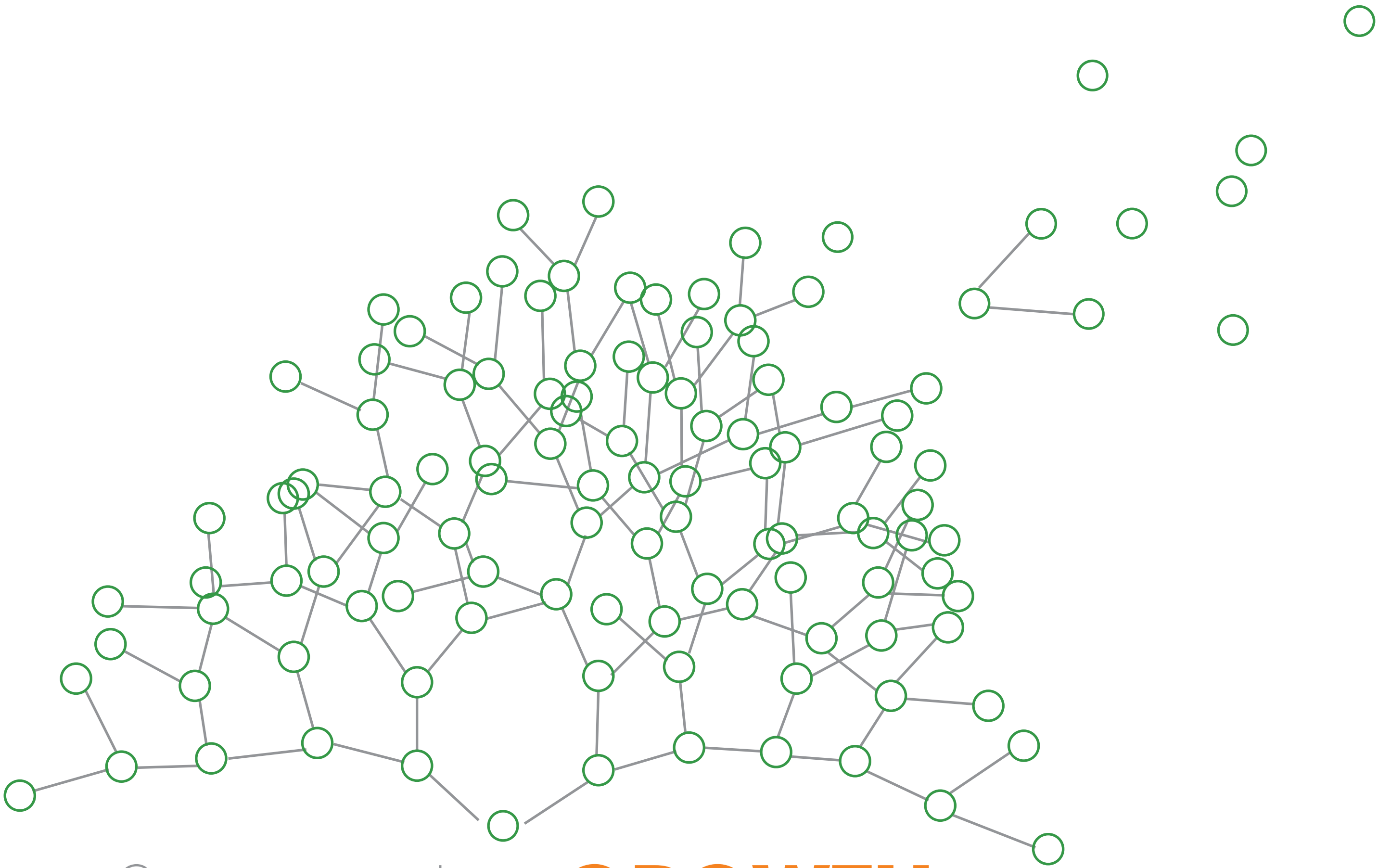
Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.



Successive **GROWTH**

持 续 增 长　迈 向 高 峰

Annual Report **2012**

2012 年度报告

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Since our founding in 1992, Design Studio has grown and evolved into a brand that is synonymous with innovation, quality and integrity. We are pleased to mark our Group's 20th anniversary, as well as the 10th year of our listing on the Singapore Exchange. Our successive growth is grounded on our ability to provide our clients with products and services of unparallel excellence as we grow a sustainable business.

Over the years, we have built a culture of creativity in a progressive environment that allows new product ideas, technological innovation and business concepts to flourish. This approach has been a fundamental driver of our growth, which has seen the expansion of our businesses in key countries including China, where we are embarking on the next exciting phase for our Group. This approach has helped us to weather tumultuous times, especially in the last few years of market volatility and global economic uncertainties.

Inspired by Aspirations. Driven by Innovations. This is Design Studio's undertaking. It is the foundation that has brought us to the forefront of the industry and will continue to not only sustain us, but propel us to a higher level of growth.

自1992年成立以来，我们不断推陈出新、求取突破，再以高效方案，打造出高品质的产品。至今，瑞胜集团已成为业内的佼佼者。我们欣喜迎来本集团的20周年庆，这也是我们在新加坡证券交易所挂牌上市的第10个年头，意义重大。

一直以来，我们在发展的同时也提倡持续创新，配以精益求精的技术革新和全方位的经营理念。这项理念也促使我们更稳健的成长，令我们在包括中国等备受看好的市场中得以顺利拓展，臻向另一个高峰。坚定的信念使我们得以持续增长，也安然渡过了近年来波动和不明朗的全球经济局势。

以质为基，创新为魂，一直是瑞胜发展壮大的奠基石。在快速发展中，我们对产品质量不懈追求、为客户提供优质服务、坚守瑞胜的理念和承诺。正是这块坚稳的基石使我们得以持续在业内保持领军位置，也激励我们奋力迈向更辉煌的高峰。

Chairman's **STATEMENT**

Dear Valued Shareholders

As this is my maiden address to shareholders as Chairman for Design Studio, I would like to thank the Board for its vote of confidence to put the steering wheel in my hands and commend the Directors for their continued efforts to enhance good corporate governance practices. The Board's decision to appoint a Non-Executive Chairman and separate the roles of the Chairman and Chief Executive Officer ensures increased accountability and greater capacity for independent decision-making amongst Board members. I would also like to acknowledge the immense contribution of my predecessor and founder, Bernard Lim, whose vision and drive have developed our Group into a leading player in the global markets over the past decade.

I am pleased to report that we have delivered another set of positive numbers, our sixth consecutive year of growth and profitability. This financial performance is commendable amidst ongoing uncertain global business conditions and the implementation of property cooling measures in some of the markets in which we operate.

2012 was particularly meaningful as it marked our 20th anniversary. 2012 was also a milestone year as it signified our 10th year of listing on the Main Board of the Singapore Stock Exchange. Given our healthy cash flow and to commemorate these two significant milestones, the Board has proposed a special dividend of 2.50 cents per ordinary share and a final dividend of 0.75 cents per ordinary share to be approved at the upcoming Annual General Meeting. Combined with the interim dividend of 0.75 cents declared in August 2012, the total dividend proposed for the year ended 31 December 2012 ("FY2012") will amount to 4.00 cents per share.

Successive growth

In FY2012, our total revenue increased 72.3% to S$160.6 million, largely driven by the Hospitality and Commercial division which recorded 327.1% increase in revenue to S$104.0 million following the strategic acquisition of the remaining 55% interests in DDS Asia Holdings Pte Ltd ("DDS") not already owned by our Group. This was offset by a 21.7% decrease in revenue derived from Residential Property projects that were completed during the year. Net profit after tax declined 25.9% to S$11.3 million, as we incurred expenses for the setting up of our factory in Huizhou, China and the acquisition of DDS together with its group of companies ("DDS Group").

Notwithstanding the economic challenges posed by global uncertainties, a volatile market and a drop in our net profit, we managed to record our 25th consecutive quarter of profitability in 4Q2012. Further, this was achieved on the back of slower economic growth in Singapore, our largest market by revenue. Singapore recorded an estimated 1.2% economic growth, down from 2011 4.9% GDP growth.

Earnings per ordinary share was 4.50 cents, while net asset value per ordinary share was 39.36 cents. As of 31 December 2012, our Group's balance sheet remained healthy with a relatively strong cash position of S$29.1 million, compared to S$28.6 million as of 31 December 2011.

Growing portfolio

Our Group's resilience underscores our established brand name, solid track record of delivering innovative and quality products and projects, and our strong relationships with leading developers in Singapore and overseas. These fundamental strengths which we have built over the years have allowed us to continue to clinch high-profile projects even in tougher times. In 2012, we secured a series of contract wins that covered a range of hospitality, commercial and mid to mass markets residential projects both at home and overseas.

DDS Group's established presence in Southeast Asia and the hospitality and commercial sectors has complemented our core businesses and yielded good results, and provided us with a more diversified and attractive business profile that has enhanced our performance.

Our Group's total order book of S$233.3 million as of February 2013 will provide investors with clarity of growth over the next three years.

Riding on China's growth

Despite China's slowing growth, the nation is still one of the fastest growing economies in the world. Underpinned by urbanisation, a growing middle class with high disposable income, the longer term outlook for the real estate sector in China looks positive. To capitalise on the real estate developments driven by the country's urbanisation trend, we will step up efforts to expand our Group's footprint in China.

In 2012, we participated in a trade fair which provided our Group a platform to identify suitable distribution partners seeking to leverage on our Group's branding and track record to establish product show rooms in second and third-tier cities across China. We plan to continue our engagement with suitable distribution partners that will help extend our brand's reach to increasingly sophisticated Chinese consumers in these burgeoning cities. This effort will be well supported by our manufacturing facility in Huizhou, China and showroom-cum-sales office in Dongguan, China.

Going forward, we plan to increase our marketing efforts and activities, and extend our brand presence, products and services in China.

Tackling challenges ahead

Property cooling measures implemented by the Singapore government in January 2013 as part of its attempt to cool the domestic property market may slow sales and dampen home prices for the residential sector in Singapore. While we take into consideration the challenges posed by this development, we also believe that the hospitality segment will remain buoyant, given the Singapore Tourism Board's on-going efforts to ensure that tourism is a key economic pillar by targeting to increase Tourism Receipts to S$30 billion by 2015[1]. With our diverse portfolio in the hospitality, commercial, retail and institutional segments in Singapore and Malaysia, we believe our Group is well-anchored to weather a slowdown in the development activities in the residential property market in Singapore.

A word of appreciation

I would like to extend my heartfelt appreciation to my fellow Board members, management team and staff for their dedication and commitment in sustaining our Group through tough times and propelling it towards successive growth – your determination and creativity form the bedrock of this organisation. I would also like to thank our business partners, clients and loyal shareholders, for their understanding, unwavering support and trust.

I look forward to your continued support in the years ahead, which will provide us with the confidence to forge ahead with our expansion plans that will take our Group to greater heights.

Tan Siok Chin (Ms)
Non-Executive Chairman

1. *"Tourism 2015," Singapore Tourism Board website, 11 Dec 2012*

主席致词

尊敬的各位股东：

这是我首次以瑞胜集团主席的身份向各位致词，感谢董事局的信任，把领导权交到我的手里，我想借此机会表扬董事们持续不懈的奉献，以及增强良好的企业管治方针。董事局决定委任一名非执行主席，从而将主席及行政总裁的角色分开，此举得以确保董事局成员之间能独立决策及有更强的问责制。我谨此也要向前任主席兼公司创办人林麟波先生致敬，是他那高瞻远瞩的慧眼与大刀阔斧的魄力，令本集团在过去20年间跃升为全球市场的领军企业。

我很高兴在此向大家汇报，我们继续保持优异的业绩，连续取得第六年的增长和盈利。这样的财务表现确实振奋人心，毕竟全球营商环境仍持续处于不明朗的状态，其中包括我们主攻的部分市场中也在实施房地产降温措施。

2012年显得意义非凡，因为它迎来我们彪炳辉煌的20周年纪念，而且这也是特别具里程碑意义的一年，印记着我们在新加坡证券交易所走过的十年光辉岁月。有鉴于我们稳健的流动现金状况，以及为了纪念这两个重要的里程碑，董事局建议派发每股普通股2.50分的特别股息及每股普通股0.75分的末期股息，并有待在即将举行的年度股东大会上通过。结合2012年8月宣布的0.75分中期股息，截至2012年12月31日为止所建议的股息总额将达到每股4.00分。

持续增长

在2012财政年，集团收入增长了72.3%而达到16,060万新元。在收购DDS集团剩余的55%股份之后带来了良好的效益，使酒店、综合娱乐场所及商业项目分部成功取得10,400万新元收入，增幅高达327.1%。这些收益与住宅产业项目分部略微缩减的部分收入相抵，跌幅达21.7%。净利润下降了25.9%至1,130万新元，主要因为我们的惠州工厂已开始投入运作和收购DDS亚洲控股私人有限公司及其集团（“DDS集团”）所涉及的各项开支。

此外，全球不明朗局势、市场波动及净利下滑带来了种种经济挑战，但是我们仍能在2012年第4季度成功取得我们连续第25个季度的盈利，而且这是我们在按收入比的最大市场——新加坡经济增长放缓之际所取得的成果，殊为难得。新加坡取得的经济增长只有1.2%，比起2011年4.9%的国民生产总值增长，跌幅显著。

普通股的每股收益为4.50分，而普通股的每股净资产值则是39.36分。截至2012年12月31日，本集团的资产负债表保持在稳健状态，相对强劲的现金状况达2,910万新元，较之2011年12月31日则是2,860万新元。

业务拓展

本集团的竞争优势是建立在有快速的市场应变能力，并能不断的提供创新而优质的产品。我们也与新加坡和海外的大规模发展商建立强稳的关系和良好的项目管理记录。我们多年来努力建立的这些基本优势，让我们即使是在艰难的时期，也能够继续投得瞩目的工程项目。在2012年，我们成功赢得一系列的工程项目，其中涵盖国内外的酒店、商业项目及横跨大众及高端市场的住宅项目。

DDS集团在东南亚的酒店、综合娱乐场所及商业项目的高知名度，辅助我们的核心业务并带来丰硕成果，它为我们提供更多元化和吸引力十足的业务资历，进而提升集团的整体表现。

本集团截至2013年2月的总订单额为23,330万新元，为未来三年提供良好的增长展望。

与中国经济并进

尽管中国的经济增长已放缓，该国仍然是全球增长最快的经济体之一。在城市化的驱使之下，拥有高流动收入的中产阶层已越来越多，而中国房地产领域的长期发展前景也备受看好。为了确保我们能够利用该国城市化趋势所带动的房地产发展，我们会尽本身最大的努力来扩展本集团在中国的市场版图。

2012年我们参加了中国的贸易展，这为本集团提供了一个营销平台以识别出合适的分销合作伙伴，双方联手在中国的各大繁华地区设立产品展厅。我们计划继续与合适的分销合作伙伴紧密合作，它们将协助我们在这些新兴的城市里，为日益成熟的中国消费群提供专业的服务，进而扩大瑞胜品牌的影响力。而刚投入运作的惠州工厂及东莞展厅兼销售办事处也将为这项计划提供支援。

展望未来，我们计划将继续提升本身的营销方案和活动，并在中国境内扩展瑞胜品牌的影响力、卓越产品和优质服务。

突破自我 挑战未来

新加坡政府于2013年1月实施房地产降温措施，这可能会降低本地房地产市场的销售量并抑制房地产价格。但是我们相信酒店业会持续保持兴旺，毕竟新加坡旅游局一直努力确保旅游业成为我国主要的经济支柱之一，该局也设定目标要在2015[1]年将旅游收入增至300亿新元。凭借我们在新马两地的酒店、综合娱乐场所及商业项目上所累积的雄厚工程管理实力，我们深信本集团已准备就绪，以抵御新加坡房地产市场的发展及经济放缓所带来的冲击。

衷心感激

我藉此机会对各位董事、各级管理人员及各部门员工表达最真诚的谢意，是他们的无私奉献和全心投入支持着本集团顺利渡过各种艰难时期，并推动它实现持续增长的目标——您们的决心和创造力，为集团奠下最强稳的基石。我也要衷心感激我们的业务合作伙伴、客户和各位忠诚的股东，感谢您们长期以来的理解、鼎力支持和信任。

我期待在未来的岁月里，大家仍会继续支持瑞胜，这将赐予我们足够的信心来推动各种扩展计划，令集团的成长更上一层楼。

陳淑君（女士）
非执行主席

1. “2015旅游年” 新加坡旅游局网站，2012年12月11日

CEO's Business **REVIEW**

Dear Valued Shareholders

The right strategies, executed with precision, have allowed our Group to withstand a soft operating environment in our key markets in FY2012, and we are now well-positioned to benefit from longer-term growth of promising markets such as China.

Financial Review

Our Group's FY2012 overall turnover of S$160.6 million represented a 72.3% increase from S$93.2 million in FY2011, due mainly to higher revenue contribution from the Hospitality and Commercial, and Distribution divisions. The Hospitality and Commercial division was strengthened by our Group's acquisition of its associate company, DDS Asia Holdings Pte. Ltd. and its group of companies ("DDS Group") , and saw the greatest increase, rising 327.1% from S$24.3 million in FY2011 to S$104.0 million. Meanwhile, revenue from Distribution increased 31.6% to S$6.7 million, from S$5.1 million. These gains were partially offset by a 21.7% decline in revenue from the Residential Property division, from S$63.8 million in FY2011 to S$49.9 million FY2012.

Geographically, Singapore remained the major revenue contributor, with its S$111.2 million in FY2012 making up 69.2% of the total revenue and representing a 75.4% increase from S$63.4 million in FY2011. Revenue from Malaysia also increased, up from S$13.5 million to S$43.9 million, and making up 27.3% of the FY2012 total revenue, compared to 14.5% in FY2011. Revenue from the United Arab Emirates declined from S$13.5 million to S$2.3 million; while revenue from other areas also saw a slight increase, from S$2.8 million to S$3.2 million.

Cost of sales nearly doubled, from S$66.0 million to S$128.9 million, mainly due to the acquisition of DDS Group in March 2012 – a strategic move to streamline our Group's corporate structure and further strengthen our hospitality and commercial businesses locally and abroad.

Marketing and distribution expenses increased by 42.2% to S$6.1 million for FY2012 as compared with S$4.3 million in FY2011. The increase was mainly due to staff-related costs of S$1.3 million, as a result of acquisition of DDS Group. In addition, there was an increase in showroom expenses and staff-related expenses in our newly set-up China operation amounting to S$0.3 million.

General and administrative expenses increased from S$6.8 million in FY2011 to S$13.3 million in FY2012. The increase was mainly due to amortisation of order backlog of S$3.1 million and increase in staff-related costs of S$2.7 million from DDS Group and China operation.

As a result, net profit after tax in FY2012 was S$11.3 million as compared with S$15.3 million in FY2011.

We ended the year with a relatively strong balance sheet and a healthy net cash position of S$29.1 million, to anchor our regional growth for our three business divisions and build our Group's long-term sustainability.

Operational Review

Our three core business segments are Residential, Hospitality and Commercial, and Distribution.

Residential

This division has long been one of the pillars that contributed to our Group's success, comprising a portfolio of projects, undertaken through long-standing established relationships with leading developers, locally and abroad. Associating our Group's brand name with quality, innovation and timely delivery serves us well in this realm, where we were able to secure a pipeline of high-caliber projects this year.

Image is courtesy of CapitaLand Singapore

Sky Habitat
晴宇
Jointly developed by CapitaLand Singapore, Mitsubishi Estate Asia Pte Ltd and Shimizu Investment (Asia) Pte Ltd
凯德新加坡，三菱地产（亚洲）有限公司及清水投资有限公司（亚洲）

The Luxurie
华丽景
Image is courtesy of Keppel Land
吉宝置业

The projects include:
- Le Nouvel Ardmore by Wing Tai Asia, in collaboration with Pritzker Architecture Prize winner Jean Nouvel;
- D'Leedon, by a CapitaLand-led consortium and another Pritzker Architecture Prize winner, Zaha Hadid;
- The Sorrento, a 131-units freehold luxury condominium on West Coast Road;
- Sky Habitat, an iconic 38-storey condominium development with 509-units in Bishan, designed by renowned international architect, Moshie Sadfie;
- RippleBay, an exclusive 679-units development affording residents the best of beachfront living in Pasir Ris.
- Other notable residential projects include Centrale 8, The Vision, The Luxurie, Waterfront Isle, River Isles, Hijauan on Cavenagh, Okio Residences, Uber 388, Hallmark Residences, Palms @ Sixth Avenue and Lake Vista @ Yuan Ching, a Design, Build and Sell Scheme that adds to our Group's diversity and versatility.

In addition, our Group has secured a contract to export its joinery works to Japan for a brand new 3,250 passenger luxury cruiser operated by the AIDA Cruises, a German cruise line based in Rostock, Germany.

Hospitality and Commercial

As a leader in the interior fitting-out business, our Group provides a holistic suite of ID fit-out solutions for the hospitality and commercial sectors; all undertaken with our characteristic project management expertise and attention-to-detail as well as our wide global resource networks.

This business segment was further bolstered in strength by our acquisition of DDS Group, an established player in the hospitality and commercial fields. Through DDS Group, we have been able to clinch a series of high-profile projects. Our portfolio features some of Singapore's renowned hotels and resorts as well as world-class projects in leisure destinations such as Malaysia and Thailand.

The Westin Singapore Marina Bay
新加坡滨海湾威斯汀酒店
Image is courtesy of MGPA
麦格理亚洲房地产公司

Grand Hyatt, Kuala Lumpur
君悦酒店，吉隆坡
Photo is courtesy of Bahagia Investment Corporation

Key highlights of projects secured by DDS Malaysia in 2012 include:

- An additional contract to ID fit-out the public areas of Traders Hotel by Shangri-La Group in one of the five flagship zones in Iskandar Malaysia;
- A&A works for Le Meridien Hotel in Kuala Lumpur to retrofit the public areas on the fourth and sixth floors of the 5-star upscale hotel;
- A&A works for existing serviced apartments for Ascott Kuala Lumpur, part of the prestigious Ascott group that caters to well-travelled executives and expatriates;
- A&A works for The Hilton Hotel and the Mandarin Oriental Hotel in in Kuala Lumpur to retrofit public areas such as the reception and lounge at the lobby, and specialty restaurants within these five-star hotels.

Key highlights of projects secured by DDS Singapore in 2012 include:

- A contract to ID fit-out 502 rooms of a new hotel next to the Somerset MRT Station. The hotel will be part of a mixed development that also features a retail mall and is set for completion in 2013/2014;
- A&A works to 173 units of service residences at Fraser Suites River Valley;
- Two separate contracts to fit-out a 20,000 square-foot food garden and supply Furniture, Fixtures and Equipment ("FF&E") products to the new Westin Singapore Marina Bay Hotel.

Distribution

We see intrinsic value in strategic partnerships and that is why we have partnered SieMatic, one of the world's leading luxury kitchen brands from Germany, since 1999. In selecting partners for our distribution platform, we want to ensure that they adhere to similar values and missions as our Group. Our partnership with such a reputable brand that shares our philosophy of sustainability, quality and excellence can only enhance our distribution portfolio.

Showroom-cum-sales office in Dongguan
东莞展厅兼销售办事处

China

We made progress in China during the year in review. Our production facility in Huizhou, Guangdong, is in full operation and already producing products for the projects our Group has secured.

Similar to the other two facilities we operate in Malaysia, our China factory embraces flexible production lines that are efficient and cater to specific market needs and requirements.

Besides furthering our B2C strategy in China, our first, large-scale showroom-cum-sales office in Dongguan, Guangdong, has also been a strong marketing tool to showcase our products and services to developers.

In addition, participating in the 14th China (Guangzhou) International Building Decoration Fair, and stepping our marketing outreach efforts have paid off. We are on track with our plans to engage suitable distribution partners to build showrooms under our Group's brand, thus maximising our reach in increasingly affluent Chinese cities.

2013 Outlook

Going forward, we are cognizant of the macroeconomic headwinds and policies that may affect our business and growth: the property cooling measures implemented by the Singapore government, the tightening of foreign labour in Singapore and minimum wages issues in Malaysia. While we expect the operating environment in our core markets to remain challenging and competitive in 2013, we will further tighten costs control to improve productivity and efficiency in the manufacturing processes. We will also continue to focus on the opportunities presented by Singapore and Malaysia's hospitality segment as the tourism sector flourishes.

The Group ended the year with a strong and diverse pipeline of projects totaling S$233.3 million in our order book.

Acknowledgements

I would like to take this opportunity to welcome our new Non-Executive Chairman, Ms Tan Siok Chin, and to thank her for her willingness in assuming her new role. We believe that in her new role, she will continue to serve with the vigor and dedicated spirit that have made her such a valuable member of the Board since January 2006, when she was appointed an Independent Director. Ms Tan is a director of ACIES Law Corporation and has almost two decades of experience in legal practice.

In closing, I would like to thank the management team and our staff for their enthusiasm, hard work and contributions, which have allowed us to strengthen our Group's position as Singapore's leading premier furniture manufacturer, product and interior fitting-out specialist. I look forward to your continued support and dedication as we bring to fruition the many strategic initiatives that have been started and to carry our Group to greater heights.

Bernard Lim Leng Foo
Chief Executive Officer

总裁营运回顾

尊敬的各位股东：

2012财政年，虽然本集团主攻市场的经营环境都显得疲软，但我们仍然以正确的策略和精确的执行能力克服严峻的考验。如今我们已成功定位，蓄势待发，要在包括中国等备受看好的市场中大展拳脚，以取得更可观的持续增长。

财务回顾

集团在2012财政年的整体营业额为16,060万新元，较之2011财政年的9,320万新元，增幅达72.3%，这源自酒店、综合娱乐场所及商业项目的强劲表现，以及分销项目的更高营收。酒店、综合娱乐场所及商业项目的实力得以显著加强，则是因为本集团于2012年收购其加盟公司，DDS亚洲控股私人有限公司及其集团（“DDS集团”），并取得327.1%的最大增幅，从2011财政年的2,430万新元飙升至10,400万新元。同时，分销项目的收入也从510万新元增加到670万新元，增幅达31.6%。这些收益与住宅产业项目所缩减的收入部分相抵，该业务分部收入从2011财政年的6,380万新元滑落了21.7%至2012财政年的4,990万新元。

从地理区域分析来说，新加坡仍然是主要的收入来源，其2012财政年的11,120万新元占总收入的69.2%，较之2011财政年的6,340万新元增长了75.4%。来自马来西亚的收入也大幅增加，从1,350万新元大幅提升至4,390万新元，占2012财政年总收入的27.3%，相比2011财政年则只占14.5%。来自阿联酋的收入从1,350万新元滑落至230万新元，而来自其他地区的收入也略见起色，从280万新元增至320万新元。

销售成本大幅上升，从6,600万新元飙升至12,890万新元，这主要归因于2012年3月收购了DDS集团——以精简本集团的企业结构，并进一步加强我们在本地及海外的酒店、综合娱乐场所及商业项目的业务。

营销费用增加了42.2%，从2011财政年的430万新元，增至2012财政年的610万新元。费用的增幅源自于DDS集团的收购及新成立的展厅兼销售办事处，以致人事相关费用及展厅的各项开支因而增加。

企业管理费用从2011财政年的680万新元增至2012财政年的1,330万新元，这主要归因于订单积压摊销，惠州的工厂费用和DDS集团的费用。

2012财政年的净利润为1,130万新元，相较于2011财政年的1,530万新元。

本集团仍保持稳健的财务状况，截至2012年12月31日现金数额为2,910万新元，这良好的现金流量状况为我们三个业务分部的区域增长奠定强稳的基石，并促进本集团的长期发展。

Waterfront Isle
Image is courtesy of Far East Organization and Frasers Centrepoint Limited
远东机构及星狮地产

营运回顾

我们的三大核心业务分部包括住宅产业项目，酒店、综合娱乐场所及商业项目，以及分销项目。

住宅产业项目

长久以来，这个分部是本集团的重要支柱之一，为企业的辉煌成就做出了巨大贡献。它通过与本地和海外的领先开发商建立长久良好的合作关系，来开展一系列的工程项目。我们融合了优质的产品，创新的理念及按时交货的原则，奠定了卓越的品牌声誉，让我们得以继续取得各高端项目，领先同行。

这些项目包括：

- 嘉峰豪庭 (Le Nouvel Ardmore), 由永泰亚洲打造，与普立兹克建筑奖得主Jean Nouvel合作；
- 丽敦豪邸 (D'Leedon)，由嘉德置地为首的财团和另一位普立兹克建筑奖得主Zaha Hadid联手打造；
- Sorrento，位于西海岸路、131个单位的永久业权豪华公寓；
- 晴宇 (Sky Habitat)，位于碧山、509单位的标志性38层豪华公寓，由国际知名建筑师Moshie Sadfie精心设计；
- 涟漪湾 (RippleBay)，679单位的至尊独特建设，让居民在巴西立享有最佳的海滨自然生活；
- 其他著名的住宅项目包括Centrale 8、The Vision、华丽景 (The Luxurie)、Waterfront Isle、星河湾 (River Isles)、綠苑 (Hijauan on Cavenagh)、Okio Residences、Uber 388、Hallmark Residences、Palms @ Sixth Avenue 及湖景苑@园景 (Lake Vista @ Yuan Ching)，一项由私人发展商设计、兴建和销售的住屋计划 (Design, Build and Sell Scheme, 简称DBSS)，为本集团的工程项目记录锦上添花。

此外，本集团也获得来自日本的定制家具合同，协助阿伊达 (AIDA) 邮轮公司打造一艘可乘坐高达3, 250位乘客的全新豪华邮轮，该德国邮轮航线的总部设在德国的罗斯托克。

酒店、综合娱乐场所及商业项目

作为室内装潢行业的先锋，本集团为酒店、综合娱乐场所及商业项目领域提供全套的室内装潢方案，这些方案是以我们突出的项目管理及专业知识来严谨执行，再配合我们广泛多元的全球资源网络，如此周全完善，巨细靡遗。

收购DDS集团，进一步令此业务分部的实力如虎添翼，毕竟该集团在酒店、综合娱乐场所及商业项目领域的优越表现一直都备受公认。我们通过DDS集团，已成功取得一系列备受瞩目的高端项目。我们赢得的工程项目除了有新加坡的知名酒店及综合娱乐场所项目，也包括亚洲其他的度假胜地，如马来西亚、泰国及其他新兴市场的瞩目项目。

Caspian
水之轩
Photo is courtesy of Frasers Centrepoint Homes

ITE Central College
工艺教育中区学院
Photo is courtesy of Institute of Technical Education
工艺教育局

2012年由DDS马来西亚取得的瞩目项目包括：
- 为香格里拉集团旗下的商贸饭店（位于马来西亚依斯干达特区的五大旗舰区之一）的公共区域进行新增的室内装潢工程；
- 为吉隆坡5星级艾美酒店的第四和第六层的公共区域进行翻新工程；
- 为吉隆坡雅诗阁的服务式公寓进行翻新工程，那是著名雅诗阁集团为专为旅游常客，行政人员和旅居人士所打造的舒适公寓；
- 为吉隆坡的希尔顿酒店与文华东方酒店等五星级酒店的公共区域进行翻新工程，如大堂的接待处和大堂酒吧，以及特色餐厅等等。

2012年由DDS新加坡取得的瞩目项目包括：
- 位于索美塞地铁站旁的新酒店工程项目，包括为酒店的502间客房进行室内装潢工程。作为综合建设中的一环，该酒店还另设一个零售商场，预计于2013/2014年完工；
- 为辉盛阁国际公寓的173个服务式公寓进行翻新工程；
- 两项崭新工程，分别为一个宽达2万平方尺的大型食阁装潢，以及为新加坡滨海湾威斯汀酒店供应及安装定制及活动式家具。

分销项目

我们从策略伙伴关系中看到可贵的价值，为此我们与德国的知名品牌西曼帝克建立了长远合作关系。在为分销平台选择合作伙伴时，我们会确保它们持有与本集团一致的价值观和使命感，一起建立良好的合作伙伴关系，得以增强分销产品组合。

拓展中国市场

回顾这一年度，我们在中国市场已取得令人鼓舞的进展。我们设于广东省惠州市的工厂已全面投入运作，并开始大量生产以支援本集团已取得的各个项目。

我们在中国的工厂备有灵活的生产线，与我们在马来西亚操作的其他两项设施一致，三者同样注重效益，并极力迎合特定市场的各种需求和规格。

除了进一步加强集团在中国的民用分销市场，我们坐落在广东省东莞市的首个大型展厅兼销售办事处也蓄势待发，成为我们最佳的销售平台，积极向众开发商展示我们绝佳的产品和服务。

Lake Vista @ Yuan Ching
湖景苑 @ 园景
Image is courtesy of Hoi Hup Sunway Yuan Ching Pte Ltd
海峡双威园景私人有限公司

Viva
Photo is courtesy of Allgreen Properties
长春产业有限公司

此外，我们不仅参加了第14届中国（广州）国际建筑装饰博览会，也加强我们在营销推广的努力。我们全力落实各项计划，觅得适当的分销合作伙伴并携手建设展厅，从而优化我们品牌的商业覆盖面，使瑞胜的旗帜昂然飘扬在中国各大繁华的大都市。

展望2013年

展望未来，我们清楚认知到宏观经济的种种不利因素和政策，或会影响我们的业务与增长，其中包括新加坡政府所实施的房地产降温措施、收紧外劳政策，以及马来西亚的最低工资议题等。我们预期2013年仍将充满严峻挑战和竞争，但我们会进一步加强成本控制，力求在生产过程中提高生产力和效率。随着旅游业的蓬勃发展，我们也将继续把重点放在新加坡和马来西亚的酒店、综合娱乐场所及商业项目等各种商业良机，高瞻远瞩，伺机而动。

截至2013年2月本集团的订单总额高达23，330万新元。

鸣谢

我藉此机会欢迎我们的新非执行主席陳淑君女士，并深深感谢她愿意担任这项新的角色。我们相信她必能胜任愉快，并继续秉持活力充沛和敬业乐业的精神来为本集团贡献。自2006年1月受委为独立董事以来，她就是董事局里建树良多的其中一员。陳女士本身是ACIES律师事务所的董事，在法律领域中累积了超过19年的丰富经验。

最后，我谨此感谢各级管理人员及各部门员工的热诚付出与辛勤努力，使我们能够巩固集团的市场定位，继续成为新加坡领先的大型家具制造商、产品和室内装潢专家。我期待大家继续给予支持并积极贡献，让我们把许多计划中的战略措施做到最好，齐心协力推动本集团迈向更辉煌的高峰。

林麟波
行政总裁

FOR THE YEAR 本年度

Revenue 销售收入

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
1st quarter 第一季度	24,716	29,502	(4,786)	(16.2)
2nd quarter 第二季度	41,317	19,567	21,750	111.2
3rd quarter 第三季度	40,788	20,186	20,602	102.1
4th quarter 第四季度	53,810	23,967	29,843	124.5
Total 合计	**160,631**	**93,222**	**67,409**	**72.3**

Gross profit 毛利润

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
1st quarter 第一季度	6,668	6,937	(269)	(3.9)
2nd quarter 第二季度	7,617	6,225	1,392	22.4
3rd quarter 第三季度	8,395	6,084	2,311	38.0
4th quarter 第四季度	9,068	7,930	1,138	14.4
Total 合计	**31,748**	**27,176**	**4,572**	**16.8**

Profit from operations 业务溢利

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
1st quarter 第一季度	4,569	3,878	691	17.8
2nd quarter 第二季度	3,335	3,427	(92)	(2.7)
3rd quarter 第三季度	3,483	3,826	(343)	(9.0)
4th quarter 第四季度	3,380	5,028	(1,648)	(32.8)
Total 合计	**14,767**	**16,159**	**(1,392)**	**(8.6)**

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

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
1st quarter 第一季度	4,192	5,960	(1,768)	(29.7)
2nd quarter 第二季度	2,623	2,693	(70)	(2.6)
3rd quarter 第三季度	2,466	2,218	248	11.2
4th quarter 第四季度	2,382	4,386	(2,004)	(45.7)
Total 合计	**11,663**	**15,257**	**(3,594)**	**(23.6)**

Dividend 股息

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
Interim dividend 中期股息	1,952	3,191	(1,239)	(38.8)
Proposed/Final dividend 拟派/末期股息	1,952	3,253	(1,301)	(40.0)
Proposed/Special dividend 拟派/特别股息	6,507	-	6,507	N.M
Total 合计	**10,411**	**6,444**	**3,967**	**61.6**

AT YEAR END 年底

Equity 权益

(in S$'000) 千元	2012	2011	Variance 差额	% Change 百分比变化
Share capital 股本	32,732	30,161	2,571	8.5
Reserves 法定及其他储备金	70,033	64,597	5,436	8.4
Non-controlling interest 非控制性权益	(314)	-	(314)	N.M
Total equity 总权益	**102,451**	**94,758**	**7,693**	**8.1**

Per share 每股

(in S$cents) 分	2012	2011	Variance 差额	% Change 百分比变化
Earnings 收益	4.50	5.98	(1.48)	(24.7)
Net tangible assets 净资产	39.36	37.13	2.23	6.0
Interim dividend 中期股息	0.75	1.25	(0.50)	(40.0)
Proposed/Final dividend 拟派/末期股息	0.75	1.25	(0.50)	(40.0)
Proposed/Special dividend 拟派/特别股息	2.50	-	2.50	N.M

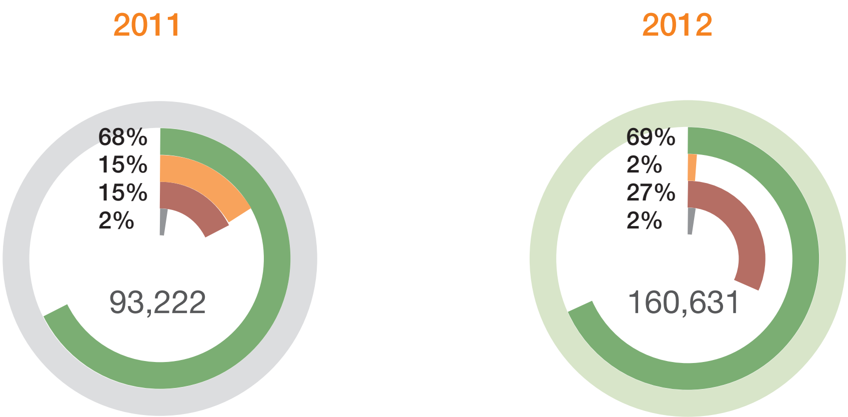
Financial ratios 财务比率

(%)	2012	2011	Variance 差额	% Change 百分比变化
Return on assets 资产回报	8.04	12.80	(4.76)	(37.2)
Return on equity 股本回报	11.38	16.10	(4.72)	(29.3)

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

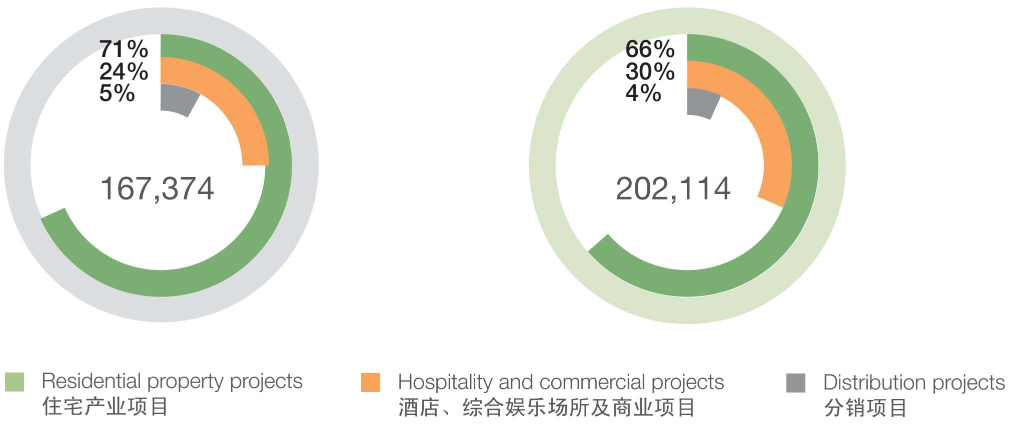


- Singapore 新加坡
- United Arab Emirates 阿联酋
- Malaysia 马来西亚
- Others 其它

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 2011
2011 年12 月31 日

As at 31 December 2012
2012 年12 月31 日



Order book on hand by business segments 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 2011
2011 年12 月31 日

As at 31 December 2012
2012 年12 月31 日

FIVE YEARS FINANCIAL SUMMARY 五年业绩汇总

Income statement 损益表

(in S$'000) 千元	2008	2009	2010	2011	2012
Revenue 销售收入	74,356	113,935	107,970	93,222	160,631
Gross profit 毛利润	23,999	35,611	31,928	27,176	31,748
Profit from operations 业务溢利	15,696	25,951	21,771	16,159	14,767
Profit before tax 税前利润	15,258	29,961	23,088	18,746	14,781
Net profit 净利润	12,782	25,377	19,617	15,257	11,663

Balance sheet 资产负债表

(in S$'000) 千元	2008	2009	2010	2011	2012
Property, plant & equipment 物业，厂房及设备	9,302	9,845	11,616	25,886	26,793
Inventories 存货	10,484	6,890	9,126	11,610	15,031
Construction work-in-progress 在建合同工程	3,362	6,381	8,008	6,776	7,103
Trade receivables 应收账款	26,738	33,002	40,605	28,220	53,012
Cash and fixed deposits 货币资金	31,159	36,359	34,701	28,611	29,095
Trade payables 应付账款	5,644	5,120	9,523	6,175	13,166
Accrued operating expenses 应计运作开支	16,081	19,925	15,558	11,731	22,026
Deposits received 已收按金	5,868	592	1,587	2,463	2,615
Bank loan 银行贷款	2,984	-	-	-	-
Shareholders' equity 股东权益	51,612	71,291	84,626	94,758	102,451
Total assets 总资产	86,229	101,299	116,395	119,163	145,030
Total liabilities 总负债	34,617	30,008	31,769	24,405	42,579

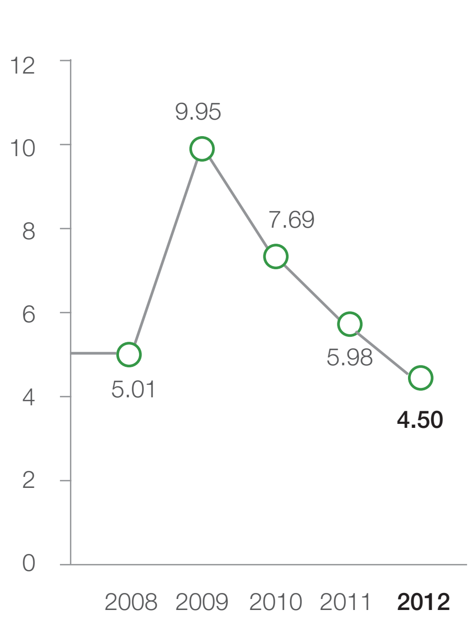
Cash flow 现金流量

(in S$'000) 千元	2008	2009	2010	2011	2012
Operating activities 经营活动	13,451	18,603	8,112	16,642	11,133
Investing activities 投资活动	(3,509)	(4,385)	(3,258)	(16,325)	(7,187)
Financing activities 融资活动	(845)	(9,578)	(8,591)	(5,189)	(4,178)
Net movement 变动净额	9,097	4,640	(3,737)	(4,872)	(232)

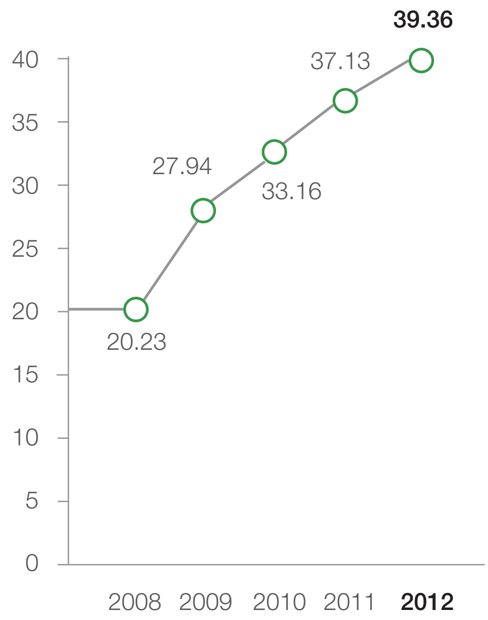
Financial ratios 财务比率

	2008	2009	2010	2011	2012
Earnings per share (S$cents) 每股收益（分）	5.01	9.95	7.69	5.98	4.50
Net asset value per share (S$cents) 每股净资产值（分）	20.23	27.94	33.16	37.13	39.36
Dividend per share (S$cents) 每股股息（分）	1.00	2.50	2.50	2.50	4.00
Return on equity (%) 股本回报率（%）	24.77	35.60	23.18	16.10	11.38
Return on assets (%) 资产回报率（%）	14.82	25.05	16.85	12.80	8.04
Current ratio 流动比率	2.16	2.51	2.80	3.00	2.53

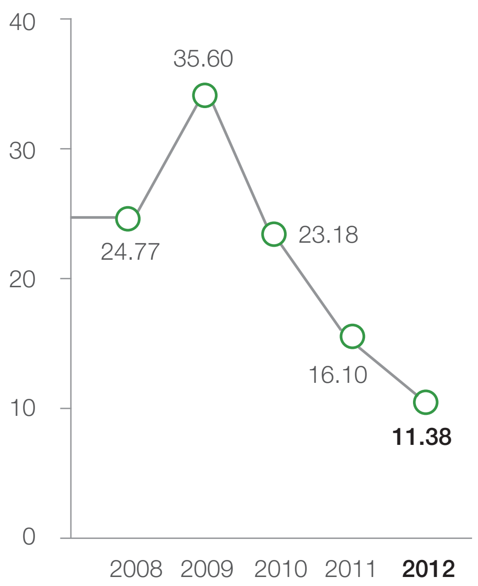
Earnings per share (in S$cents)
每股收益（分）



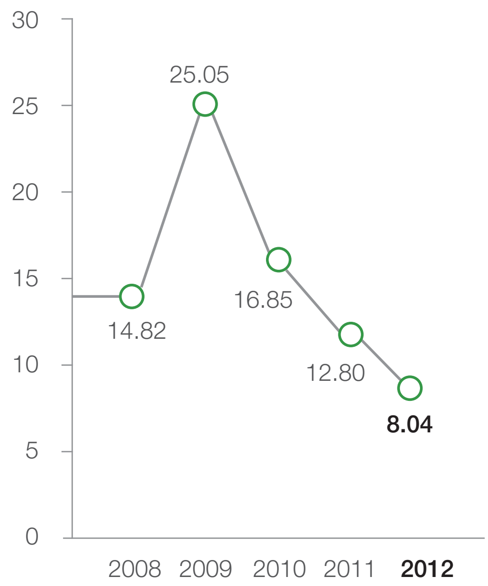
Net asset value per share (in S$cents)
资产净值（分）



Return on equity (%)
股本回报率（%）

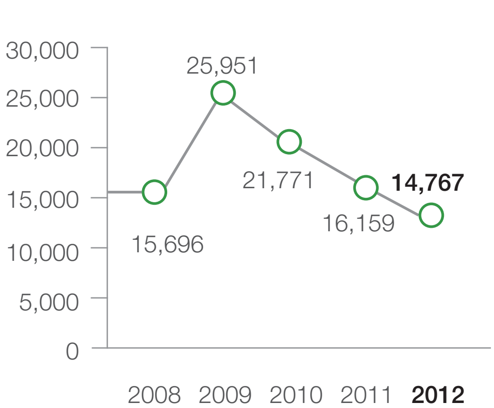


Return on assets (%)
资产回报率（%）

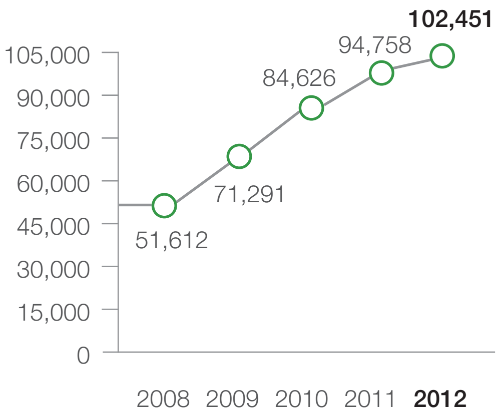


Group turnover by business segments (in S$'000)
集团营业额 （按业务分部）（千元）

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



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



Design Studio 瑞胜

DESIGN STUDIO FURNITURE MANUFACTURER LTD (Singapore)
瑞胜家具制造商有限公司（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% — **DSI (Middle East) Pte. Ltd.** (Singapore) 瑞胜（中东）私人有限公司 (新加坡)
- 49% — **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)
- 100% — **DDS Asia Holdings Pte Ltd** (Singapore) DDS亚洲控股私人有限公司 (新加坡)
  - 69% — **DDS Contracts and Interior Solutions (Thailand) Co., Ltd** (Thailand) DDS 室内装潢（泰国）有限公司 (泰国)
  - 100% — **DDS Contracts and Interior Solutions (Vietnam) Co., Ltd** (Vietnam) DDS 室内装潢（越南）有限公司 (越南)
  - 100% — **DDS Contracts and 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 and Interior Solutions Pte Ltd** (Singapore) DDS 室内装潢（新加坡）私人有限公司 (新加坡)
- 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% — **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)

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 almost 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 is an Executive Director since 5 March 1994. Presently, as the Chief Executive Officer of the Group, he is responsible for the operations, research & product developments and business developments divisions. He has over 31 years of experience in the furniture industry and has been instrumental in the establishment and development of the Group's business.

Elin Wong Hong Keow (Executive Director) 执行董事

Elin Wong came on board as Executive Director on 15 August 2006. Armed with over 26 years of experience in the fields of sales & marketing, branding communications, advertising and public relations, Elin brings a wealth of knowledge and expertise to the Group. Her key responsibilities include Export Sales & Marketing, Business Developments, Corporate Communications and Investor Relations. She graduated with a Diploma in Sales & Marketing in 1989 from the Chartered Institute of Marketing UK.

Kelly Ng Chai Choey (Executive Director) 执行董事

Kelly Ng Chai Choey was appointed as Executive Director on 15 September 2008. She has more than 21 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 Certified Public Accountants of Singapore and Association of Chartered Certified Accountants.

Mohannad Izzat Sweid (Non-Executive Director) 非执行董事

Mohannad Izzat Sweid was appointed as our Non-Executive Director on 13 August 2007. He is Chief Executive Officer and co-founder of Depa United Group, the Middle East's premier interior contracting company and a global top-five industry leader. He studied Architecture and Design from the Boston Architectural Centre and began his career over 31 years ago, leading and managing top interior consulting and interior contracting companies in the United States and Middle East. Mr Sweid founded Depa Interiors in 1996, a company that, through numerous acquisitions and partnerships, became part of Depa United Group, formed in 2006. Prior to founding Depa United Group, Mr Sweid was the Managing Partner at Rochan Fine Arts in Saudi Arabia and was also previously the Vice President of Middle East Operations for Vesti Corporation in Boston, United States of America.

Seah Hou Kee (Independent Director)
独立董事

Seah Hou Kee was appointed as Independent Director on 20 December 2002. He has more than 37 years of experience in finance, accounting, auditing and administration and is currently the Managing Partner of H K Seah Public Accounting Corporation. He is a member of the Singapore Institute of Directors and a fellow member of both the Institute of Certified Public Accountants of Singapore and CPA Australia. He graduated with Bachelor of Commerce (Accountancy) (Honours) from Nanyang University.

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 33 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 Certified Public Accountants of Singapore and CPA Australia. He is also a member of the Singapore Institute of Directors. Mr Ong also sits on the board of several listed companies.

Hadi Solh (Non-Executive Director) 非执行董事

Hadi Solh was appointed as Non-Executive Director on 9 November 2010. A graduate of Harvard University and M.I.T. Sloan (M.B.A.), Mr Solh is currently Managing Director of Investments at Depa United Group, the leading global interior contractor. In this M&A role, he is responsible for investing and managing AED1 Billion, primarily by executing strategic acquisitions and joint ventures in Asia, MENA, and Europe. Prior to Depa, Mr Solh was a senior consultant at McKinsey & Company, where he advised top executives of leading GCC corporations and governments on strategic and corporate finance initiatives. Mr Solh has also worked with Goldman Sachs in London as a member of the Middle Eastern investment banking team, where he focused on IPO and M&A transactions. Mr Solh began his career on Wall Street in New York working for Credit Suisse First Boston (CSFB). As part of the Global Business Development group, he was responsible for expanding CSFB's presence internationally through joint ventures and acquisitions. Mr Solh is an active member of the Harvard UAE alumni association, the Harvard Arab alumni association, the MIT UAE alumni association, and the McKinsey alumni network.

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 22 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).

Corporate **INFORMATION** / 企业资讯

Board of Directors

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Bernard Lim Leng Foo	(Chief Executive Officer)
Elin Wong Hong Keow*	(Executive Director)
Kelly Ng Chai Choey	(Executive Director)
Mohannad Izzat Sweid	(Non-Executive Director)
Hadi Solh*	(Non-Executive Director)
Muhammad Umar Saleem	(Non-Executive Director)
Seah Hou Kee*	(Independent Director)
Ong Tiew Siam	(Independent Director)

Audit Committee

Seah Hou Kee*	(Chairman)
Ong Tiew Siam	
Muhammad Umar Saleem	
Tan Siok Chin	

Remuneration Committee

Tan Siok Chin	(Chairman)
Seah Hou Kee*	
Ong Tiew Siam	
Mohannad Izzat Sweid	

Nominating Committee

Ong Tiew Siam	(Chairman)
Tan Siok Chin	
Seah Hou Kee*	
Bernard Lim Leng Foo	

Company Secretaries

Helen Campos
Kelly Ng Chai Choey

Management Team

Bernard Lim Leng Foo	(Chief Executive Officer)
Elin Wong Hong Keow*	(Executive Director)
Kelly Ng Chai Choey	(Executive Director)
Jeremy Koh Kah Liam	(Director)
Michael Leong Ting Boon	(Project Director)
Wong Chee Seng	(Chief Executive Officer of DDS Group)

Auditors

Deloitte & Touche LLP
Partner: Mohammad Shariq Sayeed Barmaky
(appointed on 21 April 2011)

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

** ceased to be Director with effect from 1 April 2013*

Financial **CONTENTS**

The Board of Directors and Management of 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 2012 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	6	6	1	1	5	5
Bernard Lim Leng Foo	4	4	N.A.	N.A.	1	1	N.A.	N.A.
Elin Wong Hong Keow	4	4	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	4	4	N.A.	N.A.	N.A.	N.A.	5	5
Hadi Solh	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Muhammad Umar Saleem	4	4	6	4	N.A.	N.A.	N.A.	N.A.
Seah Hou Kee	4	4	6	6	1	1	5	5
Ong Tiew Siam	4	4	6	6	1	1	5	5

*Note:

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;
- Internal controls and risk management strategies and execution.

Principle 2: Board Composition and Guidance

As at the financial year end, the Board comprises the following members:

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Bernard Lim Leng Foo	(Chief Executive Officer)
Elin Wong Hong Keow*	(Executive Director)
Kelly Ng Chai Choey	(Executive Director)
Mohannad Izzat Sweid	(Non-Executive Director)
Hadi Solh***	(Non-Executive Director)
Muhammad Umar Saleem	(Non-Executive Director)
Seah Hou Kee**	(Independent Director)
Ong Tiew Siam	(Independent Director)

* Ms Elin Wong had resigned from the Board and the Company to pursue other personal interests. She ceased to be the Executive Director of the Company with effect from 1 April 2013.

** Mr Seah Hou Kee has informed the Company that he will not offer himself for re-election as Director at the Company's forthcoming Annual General Meeting ("AGM") and ceased to be the Independent Director of the Board and Chairman of the Audit Committee with effect from 1 April 2013.

*** Mr Hadi Solh ceased to be the Non-Executive Director of the Board with effect from 1 April 2013, as a result of reconstitution of the Board.

Currently, 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)
Mohannad Izzat Sweid	(Non-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 2013 Annual General Meeting:

– Rotation under the Article 102 of the Articles of Association

  i) Ong Tiew Siam
  ii) Muhammad Umar Saleem

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.
- Review training and professional development programs for the Board.

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.

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, Mr Seah Hou Kee 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 six.

Principle 6: Access to Information

All Board members have separate and independent 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.

The Board members may, at any time, in the furtherance of their duties, request for independent professional advice and receive training at the Company's expense.

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)
Mohannad Izzat Sweid	(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 aspects of remuneration matters, as well as 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.

More details on the Share Plans are provided on pages 91 and 92 of the Annual Report.

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

	S$
Non-Executive Director	45,000
Independent Director	60,000

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 2012, the remuneration of Directors and top eight key executives are set out below:

Remuneration band Name of Directors	Salary (%)	Bonus (%)	Profit Sharing (%)	Director Fees (%)	Other Benefits (%)	Total (%)
S$1,000,000 to S$1,250,000						
Chief Executive Officer						
Bernard Lim Leng Foo	47		40		13	100
≥S$500,000 to S$750,000						
Executive Directors						
Elin Wong Hong Keow	54		28		18	100
Kelly Ng Chai Choey	48		39		13	100
≤S$250,000						
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

Remuneration band Name of executive officers	Salary (%)	Bonus (%)	Profit Sharing (%)	Director Fees (%)	Other Benefits (%)	Total (%)
≥S$250,000 to S$500,000						
Wong Chee Seng	61		32		7	100
Jeremy Koh	57		33		10	100
Michael Leong	63		9		28	100
≤S$250,000						
Chua Wei Ping	48	14	13		25	100
Chan Pheng Chun	59	19	9		13	100
Mak Soon Heng	61	23	12		4	100
Chew Keng Meng	68	13	9		10	100
Jack Chen	53	13	15		19	100

Total remuneration paid to the above key executive officers for FY2012 was S$2,174,000.

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 and compliance and information technology controls and to risk management policies and systems established by the Management. In assessing the effectiveness of internal controls, the AC ensures that the key objectives are met, material assets are safeguarded and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

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

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

The Board is satisfied that the Company's framework on internal controls is adequate to provide 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 with effect from 1 April 2013)
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.

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Greater Shareholder Participation

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.

The directors present their report together with the audited consolidated financial statements of 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 2012.

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)
Elin Wong Hong Keow	
Kelly Ng Chai Choey	
Mohannad Izzat Sweid	
Hadi Solh	
Muhammad Umar Saleem	
Seah Hou Kee	
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 2012	31 December 2012	1 January 2012	31 December 2012
The Company				
Ordinary shares				
Bernard Lim Leng Foo	7,000,000	7,000,000	–	–
Ultimate holding company (Depa Limited)				
Ordinary shares of US$0.40 each				
Mohannad Izzat Sweid	11,392,860	11,392,680	–	–

The directors' interests in the shares and debentures of the Company at 21 January 2013 were the same at 31 December 2012, except for Mr Bernard Lim Leng Foo who sold 3,000,000 shares on 11 January 2013. 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 another 2,000,000 shares on 7 January 2014 and the remaining 2,000,000 shares on 7 January 2015 respectively.

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

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2012, 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:

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

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

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

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

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

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

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

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

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

- Recommend to the Board the appointment, re-appointment and removal of the external auditors to be nominated, approve the compensation and terms of engagement of the external auditors, and review the scope and results of the audit;

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

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

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

8 March 2013

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 44 to 49 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 2012, 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 as and when they fall due.

ON BEHALF OF THE DIRECTORS

Bernard Lim Leng Foo

Kelly Ng Chai Choey

8 March 2013

Report on the Financial Statements

We have audited the financial statements of 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 2012, 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 50 to 92.

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 2012 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
Certified Public Accountants
Singapore

8 March 2013

BALANCE SHEETS

As at 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	4	26,793	25,886	4,896	5,982
Investment in subsidiaries	5	–	–	43,063	21,279
Investment in an associate	6	–	9,661	–	2,250
Intangible assets	7	2,784	61	55	61
Deferred tax assets	20	10	–	10	–
Trade and other receivables	10	7,725	10,196	4,459	10,196
Prepayments		298	724	–	–
Current assets					
Inventories	8	15,031	11,610	1,723	1,404
Gross amount due from customers for contract work-in-progress	9	7,103	6,776	5,938	6,074
Trade and other receivables	10	55,633	22,957	29,140	19,261
Prepayments		558	2,681	225	648
Cash and short-term deposits	11	29,095	28,611	9,680	25,785
		107,420	72,635	46,706	53,172
Current liabilities					
Trade and other payables	12	39,413	21,054	21,391	17,879
Finance lease liabilities	13	–	3	–	–
Provision for tax		2,978	3,145	934	2,098
		42,391	24,202	22,325	19,977
Net current assets		65,029	48,433	24,381	33,195
Non-current liabilities					
Deferred tax liabilities	20	63	88	–	63
Other payables	12	125	115	–	–
Net assets		102,451	94,758	76,864	72,900
Equity attributable to equity holders of the Company					
Share capital	14	32,732	30,161	32,732	30,161
Reserves		70,033	64,597	44,132	42,739
		102,765	94,758	76,864	72,900
Non-controlling interest		(314)	–	–	–
		102,451	94,758	76,864	72,900

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2012

	Note	Group 2012 $'000	Group 2011 $'000
Revenue	15	160,631	93,222
Cost of sales		(128,883)	(66,046)
Gross profit		31,748	27,176
Other income	17	2,369	3
		34,117	27,179
Marketing and distribution expenses		(6,055)	(4,259)
General and administrative expenses		(13,295)	(6,761)
Profit from operations	18	14,767	16,159
Finance expenses	19	(4)	(10)
Finance income	19	18	61
Share of result of an associate		–	2,536
Profit before tax		14,781	18,746
Tax expense	20	(3,472)	(3,489)
Profit net of tax		11,309	15,257
Profit attributable to:			
Equity holders of the Company		11,663	15,257
Non-controlling interests		(354)	–
		11,309	15,257
Earnings per share ($cents)			
- basic	21	4.50	5.98
- diluted	21	4.50	5.98

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 2012

	Group	
	2012	2011
	$'000	$'000
Profit net of tax	11,309	15,257
Other comprehensive income:		
Foreign currency translation	(1,027)	1,301
Share of other comprehensive loss of an associate	–	(45)
Total comprehensive income for the year	10,282	16,513
Total comprehensive income attributable to:		
Equity holders of the Company	10,641	16,513
Non-controlling interests	(359)	–
	10,282	16,513

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2012

	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 2011	30,161	54,431	34	84,626	–	84,626
Total comprehensive income for the year	–	15,257	1,256	16,513	–	16,513
Dividends on ordinary shares (Note 29)	–	(6,381)	–	(6,381)	–	(6,381)
Balance at 31 December 2011	30,161	63,307	1,290	94,758	–	94,758
Total comprehensive income for the year	–	11,663	(1,022)	10,641	(359)	10,282
Dividends on ordinary shares (Note 29)	–	(5,205)	–	(5,205)	–	(5,205)
Non-controlling interest arising from acquisition of a subsidiary (Note 30)	–	–	–	–	45	45
Shares issued for acquisition of a subsidiary (Note 30)	2,571	–	–	2,571	–	2,571
Balance at 31 December 2012	32,732	69,765	268	102,765	(314)	102,451

	Share capital $'000	Revenue reserve $'000	Total $'000
Company			
Balance at 1 January 2011	30,161	38,977	69,138
Total comprehensive income for the year	–	10,143	10,143
Dividends on ordinary shares (Note 29)	–	(6,381)	(6,381)
Balance at 31 December 2011	30,161	42,739	72,900
Total comprehensive income for the year	–	6,598	6,598
Dividends on ordinary shares (Note 29)	–	(5,205)	(5,205)
Shares issued for acquisition of a subsidiary (Note 30)	2,571	–	2,571
Balance at 31 December 2012	32,732	44,132	76,864

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 2012

	Note	Group 2012 $'000	Group 2011 $'000
Cash flows from operating activities			
Profit before tax		14,781	18,746
Adjustments:			
Impairment loss on doubtful receivables	18	–	3
Depreciation of property, plant and equipment	18	3,863	3,145
Gain on disposal of property, plant and equipment	18	(64)	(22)
Finance expenses	19	4	10
Finance income	19	(18)	(61)
Share of result of an associate		–	(2,536)
Amortisation of club membership	18	6	6
Amortisation of order backlog	18	3,116	–
Interest accretion	18	(179)	–
Gain on re-measurement of equity interest to fair value	30	(2,339)	–
Currency translation difference		(209)	294
Operating profit before working capital changes		18,961	19,585
(Increase) Decrease in:			
Inventories		(3,421)	(2,484)
Contract work-in-progress		3,123	1,232
Trade and other receivables		(5,266)	10,858
Prepayments		2,577	(1,933)
Increase (Decrease) in:			
Trade and other payables		455	(7,034)
Cash flows from operations		16,429	20,224
Finance expenses paid		(4)	(10)
Income taxes paid		(5,292)	(3,572)
Net cash flows from operating activities		11,133	16,642
Cash flows from investing activities			
Costs incurred for construction-in-progress		(3,498)	(4,173)
Finance income received		18	61
Proceeds from sale of property, plant and equipment		125	35
Purchase of property, plant and equipment		(1,685)	(12,252)
Proceeds from sale of investment securities		–	4
Net cash outflow on acquisition of subsidiary	30	(2,147)	–
Net cash flows used in investing activities		(7,187)	(16,325)
Cash flows from financing activities			
Decrease in cash and short-term deposits pledged		1,058	1,218
Dividends paid on ordinary shares by the Company	29	(5,205)	(6,381)
Repayment of finance lease liabilities		(31)	(26)
Net cash flows used in financing activities		(4,178)	(5,189)
Net decrease in cash and cash equivalents		(232)	(4,872)
Cash and cash equivalents at beginning of year		27,081	31,953
Cash and cash equivalents at end of year	A	26,849	27,081

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:

	Note	Group 2012 $'000	Group 2011 $'000
Cash at banks and on hand	11	29,095	7,353
Fixed deposits	11	–	21,258
Cash and short-term deposits		29,095	28,611
Less: Cash and short-term deposits pledged		(2,246)	(1,530)
Cash and cash equivalents		26,849	27,081

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

1 GENERAL

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 Dubai - 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.

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 balance sheet and statement of changes in equity of the Company for the year ended 31 December 2012 were authorised for issue by the Board of Directors on 8 March 2013.

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").

2.2 ADOPTION OF NEW AND REVISED STANDARDS - The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2012 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.

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

- Amendments to FRS 1 *Presentation of Financial Statements - Amendments relating to Presentation of Items of Other Comprehensive Income*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 113 *Fair Value Measurement*
- Amendments to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosure – Offsetting Financial Assets and Financial Liabilities*
- Annual Improvements to FRS 2012

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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, investments in subsidiaries and an associate are 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.4 BUSINESS COMBINATIONS (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 FINANCIAL INSTRUMENT (cont'd)

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 asset, 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.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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.

Financial liabilities and equity liabilities

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 FINANCIAL INSTRUMENT (cont'd)

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.

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

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

Derecognition of financial liabilities

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

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

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

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

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

2.7 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

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see 2.21). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lease will obtain ownership by the end of the lease term, the assets shall be fully depreciated over the shorter of the lease term and its useful life.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

2.11 INTANGIBLE ASSET

Intangible assets acquired separately

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

Intangible assets acquired in a business combination

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

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

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

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

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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 ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a Group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

2.14 PROVISIONS - Provisions are recognised when the Group has a present obligation (legal or constructive), as a result of a past event, it is probable that 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

(i) Sale of goods

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

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

(ii) Rendering of services

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

(iii) Project revenue

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

(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.

2.16 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 subsidiary in Malaysia makes contribution to the Employees Provident Fund ("EPF"). The subsidiary incorporated in the People's Republic of China ("PRC") is required to provide certain staff pension benefits to their employees under existing PRC regulations. Pension contributions are provided at rates stipulated by PRC regulations and are contributed to a pension fund managed by government agencies, which are responsible for administering these amounts for the subsidiary's PRC employees.

2.17 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

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

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

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

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

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.

2.19 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each entity within the Group are measured and presented in statements of each group entity 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.19 FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION (cont'd)

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.

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.

2.20 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.

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

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

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Critical judgements made in applying the entity's accounting policies

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 Company's net income tax payables, deferred tax assets and deferred tax liabilities at the end of the reporting period was $934,000 (2011 : $2,098,000), $10,000 (2011 : $Nil) and $Nil (2011 : $63,000) respectively. The carrying amount of the Group's net income tax payables, deferred tax assets and deferred tax liabilities at the end of the reporting period was $2,978,000 (2011 : $3,145,000), $10,000 (2011 : $Nil) and $63,000 (2011 : $88,000) 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.

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

Key sources of estimation uncertainty (cont'd)

(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 Note 4, 5, 6 and 7 to the financial statements.

(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 10 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 9 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 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 20 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 $7,725,000 (2011 : $10,196,000) and $4,459,000 (2011 : $10,196,000) 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 (2011 : $Nil). No impairment loss has been recognised. Details of impairment assessment are provided in Note 7 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 2011	5,680	67	253	573	2,053	592	1,722	17,813	–	9	28,762
Additions	–	–	133	233	127	588	118	11,053	–	4,173	16,425
Disposals	–	–	(24)	(3)	(46)	(3)	(52)	(12)	–	–	(140)
Reclassifications	–	–	–	–	–	–	847	–	–	(847)	–
Translation difference	–	–	3	12	13	16	61	962	–	–	1,067
Balance at 31 December 2011	5,680	67	365	815	2,147	1,193	2,696	29,816	–	3,335	46,114
Acquired on acquisition of a subsidiary (Note 30)	–	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
Accumulated depreciation:											
Balance at 1 January 2011	2,216	39	110	256	1,221	410	776	12,118	–	–	17,146
Depreciation charge for the year	258	7	44	87	280	108	392	1,969	–	–	3,145
Disposals	–	–	(20)	(2)	(46)	(2)	(52)	(5)	–	–	(127)
Translation difference	–	–	1	1	3	3	16	40	–	–	64
Balance at 31 December 2011	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
Carrying value:											
At 31 December 2012	2,948	23	192	733	553	921	3,736	14,705	50	2,932	26,793
At 31 December 2011	3,206	21	230	473	689	674	1,564	15,694	–	3,335	25,886

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 2011	5,680	67	144	501	1,808	402	1,072	2,864	–	12,538
Additions	–	–	44	60	–	371	119	205	–	799
Disposals	–	–	(24)	(1)	(46)	(3)	(52)	(12)	–	(138)
Transferred to a subsidiary	–	–	–	–	–	–	–	(672)	–	(672)
Balance at 31 December 2011	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
Accumulated depreciation:										
Balance at 1 January 2011	2,216	39	60	203	1,070	276	358	1,695	–	5,917
Depreciation charge for the year	258	7	22	60	225	72	199	324	–	1,167
Disposals	–	–	(20)	–	(46)	(2)	(52)	(5)	–	(125)
Transferred to a subsidiary	–	–	–	–	–	–	–	(414)	–	(414)
Balance at 31 December 2011	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
Carrying value:										
At 31 December 2012	2,948	15	88	239	279	377	429	521	–	4,896
At 31 December 2011	3,206	21	102	297	513	424	634	785	–	5,982

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Assets held under finance leases

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Carrying value of:				
- Machinery	–	3	–	–

5 INVESTMENT IN SUBSIDIARIES

	Company	
	2012	2011
	$'000	$'000
Unquoted shares, at cost	18,283	1,362
Less: Impairment losses	(1,127)	(1,066)
	17,156	296
Long-term loan to a subsidiary	25,907	20,983
	43,063	21,279

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

During the financial year, impairment loss amounting to approximately $61,000 (2011: $Nil) was recognised for D S Interior Decoration (Middle East) LLC as the subsidiary has been suffering losses for the current and past few financial years.

Details of the subsidiaries are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2012	2011	2012	2011
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

5 INVESTMENT IN SUBSIDIARIES (cont'd)

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2012	2011	2012	2011
Held by the Company:					
DSI (Middle East) Pte. Ltd. +	Dormant/ 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	45	100	45
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 DDS Asia Holdings Pte Ltd:					
DDS Contracts & Interior Solutions Pte Ltd **	Interior fitting-out and furnishing solutions/ Singapore	100	45	100	45
DDS Contracts & Interior Solutions Sdn Bhd *	Interior fitting-out and furnishing solutions/ Malaysia	100	45	100	45
DDS Contracts & Interior Solutions (Thailand) Co., Ltd ##	Interior fitting-out and furnishing solutions/ Thailand	69.39	31.22	69.39	31.22
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd +	Interior fitting-out and furnishing solutions/ Vietnam	100	45	100	45

* Audited by member firms of Deloitte Touche Tohmatsu Limited.

\# Audited by RSM China.

** Audited by Deloitte & Touche LLP, Singapore.

\+ 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 for 2012 and a member firm of Deloitte Touche Tohmatsu Limited for 2011.

\+\+ During the financial year, the remaining 55% equity interest in DDS Asia Holdings Pte Ltd was acquired by the Company (Note 30).

6 INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Investment in an associate, at cost	–	2,250	–	2,250
Share of post-acquisition reserves	–	7,411	–	–
	–	9,661	–	2,250

Details of the associate are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2012	2011	2012	2011
Held by the Company:					
DDS Asia Holdings Pte Ltd *	Investment holding company/ Singapore	–	45	–	45

* Audited by Deloitte & Touche LLP, Singapore.

During the financial year, the remaining 55% equity interest in DDS Asia Holdings Pte Ltd was acquired by the Company (Note 30).

Summarised financials and information in respect of the Group's associate are set out below:

	Group	
	2012	2011
	$'000	$'000
Assets and liabilities:		
Total assets	–	41,235
Total liabilities	–	(19,498)
Results:		
Revenue	–	63,598
Profit for the year	–	5,636

7 INTANGIBLE ASSETS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Club membership	128	128	128	128
Order backlog	3,116	–	–	–
	3,244	128	128	128
Less: Accumulated amortisation	(3,189)	(67)	(73)	(67)
	55	61	55	61
Goodwill	2,729	–	–	–
	2,784	61	55	61

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

Club membership

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

	Group and Company	
	2012	2011
	$'000	$'000
At beginning of year	67	61
Amortisation during the year	6	6
At end of year	73	67

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	
	2012	2011
	$'000	$'000
At beginning of year	–	–
Acquired on acquisition of a subsidiary (Note 30)	3,116	–
Accumulated amortisation during the year	(3,116)	–
At end of year	–	–

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

7 INTANGIBLE ASSETS (cont'd)

Goodwill

	Group	
	2012	2011
	$'000	$'000
Cost		
Acquired on acquisition of a subsidiary and balance at end of year	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 amounts 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 3.0%. The rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 15.8%.

At 31 December 2012, 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.

8 INVENTORIES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Raw materials, at cost	12,579	9,909	1,237	1,248
Work-in-progress, at cost	1,903	1,614	158	156
Finished goods, at cost	549	87	328	–
	15,031	11,610	1,723	1,404

The amount of inventories charged to the contract cost during the year was $27,140,000 (2011 : $14,183,000). 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.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	345,342	315,851	276,149	295,706
Less: Progress billings	(338,239)	(309,075)	(270,211)	(289,632)
Presented as:				
Gross amount due from customers for contract work	7,103	6,776	5,938	6,074
Retention monies on construction contract included in trade receivables	17,850	14,357	9,909	13,774

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables (non-current):				
Retention monies:				
Third parties	7,535	5,921	4,078	5,921
Corporate shareholder	190	3,618	190	3,618
Subsidiary	–	–	191	–
Associate	–	657	–	657
	7,725	10,196	4,459	10,196
Trade receivables (current):				
Third parties:				
Trade receivables	32,962	8,887	13,475	8,417
Retention monies	10,125	3,330	5,061	3,169
	43,087	12,217	18,536	11,586
Corporate shareholder:				
Trade receivables	2,200	695	2,200	695
Subsidiaries:				
Trade receivables	–	–	1,123	141
Retention monies	–	–	389	–
	–	–	1,512	141
Associate:				
Trade receivables	–	4,281	–	1,519
Retention monies	–	831	–	409
	–	5,112	–	1,928
Total trade receivables (current)	45,287	18,024	22,248	14,350

10 TRADE AND OTHER RECEIVABLES (cont'd)

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Other receivables:				
Other receivables	4,552	2,734	89	74
Deposits	5,794	2,199	213	126
	10,346	4,933	302	200
Amounts due from subsidiaries (non-trade)	–	–	7,307	4,711
Less: Doubtful receivables impaired	–	–	(717)	–
	10,346	4,933	6,892	4,911
Total trade and other receivable (current)	55,633	22,957	29,140	19,261

Trade receivables including amounts due from a corporate shareholder are non-interest bearing and are generally on 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 Company has provided an allowance of $717,000 (2011 : $Nil) for impairment for net amount due from a subsidiary with a nominal amount of $717,000 (2011 : $Nil). The subsidiary has been suffering losses for the current and past few financial years.

Receivables that are past due but not impaired

The Group and the Company have trade receivables (excluding retention monies) including amounts due from a corporate shareholder and an associate amounting to $2,200,000 (2011 : $695,000) and $Nil (2011 : $1,011,000) respectively 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade receivables past due:				
61 to 90 days	1,337	675	253	630
91 to 150 days	306	1,110	243	466
More than 150 days	3,365	2,255	3,142	2,255
	5,008	4,040	3,638	3,351

Movement in allowance accounts:

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
At 1 January	–	–	–	–
Charge for the year	–	(3)	(717)	–
Written off	–	3	–	–
At 31 December	–	–	(717)	–

11 CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Cash at banks and on hand	26,849	7,353	9,680	4,527
Cash at bank (pledged, Note 13)	2,246	–	–	–
	29,095	7,353	9,680	4,527
Fixed deposits (secured, Note 13)	–	1,530	–	1,530
Fixed deposits (unsecured)	–	19,728	–	19,728
	–	21,258	–	21,258
Total cash and short-term deposits	29,095	28,611	9,680	25,785

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.10% to 0.50% (2011 : 0.10% to 0.50%) per annum. Fixed deposits of the Group and the Company bear interest ranging from Nil% (2011 : 0.0075% to 0.55%) per annum.

12 TRADE AND OTHER PAYABLES

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Current:				
Trade payables:				
Amounts due to third parties	7,951	5,084	3,139	3,216
Amounts due to subsidiaries	–	–	10,244	1,159
Amounts due to a corporate shareholder	87	141	–	–
Retention payables	5,128	950	1,083	862
	13,166	6,175	14,466	5,237
Other payables	1,519	685	325	423
Non-trade payables due to a corporate shareholder	87	–	41	–
Accrued operating expenses	22,026	11,731	4,973	10,460
Deposits received	2,615	2,463	1,586	1,759
	39,413	21,054	21,391	17,879

Included in the accrued operating expenses is $15,684,000 (2011 : $6,874,000) for accruals related to projects.

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Non-current:				
Other payables	125	115	–	–
Financial liabilities:				
Total trade and other payables	39,538	21,169	21,391	17,879
Loans and borrowings (Note 13)	–	3	–	–
Total financial liabilities carried at amortised cost	39,538	21,172	21,391	17,879

12 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.

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.

13 LOANS AND BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Obligations under finance leases				
- secured [Note 23 (ii)]	–	3	–	–

Banking facilities

Company

As at 31 December 2011, banking facilities are secured by a pledge of fixed deposits of the Group amounting to approximately $1,530,000. There is no outstanding pledge as at 31 December 2012.

Subsidiaries

Banking facilities are secured by pledge of cash and short-term deposits of a subsidiary amounting to $2,246,000 (2011 : $Nil) 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.

14 SHARE CAPITAL

	Group and Company			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid:				
At 1 January	255,223	30,161	255,223	30,161
Shares issued for acquisition of a subsidiary (Note 30)	5,041	2,571	–	–
At 31 December	260,264	32,732	255,223	30,161

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.

15 REVENUE

Revenue represents project revenue and invoiced sales, net of returns and discounts and less goods and services tax. Intra-group transactions have been excluded from Group revenue. It comprises:

	Group	
	2012	2011
	$'000	$'000
Project revenue	153,939	88,138
Sale of goods	6,692	5,084
	160,631	93,222

16 PERSONNEL EXPENSES

	Group	
	2012	2011
	$'000	$'000
Wages, salaries and bonuses	23,345	15,856
Defined contribution plan	2,221	1,376
Other personnel expenses	976	373
	26,542	17,605
Less: Directors' remuneration	(2,642)	(1,832)
	23,900	15,773

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

17 OTHER INCOME

	Group	
	2012	2011
	$'000	$'000
Sundry income	30	2
Gain on re-measurement of equity interest to fair value (Note 30)	2,339	–
Grant income from jobs credit scheme	–	1
	2,369	3

18 PROFIT FROM OPERATIONS

This is determined after charging (crediting) the following:

	Group	
	2012	2011
	$'000	$'000
Audit fees		
- paid to auditors of the Company	206	131
- paid to other auditors	6	3
Non-audit fees		
- paid to auditors of the Company	44	42
- paid to other auditors	–	–
Depreciation of property, plant and equipment	3,863	3,145
Directors' fees	373	285
Directors' remuneration (Note 16)		
- directors of the Company	2,249	1,744
- other directors	393	88
Foreign exchange loss, net	1,044	44
Gain on disposal of property, plant and equipment	(64)	(22)
Operating lease expenses	2,804	2,052
Interest accretion	(179)	–
Amortisation of order backlog	3,116	–
Amortisation of club membership	6	6
Impairment loss on doubtful receivables	–	3

19 FINANCE EXPENSES AND FINANCE INCOME

	Group	
	2012	2011
	$'000	$'000
Finance expenses:		
- Bank overdrafts	1	–
- Bills payable and discounting	–	1
- Finance leases	3	2
- Bankers' guarantee and commitment fee	–	7
	4	10
Finance income:		
- Fixed deposits	18	61

20 TAX EXPENSE AND DEFERRED TAX

	Group	
	2012	2011
	$'000	$'000
Major components of income tax expense:		
Current tax:		
Singapore		
- current year	1,951	2,088
- (over) under provision in respect of prior year	(318)	89
Foreign		
- current year	2,486	1,202
- under provision in respect of prior year	7	21
Deferred tax:		
Singapore		
- current year	(697)	(34)
Foreign		
- origination and reversal of temporary differences	43	(68)
- under provision in respect of prior year	–	191
	3,472	3,489

Domestic income tax is calculated at 17% (2011 : 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Relationship between tax expense and accounting profit:

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

	Group	
	2012	2011
	$'000	$'000
Profit before tax	14,781	18,746
Tax at the domestic rates applicable to profits in the countries where the Group operates	4,161	3,224
Tax effect of non-deductible expenses	340	114
Income not subject to taxation	(4)	–
Tax exemption	(52)	(26)
Deduction on tax incentives	(98)	(170)
Total (over) under provision in respect of prior year - current tax	(311)	110
Total under provision of deferred taxation in respect of prior year - unutilised capital allowances and tax losses	–	191
Utilisation of reinvestment allowance	–	85
Deferred tax on acquisition of a subsidiary	(616)	–
Others	52	(39)
	3,472	3,489

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

20 TAX EXPENSE AND DEFERRED TAX (cont'd)

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

Group	Differences in depreciation $'000	Unrealised foreign exchange $'000	Other general provision $'000	Unabsorbed reinvestment allowance $'000	Intangibles and fair value adjustment $'000	Total $'000
Deferred tax assets (net)						
At 1 January 2011	(159)	(7)	5	259	–	98
Credit (Charge) to profit or loss for the year	159	7	(5)	(259)	–	(98)
At 31 December 2011	–	–	–	–	–	–
Credit to profit or loss for the year	10	–	–	–	–	10
At 31 December 2012	10	–	–	–	–	10
Deferred tax liabilities (net)						
At 1 January 2011	105	–	(8)	–	–	97
(Credit) Charge to profit or loss for the year	(14)	2	3	–	–	(9)
At 31 December 2011	91	2	(5)	–	–	88
(Credit) Charge to profit or loss for the year	(47)	7	11	–	(616)	(645)
Acquisition of a subsidiary (Note 30)	22	–	–	–	598	620
At 31 December 2012	66	9	6	–	(18)	63

Company	Differences in depreciation $'000	Other general provision $'000	Total $'000
Deferred tax assets (liabilities)			
At 1 January 2011	(105)	8	(97)
Credit to profit or loss for the year	34	–	34
At 31 December 2011	(71)	8	(63)
Credit (Charge) to profit or loss for the year	81	(8)	73
At 31 December 2012	10	–	10

21 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	
	2012	2011
	$'000	$'000
Profit net of tax	11,663	15,257
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for basic earnings per share, representing diluted earnings per share	259,286	255,223

22 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	
	2012	2011
	$'000	$'000
Sale of finished goods to an associate	–	22,069
Sales to immediate holding company's group of companies	1,944	113
Sales of finished goods to a director	195	–
Purchases from immediate holding company	862	–
Purchase of services from firms related to directors	76	65
Management fees received from an associate	–	723

22 RELATED PARTY DISCLOSURES (cont'd)

(ii) Compensation of key management personnel

	Group	
	2012	2011
	$'000	$'000
Short-term employee benefits	4,687	3,267
Central Provident Fund contributions	174	114
	4,861	3,381
Comprise amounts paid to:		
Directors of the Company	2,249	2,067
Other key management personnel	2,612	1,314
	4,861	3,381

23 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Not later than one year	1,658	1,735	397	519
Later than one year but not later than five years	2,942	3,423	448	608
Later than five years	1,533	1,740	677	841
	6,133	6,898	1,522	1,968

23 COMMITMENTS (cont'd)

(ii) Finance lease commitments

There are no outstanding finance lease commitments as at the end of the reporting period.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments		Present value of payments	
	2012	2011	2012	2011
Group	$'000	$'000	$'000	$'000
Not later than one year	–	3	–	3
Later than one year but not later than five years	–	–	–	–
Total minimum lease payments	–	3	–	3
Less: Amounts representing finance charges	–	–	–	–
Present value of minimum lease payments	–	3	–	3

(iii) 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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	111	1,969	–	84

24 CONTINGENCIES

Guarantees

(i) As at 31 December 2012, the Company had provided corporate guarantees of approximately $14,677,000 in favour of banks and financial institutions for the granting of credit facilities to three subsidiaries. As at 31 December 2011, the Company had provided corporate guarantees of approximately $21,822,000 in favour of banks and financial institutions for the granting of credit facilities and hire purchase financing to a subsidiary and an associate.

(ii) As at 31 December 2011, the Company had provided guarantee to a main contractor for the performance of a contract by its associate's wholly-owned subsidiary. The Company's exposure if the associate's wholly-owned subsidiary is unable to deliver its obligation under the contract would be approximately $45,583,000. There is no outstanding guarantee as at 31 December 2012.

Financial support

The Company has undertaken to provide financial support to a subsidiary for deficiency in its shareholders' funds and to extend adequate funding to meeting its net current liability position for the years ended 31 December 2012 and 2011.

24 CONTINGENCIES (cont'd)

Lawsuit against our Group

On 12 March 2009, the Company's subsidiary in Dubai was served a Judicial Summons and a Statement of Claim (together, the "Summons") from the Dubai Courts of First Instance, UAE. This Summons relates to a claim by Talal Saeed Ghazi (the "Claimant") whereby the Claimant is claiming against the Company a sum of AED300,000,000 (S$114,750,000) for alleged breach of contractual obligations, or alternatively, as compensation for obligations that the Claimant had fulfilled pursuant to projects that the Claimant had allegedly undertaken with the Company.

On 22 March 2009, the court had ordered the Claimant to serve the Summons through diplomatic channels as the Company does not have an office in the UAE.

The Dubai Courts of First Instance, UAE had on 12 January 2011 dismissed the Claim and ordered the Claimant to bear costs (the "Judgement").

On 22 February 2011, the Company had been served the Summons of Appeal filed by the Claimant appealing against the Judgement. This was subsequently dismissed by the Court of Appeal on 6 January 2012 and the Court had ordered the Claimant to pay for the fees, expenses and the advocate's charges amounting to AED1,000.

On 3 January 2013, the Court of Cassation, Dubai, had dismissed the appeal by the Claimant against the Company. The dismissal represents the final decision of the Court of Cassation to this litigation brought by the Claimant against the Company, resulting in the successful closure of the lawsuit.

25 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.

25 SEGMENT INFORMATION (cont'd)

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

2012	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and eliminations $'000	Notes	Consolidated $'000
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
2011						
Revenue:						
External customers	63,790	24,348	5,084	–		93,222
Inter-segment	16,612	5,216	43	(21,871)	A	–
Total revenue	80,402	29,564	5,127	(21,871)		93,222
Results:						
Share of result of an associate	–	2,536	–	–		2,536
Other non-cash expenses	–	–	–	(3,150)	B	(3,150)
Segment profit before tax	14,568	4,649	2,660	(3,131)	C	18,746
Assets:						
Investment in an associate	–	9,661	–	–		9,661
Additions to non-current assets	–	–	–	17,149	D	17,149
Segment assets	22,268	20,757	3,111	73,027	E	119,163
Liabilities:						
Segment liabilities	9,242	3,130	1,074	10,959	F	24,405

A Inter-segment revenue is eliminated on consolidation.

B Other non-cash expenses consist of depreciation expenses, amortisation of club membership and amortisation of order backlog.

25 SEGMENT INFORMATION (cont'd)

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

	Group	
	2012	2011
	$'000	$'000
Other income	30	3
Finance expenses	(4)	(10)
Finance income	18	61
Depreciation of property, plant and equipment	(3,863)	(3,145)
Unallocated corporate expenses	–	(40)
	(3,819)	(3,131)

D Additions to non-current assets consist of additions to property, plant and equipment and goodwill arising 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	
	2012	2011
	$'000	$'000
Property, plant and equipment	26,501	25,886
Club membership	55	61
Deferred tax assets	10	–
Cash and short-term deposits	12,574	28,611
Inventories	13,570	10,132
Other receivables, deposits and prepayments	7,570	8,337
	60,280	73,027

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

	Group	
	2012	2011
	$'000	$'000
Other payables	5,472	5,532
Trade payables	2,613	1,486
Lease obligations	–	3
Provision for tax	1,196	3,145
Deferred tax liabilities	68	88
Deposits received	261	705
	9,610	10,959

25 SEGMENT INFORMATION (cont'd)

Geographical information

Revenue by geographical markets are as follows:

	Group	
	2012	2011
	$'000	$'000
Singapore	111,239	63,411
Malaysia	43,850	13,523
United Arab Emirates	2,334	13,529
Others	3,208	2,759
	160,631	93,222

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

	Group	
	2012	2011
	$'000	$'000
Singapore	8,023	6,244
Malaysia	1,571	2,433
People's Republic of China	20,202	17,892
United Arab Emirates	79	102
	29,875	26,671

Information about a major customer

Revenue from a major customer amounted to $22,278,000 (2011 : $Nil) arising from sales in the hospitality and commercial projects segment.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(i) Credit risk (cont'd)

Exposure to credit risk

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

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of $14,677,000 (2011 : $21,822,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities (2011 : credit facilities and hire purchase financing) to three subsidiaries (2011 : a subsidiary and associate's wholly-owned subsidiary).

Information regarding credit enhancements for trade and other receivables is disclosed in Note 10.

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 (2011 : a corporate shareholder and an associate) at the end of the reporting period is as follows:

	2012		2011	
Group	$'000	% of total	$'000	% of total
By country:				
Singapore	35,890	67.70	15,342	54.37
Malaysia	11,200	21.13	3,816	13.52
United Arab Emirates	4,742	8.95	7,541	26.72
Thailand	1,172	2.20	1,508	5.34
Others	8	0.02	13	0.05
	53,012	100.00	28,220	100.00

At the end of the reporting period, approximately:

- 60.98% (2011 : 81.18%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates located in Singapore and Malaysia.
- 4.51% (2011 : 35.61%) 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 10.

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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.

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

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2012				
Trade payables	13,166	–	–	13,166
Other payables	1,606	125	–	1,731
Accrued operating expenses	22,026	–	–	22,026
Deposits received	2,615	–	–	2,615
	39,413	125	–	39,538
2011				
Trade payables	6,175	–	–	6,175
Other payables	685	115	–	800
Accrued operating expenses	11,731	–	–	11,731
Deposits received	2,463	–	–	2,463
Loans and borrowings	3	–	–	3
	21,057	115	–	21,172

	1 year or less	1 to 5 years	Over 5 years	Total
	$'000	$'000	$'000	$'000
Company				
2012				
Trade payables	14,466	–	–	14,466
Other payables	366	–	–	366
Accrued operating expenses	4,973	–	–	4,973
Deposits received	1,586	–	–	1,586
	21,391	–	–	21,391
2011				
Trade payables	5,237	–	–	5,237
Other payables	423	–	–	423
Accrued operating expenses	10,460	–	–	10,460
Deposits received	1,759	–	–	1,759
	17,879	–	–	17,879

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(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.

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

	Group		Company	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade and other receivables:				
USD	3,712	7,556	5,159	8,247
Ringgit	13,388	1,848	–	–
UAE Dirhams	68	70	–	399
RMB	4,473	2,801	–	–
Baht	1,407	–	474	–
Euro	951	–	3,331	2,267
Cash and short-term deposits:				
USD	2,037	1,350	2,018	1,071
Ringgit	8,300	1,926	–	–
RMB	1,423	547	–	–
Baht	141	–	–	–
UAE Dirhams	77	67	–	–
Trade and other payables:				
USD	318	86	201	79
Ringgit	10,455	1,822	15	11
Euro	604	1,303	406	1,169
Baht	1,118	–	33	–
UAE Dirhams	312	694	41	3
RMB	2,171	568	490	157
Loans and borrowings:				
Ringgit	–	3	–	–

26 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(iii) Foreign currency risk (cont'd)

Sensitivity analysis for foreign exchange risk

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

			Group Profit net of tax	
			2012	2011
			$'000	$'000
USD/SGD	–	strengthened 5% (2011 : 5%)	272	450
	–	weakened 5% (2011 : 5%)	(272)	(450)
Ringgit/SGD	–	strengthened 5% (2011 : 5%)	562	280
	–	weakened 5% (2011 : 5%)	(562)	(280)
RMB/SGD	–	strengthened 5% (2011 : Nil%)	186	–
	–	weakened 5% (2011 : Nil%)	(186)	–

27 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is defined as the amount at which the financial instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

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 liabilities

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

Short-term borrowings and other current liabilities

The carrying amounts approximate their fair value because of the short period to maturity of these instruments.

Finance lease liabilities

These financial instruments approximate the fair values as they bear interests which approximate the prevailing market interest rates.

28 CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

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	
	2012	2011	2012	2011
	$'000	$'000	$'000	$'000
Trade and other payables (Note 12)	39,538	21,169	21,391	17,879
Loans and borrowings (Note 13)	–	3	–	–
Less:				
Cash at banks and on hand (Note 11)	(29,095)	(7,353)	(9,680)	(4,527)
Fixed deposits (Note 11)	–	(21,258)	–	(21,258)
Net cash	10,443	(7,439)	11,711	(7,906)
Equity attributable to the equity holders of the Company, representing total capital	102,765	94,758	76,864	72,900
Capital and net debt	113,208	87,319	88,575	64,994

29 DIVIDENDS

	Group and Company	
	2012	2011
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2011 : 1.25 cents (2010 : 1.25 cents) per share	3,253	3,190
- Interim exempt (one-tier) dividend for 2012 : 0.75 cents (2011 : 1.25 cents) per share	1,952	3,191
	5,205	6,381
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 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	–
	8,459	3,253

30 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 Design Studio Furniture Manufacturer Ltd)	2,571
Total consideration transferred	14,671
Fair value of 45% equity interest in DDS	12,000
	26,671

Acquisition-related costs of $134,000 have been excluded from the consideration transferred and have 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 that is pledged.

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.

30 ACQUISITION OF SUBSIDIARY (cont'd)

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.

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 the year is $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.

31 SUBSEQUENT EVENT

The adoption of Design Studio's Employee Share Option Scheme (the "ESOS") and the Design Studio's Performance Share Plan (the "PSP")

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, motivate and 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 share ownership in the Company;

31 SUBSEQUENT EVENT (cont'd)

Financial effects of the Design Studio ESOS and PSP

(i) Consideration of Options at each grant to ESOS Participants

Under the ESOS, an ESOS Participant who is granted an Option pays a nominal consideration of S$1.00 to the Company on his acceptance of the offer of an Option. In so far as such Options are granted at a consideration which is less than their fair value at the time of grant, there will be a cost to the Company. If such cost were to be recognised, it would have to be charged to the Company's consolidated income statement at the time that the Options are granted.

(ii) Potential cost of issuing the Options and Awards

Under FRS 102, the recognition of an expense in respect of Options and Awards granted under the ESOS and PSP is required. The expenses will be based on the fair value of the Options and Awards at each date of offer/grant of the Options/Awards and will be recognised over the vesting period, with a corresponding increase in equity. This fair value is estimated by applying the option pricing model at the date of offer, taking into account the terms and conditions of the grant of the Options.

On a cumulative basis, no amount is recognised for services received if the equity instruments granted do not vest because of failure to satisfy a vesting condition. The Company shall recognise an amount for the services received during the vesting period based on the best available estimate of the number of equity instruments expected to vest.

(iii) Share Capital

The ESOS and PSP will result in an increase in the issued share capital of the Company to the extent of the New Shares that will be allotted and issued pursuant to the exercise of the Options and Awards granted under the ESOS and PSP respectively.

(iv) Net Tangible Assets ("NTA")

The issue of new shares upon the exercise of the Options granted under the ESOS will increase the Company's consolidated NTA by the aggregate exercise price of the new shares issued. On a per share basis, the effect on the NTA of the Company will be accretive if the exercise price is above the Company's consolidated NTA per Share, but dilutive otherwise.

If new shares are issued to the PSP Participants, there would be no effect on the consolidated NTA of the Company. However, if instead of issuing new shares, existing shares are purchased for delivery to the PSP Participants, or the Company pays the equivalent cash value, the NTA would be impacted by the cost of the shares purchased or the cash payment, respectively.

(v) Earnings Per Share

The ESOS and PSP will have a dilutive impact on the basic EPS following the increase in the Company's number of issued new shares to the extent that the new shares are allotted and issued upon the exercise of the Options and Awards.

Outstanding Options are dilutive to the calculation of diluted EPS when the exercise price of the issue of ordinary Shares is less than the market price during the period.

Change in the interest of a substantial shareholder and an executive director

On 11 January 2013, Mr Bernard Lim Leng Foo, the chief executive officer of the Company, entered into sales and purchase agreement with the immediate holding company, Depa Interiors LLC to sell his 3,000,000 shares on 11 January 2013, another 2,000,000 shares on 7 January 2014 and the remaining 2,000,000 shares on 7 January 2015. The agreement results in increase in the percentage level of interest of the immediate holding company from 87.12% to 88.27% and further in subsequent periods.

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 $100,000)
Depa Interiors LLC & its associates	S$Nil	S$540,733

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 2012.

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	2,948

STATISTICS OF SHAREHOLDING

As at 11 March 2013

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	0.76	1,646	0.00
1,000 - 10,000	257	65.06	1,228,809	0.47
10,001 - 1,000,000	130	32.91	6,324,000	2.43
1,000,001 AND ABOVE	5	1.27	252,709,716	97.10
TOTAL :	395	100.00	260,264,171	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1.	DEPA INTERIORS LLC	229,108,716	88.03
2.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	12,543,000	4.82
3.	HO KAI HON	5,050,000	1.94
4.	LIM LENG FOO	4,000,000	1.54
5.	CIMB SECURITIES (SINGAPORE) PTE LTD	2,008,000	0.77
6.	LIM & TAN SECURITIES PTE LTD	816,000	0.31
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	500,000	0.19
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	305,000	0.12
9.	RAFFLES NOMINEES (PTE) LTD	162,000	0.06
10.	YEO LOO ENG	160,000	0.06
11.	ANG KIM HONG	133,000	0.05
12.	PHILLIP SECURITIES PTE LTD	130,000	0.05
13.	DBS NOMINEES PTE LTD	106,000	0.04
14.	AW CHIEW KIM (HU SHUJIN)	100,000	0.04
15.	GOH CHENG YEE	100,000	0.04
16.	MAYBANK KIM ENG SECURITIES PTE LTD	100,000	0.04
17.	PATRICK LIM @ LIM KUAN CHI	100,000	0.04
18.	TAN AIK SIN	100,000	0.04
19.	TAN HUI SIANG	100,000	0.04
20.	TAN CHEE KIANG	87,000	0.03
	TOTAL :	255,708,716	98.25

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 2013:

	Direct Interest		Deemed Interest	
Substantial Shareholder	No of shares	%	No of shares	%
Depa Interiors LLC	229,733,716	88.27	–	–

Shareholdings in hands of public

The percentage of shareholdings in the hand of public was approximately 10.19% as at 11 March 2013 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 FURNITURE MANUFACTURER LTD (the "Company") will be held at the registered office, 8 Sungei Kadut Crescent, Singapore 728682 on Wednesday 24 April 2013 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 2012 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) Ong Tiew Siam [Resolution No. 2]
   ii) Muhammad Umar Saleem [Resolution No. 3]

3. To approve the payment of additional directors' fee of S$58,250 for the year ended 31 December 2012; and directors' fees of S$338,125 for the year ending 31 December 2013, to be paid quarterly in arrears. (2012: S$323,000) [Resolution No. 4]

4. To approve the payment of a final dividend of 0.75 cents per ordinary share and a special dividend of 2.50 cents per ordinary share for the year ended 31 December 2012. [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 awards that are outstanding or subsisting when this Resolution is passed; and (2) any subsequent consolidation or sub-division of shares;

   (iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance is waived by the SGX-ST) and the Company's Articles of Association; and unless revoked or varied by the Company in General Meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier." [Resolution No. 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 8 April 2013 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2012) (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's 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

8 April 2013

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 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 Ong Tiew Siam is an Independent Director and Chairman of the Audit Committee and Nominating Committee as well as a member of the Remuneration Committee. If re-elected, he will remain as Chairman of the Audit Committee and Nominating Committee, as well as a member of the Remuneration Committee.

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

c. The proposed directors' fees of S$338,125 for the year ending 31 December 2013 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 2013. 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 FURNITURE MANUFACTURER 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 Furniture Manufacturer 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 FURNITURE MANUFACTURER 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 Wednesday, 24 April 2013 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 2012		
2	Re-election of Mr Ong Tiew Siam as a director		
3	Re-election of Mr Muhammad Umar Saleem 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 2012		
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's Employee Share Option Scheme		
10	To authorise the Directors to grant awards and allot/issue shares pursuant to the Design Studio's Performance Share Plan		

Dated this __________ day of April 2013.

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 FURNITURE MANUFACTURER LTD
8 Sungei Kadut Crescent,
Singapore 728682

Fold along dotted line

Fold along dotted line

PLEASE READ THE NOTES BELOW:-

(1) Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares entered against your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.

(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) A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy by resolution of its directors or other governing body such person as it thinks fit to vote on its behalf.

(4) The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Sungei Kadut Crescent, Singapore 728682 not less than 48 hours before the time appointed for the Annual General Meeting.

(5) The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies.

(6) In the case of members whose Shares are deposited with The Central Depository (Pte) Limited ("CDP"), the Company shall be entitled to reject any instrument appointing a proxy or proxies lodged if such members are not shown to have Shares entered against their names in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Annual General Meeting as certified by the CDP to the Company.

(7) The instrument appointing a proxy or proxies must be under the hand of the appointor or 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 common seal or under the hand of its attorney or a duly authorised officer.

(8) Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a 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.

Design 瑞
STUDIO 胜

Inspired by Aspirations. Driven by Innovations.

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Head Office/Showroom/Factory/Singapore
8 Sungei Kadut Crescent, Singapore 728682
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Email: corpcommunications@designstudio.com.sg

瑞胜家具制造商有限公司
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电话: (65) 6367 0133 传真: (65) 6366 2612
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DS Furniture Manufacturer Sdn Bhd.
Senai Office/Factory/Malaysia
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Tel: (607) 598 6363 Fax: (607) 598 6368

瑞胜家具制造商（马来西亚）私人有限公司
士乃办事处/工厂/马来西亚
士乃工业园第二区门牌44号,
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Email: sales.uae@designstudio.com.sg

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Huizhou City, Guangdong Province, Postal Code 516127
Tel: (86752) 636 0333 Fax: (86752) 611 6333

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Sales Centre/Showroom/China
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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

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