Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.

Crafted for GREATER SUCCESS

匠心独具，再创高峰

ANNUAL REPORT 2011

2011 年度报告

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Over the years, our performance at Design Studio has revealed a powerful momentum — evident in every key facet of the Group, from the markets that we serve, to our combined financial growth including our track record accomplishments that graced some of the world's most recognisable iconic buildings. Cognisant that success lies in our own hands, and starts with a clear vision, Design Studio has continually steered our business nimbly and with deepened resilience amidst a backdrop of challenging external market environments and change. In navigating each tide, the Group has realised unwavering abilities to deliver on targeted growth for ourselves and our stakeholders. It has nurtured a stability which has led us to become what we are now — a business that is relentless in stamping our mark of success.

Our focus remains on keeping true to the areas we continue to do best at. We create leading-edge valued engineered solutions, provide fine quality customised furniture and interior design fit-out services, distribute renowned imported products, and leverage on the latest technology and assets that position ourselves to steely capitalise on our strong momentum to gain greater growth. Through strategic planning, appropriate talent investment & measures, technologies, manufacturing expertise on premium quality brands like PANELZ and i.FORMZ, and, most importantly, adhering to the artistry and mastery of putting all our resources and capabilities together, achieving sustainable growth has become a consistent barometer for our success.

Because we work with our best and aim for nothing less, **"Crafted for greater success"** is a certainty we pride ourselves to uphold steadfast to.

多年来，瑞胜的业绩表现已经充分反映了企业强大的发展势头——从集团所完成的每一个世界知名标志性建筑项目，所服务的客户群及市场到财政业绩状况都证明了这一点。成功在握，始于远见，瑞胜不断睿智地发展着公司的业务，在海内外市场激烈的竞争和变迁中不断强化着企业的韧性。面对市场发展的高峰浪尖，集团实现了公司和股东利益的增长目标，并且保持着一个稳健发展的趋势，从而铸就了今日的瑞胜。

我们秉持着诚信经营，服务周到的经营理念，并根据客户的需求制定优质的工程设计筹划方案，为客户提供高素质的定制家具产品和顶尖的室内装潢工程服务，销售知名品牌的进口产品。凭着最新技术和生产设施，我们的企业以坚实的基础和强大的发展势头持续增长。通过策略规划、各种渠道引进人才、先进设施、先进技术和精湛的生产技能，我们推出了优质品牌如PANELZ和i.FORMZ。更重要的是，我们在坚持不懈地学习和掌握精湛技术的同时，也充分运用我们的资源和能力，实现公司持续发展和经济增长。

“匠心独具、再创高峰”－ 我们的设计理念精益求精，对公司的雄伟目标持之以恒，我们秉持着这份信念，期待把瑞胜集团推向另一个高峰。

FOCUS

Guided by our corporate vision, Design Studio keeps a prudent focus on the goals we set our eyes upon to achieve. 2011 marked a pivotal development in our performance in driving organisational efficiency and supporting key growth initiatives with great resolve. We have maintained a strong standing as industry forerunners locally, as well as expanded our work and geographical footprint beyond Singapore. Moving forward, with a clear sense purpose and renewed targets, we remain focused and hold fast to our vision of greater success.

专心致志

在我们企业远景目标的指引下，瑞胜保持谨慎经营的态度，致力于实现我们的既定目标。2011年我们在坚韧不拔的信念推动下，在长期增长计划上取得了重大发展。同时，我们在本地的领军地位依然屹立不倒，并坚持不懈地在新加坡以外的区域扩大我们的营运业务版图。展望未来，我们将以明确的远景和全新的目标开拓我们的业务，以专心致志的态度和坚定的信念，带领企业展望未来再创高峰。

[FOCUS]

专心致志

Financial Highlights
财务摘要

FOR THE YEAR 本年度

Revenue 销售收入

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
1st quarter 第一季度	29,502	19,831	9,671	48.8
2nd quarter 第二季度	19,567	19,478	89	0.5
3rd quarter 第三季度	20,186	30,272	(10,086)	(33.3)
4th quarter 第四季度	23,967	38,389	(14,422)	(37.6)
Total 合计	**93,222**	107,970	**(14,748)**	**(13.7)**

Gross profit 毛利润

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
1st quarter 第一季度	6,937	5,808	1,129	19.4
2nd quarter 第二季度	6,225	5,808	417	7.2
3rd quarter 第三季度	6,084	9,078	(2,994)	(33.0)
4th quarter 第四季度	7,930	11,234	(3,304)	(29.4)
Total 合计	**27,176**	31,928	**(4,752)**	**(14.9)**

Profit from operations 业务溢利

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
1st quarter 第一季度	3,878	3,826	52	1.4
2nd quarter 第二季度	3,427	3,549	(122)	(3.4)
3rd quarter 第三季度	3,826	5,744	(1,918)	(33.4)
4th quarter 第四季度	5,028	8,652	(3,624)	(41.9)
Total 合计	**16,159**	21,771	**(5,612)**	**(25.8)**

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

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
1st quarter 第一季度	5,960	3,322	2,638	79.4
2nd quarter 第二季度	2,693	3,312	(619)	(18.7)
3rd quarter 第三季度	2,218	5,125	(2,907)	(56.7)
4th quarter 第四季度	4,386	7,858	(3,472)	(44.2)
Total 合计	**15,257**	19,617	**(4,360)**	**(22.2)**

Dividend 股息

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
Interim dividend 中期股息	3,191	3,190	1	0.0
Proposed/Final dividend 拟派/末期股息	3,253	3,190	63	2.0
Total 合计	**6,444**	6,380	**64**	**1.0**

AT YEAR END 年底

Equity 权益

(in S$'000) 千元	2011	2010	Variance 差额	% Change 百分比变化
Share capital 股本	30,161	30,161	-	-
Reserves 法定及其他储备金	64,597	54,465	10,132	18.6
Total Equity 总权益	**94,758**	84,626	**10,132**	**12.0**

Per share 每股

(in S$cents) 分	2011	2010	Variance 差额	% Change 百分比变化
Earnings 收益	5.98	7.69	(1.71)	(22.2)
Net tangible assets 净资产	37.13	33.16	3.97	12.0
Interim dividend 中期股息	1.25	1.25	-	-
Proposed/Final dividend 拟派/末期股息	1.25	1.25	-	-

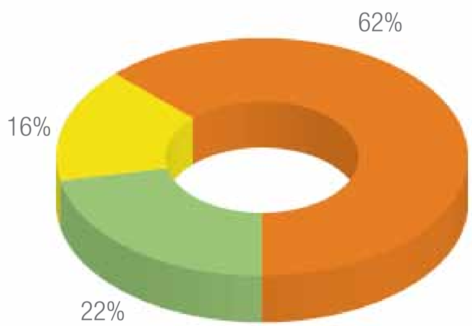
Financial ratios 财务比率

(%)	2011	2010	Variance 差额	% Change 百分比变化
Return on assets 资产回报	12.8	16.9	(4.1)	(24.3)
Return on equity 股本回报	16.1	23.2	(7.1)	(30.6)

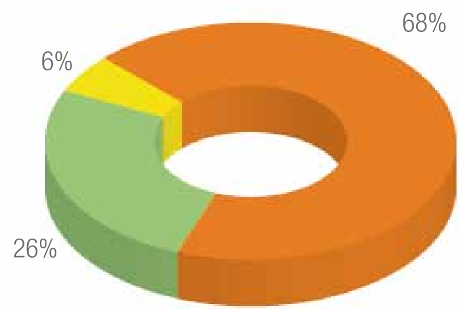
Financial Highlights
财务摘要

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

2010: 107,970



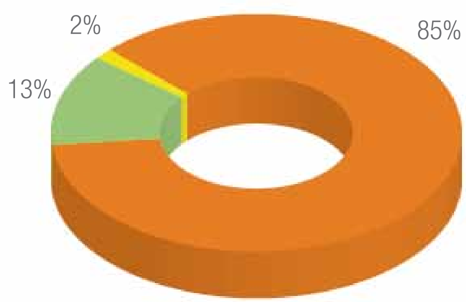
2011: 93,222



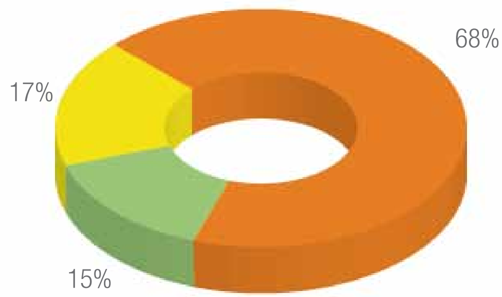
Residential property projects 住宅产业项目
Hospitality and commercial projects 酒店，综合娱乐场所及商业项目
Distribution projects 分销项目

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

2010: 107,970



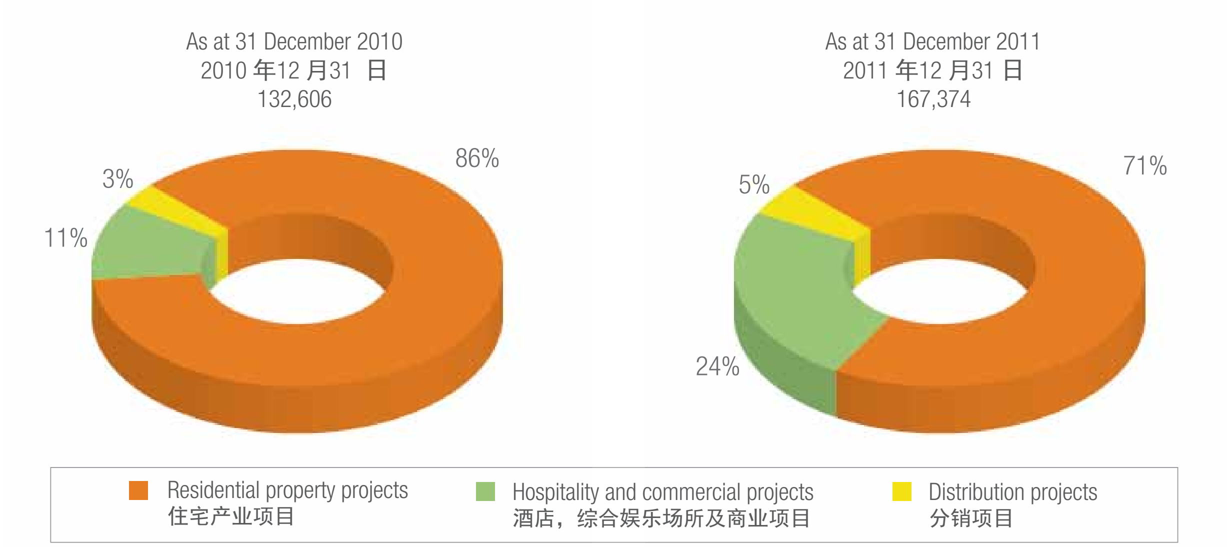
2011: 93,222



Singapore 新加坡
United Arab Emirates 阿联酋
Others 其它

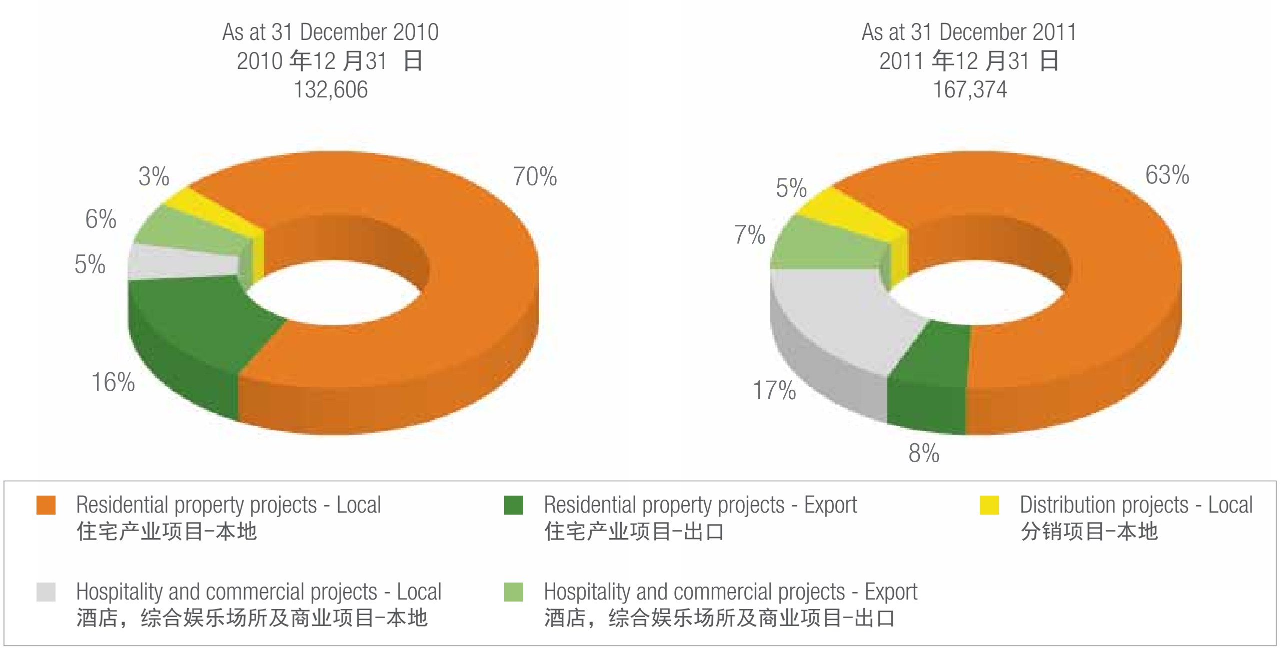
Order book on hand by business segments 在即订单（按业务分部）

(in S$'000) 千元



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



Operations Review

Financial Review

For the financial year ended 31 December 2011 ("FY2011"), the Group registered a net profit of S$15.3 million on the back of revenue of S$93.2 million. Despite a 13.7% decrease in revenue from S$108.0 million in the financial year ended 31 December 2010 ("FY2010"), the Group was able to maintain a healthy gross margin of 29.2% in FY2011.

The decline in revenue was primarily due to lower contribution from the distribution projects business segment and to a lesser extent, the residential property projects business segment, which contributed 68.4% to the Group's FY2011 turnover. Revenue from the residential property projects segment saw a 5.9% decrease over the year to S$63.8 million, compared with S$67.8 million in FY2010. Over the year, the distribution projects segment witnessed a 69.7% decrease in revenue to S$5.1 million. However, the hospitality and commercial projects saw a 3.9% increase in revenue to S$24.3 million in FY2011.

In FY2011, Design Studio recognised S$2.5 million in profit from its then associate DDS Group, compared with S$1.3 million in FY2010. (Design Studio has since acquired the remaining 55% equity in DDS Group in February 2012 from Depa Interiors LLC for an aggregate purchase price of S$15.1 million, making her a wholly-owned subsidiary. With this exercise, it will provide Design Studio with full management control and equity rights; the latitude to streamline its Group corporate structure; and further strengthen its hospitality and commercial business locally and abroad.)

Design Studio continued to achieve better geographical diversification during the year in review with revenue contributions from Malaysia and UAE increasing from 0.9% and 12.9% in FY2010 to 14.5% and 14.5% respectively in FY2011. Revenue contribution from Singapore was 68.0% of Group revenue in FY2011, compared with 85.7% in FY2010.

Marketing and distribution expenses increased 32.1% to S$4.3 million in FY2011 as Design Studio continued to step up its marketing activities, such as increased participation in trade exhibitions in Singapore and especially in China, where the Group is laying the ground work for its next phase of growth. These initiatives have further strengthened Design Studio's corporate recognition and brand awareness across the country with leading property developers, potential partners and consumers.

General and administrative expenses (before foreign exchange loss) increased by 9.4% from S$6.1 million in FY2010 to S$6.7 million in FY2011. The increase was mainly due to operating costs related to the establishment of its new Huizhou factory. Taking into account the foreign exchange loss, general and administrative expenses had decreased by 3.3% to S$6.8 million in FY2011.

The Group maintains a healthy financial position. As at 31 December 2011, cash and cash equivalents stood at S$27.1 million while net assets were S$94.8 million.

Rihan Heights in Abu Dhabi, UAE
Image (artist's impression) is courtesy of Capitala.

Operating Review

During the year in review, the Group made steady progress with the completion of several key residential property projects in Singapore and overseas, such as Scotts Square and Reflections at Keppel Bay in Singapore and Rihan Heights in Abu Dhabi. Meanwhile, some of our Group's ongoing projects over FY2011 include Meadows @ Peirce, The Estuary, Goodwood Residence, Equarius Hotel and The Quayside hotel on Sentosa Cove, Singapore; Five Stones, Grand Hyatt Hotel, Traders Hotel and Lanson Place Bukit Ceylon Serviced Residences in Malaysia as well as Urbano Absolute and Novotel Platinum in Bangkok, Thailand.

Design Studio continues to develop synergies with its then associate and now wholly-owned subsidiary, DDS Group, one of the leading market leaders in interior fit-out services with a strong presence in the hospitality and commercial projects in Singapore, Malaysia and Thailand. DDS Group sub-contracts the joinery work it secures to Design Studio.

Establishing our China Footprint

Over in China during the year in review, Design Studio made significant progress in executing its expansion strategy with the ongoing development to build its first, large-scale 40,000 sq ft, three-storey showroom-cum-sales office in Dongguan, Guangdong province. It also established two production facilities with state-of-the-art machinery in Huizhou, Guangdong. Sited on 360,000 sq ft of land, the two manufacturing facilities have started producing leading-edge products for the projects the Group secured. The Group expects its China subsidiary, Design Studio (Huizhou) Home Furnishing Co., Ltd. to start contributing to the Group from FY2012.

As part of its China strategy, the Group also seeks to maximise its reach in the increasingly affluent China market by establishing partnerships with reputable local players, riding on their local network and knowledge.

Reflections at Keppel Bay, Singapore
吉宝湾映水苑，新加坡
Image is courtesy of Keppel Bay Pte Ltd
吉宝湾私人有限公司

业务回顾

财政业绩回顾

我们在2011年度继续保持着优异的业绩，这也是我们连续21个季度获得盈利。2011年集团的收入为9320万新元，净利润1530万新元。尽管相比2010年度的1.08亿新元的营业收入下滑了13.7%，与上一年度29.6%毛利率相比，我们仍在2011年度保持29.2%的稳健毛利率。

本集团营业收入下滑主要原因是由于分销项目取得较低收入所致，其次在较小程度上也受到住宅产业项目收入的影响。在2011年度中，住宅产业项目收入占本集团营业额的68.4%，该项目的收入由2010年度的6780万新元下跌到了本年度的6380万新元，跌幅达5.9%；分销项目则下跌了69.7%，跌至510万新元。但是，在2011年度中，本集团在酒店、综合娱乐场所及商业项目上的营业额兼看涨，上涨到了2430万新元，涨幅为3.9%。

2011年，瑞胜旗下的加盟公司DDS集团，获得了250万新元（45%应占利润）的营业利润。DDS集团是一家技术领先的室内装潢工程企业，在新加坡、马来西亚和泰国的酒店、综合娱乐场所及商业项目上都拥有强大实力。2011年末，瑞胜对DDS集团进行了收购行动，并于2012年2月完成收购，正式将其纳入为瑞胜旗下的全资子公司。相比2010财政年的180万新元利润，本年度的收益是有所增长的。

回顾过去一年，瑞胜继续开展了良好的区域多元化业务项目，在马来西亚和阿联酋的收益比例分别由2010财政年度的0.9%和12.9%增加到了2011财政年度的14.5%和14.5%。与2010财政年度的85.7%相比，新加坡的业务收益比例在2011年度则占集团总收益的68.0%。

由于瑞胜持续强化其营销活动，因此在2011财政年度，市场活动和营销计划的全年支出是430万新元，增加了32.1%。本集团不仅在新加坡积极参加贸易展，在中国也非常积极开展活动，为下一步发展奠定基础。这些策略方案更进一步加强了瑞胜在全国的认知度和品牌知名度。

企业管理费用（不含汇兑损失）由2010年度的610万新元增加到了2011财政年度的670万新元，增幅达到了9.4%。增加的部分主要是因为兴建惠州工厂的费用所致。如果把汇兑损失计算在内，企业管理费用减少了3.3%，到2011财政年度的680万新元。

本集团仍保持稳健的财务状况。截至2011年12月31日，现金和现金等价物数额为2710万新元，净资产价值为9480万新元。

经营业绩回顾

在过去一年，本集团在新加坡和海外完成了几个重要房地产项目，取得了稳步的发展，譬如新加坡的 Scotts Square和吉宝湾映水苑，在阿布扎比的 Rihan Heights。同时，本集团在2011财政年度在建项目也包括新加坡的 Meadows @ Peirce、The Estuary、Goodwood Residence、逸濠酒店以及升涛湾的 The Quayside 酒店；在马来西亚的在建项目 Five Stones、君悦酒店、盛贸酒店以及Lanson Place Bukit Ceylon Serviced Residences，此外也有在泰国曼谷的在建项目Urbano Absolute 和 Novotel Platinum。

此外，2011年末，瑞胜对DDS集团进行了收购行动，并于2012年2月完成收购，正式将其纳入为瑞胜旗下的全资子公司。DDS集团在新加坡、马来西亚和泰国已凭借其在酒店、综合娱乐场所及商业项目上的工程管理雄厚实力，已经成为室内装潢服务的市场领军企业。

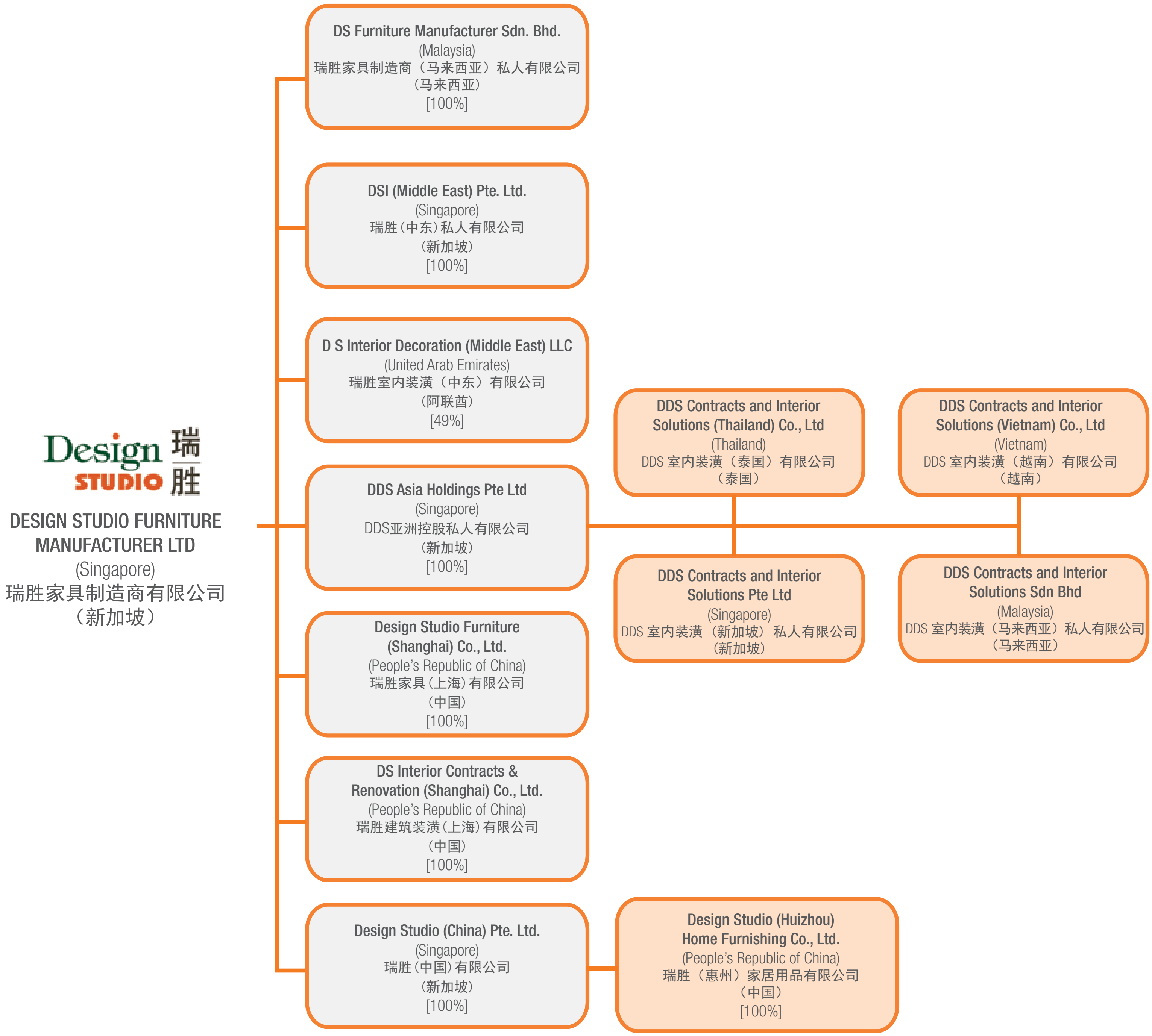
中国市场的开拓

回顾过去一年，瑞胜在中国所实施的拓展策略方面取得了重要进展，在广东东莞设立首个占地4万平方英尺的大型展销中心。此外，瑞胜也在广东惠州设立占地36万平方英尺，并拥有最先进的全自动机械生产设备的生产基地。生产设备的投入使用，为本集团的工程项目生产高质量、高品位及设计、设计新颖的产品。本集团期望在中国投资的子公司瑞胜（惠州）家居用品有限公司，能够完全自主经营，自负盈亏。

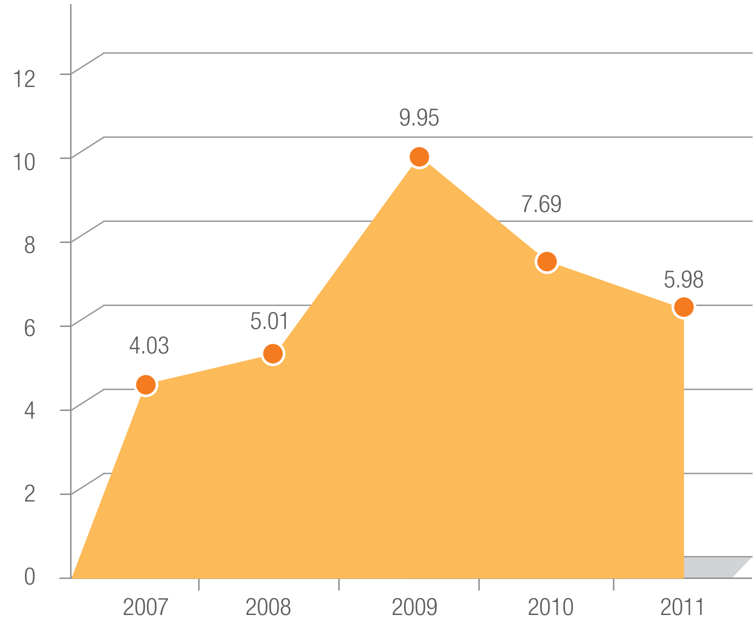
作为在中国发展策略的一部分，本集团也积极与当地知名企业建立策略合作伙伴关系，借助这些企业在当地的人脉关系以及他们的地域文化知识为开拓中国市场提供有力的帮助，不断增加企业影响力，为其赢得最大发展空间，实现企业在中国市场的发展。

Scotts Square, Singapore
诗阁广场，新加坡
Photo is courtesy of Wheelock Properties (Singapore) Limited
会德丰地产（新加坡）有限公司

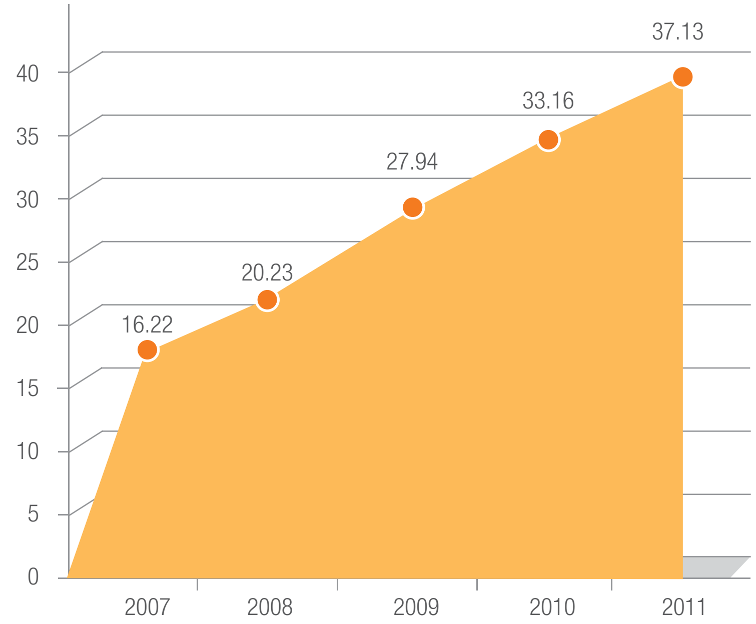
Corporate Structure
集团架构



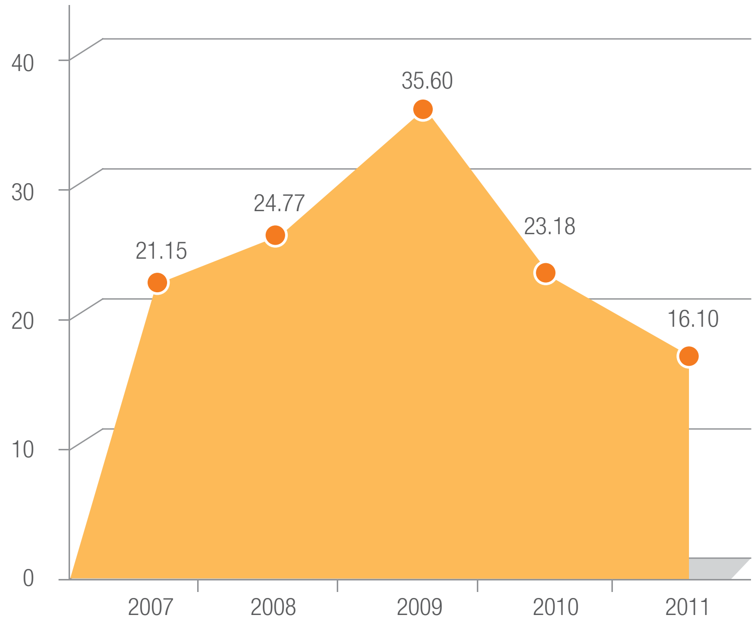
Earnings per share (in S$cents)
每股收益（分）



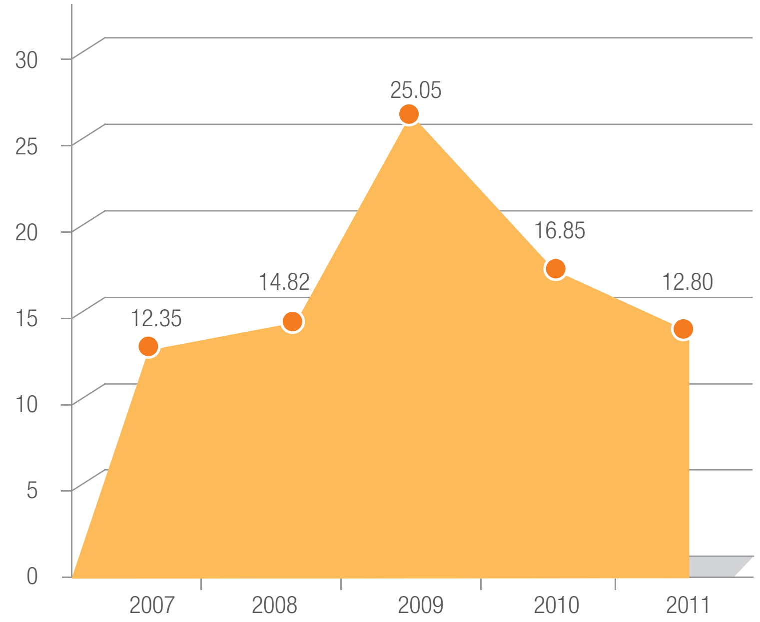
NAV per share (in S$cents)
资产净值（分）



Return on equity (%)
股本回报率（%）



Return on assets (%)
资产回报率（%）



Financial Summary
业绩汇总

FIVE YEARS FINANCIAL SUMMARY 五年业绩汇总

Income statement 损益表

(in S$'000) 千元	2007	2008	2009	2010	2011
Revenue 销售收入	76,424	74,356	113,935	107,970	93,222
Gross profit 毛利润	19,526	23,999	35,611	31,928	27,176
Profit from operations 业务溢利	11,267	15,696	25,951	21,771	16,159
Profit before tax 税前利润	11,043	15,258	29,961	23,088	18,746
Net profit 净利润	8,755	12,782	25,377	19,617	15,257

Balance sheet 资产负债表

(in S$'000) 千元	2007	2008	2009	2010	2011
Property, plant & equipment 物业，厂房及设备	10,424	9,302	9,845	11,616	25,886
Inventories 存货	5,454	10,484	6,890	9,126	11,610
Construction work-in-progress 在建合同工程	5,150	3,362	6,381	8,008	6,776
Trade receivables 应收账款	22,567	26,738	33,002	40,605	28,220
Cash and fixed deposits 货币资金	24,341	31,159	36,359	34,701	28,611
Trade payables 应付账款	5,345	5,644	5,120	9,523	6,175
Accrued operating expenses 应计运作开支	13,289	16,081	19,925	15,558	11,731
Deposits received 已收按金	3,640	5,868	592	1,587	2,463
Bank loan 银行贷款	3,452	2,984	-	-	-
Shareholders' equity 股东权益	41,388	51,612	71,291	84,626	94,758
Total Assets 总资产	70,915	86,229	101,299	116,395	119,163
Total Liabilities 总负债	29,527	34,617	30,009	31,769	24,405

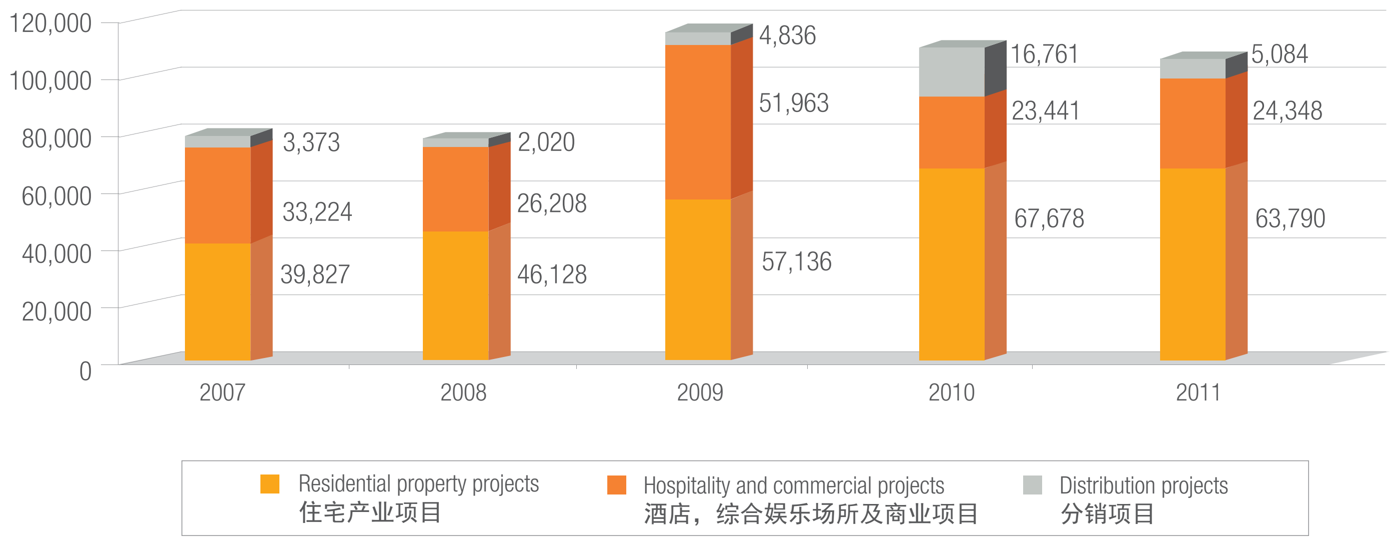
Cash flow 现金流量

(in S$'000) 千元	2007	2008	2009	2010	2011
Operating activities 经营活动	7,008	13,451	18,603	8,112	16,642
Investing activities 投资活动	(2,616)	(3,509)	(4,385)	(3,258)	(16,325)
Financing activities 融资活动	14,770	(845)	(9,578)	(8,591)	(5,189)
Net movement 变动净额	19,162	9,097	4,640	(3,737)	(4,872)

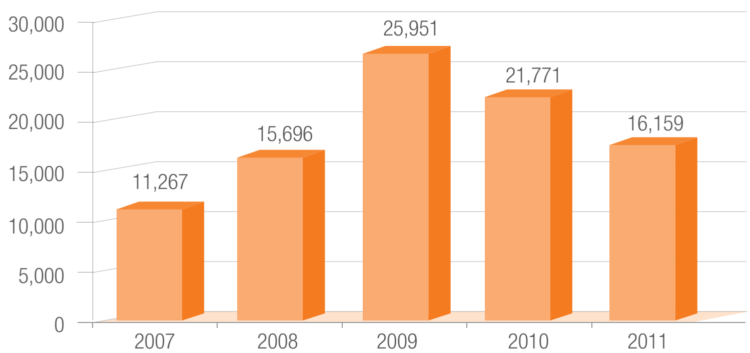
Financial ratios 财务比率

	2007	2008	2009	2010	2011
Earnings per share (S$cents) 每股收益（分）	4.03	5.01	9.95	7.69	5.98
Net asset value per share (S$cents) 每股净资产值（分）	16.22	20.23	27.94	33.16	37.13
Dividend per share (S$cents) 每股股息（分）	1.50	1.00	2.50	2.50	2.50
Return on equity (%) 股本回报率（%）	21.2	24.8	35.6	23.2	16.1
Return on asset (%) 资产回报率（%）	12.3	14.8	25.1	16.9	12.8
Current ratio 流动比率	2.3	2.2	2.5	2.8	3.0

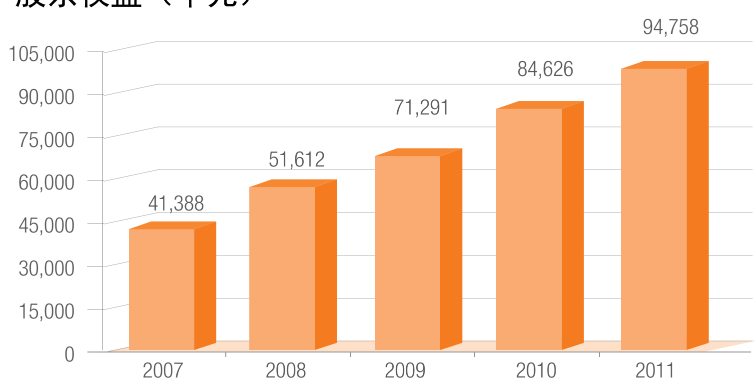
Group turnover by business segments (in S$'000)
集团营业额 （按业务分部）（千元）



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



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



PASSION

Passion drives us to be at the top of our game and take pride in all that we do. As a market leader Design Studio understands the dynamics of today's changing needs. We constantly take bolder and exciting steps of creating products in tandem with the latest modern interior trends. Our full suite of complementary and versatile manufacturing, distribution and fit-out services have been customised to reach an extensive range of developments across major countries around the world. This reflects our passion and continued commitment to our strategies and the investments made over the years to strengthen our position as key partners that shape some of the world's most iconic landmarks.

热忱沉稳

对工作的热忱促使我们不断向前，我们为所付出的每一丝努力都引以为荣。作为市场的先锋，瑞胜了解瞬息万变的市场需求，因此不断推陈出新，制造能够迎合现代时尚室内装潢趋势的产品。在世界各主要国家，我们已经拟定了整套能够多变通用的制造、销售及配套服务方案来广泛开展业务。这些努力反映了多年来，我们对策略目标和每一项工程项目的热忱和执着，也加强了我们是首选合作伙伴的地位。

[PASSION]

热忱沉稳

Chairman's Statement

China is a strategic growth market for the Group where we have further established our footprint as we embarked with our two fully operational state-of-the-art manufacturing facilities situated on 360,000 sq ft of land in Huizhou, Guangdong, bolstered with highly computerised machinery and equipment. The facilities will be optimally leveraged to service our Group's business in China as well as from other regions.

Bernard Lim Leng Foo
Executive Chairman & CEO

Dear Shareholders,

On behalf of Design Studio's Board of Directors, I am delighted to share that financial year 2011 was a productive year for the Group with the achievement of significant milestones marking our expansion path. On the back of successful completion of major projects, we remained focused on our growth strategies and secured considerable new and pivotal projects both in Singapore and abroad; a result of planned and greater synergy derived from our new subsidiary, DDS Group, and a firm testament to the Group's efforts in forging further inroads into the burgeoning market of China.

All of these underscore our long-term vision, strategic approaches, execution ability and determination to be a significant player in the customised furniture and interior fit-out fields.

Achievements

Coming on the back of 21 consecutive quarters of profitable growth, we registered revenue of S$93.2 million and S$15.3 million net profit in FY2011. We also managed to maintain a healthy 29.2% gross margin for the year in review, compared with 29.6% a year before. On a per share basis, earnings were 5.98 cents while net asset value as of 31 December 2011 was 37.13 cents. Compared against the previous year's results, we did observe a relative decline in revenue and profit performance, but we believe that our undeterred growth plans, beyond Singapore, particularly into China and with our new subsidiary DDS Group will undergird our expansion targets as we move steadily forward.

With increased efforts in targeted marketing activities in Singapore and China, our marketing and distribution expenses increased 32.1% to S$4.3 million in FY2011. We increased our participation in trade exhibitions in the two localities to strategically reach out to industry players, business partners, prospects and clients. We remain steadfast in marketing and branding initiatives, as part of long-term investments we see as necessary to continually enhance and boost our corporate profile and brand awareness amidst an increasingly competitive global market.

During the year in review, we recognised S$2.5 million of profit from our then associate company, DDS Group, a leading interior fit-out specialist with significant presence in the hospitality and commercial sectors in Singapore, Malaysia and Thailand. DDS Group has since become a fully-owned subsidiary as at February 2012, following a strategic acquisition exercise we undertook in late 2011(this compares with the S$1.8 million earned in FY2010).

Following our steady financial performance and progress as a corporation, we are pleased to issue a final dividend of 1.25 cents per ordinary share to be approved at the upcoming Annual General Meeting.

One of our operational themes for the year was the synergy with and acquisition of DDS Group. With its established presence in South East Asia and the commercial and hospitality sectors, DDS Group will complement Design Studio's core businesses on interior fit-out services, while sub-contracting joinery work to Design Studio.

We believe there is much potential in our alliance and in November 2011, Design Studio proposed acquiring the remaining 55% equity of DDS Group from Depa Interiors LLC for S$15.1 million. We successfully completed this acquisition in February 2012, making it our wholly-owned subsidiary, and giving us full management control and equity rights. The DDS Group has delivered a strong list of projects since its inception in 2008 which included the 2 prominent Integrated Resorts in Singapore - Resorts World at Sentosa and Marina Bay Sands.

Chairman's Statement

China Focus

China is a strategic growth market for the Group where we have further established our footprint as we embarked with our two fully operational state-of-the-art manufacturing facilities situated on 360,000 sq ft of land in Huizhou, Guangdong, bolstered with highly computerised machinery and equipment. The facilities will be optimally leveraged to service our Group's business in China as well as from other regions.

In addition, complementing this development is our first, large-scale 40,000 sq ft three-storey showroom cum sales office in Dongguan, Guangdong province. When completed in 2012, this will be the first in a series of showrooms cum sales offices across key cities in China's most affluent zones, especially in Eastern, Northern and Southwestern China. Establishing these mega-showrooms and branding initiatives will give us diverse opportunities in dynamic China. Discerning home owners in China are now able to experience for themselves the style and quality of our products that have received acceptance of acclamation from around the world through professional consultation.

As part of our marketing strategy, we are also making direct entries into the residential, commercial and hospitality projects whereby we will work with developers and their consultants as well as construction companies to meet their requirements. Concurrently, we will step up a series of branding activities such as participating in local exhibitions so as to enlist distribution partners leveraging on their local network and knowledge and further establish our brand presence in dynamic China market.

Strategy and Outlook

The overall business climate remains fairly subdued as the Group inevitably feel the effects of uncertainties in the wider global operating environment with the prolonged sovereign debt crisis in Europe and weak growth in Japan and the US, the major economies of the world that generate the bulk of global demand. Nonetheless, we are confident that the growth plans we have taken in the burgeoning markets of China and South East Asia, remain unaffected and together with the tremendous potential of DDS Group, will stand us in good stead as we move forward.

Already, with concerted marketing efforts, our combined order book has expanded to S$234.2 million as of 17 February 2012 with progressive project completion till 2014. As always, we stay relentlessly focused on positioning ourselves as forerunners in the manufacturing, product designs and interior fit-out arenas in particular the areas of product innovation, technology and people excellence.

These values and qualities have shored up our branding and positioning in the marketplace over the years and form the backbone of new and major accounts that we progressively garner. One of our new wins included the Frasers Hospitality Pte Ltd, a world leader with 65 serviced residences in 29 cities. We are undertaking Alteration and Addition ("A&A") works to the 173 apartments & penthouses in Fraser Suites River Valley in Singapore. On the residential front in Singapore, we have secured a number of condominium projects from leading developers such as Twin Peaks by Overseas Union Enterprise Limited, Terrase by MCL Land Ltd, The Laurels by Sing Holdings Ltd and the Glyndebourne by City Developments Ltd. As for overseas projects, we secured the renowned Cleveland Clinic Abu Dhabi, whose U.S. counterpart is well-known for its heart programme, Tropicana Grande condominium in Kuala Lumpur and Wora residential apartments in Bangkok, Thailand.

Building on its achievements, DDS Group has also continued to secure more contracts, one of which is the ID fitting-out works to the guestrooms and suites of the Westin Singapore Marina Bay, which forms an integral part of Asia Square Tower 2, located at the Marina Bay Financial Centre. The mixed-use development together with the hotel is scheduled to open at end-2013.

Beyond Singapore, China and its rapidly increasing affluence offers prime opportunities that will continually open with the rise of industrialisation and urbanisation as many more people move to its cities in the next 15 to 20 years. With our progressive establishment of retail and manufacturing presence in China, we are poised to nimbly tap the nascent demand for quality, innovative furniture and fittings as the country develops while mitigating the attendant risks including increasing inflation and labour costs that may exist during the course of our expansion.

As a Group, we are financially prudent and well-positioned with a strong balance sheet comprising net assets of S$94.8 million at financial year-end 31 December 2011, and a healthy cash position with cash and cash equivalents of S$27.1 million. This will facilitate our intended future expansion.

Conclusion

To conclude, on behalf of the Board, I would like to sincerely thank our directors, management and staff for their manifold efforts and dedication in consistently reaching our Group targets and delivering on our 2011 objectives. Gratitude must also be extended to our business partners, clients and our loyal shareholders for their unwavering support. We anticipate a vigorous 2012 with expansion plans along many fronts, a solid order book and a forward-looking mindset always on the look-out for long-term growth opportunities. We are confident that with the continued support of all, we will achieve that much more.

Bernard Lim Leng Foo
Executive Chairman & CEO

主席致辞

中国市场是集团中长期策略发展的重点目标。目前我们在中国广东惠州设立占地36万平方英尺，并拥有最先进的全自动机械生产设备的生产基地。生产设备的投入使用，为本集团的海内外工程项目、民用产品项目生产高质量、高品位、设计新颖的产品。

林麟波
执行主席兼行政总裁

尊敬的各位股东：

我谨在此代表瑞胜集团董事会，十分荣幸地与大家分享本集团在2011年度取得的丰硕成果。对本集团而言，2011年是一个新的里程碑。中国市场的开拓及业务的扩展等重大决策制定及实施，体现了本集团稳健、良好的发展趋势。除此之外，为了简化集团架构及进一步扩展集团在酒店、综合娱乐场所及商业项目在国内外的业务，我们也成功收购了DDS集团。这些成就标志着本集团将发展成为家具制造及室内装潢工程行业中顶尖企业的长远目标及策略发展规划，奠定坚实基础。集团的优异业绩与我们注重企业发展策略、注重企业人才、充分发挥团队精神、创造思维能力以及集团全体职员共同努力等是息息相关的。在2011年里，本集团所取得的显著成绩，其具体如下：

经营成果

我们在2011年度继续保持着优异的业绩，这也是我们连续21个季度获得盈利。2011年集团的收入为9320万新元，净利润1530万新元。与上一年度29.6%毛利率相比，2011年度，我们仍保持29.2%的稳健毛利率。另外，我们的每股收益为5.98分，净资产值截至2011年12月31日为37.13分。与上年度相比，虽然我们的营业额及利润有相对下滑，但是我们所采取的坚定企业发展策略规划，特别是在中国市场的开拓与发展，势必会进一步加强我们的业务拓展力度，并实现企业稳步向前发展。

2011年度我们的市场营销费用为430万新元，与上年度比增长32.1%；主要原因是：我们在国内、国际市场不断地开拓和发展，特别是新加坡及中国；我们参与行业展销会等的活动，以此将我们的优质产品与新颖独特的设计展示于各行业之间，吸引着客户对我们的产品及设计产生信心，从而为建立良好合作关系奠定基础。同时通过这些活动保持着我们在市场营销和品牌创优上稳定的发展趋势，从而在竞争日益激烈的国际、国内市场中提高我们的企业认知和品牌知名度。

2011年，瑞胜旗下的加盟公司DDS集团，获得了250万新元（45%应占利润）的营业利润。相比2010财政年的180万新元利润，本年度的收益是有所增长。DDS集团在新加坡、马来西亚和泰国已凭借其在酒店、综合娱乐场所及商业项目上的工程管理雄厚实力，已经成为室内装潢服务的市场领军企业。2011年末，瑞胜对DDS集团进行了收购行动，并于2012年2月完成收购，正式将其纳入为瑞胜旗下的全资子公司。

根据2011年度集团所取得的显著业绩，持续发展的良好状况以及回报股东们对瑞胜投资的一贯忠诚，我非常高兴地向大家宣布，董事会已建议派发1.25分股息年终分红。

过去一年，我们企业经营的重点之一是DDS集团的收购计划。在2011年11月，我们决定以1510万新元，向Depa Interiors LLC收购DDS集团的55%权益。该收购协议于2012年2月成功达成，而DDS集团正式成为我们旗下全资子公司。瑞胜目前对DDS集团享有完全管控权和股权权益。DDS集团自2008年成立以来，已经承接并交付了多批工程项目，其中包括在新加坡的两项著名综合娱乐城—圣淘沙名胜世界以及滨海湾金沙项目。DDS集团已在东南亚酒店业建立良好口碑，将负责发展瑞胜集团在东南亚及海外的室内装潢工程业务。

主席致辞

聚焦中国

中国市场是集团中长期策略发展的重点目标。目前我们在中国广东惠州设立占地36万平方英尺，并拥有最先进的全自动机械生产设备的生产基地。生产设备的投入使用，为本集团的海内外工程项目、民用产品项目生产高质量、高品位、设计新颖的产品。

我们也在中国广东东莞设立了4万多平方英尺的大型展销中心，里面涵盖了橱柜、衣柜及酒店套房的情景展示，也是中国首家包含最多家居类别的大型展厅，作为向外展示产品和设计的窗口，将吸引更多客商的合作加盟。

作为在中国发展策略的一部分，我们决定在中国最具消费潜力的三大区域-华东区、北方区及西南区设立瑞胜自营的展销中心，以发展中国民用分销市场。这些展销中心将为瑞胜传播品牌形象，打造良好的销售平台。中国民用分销市场的销售模式也会采取通过全国性的家居展会来招收经销商，同时通过广告媒体的宣传和营销人员的推广来发展经销商网络，以让瑞胜的品牌在中国的市场牢牢的站稳。

另外，我们也正积极的和当地知名企业建立策略合作伙伴关系及洽谈精装公寓和酒店工程合作项目，借助这些企业在当地的人脉关系以及他们的地域文化知识为开拓中国市场提供有力的帮助。

发展策略和前景展望

由于欧洲债务危机持续存在，日本和美国经济仍然处于疲弱状态，而这些发达经济体是产品的主要需求来源，因此集团的经营难免也受到了全球经营环境不景气的影响，可能导致整体业务发展有所放缓。但是，我们在中国和东南亚市场所制定的迅速发展计划未受到不良影响，结合DDS集团的发展潜力，将使本集团在发展的过程中获得竞争优势。

我们一直以来都致力于制造、产品设计和室内装潢工程领域中，尤其是在产品创新、技术研发和注重人才方面保持优势。加上精心的市场规划和发展定位，截至2012年2月17日，我们的总订单金额达到2.34亿新元，这些项目计划将在2012至2014年竣工。

这种企业认知多年来一直是我们在市场上保持企业品牌和优势地位的原动力，并为不断延伸发展成为我们赢得新项目强而有力的后盾。我们近期标得的其中一个新项目包括为辉盛国际管理有限公司旗下的新加坡辉盛阁国际公寓进行改建和加建工程。该公司在全球29个城市拥有65处酒店式服务公寓的管理权。此外，在新加坡的住宅产业方面，我们也获得了来自知名地产开发商的多项公寓项目，其中包括华联企业有限公司所推出的 Twin Peaks、MCL Land Ltd所推出的 Terrase、Sing Holdings Ltd所推出的 The Laurels 以及城市发展有限公司所推出的The Glyndebourne。在国外项目中，我们获得的知名项目包括阿联酋阿布扎比的克利夫兰医学中心(Cleveland Clinic)，其在美国的联属

医学中心的心脏科最为著名。其他海外知名项目还有马来西亚吉隆坡的Tropicana Grande公寓项目以及泰国曼谷的Wora公寓住宅项目。

为了奠定坚实的业绩基础，DDS集团不断地把握每个机会赢得更多的合约，近期标得的合约包括新加坡滨海湾威斯汀大酒店的客房及套房室内装潢工程。该工程位于滨海湾金融中心，是亚洲广场2号大楼完整体的组成部分。这一综合用途的开发项目连同酒店项目，预计将于2013年年底正式投入运作。

除了新加坡市场之外，中国市场开发以及瑞胜的知名度迅速提升，为企业的发展提供了黄金机遇。在未来15到20年间，越来越多人将移居城市，工业化和城市化步伐的加快，将继续为企业的发展打开商机大门。随着中国市场不断地开展及建立供、产、销融为一体的供应链、生产链以及网络式的销售链，我们蓄势待发，随时做好准备发掘高品质、有创意的家具以及装潢用品的新需求。

对集团整体而言，我们在财务上一直保持着谨慎的态度，同时强而有力的财务报表表明我们处于优势地位。截止2011年12月31日，我们企业的净资产值为9480万新元。同时，我们还拥有良好的现金流量状况，现金和现金等价物数额为2710万新元。这将有利于我们未来业务的发展。

致谢

最后，我谨代表董事会真诚地向各位董事，各级管理人员及各部门员工表示深深的谢意，感谢大家在本集团不断实现经营目标、完成2011年度各项工程项目上所作出的努力和无私奉献。同时，我们也非常感谢所有的业务合作伙伴、客户以及各位忠诚的股东，对于大家一如既往的支持，我们非常感激。我们期待，在充满生机的2012年里，各地区的业务开展、稳固的订单数量以及企业的长远发展目标将会一一实现，使企业更上一层楼。

林麟波

执行主席兼行政总裁

Corporate Profile
企业简介


Design Studio Furniture Manufacturer Ltd. is the country's premier specialist in the manufacture, distribution and installation of customised furniture products. Listed on the Singapore Exchange Securities Trading Limited, Design Studio's impressive portfolio of projects is an outstanding reflection of our ability to combine aesthetic and operational requirements to create quality products and services. We proudly set the standards of excellence in all our services.

Since our inception in 1994, our brand name is recognised as a trusted partner in three closely related core business segments:

- Residential Property Projects - Manufacture, supply and installation of paneling products
- Hospitality and Commercial Projects - Interior fitting-out services
- Distribution Projects - Local distribution of imported brands

Over the years, we remain steadfast in forming long-standing business partnerships with international suppliers and manufacturers; possess innovative methodologies and cutting-edge product designs as well as in-depth professional project management expertise. These key complementary aspects allow us to ultimately create and produce premium products and services of fine quality and workmanship.

Building on our success, Design Studio is extending its geographical footprint and today has operations spanning South East Asia, Middle-East, United States as well as the People's Republic of China.

瑞胜家具制造商有限公司是新加坡定制家具的专业企业，在新加坡证券交易所挂牌上市，备受业界推崇。瑞胜的核心业务是生产、营销及安装板制家具产品。

追求卓越品质和服务是我们企业一贯的宗旨，所以瑞胜制造的高素质家具产品集美感与功用于一体，也因此赢得了许多引人瞩目的项目。

自1994年公司成立以来，瑞胜品牌在行业中被公认为诚信合作伙伴。以下为瑞胜的三个主要相关业务领域：

- 住宅产业项目 — 制造、供应及安装板制家具产品
- 酒店、综合娱乐场所及商业项目 — 提供室内装潢工程服务
- 分销项目 — 销售与安装进口品牌产品

瑞胜一直与世界各地的供应商和制造商保持着长久稳定的业务合作关系，了解并掌握了精湛的生产技能及创新的产品设计方案，同时也掌握了专业项目的管理能力。这些关键因素使我们的企业最终能够制造和生产出质量精良的优质产品，并提供专业的服务。

瑞胜正致力于拓展更多的区域业务。今天的瑞胜业务已经遍布东南亚、中东、美国以及中国等区域。

Business Segments
业务分部

Residential Property Projects 住宅产业项目

One of the foundations of Design Studio's success is its residential development projects segment. Our leadership in this segment in Singapore has resulted in an exceptional portfolio of landmark residential projects, undertaken through long-standing established relationships with local developers and owners. Building on our achievements, we continue to strengthen our foothold in this key sector and actively look to expand abroad where we have been increasingly engaged in the development of high-profile projects in Kuala Lumpur, Bangkok, Abu Dhabi and New York. Our unwavering focus on product quality, innovation, customer-centricity and timely delivery are the key strengths that distinguish us as a familiar brand name and partner as we secure steady growth in this segment.

住宅产业项目

瑞胜集团的核心业务是生产、营销及安装板制家具产品于住宅产业项目。瑞胜通过与当地开发商和业主的密切及长期合作，完成了许多瞩目的住宅项目，也奠定了瑞胜在新加坡同行的领先地位。我们将继续巩固在这个行业中的基础和良好商誉，并积极拓展海外业务。我们已在吉隆坡、曼谷、阿布扎比和纽约不断参与许多备受瞩目的工程项目。我们将以高素质的定制家具产品、时刻创新和按时交付工程项目的经营理念的优势，在这个领域持续发展，成为与众不同，家喻户晓的品牌和合作伙伴。

Singapore Projects 国内工程项目

Images (artist's impression) on this page are courtesy of:

1. Gilstead Two	-	Selangor Dredging Berhad
2. Eight Courtyards	-	Joint Development by Frasers Centrepoint Limited and Far East Organisation 星狮地产及远东机构
3. NV Residences 心怡苑	-	City Developments Ltd 城市发展有限公司
4. Terasse	-	MCL Land Ltd
5. Vacanza @ East	-	Hoi Hup Sunway Property Pte Ltd 海峡双威实业私人有限公司
6. Twin Peaks	-	OUE Limited 华联企业

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Business Segments
业务分部

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Overseas Projects 海外工程项目

Images (artist's impression) on this page are courtesy of:

1. Urbano Absolute	-	Pruksa Real Estate PLC
2. Wora	-	Woralak Property Co.
3. Five Stones	-	Selangor Dredging Berhad
4. Tropicana Grande	-	Dijaya Corporation Sdn Bhd

Business Segments
业务分部

Hospitality and Commercial Projects

As with the reputation we have built for a comprehensive suite of eminent products, Design Studio is a leader in the interior fitting-out business. Hand in hand with DDS Group, we provide a holistic suite of ID solutions for the hospitality and commercial sectors; all undertaken with our characteristic project management expertise and attention-to-detail. Our impressive portfolio features some of Singapore's renowned hotel and resorts as well as world-class international projects in leisure destinations such as Malaysia, Thailand and other emerging markets. As we seek new avenues of expansion, we are confident of maintaining our lead as an interior fitting-out specialist.

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Overseas Projects 海外工程项目

Images (artist's impression) on this page are courtesy of:

1. Grand Hyatt KL 君悦酒店，吉隆坡	-	Bahagia Investment Corporation
2. Lanson Place Bukit Ceylon Serviced Residences	-	Wing Tai DNP 永泰亚洲集团
3. Cleveland Clinic Abu Dhabi 克利夫兰医学中心，阿布扎比	-	Aldar Properties PJS

酒店、综合娱乐场所项目

通过卓越产品及提供综合配套的良好声誉，瑞胜已经成为室内装潢工程领域的领军企业。通过子公司DDS集团，我们为酒店、综合娱乐场所提供全套的室内装潢方案。瑞胜所执行的所有项目都体现了我们高超的项目管理能力和注重细节的工作态度。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，也包括亚洲其它的度假胜地，如马来西亚、泰国及其他新兴市场的瞩目项目。身为室内装潢工程领域的专家，我们有信心在这个行业一直保持着主导地位。

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3

Singapore Projects 国内工程项目

Images on this page are courtesy of:

1. Equarius Hotel 逸濠酒店	-	Resorts World At Sentosa Pte Ltd 圣淘沙名胜世界™
2. Fraser Suites River Valley, Singapore 新加坡辉盛阁国际公寓	-	Frasers Hospitality Pte Ltd 辉盛国际管理有限公司
3. Asia Square Food Garden 亚洲广场食阁	-	MGPA

Business Segments
业务分部

Distribution Projects

Strategic partnerships have always been a major driver of Design Studio's core values. To that end, Design Studio is proud to partner SieMatic, one of the world's leading luxury kitchen brands from Germany since our inception. Leveraging on the Group's collective experience and connections, SieMatic's presence is poised to steadily grow in Singapore.

分销项目

建立策略伙伴关系一直是瑞胜核心价值观的主要驱动力。为此，瑞胜与来自德国的世界顶级豪华橱柜品牌公司西曼帝克建立了合作关系，加强瑞胜的产品系列。瑞胜集团的业务经验和广泛的业务网络，加上优良的产品，营销西曼帝克项目有助瑞胜实现业务的稳步增长。

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SieMatic®

Images (artist's impression) on this page are courtesy of:

1. Nouvel 18 名筑	-	Joint Development by City Developments Ltd and Wing Tai Asia 城市发展有限公司及永泰亚洲
2. Martin Place Residences	-	Frasers Centerpoint Limited 星狮地产

PANELZ is Design Studio's award winning in-house brand offering a wide variety of creative and customized furniture such as doors and door frames, kitchen and vanity cabinets and wardrobe systems to clients across Asia, USA and the Middle-East. PANELZ established an identity of excellence with innovative products of cutting-edge designs reflective of brilliant style and form. Specially designed and crafted in veneer, paint, acrylic or laminate finishes, PANELZ products are visually arresting creations of fine workmanship. Customizable in a wide spectrum of colours and designs, it offers complete freedom and versatility for full scale development projects ranging from the luxury market to the mass market, bespeaking of quality, value, aesthetics and performance.

PANELZ是瑞胜在国内获奖的知名品牌，旨在为横跨亚洲、美国和中东的客户提供具有创意和个性化的定制家具，包括门，门框，厨房，组合柜以及衣柜系统等产品。

通过具有独特风格和构造的设计，PANELZ推出了创新产品，树立了卓越的品牌形象。PANELZ产品利用了在胶合板、涂料、亚克力或叠层加工的专门设计和制作技术，使成品外观可称得上为精工细琢，充分展示了产品的品质、价值、美感和功用。PANELZ在颜色和设计上可灵活变通，能够为整体开发项目提供各式各样的设计和高功能产品，从高级奢华市场到大众市场一应俱全。

Brands
品牌

Brands
品牌

i·FORMZ by Design Studio

To see craft is to enter a world of wonderful things which can be challenging, beautiful, tactile, and extraordinary; i.FORMZ by Design Studio went beyond the ordinary and unlocked a new light to interior design to twirl creative ideas into veracity. Made exclusively with solid surfaces materials, i.FORMZ products can be shaped and transformed into any stature, size or texture and have the unique ability to realize even the most inspirational and challenging designs. A wide palette of colours complementing the inventive forms is readily made available to explore the nuances of depth and height. Because durability and affordability goes hand in hand with elegance and flair, i.FORMZ products is the main preference for interior selections for commercial, hospitality and residential developments.

欣赏艺术品就如同进入美轮美奂的世界，充满挑战、美感、质感和惊喜。瑞胜推出的 i.FORMZ 超越了一般产品，为室内设计开创了先河，把创意概念引入实际作品，让室内设计艺术化。i.FORMZ 的独特实心面材料，无论产品高度、尺寸或纹理，都能够制成具灵感和挑战性的设计产品，非常具有可塑性。i.FORMZ 拥有广泛的颜料色彩选择也让独出心裁的设计形式取得了完美的结合作用，随时能够辨别产品在深度和高度上的细微差别。由于具有耐久性，以及典雅和精致的品质，i.FORMZ 产品是成为商业、酒店和娱乐场所以及住宅工程项目内部装修的首选产品。

STRENGTH

At Design Studio, our people are our strength and the heart of our business. This core value is what makes us truly different with a diverse talent workforce that transcends boundaries and across borders. We believe that greater success lies in a disciplined focus on this dynamic area where we have a unique capability and the greatest potential for meaningful impact. Our people provide us with a basis of continuing progress in innovation and product development, the core performance that defines our success. Performance yesterday is rarely good enough today — and will almost never be good enough tomorrow. For Design Studio, the best way to meet this challenge is to never keep our eye off being human-capital centric, to focus on developing talent as our key strength and crafting it as a most important source of competitive advantage.

强势发展

在瑞胜，我们的员工就是推动企业持续发展的核心力量。这份与众不同的核心价值为瑞胜培养了无数精英人才。我们能有今日的成就源于对市场动态的密切关注，以及走在产品创新的最前端。我们的员工在技术革新、产品开发及创新方面眼光独到，为公司业绩的增长和成功经营奠定了稳固基础。过去的成就并不意味着今天的成功，也不代表明天的辉煌。对于瑞胜而言，迎接挑战最好的方法就是永不离弃，以人为本的企业理念，把重点放在企业精英人才的培养上，把人才战略作为企业发展的主要力量，发挥竞争优势的主要泉源。

[STRENGTH]
强势发展

Manufacturing Facilities
生产设施

The Group now operates 6 production facilities in Singapore, Malaysia and China, each embracing innovative, versatile and flexible production lines that effectively and efficiently caters to the different needs of local and regional market requirements.

目前，瑞胜集团在新加坡、马来西亚和中国拥有六家生产基地。主要生产产品包括厨房柜、组合柜、衣柜、门和门框的镶板产品等 。

At the heart of our wide-ranging business activities lays manufacturing, a major distinctive business line where our core competitive advantage is exemplified. Over the years, we have made considerable long term investments in our manufacturing technology with a focused clear reason. This consistent investment in technological expertise supports our philosophy of product innovation, giving us sustained cutting edge competitiveness to continually carve out our niche of success.

The Group now operates 6 production facilities in Singapore, Malaysia and China, each embracing innovative, versatile and flexible production lines that effectively and efficiently caters to the different needs of local and regional market requirements. Equipped with state-of-the-art-machinery from Europe, these fully computerised production lines not only achieve consistent output capacity and also products of premium quality. To further meet the growing demands for “green and environmentally friendly” sustainable products, we are one of the first in South East Asia to introduce and incorporate LaserTech innovation into our existing production lines. LaserTech eliminates the use of bonding adhesives. In addition, we are also one of the first in introducing dust-free clean room facility to produce finely finished lacquered products.

In 2011, we received Forest Stewardship Council (FSC) chain of custody certifications for both Singapore and China in recognition of our responsible practices towards the environment. This certification provides a credible link between responsible production and consumption of forest products enabling clients to make purchasing decision that benefit people and the environment as well as providing ongoing business value.

在面对市场的瞬息万变，我们必须与时俱进与时刻创新，如此，才能在市场上统领潮流，精益求精。通过对新科技的大力投资，提升自动电脑化的机械设备，推动生产力及效率，使我们的产品持续创新，把公司推向国际舞台。

目前，瑞胜集团在新加坡、马来西亚和中国拥有六家生产基地，主要生产产品包括厨房柜、组合柜、衣柜、门和门框的镶板产品等。这些电脑化的先进生产设备大都来自欧洲，组成多功能和灵活的生产线，能有效地满足集团所有工程项目的不同需求。我们不仅拥有一个无尘净化室设施以生产精细完漆产品，也引进前卫的尖端镭射技术，以配合绿色环保的世界趋势。此外再配以高科技的成型技术，能避开衔接缝隙的缺陷，达到天衣无缝的完美效果，同时也使设计师享有更宽广的创意空间，进而轻松打造出风格时尚，线条流畅的设计与质感。

在2011年，集团的新加坡和中国工厂也拿到了森林管理委员会(FSC)的认证。森林管理委员会是一个独立及不以盈利为目的的非政府组织，其任务是支持环境保护，有利于社会和经济上可行的世界森林管理。通过这份认证，我们向客户提供环保产品和解决方案，从中提倡环保的价值观，充份表现集团对保护环境的责任与热诚。

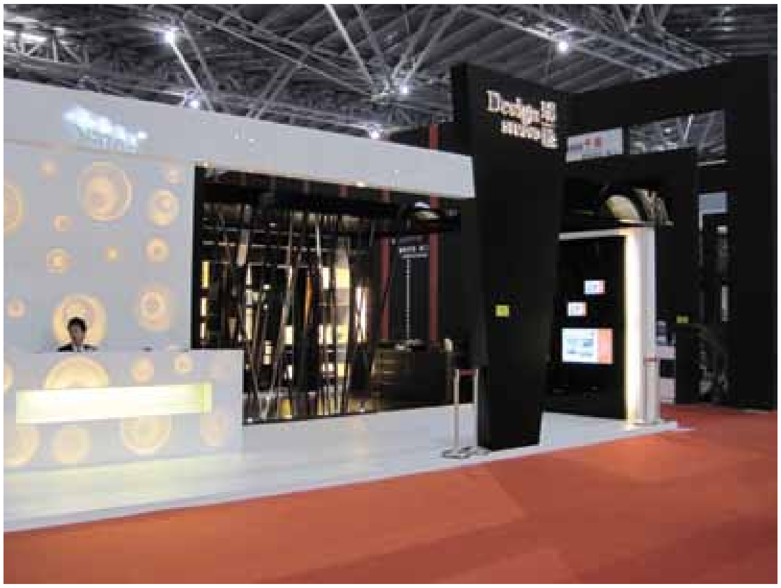
Exhibitions
展览

As a progressive company, we believe in the importance of strategic marketing. The experience, ties and collaborations developed from such activities will enable long-term, diverse and sustainable growth. Towards that end, we participate in trade shows and in FY2011, were involved in 3 trade shows in Singapore and China. Our presence in these shows enabled us to reach out to key business partners such as hoteliers, design consultants, distributors and property developers.

作为一个持续发展的企业，我们深知策略营销的重要性。为此，我们在2011年参加了在中国和新加坡的3场展销会。参与这些展销会使我们有机会结识世界各地的酒店业者、设计顾问、分销商以及地产开发商等主要的业务合作伙伴。从这些活动中积累的经验及建立的合作关系将使企业业务获得更长远、全面性和持续性的发展。

International Furniture Fair Singapore 2011 (IFFS) and Hospitality Asia 2011
2011 年新加坡国际家具展

16th International Building & Construction Trade Fair (Shanghai, China)
第16届中国国际建筑贸易博览会（上海）



13th International Building Decoration Fair (Guangzhou, China)
第十三届中国国际建筑装饰博览会（广州）

Subsidiary
旗下子公司

In a strategic partnership with our controlling shareholder Depa Interiors LLC (“Depa”), Design Studio Furniture Manufacturer Ltd (“Design Studio”) established a joint-venture company entitled DDS Asia Holdings Pte. Ltd. (“DDS Asia”) in 2008. While Depa brings tremendous strengths and skills in the interior fit-out industry and significant presence in the Middle-East and North Africa, Design Studio brings complementary expertise in furniture manufacturing customisability. Our joint-venture DDS Asia is a holding company with subsidiary companies established in Singapore, Malaysia, Thailand and Vietnam. These subsidiaries are collectively referred to as DDS Group.

In February 2012, Design Studio increased its equity stake in DDS Asia from 45% to 100%, thereby transforming DDS Asia to a wholly-owned subsidiary. This allows Design Studio to streamline the corporate structure among the Design Studio group of companies as well as giving it full management and equity rights over DDS Asia.

The DDS Group is an interior fit-out specialist offering a comprehensive fit-out suite of ID solutions, including turnkey and retrofitting services. With a strong presence in the hospitality and commercial segments within Singapore, Malaysia, and Thailand, DDS Group looks forward to further developing its market reach in these territories.

Already, building on its successful completion of the projects secured in Resorts World Sentosa and Marina Bay Sands Integrated Resorts, Singapore, DDS Group has secured other prominent projects such as the Grand Hyatt in Kuala Lumpur, Malaysia, the Novotel Platinum in Bangkok, Thailand, The Quayside Hotel at Sentosa Cove, the Westin Singapore Marina Bay and ITE College West, among others.

2008 年，为扩展亚洲的室内装潢业务，瑞胜集团与股东 Depa Interiors LLC （简称 “Depa”）建立了合资公司，DDS亚洲控股私人有限公司（简称“DDS亚洲”）。Depa是中东和北非市场室内装潢行业的佼佼者，而瑞胜则在定制家具上有专业服务的优势，双方的合作能达到相辅相成的效果。DDS亚洲在新加坡、马来西亚、泰国和越南都设有子公司。

2012年2月，为了简化集团架构及进一步扩展集团在酒店、综合娱乐场所及商业项目在国内外业务，瑞胜向Depa收购了DDS集团，DDS亚洲成为其旗下全资子公司。

DDS集团是一家专业的室内装潢企业，提供全面的室内装潢工程管理。DDS集团在新加坡、马来西亚和泰国的酒店和综合娱乐场所赢得了许多瞩目的工程项目，除了有完工的圣淘沙名胜世界和滨海湾金沙项目，手头上还有其它工程如马来西亚吉隆坡的君悦酒店，泰国的 Novotel Platinum、新加坡升涛湾的 The Quayside 酒店、滨海湾的威斯汀酒店以及工艺教育西部学院等等。DDS集团将进一步扩展它在这些区域的市场。

Overseas Presence
国际发展

Showrooms/Offices 陈列室/办事处

- China 中国
- United Arab Emirates 阿联酋
- Malaysia 马来西亚
- Thailand 泰国
- Singapore 新加坡

Making Headway

Armed with a portfolio of renowned residential and hospitality projects across the island, Design Studio is arguably one of the industry leaders in the Singapore market. Going forward, we will continue to seek opportunities in other key emerging markets overseas funded by a prudent and mindful approach. Currently, we are principally active in South East Asia, having gained an impressive portfolio of residential and hospitality projects. They include the Grand Hyatt Hotel, Five Stones, Plaza Damas in Malaysia, Urbano Absolute and Novotel Platinum in Thailand.

While global market conditions are still a challenge for now, we enjoy a confidence that is built on long term approaches to widen our lead against competitions; develop and create new value-added products and services offering efficient pricing structures and finally pressing on to widen market shares from local and global levels.

展翅高飞

瑞胜集团赢得本地许多高级住宅项目和著名的酒店及综合娱乐场所工程，在新加坡同行业中称得上龙头企业之一。面对未来，在其它主要的新兴市场上，瑞胜集团仍以谨慎态度进行分析、决策以寻求最佳的发展时机。目前，在东南亚，我们在酒店及综合娱乐场所和住宅项目已取得瞩目成绩，成功标得无数项目，例如：马来西亚的君悦酒店、Five Stones、Plaza Damas 以及泰国的 Urbano Absolute 和 Novotel Platinum 等等。当前，国际市场竞争依然十分激烈，但我们充满信心并制定良策，在竞争中发挥我们的优势，以高质量、高品位及创新设计的产品，专业服务以及合理的价格，在群雄中脱颖而出，为进一步拓展国内和国际市场赢得优势。

Board of Directors
董事会

1 **Bernard Lim Leng Foo** (Executive Chairman & CEO) 执行主席兼行政总裁

Bernard Lim is an Executive Director since 5 March 1994. Presently, as the Executive Chairman & CEO of the Group, he is responsible for the operations, research & product developments and business developments divisions. He has over 30 years of experience in the furniture industry and has been instrumental in the establishment and development of the Group's business.

2 **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 25 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.

3 **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 20 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.

Board of Directors
董事会

4 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 30 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.

5 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 36 years 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.

6 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 32 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.

7 **Tan Siok Chin** (Independent Director） 独立董事

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

Ms Tan has over 18 years of experience in legal practice. Her main areas of practice are corporate finance, mergers and acquisitions, capital markets and commercial matters.

Prior to joining ACIES Law Corporation, she practised as a partner in Messrs Rajah & Tann (now known as Rajah & Tann LLP), a firm of advocates and solicitors. 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.

8 **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 AED 1 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.

9 **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 21 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

Board of Directors

Bernard Lim Leng Foo	(Executive Chairman & CEO)
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)
Tan Siok Chin	(Independent Director)
Ong Tiew Siam	(Independent Director)

Audit Committee

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

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

Eliza Lim Bee Lian
Kelly Ng Chai Choey

Management Team

Bernard Lim Leng Foo	(Executive Chairman & CEO)
Elin Wong Hong Keow	(Executive Director)
Kelly Ng Chai Choey	(Executive Director)
Jeremy Koh Kah Liam	(Director)
Michael Leong Ting Boon	(Project Director)

Auditors

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

Principal Bankers

United Overseas Bank
Overseas-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
Email: corpcommunications@designstudio.com.sg

The Board of Directors and Management of Design Studio Furniture Manufacturer Ltd ("the Company") are committed to maintaining a high standard of corporate governance within the Group, in conformity with the Code of Corporate Governance ("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, approves financial objectives and business strategies, monitors the standard of performances and adequacy of internal controls and risk management, both directly and through specialised committees set up by the Board.

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 2011 by the Board and meetings of specialised committees established by the Board including the attendance of the members are set out below:

Directors	Board Meetings		Audit Committee Meetings		Nominating Committee Meetings		Remuneration Committee Meetings	
	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended	No. Held	No. Attended
Bernard Lim Leng Foo	5	5	N.A.	N.A.	1	1	N.A.	N.A.
Elin Wong Hong Keow	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kelly Ng Chai Choey	5	5	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mohannad Izzat Sweid	5	5	N.A.	N.A.	N.A.	N.A.	4	4
Hadi Solh	5	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Muhammad Umar Saleem	5	4	4	4	N.A.	N.A.	N.A.	N.A.
Seah Hou Kee	5	5	4	4	1	1	4	4
Tan Siok Chin	5	5	N.A.	N.A.	1	1	4	4
Ong Tiew Siam	5	5	4	4	1	1	4	4

*Note :

N.A. – Not applicable

The Company has and will organise orientation programmes 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 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.

Principle 2: Board Composition and Balance

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

Bernard Lim Leng Foo	(Executive Chairman & CEO)
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)
Tan Siok Chin	(Independent 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: Role of Executive Chairman and CEO

Mr Bernard Lim Leng Foo is our Executive Chairman and CEO. Mr Lim is responsible for the day-to-day operations of the Company and ensures the timeliness and quality of information flow between the Board and the Management.

Currently, the Company adopts a single leadership structure whereby the roles of the Chairman of the Board and the Chief Executive Officer are assumed by the same person such that the decision-making process of the Company would not be unneccessarily hindered.

Although the aforesaid dual roles are assumed by the same person, the balance of power and authority is provided by three committees, namely AC, NC, and RC which are all chaired by Independent Directors.

Going forward, the Company intends to separate the dual roles such that the Chairman role will be assumed by a separate person.

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 2012 Annual General Meeting:

- Rotation under the Article 102 of the Articles of Association

  (i) Seah Hou Kee
  (ii) Tan Siok Chin
  (iii) Kelly Ng Chai Choey

Principle 5: Board Performance

As at the date of this Report, the NC comprises the following members:

Ong Tiew Siam	(Chairman & Independent Director)
Tan Siok Chin	(Independent Director)
Seah Hou Kee	(Independent Director)
Bernard Lim Leng Foo	(Executive Chairman & CEO)

The NC uses its best efforts to ensure that the directors appointed to the Board possesses 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.

Principle 6: Access to Information

All Board members have 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 Executive Chairman and CEO, 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 Executive Chairman and CEO and 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

As at the date of this Report, the RC comprises the following members:

Tan Siok Chin	(Chairman & Independent Director)
Seah Hou Kee	(Independent Director)
Ong Tiew Siam	(Independent Director)
Mohannad Izzat Sweid	(Non-Executive Director)

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

The role of the RC is to review and recommend to the Board an appropriate competitive framework of remuneration for the Board. No director is involved in deciding his own remuneration. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, allowance, bonuses, annual incentive bonus and benefits in kind. The RC also reviews the remuneration of senior management. The RC submits its recommendation to the Board for endorsement.

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, guaranteed bonus plus annual incentive bonus calculated based on the consolidated net profit before tax and extraordinary items. Executive Directors do not receive directors' fees.

Non-Executive Directors are currently paid only directors' fees. They do not receive an attendance fee for attending meetings.

For the financial year ended 31 December 2011, the remuneration of directors and key executives are set out below:

Remuneration band Names of directors	Salary (%)	Bonus (%)	Profit Sharing (%)	Director Fees (%)	Other Benefits (%)	Total (%)
S$1,000,000 to S$1,250,000						
Executive Chairman & CEO						
Bernard Lim Leng Foo	31	8	58		3	100
≥S$500,000 to S$750,000						
Executive Directors						
Elin Wong Hong Keow	36	9	52		3	100
Kelly Ng Chai Choey	34	9	54		3	100
Executive Officer						
Jeremy Koh Kah Liam	37	6	51		6	100
≥S$250,000 to S$500,000						
Executive Officer						
Michael Leong Ting Boon	59	10	14		17	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
Executive Officers						
Chua Wei Ping	38	12	13		37	100
Chan Pheng Chun	50	19	18		13	100
Mak Soon Heng	51	21	23		5	100

Save for Mr Bernard Lim Leng Foo, Ms Elin Wong Hong Keow and Ms Kelly Ng Chai Choey, none of the above directors' remuneration exceeds S$250,000 during the year.

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$150,000 during the year.

The Company does not have any share option scheme.

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: Audit Committee

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

Seah Hou Kee	(Chairman & Independent Director)
Ong Tiew Siam	(Independent Director)
Muhammad Umar Saleem	(Non-Executive Director)

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

- Reviews the audit plans of the internal and external auditors of the Company, and 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;

- Reviews 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;

- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;

- Meets 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;

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

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

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

- Recommends to the Board the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;

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

- Reviews 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.

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 two 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.

Principle 12: Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system can preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable but not absolute assurance against material misstatement or loss.

The Company maintains a sound 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, including financial, operational and compliance 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, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

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 and the AC are of the opinion that in the absence of any evidence to the contrary, the systems of internal controls is adequate in meeting the current operation within the Group.

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.

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's 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.

Financial Contents

The directors present their report 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 2011.

1 DIRECTORS

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

Bernard Lim Leng Foo (Executive Chairman & CEO)
Elin Wong Hong Keow
Kelly Ng Chai Choey
Mohannad Izzat Sweid
Hadi Solh
Muhammad Umar Saleem
Seah Hou Kee
Tan Siok Chin
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 objects are, or one of whose object is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

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 shares 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 2011	31 December 2011	1 January 2011	31 December 2011
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	11,392,860	–	–

There was no change in any of the above mentioned interests between 31 December 2011 and 21 January 2012.

4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit 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.

5 SHARE OPTIONS

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2011, there are no options on the unissued shares of the Company or its subsidiaries which are outstanding.

6 AUDIT COMMITTEE

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

Seah Hou Kee	(Chairman & Independent Director)
Ong Tiew Siam	(Independent Director)
Muhammad Umar Saleem	(Non-Executive Director)

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:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's management to the external and internal auditors;
- Reviews 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;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets 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;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board with such recommendations as the AC considers appropriate; and
- Reviews 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

2 March 2012

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 69 to 115 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 2011, 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

2 March 2012

Independent Auditors' Report

To the Members of Design Studio Furniture Manufacturer Ltd

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 2011, 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 69 to 115.

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 judgment, 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 2011 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.

Other matters

The financial statements for the financial year ended 31 December 2010 were audited by another auditor whose report dated 10 March 2011 expressed an unqualified opinion on those financial statements.

Independent Auditors' Report

To the Members of Design Studio Furniture Manufacturer Ltd

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
2 March 2012

Balance Sheets

As at 31 December 2011

		Group		Company	
		2011	2010	2011	2010
	Note	$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	25,886	11,616	5,982	6,621
Investment in subsidiaries	5	–	–	21,279	275
Investment in an associate	6	9,661	7,170	2,250	2,250
Club membership	7	61	67	61	67
Deferred tax assets	22	–	98	–	–
Trade and other receivables	10	10,196	9,148	10,196	9,148
Prepayments		724	–	–	–
Current assets					
Inventories	8	11,610	9,126	1,404	1,927
Gross amount due from customers for contract work-in-progress	9	6,776	8,008	6,074	9,333
Trade and other receivables	10	22,957	34,863	19,261	34,256
Prepayments		2,681	1,472	648	606
Investment securities	11	–	4	–	4
Tax recoverable		–	122	–	–
Cash and short-term deposits	12	28,611	34,701	25,785	33,446
		72,635	88,296	53,172	79,572
Current liabilities					
Trade and other payables	13	21,054	28,097	17,879	25,247
Finance lease liabilities (current portion)	14	3	26	–	11
Provision for tax		3,145	3,440	2,098	3,440
		24,202	31,563	19,977	28,698
Net current assets		48,433	56,733	33,195	50,874
Non-current liabilities					
Deferred tax liabilities	22	88	97	63	97
Other payables	13	115	106	–	–
Finance lease liabilities (non-current portion)	14	–	3	–	–
Net assets		94,758	84,626	72,900	69,138
Equity attributable to equity holders of the Company					
Share capital	15	30,161	30,161	30,161	30,161
Reserves	16	64,597	54,465	42,739	38,977
Total equity		94,758	84,626	72,900	69,138

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

Consolidated Income Statement

For the year ended 31 December 2011

	Note	Group 2011 $'000	Group 2010 $'000
Revenue	17	93,222	107,970
Cost of sales		(66,046)	(76,042)
Gross profit		27,176	31,928
Other income	19	3	58
		27,179	31,986
Marketing and distribution expenses		(4,259)	(3,223)
General and administrative expenses		(6,761)	(6,992)
Profit from operations	20	16,159	21,771
Finance expenses	21	(10)	(14)
Finance income	21	61	61
Share of result of an associate		2,536	1,270
Profit before tax		18,746	23,088
Tax expense	22	(3,489)	(3,471)
Profit net of tax		15,257	19,617
Earnings per share ($cents)			
basic	23	5.98	7.69
diluted	23	5.98	7.69

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 2011

	Note	Group 2011 $'000	Group 2010 $'000
Profit net of tax		15,257	19,617
Other comprehensive income:			
Foreign currency translation		1,301	44
Share of other comprehensive (loss)/income of an associate		(45)	4
Total comprehensive income for the year attributable to equity holders of the Company		16,513	19,665

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 2011

	Attributable to equity holders of the Company			
	Share capital $'000	Revenue reserve $'000	Other reserves $'000	Total $'000
Group				
Balance at 1 January 2010	30,111	41,194	(14)	71,291
Total comprehensive income for the year	–	19,617	48	19,665
Dividends on ordinary shares (Note 31)	–	(6,380)	–	(6,380)
New shares issued upon conversion of shares from convertible notes	50	–	–	50
Balance at 31 December 2010	30,161	54,431	34	84,626
Total comprehensive income for the year	–	15,257	1,256	16,513
Dividends on ordinary shares (Note 31)	–	(6,381)	–	(6,381)
Balance at 31 December 2011	30,161	63,307	1,290	94,758

	Share capital $'000	Revenue reserve $'000	Total $'000
Company			
Balance at 1 January 2010	30,111	28,258	58,369
Total comprehensive income for the year	–	17,099	17,099
Dividends on ordinary shares (Note 31)	–	(6,380)	(6,380)
New shares issued upon conversion of shares from convertible notes	50	–	50
Balance at 31 December 2010	30,161	38,977	69,138
Total comprehensive income for the year	–	10,143	10,143
Dividends on ordinary shares (Note 31)	–	(6,381)	(6,381)
Balance at 31 December 2011	30,161	42,739	72,900

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 2011

	Note	Group 2011 $'000	2010 $'000
Cash flows from operating activities			
Profit before tax		18,746	23,088
Adjustments:			
Impairment loss on doubtful receivables	20	3	2
Depreciation of property, plant and equipment	4	3,145	2,824
Property, plant and equipment written off	20	–	8
(Gain)/Loss on disposal of property, plant and equipment	20	(22)	32
Finance expenses	21	10	14
Finance income	21	(61)	(61)
Share of result of an associate		(2,536)	(1,270)
Amortisation of club membership	7	6	6
Currency translation difference		294	81
Operating profit before working capital changes		19,585	24,724
(Increase)/Decrease in:			
Inventories		(2,484)	(2,236)
Contract work-in-progress		1,232	(1,627)
Trade and other receivables		10,858	(10,480)
Prepayments		(1,933)	(567)
(Decrease)/Increase in:			
Trade and other payables		(7,034)	1,929
Cash flows from operations		20,224	11,743
Finance expenses paid		(10)	(14)
Income taxes paid		(3,572)	(3,617)
Net cash flows from operating activities		16,642	8,112
Cash flows from investing activities			
Costs incurred for construction-in-progress (Note A)		(4,173)	(678)
Finance income received		61	61
Proceeds from sale of property, plant and equipment		35	110
Purchase of property, plant and equipment (Note A)		(12,252)	(4,101)
Proceeds from sale of investment securities		4	–
Repayment of loan by an associate		–	1,350
Net cash flows used in investing activities		(16,325)	(3,258)
Cash flows from financing activities			
Decrease/(Increase) in fixed deposits pledged		1,218	(2,079)
Dividends paid on ordinary shares by the Company		(6,381)	(6,380)
Repayment of finance lease liabilities		(26)	(132)
Net cash flows used in financing activities		(5,189)	(8,591)
Net decrease in cash and cash equivalents		(4,872)	(3,737)
Cash and cash equivalents at beginning of year		31,953	35,690
Cash and cash equivalents at end of year (Note B)		27,081	31,953

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 2011

Notes to the consolidated statement of cash flows

A. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $16,425,000 (2010: $4,779,000). Cash payments of $12,252,000 and $4,173,000 (2010: $4,101,000 and $678,000) were made towards the purchase of these property, plant and equipment and construction-in-progress respectively.

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following at the balance sheet date:

	Note	Group 2011 $'000	Group 2010 $'000
Cash at banks and on hand	12	7,353	5,174
Fixed deposits	12	21,258	29,527
Cash and short-term deposits		28,611	34,701
Less: Fixed deposits pledged		(1,530)	(2,748)
Cash and cash equivalents		27,081	31,953

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 2011 were authorised for issue by the Board of Directors on 2 March 2012.

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 on a 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 standards FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2011. The adoption of these new/revised FRS and INT FRS does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

FRS 24 (Revised) Related Party Disclosures

FRS 24 *(Revised) Related Party Disclosures* has been adopted beginning 1 January 2011 and has been applied retrospectively. The revised Standard clarifies the definition of a related party. However, no additional party has been identified as a result of the clarification.

In addition, the Group is required to disclose commitments between itself and its related parties.

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* and FRS 27 *Separate Financial Statements*

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 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 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 BUSINESS COMBINATIONS (CONT'D)

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.

The policy described above is applied to all business combinations that take place on or after 1 January 2010.

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.

2.5.1 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 other than those financial instruments "at fair value through profit or loss".

2.6 FINANCIAL ASSETS

2.6.1 Loans and receivables

Trade receivables 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 initially at fair value and subsequently 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 FINANCIAL ASSETS (CONT'D)

2.6.2 Financial assets at fair value through profit or loss (FVTPL)

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and FRS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in "other gains and losses" line in the statement of comprehensive income/income statement.

2.6.3 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.

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, an increase in the number of delayed payments in the portfolio past the credit period, 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 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.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 FINANCIAL ASSETS (CONT'D)

2.6.4 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.

2.7 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

2.7.1 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.

2.7.2 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.

2.7.3 Financial liabilities

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

2.7.4 Derecognition of financial liabilities

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

2.8 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 2.23). 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)

2.9 **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 balance sheet date, when the outcome of a construction contract can be estimated reliably. When the outcome of a construction contract cannot be estimated reliably, 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. 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.

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.

2.10 **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;
- 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.

2.11 **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	–	5 to 10 years
Renovation	–	3 to 10 years
Machinery	–	5 to 10 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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.

2.12 INTANGIBLE ASSET

Club membership

Club membership acquired is measured on initial recognition at cost. Following initial recognition, club membership is carried at cost less any accumulated amortisation and any impairment losses. Club membership is amortised on a straight-line basis over its finite useful life of 21 years and assessed for impairment whenever there is an indication that the club membership is impaired. The amortisation period and the amortisation method for a club membership is reviewed at the end of each reporting period, with the effect of any change in estimate being accounted for on a prospective basis. The amortisation expense on intangible assets is recognised in profit or loss.

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

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

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 **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.

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

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

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.

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

(i) Sale of goods

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 REVENUE (CONT'D)

(ii) Project revenue

Revenue recognition from project revenue is set out in the Group's accounting policy on construction contracts (see Note 2.9).

(iii) Interest income

Interest income is recognised using the effective interest method.

2.17 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.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognised actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

2.18 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 balance sheet date.

2.19 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 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 INCOME TAX (CONT'D)

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.

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

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

Exchange differences arising on the settlement of monetary items, and on translation of monetary items are included in profit or loss for the period. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 **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.

2.22 **CONTRACT WORK-IN-PROGRESS** - Contract work-in-progress comprises costs incurred on incomplete projects plus recognised profits less losses and progress billings, and provision for foreseeable losses. Costs include cost of materials, direct labour and direct and indirect overheads incurred in connection with the contracts.

Expected loss on a contract is recognised as an expense as soon as it is known.

2.23 **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.

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 and deferred tax liabilities at the balance sheet date was $2,098,000 (2010: $3,440,000) and $63,000 (2010: $97,000) respectively. The carrying amount of the Group's net income tax payables, deferred tax assets and deferred tax liabilities at the balance sheet date was $3,145,000 (2010: $3,318,000), $Nil (2010: $98,000) and $88,000 (2010: $97,000) 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.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONT'D)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, 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 balance sheet date is disclosed in Note 4 to the financial statements.

(ii) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Non-financial assets of the Group are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) *Impairment of loans and receivables*

The Group assesses at each balance sheet date 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 balance sheet date 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 balance sheet date, 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 recoverable variation works that will affect the stage of completion. The carrying amounts of assets and liabilities arising from construction contracts at the balance sheet date 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 balance sheet date are disclosed in Note 22 to the financial statements.

(iv) *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 each balance sheet date. Based upon this estimation process, management is of the opinion that retention monies of $10,196,000 (2010: $9,148,000) should be classified as non-current.

4 PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold factory building $'000	Leasehold improvement $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Renovation $'000	Machinery $'000	Construction-in-progress $'000	Total $'000
Cost:										
Balance at 1 January 2010	5,680	67	219	690	1,851	575	859	14,540	151	24,632
Additions	–	–	103	95	471	48	92	3,292	678	4,779
Written off	–	–	(3)	–	–	(1)	–	(19)	–	(23)
Disposals	–	–	(60)	(201)	(248)	(23)	–	–	–	(532)
Reclassification	–	–	–	–	–	–	820	–	(820)	–
Translation difference	–	–	(6)	(11)	(21)	(7)	(49)	–	–	(94)
Balance at 31 December 2010	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)
Reclassification	–	–	–	–	–	–	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
Accumulated depreciation:										
Balance at 1 January 2010	1,958	32	117	356	1,081	356	432	10,455	–	14,787
Depreciation charge for the year	258	7	38	88	300	80	377	1,676	–	2,824
Written off	–	–	(1)	–	–	(1)	–	(13)	–	(15)
Disposals	–	–	(41)	(179)	(149)	(21)	–	–	–	(390)
Translation difference	–	–	(3)	(9)	(11)	(4)	(33)	–	–	(60)
Balance at 31 December 2010	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
Carrying value:										
As at 31 December 2011	3,206	21	230	473	689	674	1,564	15,694	3,335	25,886
As at 31 December 2010	3,464	28	143	317	832	182	946	5,695	9	11,616

4 PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold factory building $'000	Leasehold improvement $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Renovation $'000	Machinery $'000	Construction-in-progress $'000	Total $'000
Cost:										
Balance at 1 January 2010	5,680	67	89	407	1,560	376	252	2,814	151	11,396
Additions	–	–	56	94	471	40	–	183	669	1,513
Disposals	–	–	(1)	–	(223)	(14)	–	–	–	(238)
Reclassification	–	–	–	–	–	–	820	–	(820)	–
Transferred from a subsidiary	–	–	–	–	–	–	–	5	–	5
Transferred to a subsidiary	–	–	–	–	–	–	–	(138)	–	(138)
Balance at 31 December 2010	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
Accumulated depreciation:										
Balance at 1 January 2010	1,958	32	41	150	953	238	177	1,366	–	4,915
Depreciation charge for the year	258	7	19	53	251	52	181	353	–	1,174
Disposals	–	–	–	–	(134)	(14)	–	–	–	(148)
Transferred to a subsidiary	–	–	–	–	–	–	–	(24)	–	(24)
Balance at 31 December 2010	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
Carrying value:										
As at 31 December 2011	3,206	21	102	297	513	424	634	785	–	5,982
As at 31 December 2010	3,464	28	84	298	738	126	714	1,169	–	6,621

Assets held under finance leases

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

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Carrying value of:				
- Machinery	3	19	–	–
- Motor vehicles	–	103	–	90
	3	122	–	90

5 INVESTMENT IN SUBSIDIARIES

	Company 2011 $'000	Company 2010 $'000
Unquoted shares, at cost	1,362	1,341
Less: Impairment losses	(1,066)	(1,066)
	296	275
Long-term loan to a subsidiary	20,983	–
	21,279	275

Details of the subsidiaries are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest (%) 2011	Proportion of ownership interest (%) 2010	Voting power (%) 2011	Voting power (%) 2010
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
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
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	–##

* Audited by member firms of Deloitte Touche Tohmatsu Limited.

\# Audited by Grant Thornton, Shanghai, Member of Grant Thornton International Ltd.

** 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.

\## Incorporated during the year.

6 INVESTMENT IN AN ASSOCIATE

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Investment in an associate, at cost	2,250	2,250	2,250	2,250
Share of post-acquisition reserves	7,411	4,920	–	–
	9,661	7,170	2,250	2,250

Details of the associate are as follows:

Name	Principal activities/ Country of incorporation and operation	Proportion of ownership interest(%) 2011	Proportion of ownership interest(%) 2010	Voting power (%) 2011	Voting power (%) 2010
Held through the Company:					
DDS Asia Holdings Pte Ltd *	Investment holding company/ Singapore	45	45	45	45

* Audited by Deloitte & Touche LLP, Singapore.

The Group's contingent liability in respect of its investment in an associate is disclosed in Note 26.

Summarised financial information in respect of the Group's associate is set out below:

	Group 2011 $'000	Group 2010 $'000
Assets and liabilities:		
Total assets	41,235	32,572
Total liabilities	(19,498)	(16,336)
Results:		
Revenue	63,598	72,243
Profit for the year	5,636	2,821

7 CLUB MEMBERSHIP

	Group and Company	
	2011	2010
	$'000	$'000
At cost	128	128
Less: Accumulated amortisation	(67)	(61)
	61	67

Amortisation expense

The amortisation of club membership is included in the "general and administrative expenses" line items in the income statement.

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

	Group and Company	
	2011	2010
	$'000	$'000
At beginning of year	61	55
Amortisation during the year	6	6
At end of year	67	61

8 INVENTORIES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Raw materials, at cost	9,909	6,217	1,248	1,768
Work-in-progress, at cost	1,614	2,909	156	159
Finished goods, at cost	87	–	–	–
	11,610	9,126	1,404	1,927

The amount of inventories charged to the contract cost during the year was $14,183,000 (2010: $20,173,000). The contract cost was recognised as expense in cost of sales based on stage of completion of the contract activity at the balance sheet date.

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

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	315,851	261,450	295,706	255,220
Less: Progress billings	(309,075)	(253,442)	(289,632)	(245,887)
Presented as:				
Gross amount due from customers for contract work	6,776	8,008	6,074	9,333
Retention monies on construction contract included in trade receivables	14,357	14,248	13,774	14,184

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade receivables (non-current):				
Retention monies:				
Third parties	5,921	5,045	5,921	5,045
Corporate shareholder	3,618	3,271	3,618	3,271
Associate	657	832	657	832
	10,196	9,148	10,196	9,148
Trade receivables (current):				
Third parties:				
Trade receivables	8,887	17,645	8,417	17,191
Retention monies	3,330	3,981	3,169	3,917
	12,217	21,626	11,586	21,108
Corporate shareholder:				
Trade receivables	695	608	695	608
Retention monies	–	316	–	316
	695	924	695	924
Subsidiary:				
Trade receivables	–	–	141	–
Associate:				
Trade receivables	4,281	8,104	1,519	8,104
Retention monies	831	803	409	803
	5,112	8,907	1,928	8,907
Total trade receivables (current)	18,024	31,457	14,350	30,939

10 TRADE AND OTHER RECEIVABLES (CONT'D)

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Other receivables:				
Other receivables	2,734	63	74	70
Deposits	2,199	3,343	126	2,929
	4,933	3,406	200	2,999
Amounts due from subsidiaries (non-trade)	–	–	4,711	318
	4,933	3,406	4,911	3,317
Total trade and other receivable (current)	22,957	34,863	19,261	34,256

Trade receivables including amounts due from a corporate shareholder and an associate 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.

At the balance sheet date, there are no trade receivables arising from export sales which are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based (2010: $3,524,000).

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

There has been no movement in this allowance account for the financial year ended 31 December 2011 (2010: $Nil).

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 $695,000 (2010: $599,000) and $1,011,000 (2010: $286,000) respectively that are past due at the balance sheet date but not impaired. The analysis of their aging at the balance sheet date is as follows:

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Trade receivables past due:				
61 to 90 days	675	4,526	630	4,526
91 to 150 days	1,110	388	466	198
More than 150 days	2,255	992	2,255	953
	4,040	5,906	3,351	5,677

10 TRADE AND OTHER RECEIVABLES (CONT'D)

Movement in allowance accounts:

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
At 1 January	–	(1)	–	–
Charge for the year	(3)	(2)	–	–
Written off	3	3	–	–
At 31 December	–	–	–	–

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that have defaulted on payments due to disputes on work done. These receivables are not secured by any collateral or credit enhancements.

11 INVESTMENT SECURITIES

	Group and Company	
	2011 $'000	2010 $'000
Current:		
Held for trading investments		
Quoted equity shares - at fair value	–	4

12 CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Cash at banks and on hand	7,353	5,174	4,527	3,919
Fixed deposits (secured, Note 14)	1,530	2,748	1,530	2,748
Fixed deposits (unsecured)	19,728	26,779	19,728	26,779
	21,258	29,527	21,258	29,527
Total cash and short-term deposits	28,611	34,701	25,785	33,446

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.10% to 0.50% (2010: 0.10% to 0.40%). Fixed deposits of the Group and the Company bear interest ranging from 0.0075% to 0.55% (2010: 0.02% to 2.00%) per annum respectively. These fixed deposits mature within 12 months from the end of the financial year.

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Current:				
Trade payables:				
Amounts due to third parties	5,084	8,582	3,216	6,438
Amounts due to subsidiaries	–	–	1,159	2,279
Amounts due to an associate	–	24	–	24
Amounts due to a corporate shareholder	141	132	–	–
Retention payables	950	785	862	704
	6,175	9,523	5,237	9,445
Other payables	685	1,429	423	424
Accrued operating expenses	11,731	15,558	10,460	13,791
Deposits received	2,463	1,587	1,759	1,587
	21,054	28,097	17,879	25,247
Non-current:				
Other payables	115	106	–	–
Total trade and other payables	21,169	28,203	17,879	25,247
Loans and borrowings (Note 14)	3	29	–	11
Total financial liabilities carried at amortised cost	21,172	28,232	17,879	25,258

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

Amounts due to subsidiaries 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.

14 LOANS AND BORROWINGS

	Group 2011 $'000	Group 2010 $'000	Company 2011 $'000	Company 2010 $'000
Current:				
Obligations under finance leases				
- secured [Note 25 (ii)]	3	26	–	11
Non-current:				
Obligations under finance leases				
- secured [Note 25 (ii)]	–	3	–	–
Total loans and borrowings	3	29	–	11

Bills payable and bank overdrafts

Company

Banking facilities are secured by a pledge of fixed deposit of the Company amounting to approximately $1,530,000 (2010: $2,748,000).

A subsidiary

Banking facilities are secured by a corporate guarantee by the Company.

15 SHARE CAPITAL

	Group and Company 2011 No. of shares '000	2011 $'000	2010 No. of shares '000	2010 $'000
Issued and fully paid:				
At 1 January	255,223	30,161	255,126	30,111
Conversion of shares from convertible notes	–	–	97	50
At 31 December	255,223	30,161	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.

16 RESERVES

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Revenue reserve	63,307	54,431	42,739	38,977
Translation reserve	1,290	34	–	–
	64,597	54,465	42,739	38,977

The translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

17 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	
	2011	2010
	$'000	$'000
Project revenue	88,138	91,209
Sale of goods	5,084	16,761
	93,222	107,970

18 PERSONNEL EXPENSES

	Group	
	2011	2010
	$'000	$'000
Wages, salaries and bonuses	15,856	16,450
Defined contribution plan	1,376	1,059
Other personnel expenses	373	478
	17,605	17,987
Less: Directors' remuneration	(1,832)	(2,496)
	15,773	15,491

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

19 OTHER INCOME

	Group	
	2011	2010
	$'000	$'000
Sundry income	2	–
Grant income from jobs credit scheme	1	58
	3	58

20 PROFIT FROM OPERATIONS

This is determined after charging the following:

	Group	
	2011	2010
	$'000	$'000
Audit fees:		
- paid to auditors of the Company	131	188
- paid to other auditors	3	3
Non-audit fees		
- paid to auditors of the Company	42	17
- paid to other auditors	–	–
Depreciation of property, plant and equipment	3,145	2,824
Directors' fees	285	282
Directors' remuneration (Note 18)		
- directors of the Company	1,744	2,325
- other directors	88	171
Foreign exchange loss, net	44	850
(Gain)/loss on disposal of property, plant and equipment	(22)	32
Property, plant and equipment written off	–	8
Operating lease expenses	2,052	1,826
Personnel expenses (Note 18)	15,773	15,491
Amortisation of club membership	6	6
Impairment loss on doubtful receivables	3	2

21 FINANCE EXPENSES AND FINANCE INCOME

	Group	
	2011	2010
	$'000	$'000
Finance expenses:		
- Bills payable and discounting	1	1
- Finance leases	2	6
- Bankers' guarantee and commitment fee	7	7
	10	14
Finance income:		
- Fixed deposits	61	61

22 TAX EXPENSE

	Group	
	2011	2010
	$'000	$'000
Major components of income tax expense:		
Current tax:		
Singapore		
- current year	2,088	3,440
- under/(over) provision in respect of prior year	89	(8)
Foreign		
- current year	1,202	101
- under/(over) provision in respect of prior year	21	(57)
Deferred tax:		
Singapore		
- current year	(34)	58
Foreign		
- original and reversal of temporary differences	(68)	(72)
- under provision in respect of prior year	191	9
	3,489	3,471

22 TAX EXPENSE (CONT'D)

Relationship between tax expense and accounting profit:

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

	Group	
	2011 $'000	2010 $'000
Profit before tax	18,746	23,088
Tax at the domestic rates applicable to profits in the countries where the Group operates	3,224	4,064
Tax effect of non-deductible expenses	114	74
Income not subject to taxation	–	(10)
Tax exemption	(26)	(26)
Deduction on tax incentives	(170)	(83)
Total under/(over) provision in respect of prior year - current tax	110	(65)
Total overprovision of deferred taxation in respect of prior year - unutilised capital allowances and tax losses	191	9
Utilisation of reinvestment allowance	85	(233)
Utilisation of deferred tax benefits not recognised in prior year	–	(259)
Others	(39)	–
	3,489	3,471

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

The following 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:

	Differences in depreciation $'000	Unrealised foreign exchange $'000	Other general provision $'000	Unabsorbed reinvestment allowance $'000	Total $'000
Group					
Deferred tax assets (net)					
At 1 January 2010	1	31	3	–	35
(Charge)/Credit to profit or loss for the year	(160)	(38)	2	259	63
At 31 December 2010	(159)	(7)	5	259	98
Credit/(Charge) to profit or loss for the year	159	7	(5)	(259)	(98)
At 31 December 2011	–	–	–	–	–
Deferred tax liabilities (net)					
At 1 January 2010	47	–	(8)	–	39
Charge to profit or loss for the year	58	–	–	–	58
At 31 December 2010	105	–	(8)	–	97
Charge/(Credit) to profit or loss for the year	(14)	2	3	–	(9)
At 31 December 2011	91	2	(5)	–	88

22 TAX EXPENSE (CONT'D)

	Differences in depreciation $'000	Unrealised foreign exchange $'000	Other general provision $'000	Unabsorbed reinvestment allowance $'000	Total $'000
Company					
Deferred tax liabilities (net)					
At 1 January 2010	47	–	(8)	–	39
Charge to profit or loss for the year	58	–	–	–	58
At 31 December 2010	105	–	(8)	–	97
Credit to profit or loss for the year	(34)	–	–	–	(34)
At 31 December 2011	71	–	(8)	–	63

Reinvestment allowance ("RA") is a tax incentive granted to manufacturing companies in Malaysia which have been in operation for at least 12 months and have incurred qualifying capital expenditure for the expansion of production capacity, modernisation and upgrading of production facilities, and diversification into related products.

RA is calculated based on 60% of capital expenditure incurred by the Company's subsidiary in Malaysia. RA can be utilised to offset against 70% of the statutory income of the Company's subsidiary in Malaysia in the relevant year of assessment.

As at 31 December 2011, the Company's subsidiary in Malaysia has no unabsorbed reinvestment allowances to offset future taxable profits subject to the agreement with the tax authorities in Malaysia (2010: $259,000).

23 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	
	2011 $'000	2010 $'000
Profit net of tax	15,257	19,617
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share, representing diluted earnings per share	255,223	255,214

24 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	
	2011 $'000	2010 $'000
Sale of finished goods to an associate	22,069	20,593
Sale of finished goods to an immediate holding company	113	1,991
Sale of finished goods to a related company	–	46
Sale of finished goods to directors	–	234
Purchase of services from firms related to directors	65	120
Management fees received from an associate	723	504

(ii) Compensation of key management personnel

	Group	
	2011 $'000	2010 $'000
Short-term employee benefits	3,267	4,078
Central Provident Fund contributions	114	85
	3,381	4,163
Comprise amounts paid to:		
Directors of the Company	2,067	2,582
Other key management personnel	1,314	1,581
	3,381	4,163

25 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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Not later than one year	1,735	1,007	519	204
Later than one year but not later than five years	3,423	962	608	350
Later than five years	1,740	909	841	909
	6,898	2,878	1,968	1,463

(ii) *Finance lease commitments*

Lease terms, ranging from one to seven years, do not contain restrictions concerning dividends, additional debt or further leasing. These leases have no terms of renewal, purchase options and escalation clauses.

The finance lease liabilities of the Group and Company bear interest ranging from 2.65% to 4.25% and 2.65% (2010: 2.65% to 4.25% and 2.65%) per annum respectively.

As at 31 December 2010, the finance lease liabilities of the subsidiary amounting to approximately $16,000 were secured by a corporate guarantee from the Company.

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Group				
Not later than one year	3	28	3	26
Later than one year but not later than five years	–	3	–	3
Total minimum lease payments	3	31	3	29
Less: Amounts representing finance charges	–	(2)	–	–
Present value of minimum lease payments	3	29	3	29

25 COMMITMENTS (CONT'D)

(ii) Finance lease commitments (cont'd)

	Minimum lease payments		Present value of payments	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Company				
Not later than one year	–	12	–	11
Later than one year but not later than five years	–	–	–	–
Total minimum lease payments	–	12	–	11
Less: Amounts representing finance charges	–	(1)	–	–
Present value of minimum lease payments	–	11	–	11

(iii) Capital commitments

Capital expenditure contracted for as at the balance sheet date but not recognised in the financial statements are as follows:

	Group		Company	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Capital commitments in respect of property, plant and equipment	1,969	5,235	84	–

26 CONTINGENCIES

Contingent liabilities

Guarantees

(i) 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 the Company's share of approximately $45,583,000 (2010: $45,583,000).

(ii) As at 31 December 2011, the Company had provided corporate guarantees of approximately $21,822,000 (2010: $29,191,000) in favour of banks and financial institutions for the granting of credit facilities and hire purchase financing to a subsidiary and an associate.

26 CONTINGENCIES (CONT'D)

Contingent liabilities (cont'd)

Financial support

The Group and 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 2011 and 2010.

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 has 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 has 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 has ordered the Claimant to pay for the fees, expenses and the advocate's charges amounting to AED1,000.

27 SEGMENT INFORMATION

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

Business segments

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

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

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

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

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

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

27 SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and eliminations $'000	Notes	Consolidated $'000
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
Segment liabilities	9,242	3,130	1,074	10,959	F	24,405
2010						
Revenue:						
External customers	67,768	23,441	16,761	–		107,970
Inter-segment	17,002	10,474	356	(27,832)	A	–
Total revenue	84,770	33,915	17,117	(27,832)		107,970
Results:						
Share of result of an associate	–	1,270	–	–		1,270
Other non-cash expenses	(2)	–	–	(2,838)	B	(2,840)
Segment profit before tax	20,519	1,004	4,308	(2,743)	C	23,088
Assets:						
Investment in an associate	–	7,170	–	–		7,170
Additions to non-current assets	–	–	–	4,779	D	4,779
Segment assets	30,317	22,746	2,880	60,452	E	116,395
Segment liabilities	14,858	3,972	1,020	11,919	F	31,769

27 SEGMENT INFORMATION (CONT'D)

A Inter-segment revenue are eliminated on consolidation.

B Other non-cash expenses consist of depreciation expenses, impairment of financial assets, amortisation of club membership and property, plant and equipment written off.

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

	Group	
	2011 $'000	2010 $'000
Other income	3	58
Finance expenses	(10)	(14)
Finance income	61	61
Depreciation of property, plant and equipment	(3,145)	(2,824)
Unallocated corporate expenses	(40)	(24)
	(3,131)	(2,743)

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

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

	Group	
	2011 $'000	2010 $'000
Property, plant and equipment	25,886	11,616
Club membership	61	67
Deferred tax assets	–	98
Cash and fixed deposits	28,611	34,701
Unallocated stocks	10,132	8,966
Investment securities	–	4
Tax recoverable	–	122
Other receivables, deposits and prepayments	8,337	4,878
	73,027	60,452

27 SEGMENT INFORMATION (CONT'D)

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

	Group	
	2011 $'000	2010 $'000
Unallocated other payables	405	671
Unallocated accrued operating expenses	5,127	7,071
Unallocated trade payables	1,486	626
Lease obligations	3	14
Provision for tax	3,146	3,440
Deferred tax liabilities	88	97
Deposits received	704	–
	10,959	11,919

Geographical information

Revenue by geographical markets are as follows:

	Group	
	2011 $'000	2010 $'000
Singapore	63,411	92,544
Malaysia	13,523	1,013
United Arab Emirates	13,529	13,919
Others	2,759	494
	93,222	107,970

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

	Group	
	2011 $'000	2010 $'000
Singapore	6,244	6,688
Malaysia	2,433	4,700
People's Republic of China	17,892	22
United Arab Emirates	102	273
	26,671	11,683

Information about a major customer

Revenue from a major customer amounted to $22,182,000 (2010: $22,630,000) arising from sales by the residential property and hospitality and commercial projects.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate 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, receivables balances are monitored on an ongoing basis to minimise the Group's exposure to bad debts. For transactions that do not occur in the country of the relevant operating unit, the payment terms are usually by letter of credits or advance payment before shipment.

Exposure to credit risk

At the balance sheet date, 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 $21,822,000 (2010: $29,191,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities and hire purchase financing to 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 and an associate at the balance sheet date is as follows:

	2011		2010	
	$'000	% of total	$'000	% of total
Group				
By country:				
Singapore	15,342	54.37	28,974	71.36
Malaysia	3,816	13.52	517	1.27
United Arab Emirates	7,541	26.72	11,113	27.37
USA	–	N.M.	1	0.00
Thailand	1,508	5.34	–	N.M.
Vietnam	13	0.05	–	N.M.
	28,220	100.00	40,605	100.00

At the balance sheet date, approximately:

- 81.18% (2010: 56.91%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates located in Singapore and United Arab Emirates.
- 35.61% (2010: 34.32%) of the Group's trade and other receivables were due from related parties.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(i) Credit risk (cont'd)

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.

(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 balance sheet date based on contractual gross undiscounted payments.

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
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
2010				
Trade payables	9,523	–	–	9,523
Other payables	1,429	106	–	1,535
Accrued operating expenses	15,558	–	–	15,558
Deposits received	1,587	–	–	1,587
Loans and borrowings	26	3	–	29
	28,123	109	–	28,232

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(ii) Liquidity risk (cont'd)

	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company				
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
2010				
Trade payables	9,445	–	–	9,445
Other payables	424	–	–	424
Accrued operating expenses	13,791	–	–	13,791
Deposits received	1,587	–	–	1,587
Loans and borrowings	11	–	–	11
	25,258	–	–	25,258

(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) and Malaysian Ringgit (Ringgit). 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	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade and other receivables:				
USD	7,556	10,504	8,247	10,504
Ringgit	1,848	836	–	–
UAE Dirhams	70	736	399	902
RMB	2,801	–	–	–
Euro	–	–	2,267	–
Cash and short-term deposits:				
USD	1,350	522	1,071	522
Ringgit	1,926	975	–	–
RMB	547	143	–	–
UAE Dirhams	67	125	–	–

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iii) Foreign currency risk (cont'd)

	Group		Company	
	2011 $'000	2010 $'000	2011 $'000	2010 $'000
Trade and other payables:				
USD	86	637	79	583
Ringgit	1,822	3,270	11	35
Euro	1,303	424	1,169	373
UAE Dirhams	694	843	3	25
RMB	568	–	157	–
Loans and borrowings:				
Ringgit	3	19	–	–

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 and Ringgit exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Group Profit net of tax	
		2011 $'000	2010 $'000
USD/SGD	- strengthened 5% (2010: 5%)	450	580
	- weakened 5% (2010: 5%)	(450)	(580)
Ringgit/SGD	- strengthened 5% (2010: 5%)	280	2
	- weakened 5% (2010: 5%)	(280)	(2)

(iv) Interest rate risk

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-earning financial liabilities. Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through finance lease arrangements.

28 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(iv) Interest rate risk (cont'd)

The table below demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's profit net of tax (through the impact on interest income and expense on floating rate fixed deposits and loans and borrowings).

	Increase/ decrease in basis points	Group effect on profit net of tax $'000
2011		
- Singapore dollar	+10	(21)
- Singapore dollar	-10	21
2010		
- Singapore dollar	+15	(44)
- Singapore dollar	-10	30

29 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 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.

30 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 2011 and 31 December 2010.

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	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Trade and other payables (Note 13)	21,169	28,203	17,879	25,247
Loans and borrowings (Note 14)	3	29	–	11
Less:				
Cash at banks and on hand (Note 12)	(7,353)	(5,174)	(4,527)	(3,919)
Fixed deposits (Note 12)	(21,258)	(29,527)	(21,258)	(29,527)
Net cash	(7,439)	(6,469)	(7,906)	(8,188)
Equity attributable to the equity holders of the Company, representing total capital	94,758	84,626	72,900	69,138
Capital and net debt	87,319	78,157	64,994	60,950

31 DIVIDENDS

	Group and Company	
	2011	2010
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2010: 1.25 cents (2009: 1.25 cents) per share	3,190	3,190
- Interim exempt (one-tier) dividend for 2011: 1.25 cents (2010: 1.25 cents) per share	3,191	3,190
	6,381	6,380
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 2011: 1.25 cents (2010: 1.25 cents) per share	*3,253	3,190

* The final exempt (one-tier) dividend for 2011 includes the 5,041,666 new shares to be issued to Depa Interiors LLC as consideration shares, as disclosed in Note 32 in the financial statements.

32 SUBSEQUENT EVENT

On 25 November 2011, the Board announced that the Company had entered into a conditional sale and purchase agreement dated 25 November 2011 (the "Sale and Purchase Agreement") with its controlling shareholder, Depa Interiors LLC ("DEPA") in relation to the acquisition of 2,750,000 ordinary shares issued and fully paid-up in the share capital of its associate, DDS Asia Holdings Pte Ltd ("DDS"), being the Sale Shares, at an aggregate purchase consideration of $15,125,000 (the "Purchase Consideration"). The Sale Shares represent the remaining 55% shareholding interest in DDS not already owned by the Company. Following completion, DDS would become a wholly-owned subsidiary of the Company and DEPA would cease to hold shares in DDS.

The objectives of the acquisition are to streamline the corporate structure of the companies among the Group and to align the interests of the Company, DDS and DEPA. With the Company holding 100% of DDS directly, DEPA's interest in the Group following the Proposed Acquisition will be via its shareholdings in the Company rather than directly in DDS; and as DDS is an associate, the Company does not have full control over decision making and operational management. The Proposed Acquisition will 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 going forward.

In connection with the Proposed Acquisition, the Company shall allot and issue 5,041,666 new shares at an issue price of S$0.60 per share to DEPA, being the partial payment of the Purchase Consideration, on terms and conditions set out in the Sale and Purchase Agreement.

The acquisition of DDS and the allotment and issue of 5,041,666 new Shares were approved by the shareholders at an Extraordinary General Meeting held on 24 February 2012.

There are no contingent consideration arrangements and indemnification assets contained within the provisons of the Sale and Purchase Agreement.

As of the date of the financial statements, the Group has yet to determine the fair value of the identifiable assets acquired and the liabilities assumed and perform the purchase price allocation exercise. The Group also has not determined the fair value of the previously held 45% interest in DDS and the fair value of the consideration for 55% interest in DDS that was acquired.

Supplementary Information

31 December 2011

1. Aggregate value of all interested person transactions conducted under shareholders' 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$50,858,700

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 2011.

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	3,206

Statistics of Shareholders

As at 12 March 2012

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	0.75	1,646	0.00
1,000 - 10,000	263	65.26	1,267,409	0.49
10,001 - 1,000,000	132	32.75	6,327,400	2.43
1,000,001 AND ABOVE	5	1.24	252,667,716	97.08
TOTAL :	403	100.00	260,264,171	100.00

Twenty Largest Shareholders

NO.	NAME	NO. OF SHARES	%
1.	DEPA INTERIORS LLC	226,108,716	86.88
2.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	12,500,000	4.80
3.	LIM LENG FOO	7,000,000	2.69
4.	HO KAI HON	5,050,000	1.94
5.	CIMB SECURITIES (SINGAPORE) PTE LTD	2,009,000	0.77
6.	LIM & TAN SECURITIES PTE LTD	812,000	0.31
7.	HSBC (SINGAPORE) NOMINEES PTE LTD	384,000	0.15
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	305,000	0.12
9.	RAFFLES NOMINEES (PTE) LTD	161,000	0.06
10.	YEO LOO ENG	160,000	0.06
11.	PHILLIP SECURITIES PTE LTD	130,000	0.05
12.	DBS NOMINEES PTE LTD	118,400	0.05
13.	BNP PARIBAS NOMINEES SINGAPORE PTE LTD	116,000	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.	CITIBANK NOMINEES SINGAPORE PTE LTD	86,000	0.03
	TOTAL :	255,540,116	98.19

Statistics of Shareholders

As at 12 March 2012

Substantial Shareholders' Interests in the Company's Shares

The Shareholdings of the Substantial Shareholders as recorded in the Register of Substantial Shareholder as at 12 March 2012:

	Direct Interest		Deemed Interest	
Substantial Shareholder	No of shares	%	No of shares	%
Depa Interiors LLC	226,733,716	87.12	–	–

Shareholdings in hands of public

The percentage of shareholdings in the hand of public was approximately 10.21% as at 12 March 2011 and hence the Company has complied with Rule 723 of the SGX-ST Listing Manual.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **DESIGN STUDIO FURNITURE MANUFACTURER LTD** (the "Company") will be held at the registered office, No. 8 Sungei Kadut Crescent, Singapore 728682 on Tuesday 24 April 2012 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 2011 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) Seah Hou Kee [Resolution No. 2]
   ii) Tan Siok Chin [Resolution No. 3]
   iii) Kelly Ng Chai Choey [Resolution No. 4]

3. To approve the payment of additional directors' fee of S$38,000 for the year ended 31 December 2011; and directors' fees of S$323,000 for the year ending 31 December 2012, to be paid quarterly in arrears. (2011: S$285,000) [Resolution No. 5]

4. To approve the payment of a final one-tier tax exempt dividend of 1.25 cents per ordinary share for the year ended 31 December 2011. [Resolution No. 6]

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. 7]

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. 8]

Notice of Annual General Meeting

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 9 April 2012 (being an addendum to the Annual Report of the Company for the financial year ended 31 December 2011) (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. 9]

By Order of the Board

Eliza Lim Bee Lian
Company Secretary

9 April 2012

Notes:

1. A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him.
2. A proxy need not be a member of the company.
3. If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer of attorney.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office at No. 8 Sungei Kadut Crescent, Singapore 728682, not less than 48 hours before the time for holding of the meeting.

Explanatory Notes on Ordinary Business to be transacted:

a. Mr Seah Hou Kee is an Independent Director and Chairman of the Audit Committee and a member of the Nominating Committee. If re-elected, he will remain as Chairman of the Audit Committee and a member of the Nominating Committee.

b. Ms Tan Siok Chin is an Independent Director. She is the Chairman of the Remuneration Committee and a member of the Nominating Committee. If she is re-elected, she will continue to hold the post as Chairman of the Remuneration Committee and a member of the Nominating Committee.

c. Ms Kelly Ng Chai Choey is an Executive Director.

d. The additional directors' fee of S$38,000 for the year ended 31 December 2011 was proposed in view of the additional meetings held in year 2011. The directors' fees of S$323,000 for the year ending 31 December 2012 are fees payable to Non-Executive Directors. Ordinary Resolution No. 5 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 2012. This will facilitate directors' compensation for services rendered in a more timely manner.

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

Explanatory Notes on Special Business to be transacted: -

f. Resolution No. 8 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. 8 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. 8 is passed, and (b) any subsequent bonus issue or consolidation or subdivision of shares.

g. Resolution No. 9 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.

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DESIGN STUDIO FURNITURE MANUFACTURER LTD

PROXY FORM

Important:

1. *For investors who have used their CPF monies to buy Design Studio Furniture Manufacturer Ltd's shares, the Annual Report is forwarded to them at the request of their CPF Approved nominee 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.*

I/We ____ (Name)

of ____ (Address)

being a 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)

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

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 No. 8 Sungei Kadut Crescent, Singapore 728682 on Tuesday 24 April 2012 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.

Resolutions relating to:		For	Against
1.	Adoption of Reports and Financial Statements for year ended 31 December 2011		
2.	Re-election of Mr Seah Hou Kee as a director		
3.	Re-election of Ms Tan Siok Chin as a director		
4.	Re-election of Ms Kelly Ng Chai Choey as a director		
5.	Payment of directors' fees		
6.	To approve the payment of the final one-tier exempt dividend for year ended 31 December 2011		
7.	To re-appoint Deloitte & Touche LLP as Auditors and to authorize the Directors to fix their remuneration		
8.	Authority to Issue Shares		
9.	To approve the renewal of the General Mandate for Interested Person Person Transactions		

Signed this...day of April 2012

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
No. 8 Sungei Kadut Crescent,
Singapore 728682

Fold along dotted line

Fold along dotted line

NOTES :

a. 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 you 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.

b. 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.

c. 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.

d. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 8 Sungei Kadut Crescent, Singapore 728682 not less than 48 hours before the time appointed for the Annual General Meeting.

e. 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.

f. 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.

g. 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.

h. 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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