

NEWS RELEASE

DESIGN STUDIO HAMMERS HOME ITS 9TH YEAR OF PROFITABILITY WITH A RECORD QUARTER IN 4Q2014

- **4Q2014 NPAT of S\$9.4 million achieved is the highest ever since IPO;**
- **Proposes to reward shareholders with a special dividend of 4.0 cents and a final dividend of 2.0 cents per share;**
- **Total dividend of 6.5 cents per share, a yield of 13.8%¹;**
- **Remains well-positioned with healthy cash flows, a strong balance sheet, and an order book worth S\$230.8 million.**

4Q2014 and FY2014 Results Highlights

S\$ '000	4Q2014	4Q2013	Change	FY2014	FY2013	Change
Revenue	75,861	63,416	19.6%	177,808	178,097	(0.2)%
Gross profit	15,663	12,238	28.0%	39,604	30,539	29.7%
Profit net of tax	9,446	6,242	51.3%	20,556	11,859	73.3%
EPS (cents)	3.63	2.40	51.3%	7.91	4.59	72.3%

Singapore, 12 February 2015 – Design Studio Group Ltd (瑞胜集团有限公司) (“Design Studio” or the “Company”, and collectively with its subsidiaries, “the Group”), Singapore’s leading premier furniture manufacturer, product and interior fitting-out specialist, today announced that Group achieved a record quarter for the three months ended 31 December 2014 (“4Q2014”). Group revenue in 4Q2014 was S\$75.9 million, an increase of 19.6% from S\$63.4 million in the past corresponding period (“4Q2013”). Gross

¹ Closing price of Design Studio shares as of 11 February 2015 was S\$0.47 per share.

margins remained healthy at 20.6% for 4Q2014 compared to 19.3% in the year ago quarter as a result of the Group's continued focus on achieving operational excellence. Profit net of tax increased 51.3% from S\$6.2 million in 4Q2013 to S\$9.4 million in 4Q2014.

For the 12 months ended 31 December 2014 ("FY2014"), Group revenues were S\$177.8 million, compared with S\$178.1 million in the past corresponding period ("FY2013"). Gross margins improved from 17.1% in FY2013 to 22.3% in FY2014 due to higher margins recorded for some projects completed during the year, as well as overall improved cost efficiencies achieved by the Group's production facility in China. As a result, profit net of tax increased 73.3% from S\$11.9 million in FY2013 to S\$20.6 million in FY2014.

"I am pleased to inform that the quarterly net profit of S\$9.4 million recorded in 4Q2014 is the highest ever achieved in a quarter since our IPO in January 2003. Notwithstanding the cooling measures and fragile demand across the residential markets in which we operate, Design Studio has continued to deliver improved results and generate value for shareholders in FY2014. Underpinning the strong performance is our group-wide strategic focus on operational excellence and cost efficiency. With our efficient manufacturing structure and a strong balance sheet, Design Studio is well-positioned to execute its business strategies," said Mr Bernard Lim, Chief Executive Officer of Design Studio Group.

"To acknowledge and reward our shareholders for their continued trust and support, the Board is pleased to propose a final dividend of 2.0 cents, and a special dividend of 4.0 cents. Combined with the interim dividend of 0.50 Singapore cents per share declared in August 2014, the Board is proposing a dividend of 6.5 cents for FY2014, representing a yield of 13.8% based on the closing price of S\$0.47 per share². "

² Closing price of Design Studio shares as of 11 February 2015

FY2014 Performance Review and Highlights

Group revenue decreased marginally by 0.2% to S\$177.8 million in FY2014, primarily due to lower revenue contribution from the Hospitality and Commercial, and Distribution divisions, offset by higher revenue contribution from Residential division.

In Singapore, property cooling measures introduced by the local authorities, such as the Total Debt Servicing Ratio (TDSR), have continued to cap home buyers' ability to access funding. According to Urban Redevelopment Authority, the land authority's private residential property index recorded its fifth continuous quarter of price decline, falling 1.0% in 4Q2014, and 4.0% in FY2014³. Despite the challenging property market sentiment, Design Studio's Residential division recorded a 22.8% increase in revenue to S\$88.4 million, contributing to 49.7% of total Group revenues in FY2014.

In FY2014, the Group's Residential division secured contracts from several reputable local and international developers. These contracts include the provision of joinery products for Singapore projects in prime residential areas such as Gramercy Park, a 174-unit luxury freehold condominium by City Developments Limited, located on Grange Road; and a 268-unit high-end residential tower of a mixed development to be developed by CapitaLand Limited at Cairnhill Place. The Group also secured contracts for projects in highly sought after suburban nodes such as Riverbank @ Fernvale, a 555-unit condominium along Sengkang West Way; The Village @ Pasir Panjang, a 148-unit condominium project located along Pasir Panjang Road; and The Sky Vue, a 694-unit luxury condominium located in Bishan by CapitaLand Limited and Mitsubishi Estate.

During the year, the Group secured two residential contracts in Malaysia. The first contract is to provide joinery works to Ferringhi Residence, a resort styled development located on the world-renowned Ferringhi resort cove in Batu Ferringhi, Penang. Slated for completion by end 2016, Ferringhi Residence is the Group's first project in Penang. Developed by Mah Sing Group, the Ferringhi Residence comprises 210 Condo Villa units, 80 Town Villas, 32 Hillside Villas, and 410 Resort Condominium units. The second

³ "URA releases flash estimate of 4th quarter 2014 private residential property price index", 2 January 2015.
www.ura.gov.sg

contract is for The Greens, a 192-unit up-market residential development located in Kuala Lumpur.

Over in China, the Group won a contract to provide joinery products to a 417-unit luxury condominium located in Zhujiang Xincheng, Guangzhou. Completed in 4Q2014, this well-located development will provide residents with an expansive view of the Pearl River and the city.

Design Studio's Hospitality and Commercial division, DDS Group, continued to be the strongest contributor, recording revenues of S\$88.8 million in FY2014 or almost 50% of total Group revenue. In FY2014, DDS Group continued to perform well in Singapore and Malaysia, securing nine high-profile projects in aggregate.

During the year, DDS Singapore secured a milestone contract from OUE Limited to retrofit the low and mid zones of the existing office tower, OUE Downtown 1 into serviced apartments. Valued at S\$75.0 million, the OUE Downtown 1 contract is one of the Group's largest contract wins to date, and is testament to the Group's strong reputation and an unparalleled track record with global real estate developers.

In addition, DDS Singapore secured contracts to provide A&A works to Carlton Hotel Singapore, Park Hotel@Alexandra, ESSEC Business School and Genting Singapore's 550-room hotel in Jurong Lake District.

Over in Malaysia, DDS Malaysia secured contracts to provide interior fit-out works to several key hospitality and commercial projects, including ID works to the public areas of M City, a 546-unit serviced residence along Jalan Ampang; ID works to Tradewinds Sales Gallery at Nusajaya, Johor; and ID works to Ritz Carlton Langkawi, a new 132-room ocean-front luxury resort which is scheduled to open in 2016.

Outlook

“While our order book continues to be healthy, we expect our operating environment to remain challenging in FY2015. Government agencies regulating markets in which we operate, namely, Singapore, Malaysia and China, continue to uphold cooling measures which were implemented. Coupled with possible rising of interest costs, this is likely to have a negative knock-on effect on the property industry and its players. This may generate greater competition in the industry, resulting in fewer projects available for award. Furthermore, the tightening of supply of foreign labour in Singapore may affect the pace of realisation of our order book,” said Mr Lim.

“As we step into the new financial year, we will focus on deepening our presence in key markets that we are operating in; and improve on our operational efficiency by harnessing our capabilities across the group and managing our costs. We believe that these strategic initiatives will strengthen our competitive position and sustainability.”

The Group remains well-positioned to engage current market conditions with an order book of S\$230.8 million as at 12 February 2015 and a healthy cash position of S\$48.4 million as at 31 December 2014.

About Design Studio Group Ltd

(Formerly known as Design Studio Furniture Manufacturer Ltd)

Listed on the Singapore Stock Exchange Board, Design Studio is Singapore's leading premier furniture manufacturer, interior fitting-out and product specialist. The company's core competitive advantage lies in its ability to utilize a myriad of latest technologies, innovative methodologies and ideas to produce premium furniture products of unrivalled quality and workmanship.

Design Studio's three complementary and versatile core businesses - the supply and installation of manufactured furniture products to private residential developments; interior fitting-out services to hospitality and commercial projects through our wholly

owned subsidiary DDS Group and distributorship of renowned imported brand SieMatic in Singapore and the export of widely received in-house brand PANELZ which have since gained regional recognition.

Design Studio has created a niche in the premiere segment of the industry with high-end luxury residential projects such as Nouvel 18; Ardmore 3; Hilltops at Cairnhill; Goodwood Residence; and Scotts Square, and hospitality and commercial projects such as ; Marina Bay Sands; Resorts World at Sentosa Integrated Resorts; W Hotel at Sentosa Cove; The Westin Singapore and Robinson Heeren.

Design Studio was conferred the Best Under A Billion award by Forbes Asia in 2010. For more information, please refer to its corporate website: www.designstudio.com.sg.