to transitional provisions.

When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation, and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after 1 January 2014, and the Group is currently estimating the extent of additional disclosures that may be needed.

Management anticipates that the adoption of these FRSs, INT FRSs and amendments to FRS that were issued at the authorisation of these financial statements but not effective until future periods will have no material impact on the financial statements of the Group and Company in the period of their initial adoption.

2.3 BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement or the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 BASIS OF CONSOLIDATION (cont'd)

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

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

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

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

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions with share-based payment awards transactions of the acquirer in accordance with the method in FRS 102 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 BUSINESS COMBINATIONS (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

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

The accounting policy for initial measurement of non-controlling interests is described above.

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

Effective interest method

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

Financial assets

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

Loans and receivables

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

Impairment of financial assets

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

Objective evidence of impairment could include:

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 FINANCIAL INSTRUMENT (cont'd)

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

Derecognition of financial assets

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

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities and equity instruments

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

Derecognition of financial liabilities

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.6 CONSTRUCTION CONTRACTS (cont'd)

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

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

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

The Group as lessee

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

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

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

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

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

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

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

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

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

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

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

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

2.11 INTANGIBLE ASSETS

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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

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

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

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

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

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

(i) Sale of goods

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.14 REVENUE RECOGNITION (cont'd)

(ii) *Rendering of services*

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

(iii) *Project revenue*

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

(iv) *Interest income*

Interest income is recognised using the effective interest method.

(v) *Dividend income*

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

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 INCOME TAX (cont'd)

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

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

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

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

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

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

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are translated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not translated.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.18 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

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

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

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

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

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

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

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

Critical judgements made in applying the entity's accounting policies

Management is of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements.

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

(i) 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 $539,000 (2012 : $Nil), $2,170,000 (2012 : $2,978,000), $61,000 (2012 : $10,000) and $97,000 (2012 : $63,000) respectively. The carrying amount of the Company's net income tax payables and deferred tax assets at the end of the reporting period was $1,178,000 (2012 : $934,000) and $61,000 (2012 : $10,000) respectively.

(ii) Determination of functional currency

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

Key sources of estimation uncertainty

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

(i) Useful lives of property, plant and equipment

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

(ii) Impairment of non-financial assets

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

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

Key sources of estimation uncertainty (cont'd)

(iii) Impairment of loans and receivables

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

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

(iv) Stage of completion of construction contracts

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

(v) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and reinvestment allowances ("RA") to the extent that it is probable that taxable profit will be available against which the losses or RA can be utilised. Significant management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying amounts of deferred tax assets at the end of the reporting period are disclosed in Note 18 to the financial statements.

(vi) Retention monies classifications as non-current

Management determines whether any portion of retention monies should be classified as non-current based on estimation of the collection of such balance at the end of the reporting period. Based upon this estimation process, management is of the opinion that retention monies of the Group and the Company of $8,180,000 (2012 : $7,725,000) and $5,699,000 (2012 : $4,459,000) respectively should be classified as non-current.

(vii) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the end of the reporting period was $2,729,000 (2012 : $2,729,000). No impairment loss has been recognised. Details of impairment assessment are provided in Note 6 to the financial statements.

4 PROPERTY, PLANT AND EQUIPMENT

	Leasehold factory building	Leasehold improvement	Office equipment	Furniture and fittings	Motor vehicles	Computers	Renovation	Machinery	Site equipment	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group											
Cost:											
Balance at 1 January 2012	5,680	67	365	815	2,147	1,193	2,696	29,816	–	3,335	46,114
Acquired on acquisition of a subsidiary (Note 28)	–	35	44	159	79	86	–	–	63	–	466
Additions	–	10	54	300	147	376	358	430	10	3,498	5,183
Disposals	–	–	(2)	(8)	(241)	(4)	–	(134)	–	–	(389)
Reclassifications	–	–	–	–	–	–	2,351	1,394	–	(3,745)	–
Translation difference	–	(2)	(10)	(12)	(20)	(21)	(66)	(644)	(1)	(156)	(932)
Balance at 31 December 2012	5,680	110	451	1,254	2,112	1,630	5,339	30,862	72	2,932	50,442
Additions	–	–	34	149	146	190	359	337	21	19	1,255
Disposals	–	–	(35)	(23)	(69)	(130)	(426)	(56)	–	–	(739)
Reclassifications	–	–	–	1,168	–	168	5	1,740	–	(3,081)	–
Translation difference	–	(4)	9	50	25	43	266	983	(1)	130	1,501
Balance at 31 December 2013	5,680	106	459	2,598	2,214	1,901	5,543	33,866	92	–	52,459
Accumulated depreciation:											
Balance at 1 January 2012	2,474	46	135	342	1,458	519	1,132	14,122	–	–	20,228
Depreciation charge for the year	258	43	79	192	294	246	508	2,221	22	–	3,863
Disposals	–	–	(2)	(8)	(182)	(4)	–	(132)	–	–	(328)
Translation difference	–	(2)	47	(5)	(11)	(52)	(37)	(54)	–	–	(114)
Balance at 31 December 2012	2,732	87	259	521	1,559	709	1,603	16,157	22	–	23,649
Depreciation charge for the year	258	12	74	302	293	303	1,011	2,296	26	–	4,575
Disposals	–	–	(29)	(23)	(62)	(127)	(412)	(56)	–	–	(709)
Translation difference	–	(4)	2	8	9	9	63	160	–	–	247
Balance at 31 December 2013	2,990	95	306	808	1,799	894	2,265	18,557	48	–	27,762
Carrying value:											
At 31 December 2013	2,690	11	153	1,790	415	1,007	3,278	15,309	44	–	24,697
At 31 December 2012	2,948	23	192	733	553	921	3,736	14,705	50	2,932	26,793

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold factory building	Leasehold improvement	Office equipment	Furniture and fittings	Motor vehicles	Computers	Renovation	Machinery	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Company										
Cost:										
Balance at 1 January 2012	5,680	67	164	560	1,762	770	1,139	2,385	–	12,527
Additions	–	–	9	–	–	70	–	12	–	91
Disposals	–	–	(2)	–	(221)	(4)	–	(61)	–	(288)
Balance at 31 December 2012	5,680	67	171	560	1,541	836	1,139	2,336	–	12,330
Additions	–	–	15	3	146	60	–	145	–	369
Disposals	–	–	(2)	–	–	(67)	–	(56)	–	(125)
Balance at 31 December 2013	5,680	67	184	563	1,687	829	1,139	2,425	–	12,574
Accumulated depreciation:										
Balance at 1 January 2012	2,474	46	62	263	1,249	346	505	1,600	–	6,545
Depreciation charge for the year	258	6	23	58	179	117	205	276	–	1,122
Disposals	–	–	(2)	–	(166)	(4)	–	(61)	–	(233)
Balance at 31 December 2012	2,732	52	83	321	1,262	459	710	1,815	–	7,434
Depreciation charge for the year	258	7	23	51	199	122	195	282	–	1,137
Disposals	–	–	–	–	–	(67)	–	(55)	–	(122)
Balance at 31 December 2013	2,990	59	106	372	1,461	514	905	2,042	–	8,449
Carrying value:										
At 31 December 2013	2,690	8	78	191	226	315	234	383	–	4,125
At 31 December 2012	2,948	15	88	239	279	377	429	521	–	4,896

5 INVESTMENT IN SUBSIDIARIES

	Company 2013 $'000	Company 2012 $'000
Unquoted shares, at cost	18,483	18,283
Less: Impairment losses	(1,127)	(1,127)
	17,356	17,156
Long-term loan to a subsidiary	25,387	25,907
	42,743	43,063

Long-term loan to a subsidiary is non-interest bearing and has no fixed repayment terms.

During the year ended 31 December 2012, impairment loss amounting to approximately $61,000 was recognised for D S Interior Decoration (Middle East) LLC as the subsidiary had been suffering losses for the past few financial years.

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

Details of the subsidiaries are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%) 2013	Proportion of ownership interest (%) 2012	Voting power (%) 2013	Voting power (%) 2012
Held by the Company:					
DS Furniture Manufacturer Sdn. Bhd. *	Design, manufacture and trading of panel furniture products/ Malaysia	100	100	100	100
Design Studio Furniture (Shanghai) Co., Ltd #	Manufacture and supply/ installation of paneling products/ People's Republic of China	100	100	100	100
DS Interior Contracts & Renovation (Shanghai) Co., Ltd #	Interior fitting-out and structural work to residential, commercial and retail properties/ People's Republic of China	100	100	100	100
Design Studio Asia Pte. Ltd. +X	Investment holding company/ Singapore	100	100	100	100
D S Interior Decoration (Middle East) LLC *	Interior decoration works/ United Arab Emirates	49@	49@	100	100
Design Studio (China) Pte. Ltd. **	Investment holding company/ Singapore	100	100	100	100
DDS Asia Holdings Pte Ltd **	Investment holding company/ Singapore	100	100	100	100

5 INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2013	2012	2013	2012
Held by Design Studio (China) Pte. Ltd.:					
Design Studio (Huizhou) Home Furnishing Co., Ltd *	Manufacture 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 ** ^	Design, manufacture and installation of paneling products/ Singapore	100	–	100	–
DS Project Management Sdn Bhd +^	Design, manufacture and trading of panel furniture products/ Malaysia	100	–	100	–
Held by DDS Asia Holdings Pte Ltd:					
DDS Contracts & Interior Solutions Pte Ltd **	Interior fitting-out and furnishing solutions/ Singapore	100	100	100	100
DDS Contracts & Interior Solutions Sdn Bhd *	Interior fitting-out and furnishing solutions/ Malaysia	100	100	100	100
DDS Contracts & Interior Solutions (Thailand) Co., Ltd ##	Interior fitting-out and furnishing solutions/ Thailand	69.39	69.39	69.39	69.39
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd +	Interior fitting-out and furnishing solutions/ Vietnam	100	100	100	100

* Audited by member firms of Deloitte Touche Tohmatsu Limited.

\# Audited by Ruihua Certified Public Accountants.

** Audited by Deloitte & Touche LLP, Singapore.

X Previously known as DSI (Middle East) Pte. Ltd.

\+ Not required to present audited financial statements under the laws of its country of incorporation.

@ 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.

\## Audited by Chatchawat Auditing & Tax Co., Ltd.

^ Newly incorporated during the year.

6 INTANGIBLE ASSETS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Club membership	128	128	128	128
Order backlog	3,116	3,116	–	–
	3,244	3,244	128	128
Less: Accumulated amortisation	(3,195)	(3,189)	(79)	(73)
	49	55	49	55
Goodwill	2,729	2,729	–	–
	2,778	2,784	49	55

The intangible assets included above, except for goodwill, have finite useful lives, over which the assets are amortised. The amortisation period for club membership and order backlog is 21 years and 1 year respectively.

Club membership

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

	Group and Company	
	2013	2012
	$'000	$'000
At beginning of year	73	67
Amortisation during the year	6	6
At end of year	79	73

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

Order backlog

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

	Group	
	2013	2012
	$'000	$'000
Cost:		
At beginning of year	3,116	–
Acquired on acquisition of a subsidiary (Note 28)	–	3,116
At end of year	3,116	3,116
Accumulated amortisation:		
At beginning of year	3,116	–
Amortisation during the year	–	3,116
At end of year	3,116	3,116
Carrying amount:		
At beginning and end of year	–	–

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

6 INTANGIBLE ASSETS (cont'd)

Goodwill

	Group	
	2013	2012
	$'000	$'000
Cost:		
At beginning of year	2,729	–
Acquired on acquisition of a subsidiary (Note 28)	–	2,729
At end of year	2,729	2,729

Goodwill acquired in a business combination is allocated, at acquisition, to a cash-generating unit ("CGU") that is expected to benefit from that business combination. Goodwill is allocated to the hospitality and commercial projects unit of DDS Group. 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 industry growth forecasts. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on estimated growth rate of 3% (2012 : 3%). The rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 16.5% (2012 : 15.8%).

At 31 December 2013, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

7 INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Raw materials, at cost	11,428	12,579	1,105	1,237
Work-in-progress, at cost	2,468	1,903	211	158
Finished goods, at cost	878	549	507	328
	14,774	15,031	1,823	1,723

The amount of inventories charged to the contract cost during the year was $22,765,000 (2012 : $27,140,000). The contract cost was recognised as expense in cost of sales based on stage of completion of the contract activity at the end of the reporting period.

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	418,019	345,342	292,144	276,149
Less: Progress billings	(411,625)	(338,239)	(289,218)	(270,211)
Presented as:				
Gross amount due from customers for contract work	6,394	7,103	2,926	5,938
Retention monies on construction contract included in trade receivables	19,532	17,850	11,545	9,909

9 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade receivables (non-current):				
Retention monies:				
Third parties	8,009	7,535	4,726	4,078
Corporate shareholder	171	190	171	190
Subsidiary	–	–	802	191
	8,180	7,725	5,699	4,459
Trade receivables (current):				
Third parties:				
Trade receivables	32,843	32,962	15,517	13,475
Retention monies	11,621	10,125	5,126	5,061
	44,464	43,087	20,643	18,536
Less: Allowance for doubtful receivables	(440)	–	(440)	–
	44,024	43,087	20,203	18,536
Corporate shareholder:				
Trade receivables	448	2,200	448	2,200
Retention monies	171	–	171	–
	619	2,200	619	2,200
Subsidiaries:				
Trade receivables	–	–	2,887	1,123
Retention monies	–	–	989	389
	–	–	3,876	1,512
Total trade receivables (current)	44,643	45,287	24,698	22,248
Other receivables and deposits:				
Other receivables	4,554	4,552	74	89
Deposits	3,950	5,794	227	213
	8,504	10,346	301	302
Amounts due from subsidiaries (non-trade)	–	–	7,409	7,307
Less: Allowance for doubtful receivables	–	–	(94)	(717)
	8,504	10,346	7,616	6,892
Total trade and other receivable (current)	53,147	55,633	32,314	29,140

9 TRADE AND OTHER RECEIVABLES (cont'd)

Trade receivables including amounts due from a corporate shareholder are non-interest bearing and are generally on 30 to 90 days' terms (2012 : 30 to 90 days' terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

As at the end of the reporting period, the Group and the Company provided an allowance of $440,000 (2012 : $Nil) for amount due from a third party and $94,000 (2012 : $717,000) for amount due from a subsidiary respectively based on estimated irrecoverable amounts determined by reference to the financial capability of the respective parties as well as past default experience.

Receivables that are past due but not impaired

The Group and the Company have trade receivables, excluding retention monies and including amount due from a corporate shareholder amounting to $448,000 (2012 : $2,200,000), that are past due at the end of the reporting period but not impaired. The analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade receivables past due:				
61 to 90 days	524	1,337	178	253
91 to 150 days	236	306	50	243
More than 150 days	624	3,365	1,465	3,142
	1,384	5,008	1,693	3,638

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

Movement in allowance accounts:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Third parties:				
Charge for the year and balance at end of the year	(440)	–	(440)	–
Amount due from subsidiaries (non-trade):				
At beginning of the year	–	–	(717)	–
Charge for the year	–	–	(94)	(717)
Written off	–	–	717	–
At end of the year	–	–	(94)	(717)

10 CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Cash at banks and on hand	41,399	26,849	11,478	9,680
Cash at bank (pledged)	–	2,246	–	–
	41,399	29,095	11,478	9,680
Fixed deposits (secured)	92	–	–	–
Fixed deposits (unsecured)	3,386	–	–	–
	3,478	–	–	–
Total cash and short-term deposits	44,877	29,095	11,478	9,680

Cash at banks earn interest at floating rates based on daily bank deposit rates at 0.05% (2012 : 0.10% to 0.50%) per annum. Fixed deposits of the Group bear interest ranging from 0.18% to 3.50% (2012 : Nil%) per annum and for tenure of one to five months (2012 : Nil).

Banking facilities are secured by pledge of cash and short-term deposits of a subsidiary amounting to $92,000 (2012 : $2,246,000) and corporate guarantees by the Company. No material adjustment was required in the separate financial statements of the Company to recognise the financial guarantee liability.

11 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current:				
Trade payables:				
Amounts due to third parties	8,414	7,951	3,525	3,139
Amounts due to subsidiaries	–	–	6,001	10,244
Amounts due to a corporate shareholder	141	87	–	–
Retention payables	7,529	5,128	1,283	1,083
	16,084	13,166	10,809	14,466
Other payables	1,885	1,519	430	325
Non-trade payables due to a corporate shareholder	18	87	–	41
Accrued operating expenses	28,575	22,026	10,062	4,973
Deposits received	2,873	2,615	566	1,586
	33,351	26,247	11,058	6,925
Trade and other payables	49,435	39,413	21,867	21,391

Included in the accrued operating expenses is $23,122,000 (2012 : $16,591,000) for accruals related to projects.

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Non-current:				
Other payables	–	125	–	–

11 TRADE AND OTHER PAYABLES (cont'd)

Trade payables and other payables

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 days' terms (2012 : 30 to 60 days' terms).

Amounts due to subsidiaries and a corporate shareholder

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

Deposits received

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

12 SHARE CAPITAL

	Group and Company			
	2013		2012	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January	260,264	32,732	255,223	30,161
Shares issued for acquisition of a subsidiary (Note 28)	–	–	5,041	2,571
At 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.

13 REVENUE

	Group	
	2013 $'000	2012 $'000
Project revenue	175,985	153,939
Sale of goods	2,112	6,692
	178,097	160,631

14 PERSONNEL EXPENSES

	Group	
	2013	2012
	$'000	$'000
Wages, salaries and bonuses	26,024	23,345
Defined contribution plan	2,698	2,221
Other personnel expenses	655	976
	29,377	26,542
Less: Directors' remuneration	(2,482)	(2,642)
	26,895	23,900

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

15 OTHER INCOME

	Group	
	2013	2012
	$'000	$'000
Sundry income	55	30
Gain on re-measurement of equity interest to fair value (Note 28)	–	2,339
	55	2,369

16 PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group	
	2013	2012
	$'000	$'000
Audit fees		
- paid to auditors of the Company	133	130
- paid to other auditors	89	82
Non-audit fees		
- paid to auditors of the Company	28	34
- paid to other auditors	10	10
Depreciation of property, plant and equipment	4,575	3,863
Directors' fees	328	373
Directors' remuneration (Note 14)		
- directors of the Company	1,611	2,249
- other directors	871	393
Foreign exchange (gain) loss, net	(296)	1,044
Gain on disposal of property, plant and equipment	(12)	(64)
Operating lease expenses	2,883	2,804
Interest accretion	(106)	(179)
Amortisation of order backlog	–	3,116
Amortisation of club membership	6	6
Impairment loss on doubtful receivables	440	–

17 FINANCE EXPENSES AND FINANCE INCOME

	Group	
	2013	2012
	$'000	$'000
Finance expenses:		
- Bank overdrafts	–	1
- Finance leases	–	3
	–	4
Finance income:		
- Fixed deposits	14	18

18 TAX EXPENSE AND DEFERRED TAX

	Group	
	2013	2012
	$'000	$'000
Major components of income tax expense:		
Current tax:		
Singapore		
- current year	1,945	1,951
- under (over) provision in respect of prior year	8	(318)
Foreign		
- current year	1,555	2,486
- (over) under provision in respect of prior year	(13)	7
Deferred tax:		
Singapore		
- current year	(55)	(697)
Foreign		
- origination and reversal of temporary differences	41	43
	3,481	3,472

Domestic income tax is calculated at 17% (2012 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

18 TAX EXPENSE AND DEFERRED TAX (cont'd)

Relationship between tax expense and accounting profit:

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

	Group	
	2013 $'000	2012 $'000
Profit before tax	15,340	14,781
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,278	4,545
Tax effect of non-deductible expenses	258	340
Income not subject to taxation	(9)	(514)
Tax exemption	(52)	(52)
Deduction on tax incentives	(34)	(98)
Total over provision in respect of prior year - current tax	(5)	(311)
Utilisation of deferred tax benefits not recognised in prior year	99	126
Deferred tax on acquisition of a subsidiary	–	(616)
Others	(54)	52
	3,481	3,472

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

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

	Differences in depreciation $'000	Unrealised foreign exchange $'000	Other general provision $'000	Unabsorbed reinvestment allowance $'000	Intangibles and fair value adjustment $'000	Total $'000
Group						
Deferred tax assets (net)						
At 1 January 2012	–	–	–	–	–	–
Credit to profit or loss for the year	10	–	–	–	–	10
At 31 December 2012	10	–	–	–	–	10
Credit to profit or loss for the year	51	–	–	–	–	51
At 31 December 2013	61	–	–	–	–	61
Deferred tax liabilities (net)						
At 1 January 2012	91	2	(5)	–	–	88
(Credit) Charge to profit or loss for the year	(47)	8	11	–	(616)	(644)
Acquisition of a subsidiary (Note 28)	22	–	–	–	598	620
Exchange difference	–	(1)	–	–	–	(1)
At 31 December 2012	66	9	6	–	(18)	63
Charge to profit or loss for the year	16	12	3	–	6	37
Exchange difference	–	(3)	–	–	–	(3)
At 31 December 2013	82	18	9	–	(12)	97

18 TAX EXPENSE AND DEFERRED TAX (cont'd)

	Differences in depreciation	Other general provision	Total
	$'000	$'000	$'000
Company			
Deferred tax assets (liabilities)			
At 1 January 2012	(71)	8	(63)
Credit (Charge) to profit or loss for the year	81	(8)	73
At 31 December 2012	10	–	10
Credit to profit or loss for the year	51	–	51
At 31 December 2013	61	–	61

19 EARNINGS PER SHARE

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

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

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

	Group	
	2013	2012
	$'000	$'000
Profit attributable to equity holders of the Company	11,945	11,663
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	260,264	259,286

There are no dilutive potential ordinary shares.

20 RELATED PARTY DISCLOSURES

(i) Sale and purchase of goods and services

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

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

	Group	
	2013	2012
	$'000	$'000
Sales to immediate holding company's group of companies	1,413	1,944
Sales of finished goods to a director	–	195
Purchases from immediate holding company	15	862
Purchase of services from firms related to directors	75	76

(ii) Compensation of key management personnel

	Group	
	2013	2012
	$'000	$'000
Short-term employee benefits	4,460	4,687
Central Provident Fund contributions	163	174
	4,623	4,861
Comprise amounts paid to:		
Directors of the Company	1,611	2,249
Other key management personnel	3,012	2,612
	4,623	4,861

21 COMMITMENTS

(i) Operating lease commitments - As lessee

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

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Not later than one year	2,237	1,658	699	397
Later than one year but not later than five years	2,894	2,942	607	448
Later than five years	1,527	1,533	714	677
	6,658	6,133	2,020	1,522

21 COMMITMENTS (cont'd)

(ii) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	–	111	–	–

22 CONTINGENCIES

Guarantees

The Company had provided corporate guarantees of approximately $16,359,000 (2012 : $14,677,000) in favour of banks and financial institutions for the granting of credit facilities to three subsidiaries.

Financial support

The Company has undertaken to provide financial support to two subsidiaries for deficiency in their shareholders' funds and to extend adequate funding to meeting their net current liability position for the years ended 31 December 2013 and 2012.

23 SEGMENT INFORMATION

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

Business segments

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

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

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

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

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

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

23 SEGMENT INFORMATION (cont'd)

2013	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and eliminations $'000	Notes	Consolidated $'000
Revenue:						
External customers	71,974	104,011	2,112	–		178,097
Inter-segment	28,512	28,637	–	(57,149)	A	–
Total revenue	100,486	132,648	2,112	(57,149)		178,097
Results:						
Other income	–	–	–	55		55
Other non-cash expenses	(440)	–	–	(4,581)	B	(5,021)
Segment profit before tax	8,585	11,180	81	(4,506)	C	15,340
Assets:						
Additions to non-current assets	–	74	–	1,181	D	1,255
Segment assets	27,478	66,811	1,184	61,706	E	157,179
Liabilities:						
Segment liabilities	10,371	29,990	75	11,266	F	51,702
2012						
Revenue:						
External customers	49,949	103,990	6,692	–		160,631
Inter-segment	31,380	44,110	222	(75,712)	A	–
Total revenue	81,329	148,100	6,914	(75,712)		160,631
Results:						
Other income	–	2,339	–	30		2,369
Other non-cash expenses	–	(3,116)	–	(3,869)	B	(6,985)
Segment profit before tax	4,814	11,385	2,401	(3,819)	C	14,781
Assets:						
Additions to non-current assets	–	2,813	–	5,099	D	7,912
Segment assets	27,314	55,330	2,106	60,280	E	145,030
Liabilities:						
Segment liabilities	6,894	25,758	317	9,610	F	42,579

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 amortisation of order backlog.

23 SEGMENT INFORMATION (cont'd)

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

	Group 2013 $'000	Group 2012 $'000
Other income	55	30
Finance expenses	–	(4)
Finance income	14	18
Depreciation of property, plant and equipment	(4,575)	(3,863)
	(4,506)	(3,819)

D Additions to non-current assets consist of additions to property, plant and equipment and goodwill from acquisition of a subsidiary.

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

	Group 2013 $'000	Group 2012 $'000
Property, plant and equipment	24,520	26,501
Club membership	49	55
Deferred tax assets	61	10
Cash and short-term deposits	18,631	12,574
Inventories	12,155	13,570
Other receivables, deposits and prepayments	6,290	7,570
	61,706	60,280

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

	Group 2013 $'000	Group 2012 $'000
Other payables	5,193	5,472
Trade payables	2,443	2,613
Provision for tax	1,219	1,196
Deferred tax liabilities	106	68
Deposits received	2,305	261
	11,266	9,610

23 SEGMENT INFORMATION (cont'd)

Geographical information

Revenue by geographical markets are as follows:

	Group	
	2013	2012
	$'000	$'000
Singapore	128,631	111,239
Malaysia	43,025	43,850
United Arab Emirates	1,448	2,334
People's Republic of China	2,080	509
Others	2,913	2,699
	178,097	160,631

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

	Group	
	2013	2012
	$'000	$'000
Singapore	7,173	8,023
Malaysia	1,007	1,571
People's Republic of China	19,470	20,202
United Arab Emirates	26	79
	27,676	29,875

Information about a major customer

Revenue from a major customer amounted to $44,181,000 (2012 : $22,278,000) arising from sales in the hospitality and commercial projects segment.

24 FINANCIAL INSTRUMENTS, FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of financial instruments

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Financial assets				
Receivables (including cash and cash equivalents)	104,701	90,797	51,491	43,279
Financial liabilities				
Amortised cost	49,435	39,538	21,867	21,391

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

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

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

(c) Financial risk management

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

(i) Credit risk

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

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

Exposure to credit risk

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

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of $16,359,000 (2012 : $14,677,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities to three subsidiaries.

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

Credit risk concentration profile

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

	2013		2012	
	$'000	% of total	$'000	% of total
Group				
By country:				
Singapore	37,922	71.79	35,890	67.70
Malaysia	12,640	23.93	11,200	21.13
United Arab Emirates	1,402	2.65	4,742	8.95
Thailand	709	1.34	1,172	2.20
Others	150	0.29	8	0.02
	52,823	100.00	53,012	100.00

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

(c) Financial risk management (cont'd)

(i) Credit risk (cont'd)

At the end of the reporting period, approximately:

- 53.74% (2012 : 60.98%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates located in Singapore and Malaysia.

- 1.50% (2012 : 4.51%) of the Group's trade receivables were due from related parties.

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 9.

(ii) Liquidity risk

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

Group

All financial assets and financial liabilities as at 31 December 2013 and 2012 are repayable on demand or due within one year from the end of the reporting period and are non-interest bearing except for retention monies of $8,180,000 (2012 : $7,725,000) and other payables of $Nil (2012 : $125,000) that are repayable after a year and cash and short-term deposits which bear interest at rates ranging from 0.05% to 3.50% (2012 : 0.10% to 0.50%) per annum.

Company

All financial assets and financial liabilities as at 31 December 2013 and 2012 are repayable on demand or due within one year from the end of the reporting period and are non-interest bearing except for retention monies of $5,699,000 (2012 : $4,459,000) that are repayable after a year.

(iii) Foreign currency risk

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

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

(c) Financial risk management (cont'd)

(iii) Foreign currency risk (cont'd)

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

	Group		Company	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade and other receivables:				
USD	1,645	3,712	3,262	5,159
Ringgit	15,181	13,388	–	–
UAE Dirhams	66	68	–	–
RMB	4,111	4,473	–	–
Baht	914	1,407	298	474
Euro	–	951	3,544	3,331
Cash and short-term deposits:				
USD	4,460	2,037	2,184	2,018
Ringgit	6,144	8,300	–	–
RMB	1,051	1,423	–	–
Euro	541	3	541	3
Baht	26	141	–	–
UAE Dirhams	89	77	–	–
Trade and other payables:				
USD	166	318	114	201
Ringgit	11,236	10,455	22	15
Euro	510	604	501	406
Baht	57	1,118	–	33
UAE Dirhams	373	312	–	41
RMB	2,391	2,171	828	490

Sensitivity analysis for foreign exchange risk

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

			Group Profit before tax	
			2013	2012
			$'000	$'000
USD/SGD	-	strengthened 5% (2012 : 5%)	297	272
	-	weakened 5% (2012 : 5%)	(297)	(272)
Ringgit/SGD	-	strengthened 5% (2012 : 5%)	504	562
	-	weakened 5% (2012 : 5%)	(504)	(562)
RMB/SGD	-	strengthened 5% (2012 : 5%)	139	186
	-	weakened 5% (2012 : 5%)	(139)	(186)

25 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of a financial instrument, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date.

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

Bank balances, short-term receivables and other current liabilities

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

Other classes of financial assets and liabilities

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

26 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2013 and 31 December 2012.

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

	Group		Company	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Trade and other payables (Note 11)	49,435	39,538	21,867	21,391
Less:				
Cash at banks and on hand (Note 10)	(41,399)	(29,095)	(11,478)	(9,680)
Fixed deposits (Note 10)	(3,478)	–	–	–
Net cash	4,558	10,443	10,389	11,711
Equity attributable to the equity holders of the Company, representing total capital	105,877	102,765	81,109	76,864
Capital and net debt	110,435	113,208	91,498	88,575

27 DIVIDENDS

	Group and Company	
	2013	2012
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2012 : 0.75 cents (2011 : 1.25 cents) per share	1,952	3,253
- Special exempt (one-tier) dividend for 2012 : 2.50 cents (2011 : Nil cents) per share	6,507	–
- Interim exempt (one-tier) dividend for 2013 : 0.50 cents (2012 : 0.75 cents) per share	1,301	1,952
	9,760	5,205
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 2013 : 1.00 cents (2012 : 0.75 cents) per share	2,603	1,952
- Special exempt (one-tier) dividend for 2013 : 5.00 cents (2012 : 2.50 cents) per share	13,013	6,507
	15,616	8,459

28 ACQUISITION OF SUBSIDIARY

On 8 March 2012, the Company acquired additional 55% equity interest in its 45%-owned associate, DDS Asia Holdings Pte. Ltd. ("DDS") from the immediate holding company, Depa Interiors LLC. Upon completion of the acquisition, DDS became a wholly-owned subsidiary of the Company. The transaction was accounted for by the acquisition method of accounting.

DDS is an entity incorporated in Singapore with its principal activity being investment holding. It is the holding company to four subsidiaries ("DDS Group"), as disclosed in Note 5. The Group acquired DDS for various reasons, the primary reason being to allow the Company to have full management and equity rights over the DDS Group so as to facilitate decision making in relation to the growth and expansion of the DDS Group growing forward.

Consideration transferred (at acquisition date fair values)

	$'000
Cash paid	12,100
Fair value of equity instruments (5,041,666 ordinary shares of the Company)	2,571
Total consideration transferred	14,671
Fair value of 45% equity interest in DDS	12,000
	26,671

Acquisition-related costs had been excluded from the consideration transferred and had been recognised as an expense, within the "general and administrative expenses" line item in the consolidated income statement.

Net cash outflow on acquisition of a subsidiary

	$'000
Cash consideration	12,100
Less: Cash and cash equivalents acquired	(9,953)
	2,147

Included in the cash and short-term deposits acquired as part of the acquisition of subsidiary was fixed deposit pledged of $1,774,000.

28 ACQUISITION OF SUBSIDIARY (cont'd)

Assets acquired and liabilities assumed at the date of acquisition

	$'000
Property, plant and equipment	466
Order backlog	3,116
Contract work-in-progress	3,450
Trade and other receivables	24,607
Prepayments	28
Cash and short-term deposits	11,727
	43,394
Trade and other payables	17,761
Finance leases	28
Provision for tax	998
Deferred tax liabilities	620
	19,407
Fair value of identifiable net assets acquired	23,987

The receivables acquired (which principally comprised trade receivables) in these transactions with a fair value of $24,607,000 had gross contractual amounts of $25,059,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $452,000.

Goodwill arising on acquisition

	$'000
Consideration transferred	26,671
Add: Non-controlling interest	45
Less: Fair value of identifiable net assets acquired	(23,987)
Goodwill arising on acquisition	2,729

The non-controlling interest represents a non-controlling interest's proportionate share of net identifiable assets of a subsidiary of DDS.

Goodwill arose in the acquisition of DDS because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of DDS. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

The Group also acquired the customer lists and customer relationships of DDS as part of the acquisition. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contracts. Consequently, they are subsumed into goodwill.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

28 ACQUISITION OF SUBSIDIARY (cont'd)

Gain on re-measurement of equity interest to fair value

The Group recognised a gain of $2,339,000 as a result of measuring at fair value its 45% equity interest in DDS held before the business combination. The gain is included in "Other income" line item in the Group's profit or loss for the year ended 31 December 2012.

Impact of acquisition on profit or loss

Included in the profit for 2012 was $8,216,000 attributable to additional business generated by the DDS Group. Revenue from the DDS Group amounted $55,676,000.

The business combination has been effected at 1 January 2012.

29 SUBSEQUENT EVENT

It was announced on 22 November 2013 that the Company is undertaking an internal restructuring exercise ("Restructuring Exercise") to fully segregate the business and operations from the Company into its various subsidiaries to improve the operational efficiency of the Company.

The entire manufacturing business, project management business and assets of the Group were previously in the Company which is both an operating company and a holding company for the Group's two core businesses of manufacturing and project management. As part of the Restructuring Exercise, the Group's two core businesses in various jurisdictions will be transferred gradually to the various subsidiaries of the Company with effect from 1 January 2014.

The Restructuring Exercise is intended to create distinct business segments within the Group to enable more effective management of each segment, enhance business focus and accountability within the Group.

In connection with the Restructuring Exercise, the Company had changed its name from "Design Studio Furniture Manufacturer Ltd" to "Design Studio Group Ltd", approved by the shareholders in an Extraordinary General Meeting held on 10 January 2014.

SUPPLEMENTARY INFORMATION

31 December 2013

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

Name of interested person	Aggregate value of all interested persons transactions during the review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Depa Interiors LLC & its associates	$Nil	$858,569

2. Material contracts

There were no material contracts of the Group involving the interests of the executive directors or controlling shareholders subsisting at the end of the financial year ended 31 December 2013.

3. Major property

Location	Description	Tenure of land	Net book value $'000
Held by the Company 8 Sungei Kadut Crescent, Singapore 728682	Office-cum factory	30 years commencing 1 June 1994	2,690

STATISTICS OF SHAREHOLDING

As at 11 March 2014

Issued and fully paid up capital: S$33,390,983
Class of Shares: Ordinary Shares with equal voting rights

Distribution of shareholdings

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	3	0.79	1,646	0.00
1,000 - 10,000	241	63.59	1,175,809	0.45
10,001 - 1,000,000	130	34.30	6,129,000	2.36
1,000,001 AND ABOVE	5	1.32	252,957,716	97.19
TOTAL :	379	100.00	260,264,171	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	DEPA INTERIORS LLC	231,108,716	88.80
2.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	12,791,000	4.91
3.	HO KAI HON	5,050,000	1.94
4.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	2,008,000	0.77
5.	LIM LENG FOO	2,000,000	0.77
6.	LIM & TAN SECURITIES PTE LTD	815,000	0.31
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	500,000	0.19
8.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	275,000	0.11
9.	YEO LOO ENG	160,000	0.06
10.	ANG KIM HONG	133,000	0.05
11.	PHILLIP SECURITIES PTE LTD	133,000	0.05
12.	HONG LEONG FINANCE NOMINEES PTE LTD	122,000	0.05
13.	DBS NOMINEES (PRIVATE) LIMITED	117,000	0.04
14.	OCBC SECURITIES PRIVATE LIMITED	111,000	0.04
15.	AW CHIEW KIM (HU SHUJIN)	100,000	0.04
16.	GOH CHENG YEE	100,000	0.04
17.	MAYBANK KIM ENG SECURITIES PTE. LTD.	100,000	0.04
18.	PATRICK LIM @ LIM KUAN CHI	100,000	0.04
19.	TAN AIK SIN	100,000	0.04
20.	TAN HUI SIANG	100,000	0.04
	TOTAL :	255,923,716	98.33

STATISTICS OF SHAREHOLDING

As at 11 March 2014

Substantial Shareholders' Interests in the Company's Shares

The Shareholdings of the Substantial Shareholders as recorded in the Register of Substantial Shareholder as at 11 March 2014:

Substantial Shareholder	Direct Interest		Deemed Interest	
	No of shares	%	No of shares	%
Depa Interiors LLC	231,733,716	89.04	–	–

Shareholdings in hands of public

The percentage of shareholdings in the hand of public was approximately 10.19% as at 11 March 2014 and hence the Company has complied with Rule 723 of the SGX-ST Listing Manual.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of DESIGN STUDIO GROUP LTD (previously known as "Design Studio Furniture Manufacturer Ltd") (the "Company") will be held at the registered office, 8 Sungei Kadut Crescent, Singapore 728682 on Thursday 24 April 2014 at 10.30 a.m. for the following purposes:

As Ordinary Business:

1. To receive and adopt the Directors' Report and Financial Statements of the Company for the year ended 31 December 2013 and the Auditors' Report thereon. [Resolution No. 1]

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

   Rotation under the Article 102 of the Articles of Association: -

   i) Bernard Lim Leng Foo [Resolution No. 2]
   ii) Tan Siok Chin [Resolution No. 3]

3. To approve the payment of additional directors' fee of S$14,000 for the year ended 31 December 2013; and directors' fees of S$310,000 for the year ending 31 December 2014, to be paid quarterly in arrears. (2013: S$338,125) [Resolution No. 4]

4. To approve the payment of a final dividend of 1.00 cent per ordinary share and a special dividend of 5.00 cents per ordinary share for the year ended 31 December 2013. [Resolution No. 5]

5. To re-appoint Deloitte & Touche LLP as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company, and that the Directors be authorized to fix their remuneration. [Resolution No. 6]

As Special Business:

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

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

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

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

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

unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [Resolution No. 7]

7. THAT:-

(a) approval be and is hereby given for the Company, its subsidiaries and associated companies or any of them to enter into transactions falling within the categories of Interested Person Transactions set out in paragraph 3.2 of the Company's Addendum to Shareholders dated 7 April 2014 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2013) (the "Addendum"), with any party who is of the class or classes of Interested Persons described in paragraph 3.1 of the Addendum, provided that such transactions are made on normal commercial terms in accordance with the guidelines and procedures for Interested Person Transactions as set out in paragraph 4 of the Addendum (the "Shareholders' Mandate");

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

(c) the directors of the Company be and each of them be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution. [Resolution No. 8]

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

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

By Order of the Board

Helen Campos
Company Secretary

7 April 2014

Notes:

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

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

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

Explanatory Notes on Ordinary Business to be transacted:

a. Mr Bernard Lim Leng Foo is an Executive Director and Chief Executive Officer of the Company. He is also a member of the Nominating Committee. If re-elected, he will remain as the Chief Executive Officer of the Company, as well as a member of the Nominating Committee.

b. Ms Tan Siok Chin is an Independent Director and Chairman of the Board of Directors and Remuneration Committee as well as a member of the Audit Committee and Nominating Committee. If re-elected, she will remain as Chairman of the Board of Directors and Remuneration Committee, as well as a member of the Audit and Nominating Committees.

c. The proposed directors' fees of S$310,000 for the year ending 31 December 2014 are fees payable to non-Executive Directors. Ordinary Resolution No. 4 proposed in item 3 above, if passed, will allow the Company to pay fees to directors on a quarterly basis, in arrears, as directors render their services during the course of the financial year ending 31 December 2014. This will facilitate directors' compensation for services rendered in a more timely manner.

d. The Audit Committee has recommended the re-appointment of Deloitte & Touche LLP as Auditors.

Explanatory Notes on Special Business to be transacted: -

e. Resolution No. 7 is to empower the Directors to issue shares in the capital of the Company and to make or grant instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 50% for the total number of issued shares (excluding treasury shares) of which up to 20% may be issued other than on a pro rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time that Resolution No. 7 is passed, after adjusting for (a) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time that Resolution No. 7 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

f. Resolution No. 8 if passed, will allow the Company, its subsidiaries and associated companies or any of them to enter into certain interested person transactions with persons who are considered "Interested Persons" and will empower the directors of the Company from the date of this meeting until the next Annual General Meeting of the Company to do all acts necessary to give effect to the Shareholders Mandate or the Ordinary Resolution. Information relating to the renewal of the Shareholders Mandate can be found in the Addendum to this Notice.

g. Resolution No. 9, if passed, will empower the Directors, from the date of the Annual General Meeting until the date of the next annual general meeting of the Company, to allot and issue shares in the capital of the Company up to an amount (which includes shares issued and/or issuable pursuant to any other existing share schemes or plan of the Company for the time being) not exceeding in total 7.5% of the issued share capital of the Company and subject to the sub-limit imposed for the time being pursuant to the exercise of the options under the ESOS.

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

DESIGN STUDIO GROUP LTD

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

PROXY FORM

IMPORTANT

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

*I/We ____

of ____

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

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

and/or (delete as appropriate)

Or failing him/her/them, the Chairman of the Annual General Meeting or such other person the Chairman may designate, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at 8 Sungei Kadut Crescent, Singapore 728682 on Thursday, 24 April 2014 at 10.30 a.m. and at any adjournment thereof.

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

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

No.	Resolutions relating to:	For	Against
1	Adoption of Reports and Financial Statements for the year ended 31 December 2013		
2	Re-election of Mr Bernard Lim Leng Foo as a director		
3	Re-election of Ms Tan Siok Chin as a director		
4	Payment of directors' fees		
5	To approve the payment of the final one-tier exempt dividend and special one-tier exempt dividend for the year ended 31 December 2013		
6	To re-appoint Deloitte & Touche LLP as Auditors and to authorise the Directors to fix their remuneration		
7	Authority to issue Shares		
8	To approve the renewal of the General Mandate for Interested Person Transactions		
9	To authorise the Directors to allot/issue shares pursuant to the Design Studio Employee Share Option Scheme		
10	To authorise the Directors to grant awards and allot/issue shares pursuant to the Design Studio Performance Share Plan		

Dated this ____________ day of April 2014.

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

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

Important: Please read notes overleaf before completing the form

Postage Stamp

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

Fold along dotted line

Fold along dotted line

IMPORTANT: PLEASE READ NOTES BELOW

1. Please insert the total number of shares you hold. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of such shares entered against your name in the Depository Register and registered in your name in the Register of Members. If you do not insert any number, we shall deem that the instrument appointing a proxy or proxies relates to all the shares which you hold.

2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints two proxies, the appointment shall be deemed to be alternative unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Sungei Kadut Crescent Singapore 728682 not less than 48 hours before the time fixed for the holding of the meeting.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of a director or an officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter of power of attorney or duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy , failing which the instrument may be treated as invalid.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fi t to act as its representative at the meeting, in accordance with Section 179 of the Companies Act, Cap. 50.

6. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Design Studio 瑞胜

Inspired by Aspirations. Driven by Innovations.

SINGAPORE
Design Studio Group Ltd
Head Office / Singapore

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

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

MALAYSIA
DS Furniture Manufacturer Sdn Bhd
Senai Office / Malaysia

DS Project Management Sdn Bhd
Factory / Malaysia
PLO 44 Kawasan Perindustrian Senai
81400 Senai, Johor Bahru, Malaysia
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DDS Contracts and Interior Solutions Sdn Bhd
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142C Jalan Ampang,50450 Kuala Lumpur, Malaysia
Tel: (603) 2164 6686 Fax: (603) 2164 3393
Email: marketing@ddsasia.com.my

CHINA
Design Studio (Huizhou) Home Furnishing Co., Ltd.
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1 North Road, Technology Park Buluo County, Shiwan Town
Huizhou City, Guangdong Province, Postal Code 516127
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Sales Centre / Showroom / China
Chiling Lane, Guan Tai Road, Houjie San Tun, Houjie Town
Dongguan City, Guangdong Province, Postal Code 523963
Tel: (86769) 8583 4222 Fax: (86769) 8581 7488
Email: marketing@designstudio.com.cn

Design Studio Furniture (Shanghai) Co., Ltd
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Email: marketing@designstudio.com.cn

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D S Interior Decoration (Middle East) LLC
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Al Maktoum Street, Deira
P.O. Box 212896, Dubai U.A.E.
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Email: sales.uae@designstudio.com.sg

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新加坡
瑞胜集团有限公司
总公司 / 新加坡

瑞胜新加坡私人有限公司
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马来西亚
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士乃办事处 / 马来西亚

瑞胜工程项目管理（马来西亚）私人有限公司
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瑞胜家具（上海）有限公司
办事处 / 中国
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