ANNUAL REPORT 2016

Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.

SUSTAINING GROWTH ENHANCING VALUE

Design Studio encompasses qualities of an established enterprise. Our business acumen – honed and sharpened through the years – gives us the competitive edge at the emergence of every opportunity. Our prudence keeps us agile in the midst of changing market conditions, while helping us anticipate our clients' different needs. Lastly, our proactive strategy to constantly enhance our business allows us to develop more sustainable products and services.

In our journey forward, we seek to strengthen our position within the industry by continuing to focus on the specialised areas and capabilities that have generated success in the past. Like a series of connected links, our passion for excellence, quality and innovation remains unbreakable.

With our commitment of "Sustaining Strength and Enhancing Value", Design Studio is ready to usher in a new phase of growth.

CONTENTS

DELIVERING ON OUR BRAND OF QUALITY

As an enterprise, Design Studio has shown immense and continuous progress in our march forward. Our prudence and business acumen has driven growth and delivered results, while our strength and resilience has made us agile in the midst of an ever-evolving industry. We have established our own brand of excellence, and it doesn't stop here.

As part of strategy to sustain our momentum and continue creating value for our clients, we continuously focus on enhancing vital growth drivers such as developing our comprehensive suite of top-notch fixtures and interiors, and value engineered solutions and services. This keen eye for details has established strong partnerships and given us a sound reputation in the industry, paving the way for higher levels of growth.

CHAIRMAN'S STATEMENT

"AS WE TRANSITION INTO FY2016 AGAINST A BACKDROP OF UNCERTAINTY IN OUR CORE OPERATING MARKETS, WE REMAIN STEADFAST IN OUR STRATEGIC FOCUS TO BUILD A SUSTAINABLE AND PROFITABLE BUSINESS MODEL FOR DESIGN STUDIO GROUP."

TAN SIOK CHIN
Non-Executive Chairman

Dear Shareholders,

I am delighted to present Design Studio Group's Annual Report for the financial year ended 31 December 2016 ("FY2016").

FINANCIAL REVIEW

Our trend for profitability and value creation continued in FY2016 as we closed the year with a profit net of tax of S$20.5 million, an increase of 21.7% from S$16.8 million in FY2015. This is a particularly robust result given the challenging business landscape which continues to be afflicted by geopolitical uncertainties, weak economies and soft consumer demand. More importantly, our performance is testament to the resilience of our business model, which focuses on customer service, operational excellence and cost efficiency.

For the full year to 31 December 2016, we delivered revenue of S$179.0 million, a 7.2% increase from S$166.9 million in FY2015. This increase was primarily due to higher revenue contribution from the Hospitality & Commercial division, partially offset by lower revenues from the Residential Property division.

JW Marriott Hotel Singapore South Beach: Image courtesy of JW Marriott Hotel Singapore South Beach

JW Marriott Hotel Singapore South Beach: Image courtesy of JW Marriott Hotel Singapore South Beach

Taking a closer look at the performance of our key markets, Singapore continues to be our largest market accounting for S$121.8 million or 68.0% of total revenue. Revenue from Singapore declined 14.1% or S$20.0 million from S$141.8 million in FY2015, as the Group completed fewer residential property projects during the year.

Malaysia was the Group's second largest geographical market in FY2016. The country contributed 19.2% or S$34.4 million of total revenue in FY2016, compared to S$17.7 million in FY2015.

The Group opened first retail showroom in Dongguan, Guangzhou in FY2012, and recorded revenue of S$0.5 million in China that year. Since that time, revenues from China have grown at a healthy pace. In FY2016, revenue from China accounted for S$3.4 million or 1.9% of total revenue, reflecting a six-fold increase over the four-year period.

As a result of the Group's strategy to prudently expand into new markets, revenue contribution from United Arab Emirates, Japan, and the United States of America increased significantly from the year-ago period. In aggregate, these markets contributed S$19.2 million or 10.7% of total revenue in FY2016. This compares with a combined contribution of S$7.2 million or 4.3% of total revenue in FY2015.

Gross margin increased 1.6 percentage points from 20.7% in FY2015 to 22.3% for FY2016, primarily due to higher margins recorded in some projects completed during the financial year. The Group's marketing and distribution expenses increased 27.4% to S$6.1 million in FY2016, from S$4.8 million in FY2015, whilst general and administrative expenses decreased from S$10.3 million in FY2015 to S$8.9 million in FY2016.

As a result, the Group achieved an improved profit before tax of S$25.3 million for FY2016, as compared with S$19.8 million for FY2015. After accounting for tax expenses, the Group's net profit after tax was S$20.5 million for FY2016.

Given our prudent approach to capital management, we continued to ensure the strength of our balance sheet and ended the year in a healthy net cash position of S$54.0 million.

In the light of these achievements and a strong cash position, the Board is delighted to reward shareholders with a total dividend of 6.50 Singapore cents per ordinary share in FY2016. This total dividend comprises a final dividend of 1.25 Singapore cents per share, the interim dividend of 1.25 Singapore cents per share declared on 4 August 2016 as well as a special dividend of 4.00 Singapore cents per share.

CHAIRMAN'S STATEMENT

OPERATIONAL REVIEW

Notwithstanding the challenging business environment across the Group's key markets, we secured 51 quality contracts (including additional works for existing projects) from new and existing customers, strengthening our order book value to S$193.1 million. This significant achievement is testament to the strength and value of the Design Studio Group brand which is today, globally recognized for quality, innovation and service excellence. We believe that our track record of delivering innovative solutions and service excellence continues to position Design Studio Group as the partner of choice with major local and international developers.

Hospitality and Commercial

Over the years, the Group's Hospitality and Commercial division has established a leadership position in the interior fitting-out business, and a reputation for delivering quality products and services. Supported by our strong brand, DDS Singapore and DDS Malaysia made good progress during the year, securing an aggregate of 30 contract wins.

In Singapore, the Group secured several contracts for landmark projects including 634 rooms, hotel lobby & Akira Back Restaurant of JW Marriott Singapore South Beach, and the 129-key Yotel Hotel at The Jewel Changi Airport.

In Malaysia, key project wins included interior design and fitting-out works for Mandarin Oriental, Kuala Lumpur; a luxurious oceanfront resort in Langkawi; 280-units within the Ritz Carlton Residences in Kuala Lumpur; public areas of Tropicana Gardens; and an integrated commercial centre in Nusajaya.

Residential Property

Over 20 years ago, Design Studio Group secured and successfully delivered its first residential property project. Our strategic move into this sector in 1996 was timely, as it provided us with a platform to grow a new division for the Group. Since that inaugural residential project, we have completed numerous notable high-end residential projects, delivering quality results on a timely basis to leading developers in Singapore and abroad.

Despite the challenging operating environment in FY2016, we were able to secure 21 new contracts. These new contracts were awarded by leading global property developers for major real estate projects in Singapore, Malaysia, China, Bangkok and Dubai.

Singapore project wins include Botanique at Bartley, a 797-unit condominium project by UOL Development (Bartley) Pte Ltd, and The Visionaire, a 632-unit executive condominium by Qingjian Realty Pte Ltd.

In Malaysia, the Group secured several iconic projects including a prestigious 584-unit service apartment project in Johor Bahru's largest urban lifestyle development, and a 1,282-unit eco-green condominium project located in the prime Kepong area of Kuala Lumpur City.

In China major projects secured by the Group include Shanghai Bao Shan (宝山罗店新镇1-3地块住宅项目) and Hanking Peak Boulevard (汉京九榕台), a 242-unit mid-to-luxury condominium by the Han King Group.

Hanking Peak Boulevard: Image courtesy of Han King Group

The Visionaire: Image courtesy of Qingjian Realty (Sembawang) Pte Ltd

CHAIRMAN'S STATEMENT

The Group also secured a contract to supply joinery works to a 982-unit luxury serviced residence project located in heart of downtown Dubai, and an eight-storey, 110-unit high-end condominium in Bangkok.

OUR APPROACH TO INNOVATION AND EXCELLENCE

We are cognizant that our leadership position and strong branding are key to new business opportunities with new and existing clients. On this front, we will raise the bar by strengthening our human capital through training and talent development, equipping our employees with the best-in-class knowledge and technical skills to take our products and service delivery to the next level.

Equally important is our ability to achieve operational excellence. This area of expertise allows us to maximize cost efficiency and operational productivity to strengthen our competitiveness and sustainability in the longer-term. Whilst we made good progress in FY2016, we recognize that there is still much to do given the absence of industry catalysts and uncertainty in our core markets. We will endeavor to improve on our operational efficiency by harnessing our capabilities across the group and managing our operational costs.

LOOKING AHEAD

The path into FY2017 is expected to be challenging. For industry players, visibility continues to be diminished as the operating environment remains dominated by geopolitical uncertainties, threats of rising interest rates, real estate cooling measures and an unresolved demand-supply imbalance.

The Group expects to see continued opportunities for its Hospitality and Commercial division in Singapore and Malaysia, underpinned by a tourism and hospitality sector that continues to increase demand for hotel accommodation. This demand is expected to fuel the fit-out industry through the refurbishment of existing hotels and build-out of new assets.

The Residential Property division is expected to remain subdued in FY2017 given the various property cooling measures implemented across its key markets, global uncertainty and rising interest rates.

The Group will maintain its focus on its core markets of Singapore and Malaysia, while continuing to expand its footprint into China and other select international markets.

NEW LEADERSHIP AND ACKNOWLEDGEMENTS

On 22 February 2017, Mr Ku Wei Siong stepped down as Executive Director and Chief Executive Officer of Design Studio to pursue his personal interests. On behalf of the Board of Directors, I would like to thank Mr Ku for his professionalism, leadership and contributions to the Group, and wish him well in his future endeavours. With this development, the Board appointed Mr Edgar Ramani to the role of Director and Chief Executive Officer. Mr Ramani comes with strong credentials, extensive knowledge and senior leadership experience in the global engineering and construction sectors. Prior to joining the Group, Mr Ramani was Chief Executive Officer – Asia, at UGL Limited. I believe that his business acumen, leadership skills and deep sector experience will be invaluable to the Group in its next phase of growth.

Ms Kelly Ng Chai Choey, Executive Director, Chief Financial Officer and Company Secretary, submitted her resignation, effective 31 March 2017, to pursue other interests. On behalf of the Board of Directors, we would like to thank Ms Ng for her valuable contribution to the success of the Company, both as an executive and as a director. She has delivered an outstanding job, strengthening the Group's leadership, and our financial and corporate functions over a number of years. We wish her well in her future endeavours. The Group appointed Mr Chua Wui Lik as Chief Financial Officer on 3 April 2017. Mr Chua was previously Group Financial Controller of Intraco Limited, and Chief Financial Officer of KS Distribution Pte Ltd.

During the year, we bid farewell to Mr Muhammad Umar Saleem, who stepped down as Non-Executive Director and member of the Audit Committee on 21 September 2016. I would like to express my appreciation and thanks to Mr Muhammad Umar Saleem for his invaluable contribution during his six-year tenure in office. As part of this transition, I welcomed Mr Hamish Gordon Tyrwhitt to the Board on 29 June 2016 as a Non-Executive Director and as a member of the Audit Committee on 21 September 2016. Mr Tyrwhitt is concurrently the Group Chief Executive Officer and Executive Director of Depa United Group.

I would like to take this opportunity to express my heartfelt gratitude to my fellow Directors for their wise counsel and astute leadership in successfully navigating the Group through volatile and challenging business environments.

I would like to express our heartfelt appreciation to the management and employees of Design Studio Group, whose courage, diligence and commitment to excellence have allowed us to continually reach new heights. To our shareholders, customers, and business partners, thank you for your continued trust and unwavering support.

I am confident that with your continued support, we will overcome the challenges ahead and build on our leadership position for greater success.

Tan Siok Chin (Ms)
Non-Executive Chairman

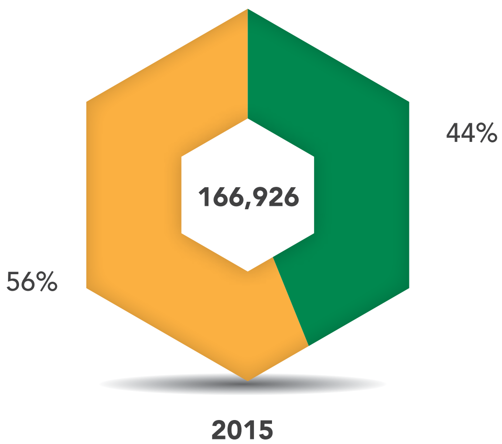
Ritz-Carlton Residences (Malaysia): Image courtesy of Berjaya Group

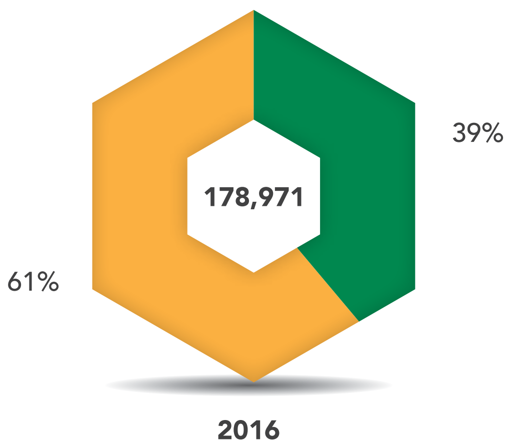
SUSTAINING DRIVE AND AMBITION

Opportunity presents itself constantly, but it takes foresight and strategy to convert them into possibilities for growth. Guided by this principle, we are riding on strong momentum to further enhancing our presence in key markets. Through environmentally-friendly practices and solutions, we are meeting the needs of today without compromising the resources for tomorrow, thereby heightening our competitive advantage and brand value. Going forward, up-and-coming technologies will continue to materialise in innovative products and solutions, providing greater sustainability for the future.

FINANCIAL HIGHLIGHTS

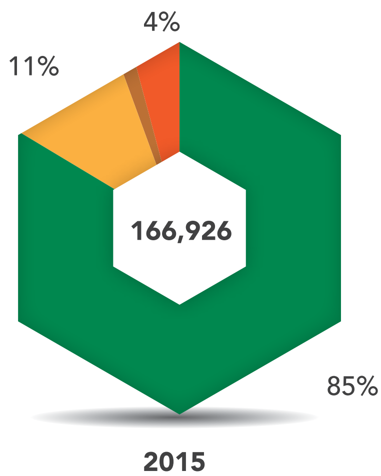
Group revenue by business segments
(in S$'000)

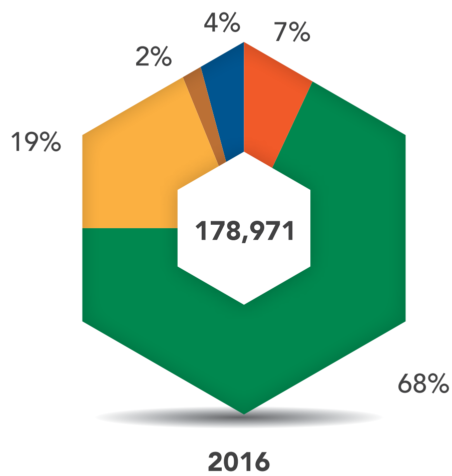




YEAR	Residential property projects	Hospitality and commercial projects	Distribution projects
2015	73,591	92,941	394
2016	68,907	109,990	74

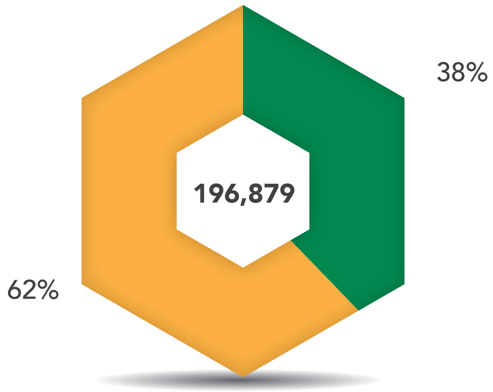
Group revenue by geography
(in S$'000)



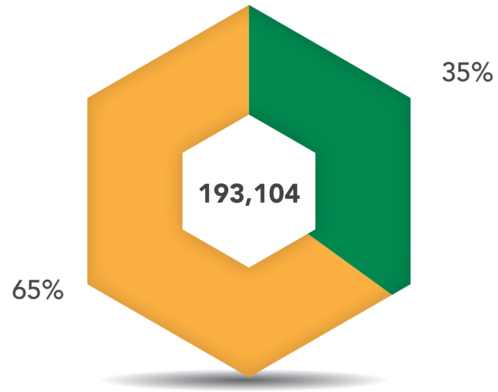


YEAR	Singapore	Malaysia	People's Republic of China	United Arab Emirates	Others
2015	141,760	17,652	340	73	7,101
2016	121,765	34,403	3,438	7,298	12,067

Order book on hand by business segments
(in S$'000)



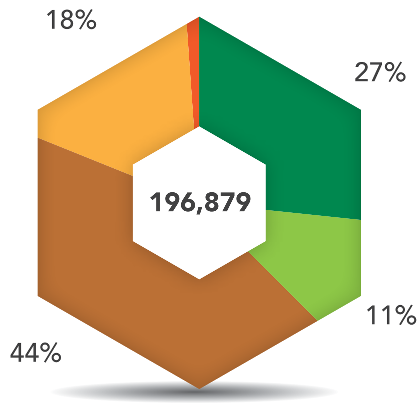
As at 31 December 2015



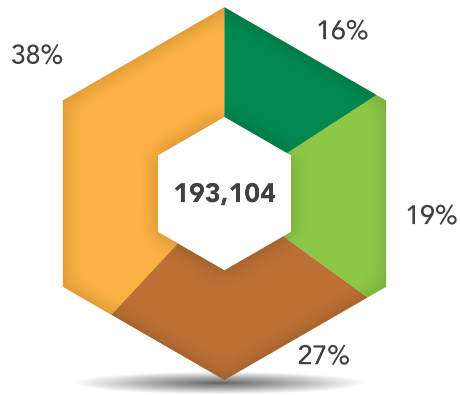
As at 31 December 2016

YEAR	Residential property projects	Hospitality and commercial projects	Distribution projects
As at 31 December 2015	74,501	122,247	131
As at 31 December 2016	67,865	125,239	-

Order book on hand by business segment and geography
(in S$'000)



As at 31 December 2015



As at 31 December 2016

YEAR	Residential property projects - Local	Residential property projects - Export	Hospitality and commercial projects - Local	Hospitality and commercial projects - Export	Distribution - Local
As at 31 December 2015	52,844	21,657	87,316	34,931	131
As at 31 December 2016	30,233	37,632	52,052	73,187	-

FINANCIAL
SUMMARY

FIVE YEARS FINANCIAL SUMMARY

Income Statement

(in S$'000)	2012	2013	2014	2015	**2016**
Revenue	160,631	178,097	177,808	166,926	**178,971**
Gross profit	31,748	30,539	39,604	34,565	**39,890**
Profit from operations	14,767	15,326	23,827	19,642	**25,161**
Profit before tax	14,781	15,340	23,866	19,795	**25,313**
Profit net of tax	11,663	11,945	20,582	16,877	**20,498**

Balance Sheet

(in S$'000)	2012	2013	2014	2015	**2016**
Property, plant and equipment	26,793	24,697	21,128	18,543	**15,041**
Inventories	15,031	14,774	14,002	13,690	**13,252**
Construction work-in-progress	7,103	6,394	9,755	5,654	**5,232**
Trade receivables	53,012	52,823	60,981	46,787	**80,991**
Cash and fixed deposits	29,095	44,877	48,404	54,107	**53,963**
Trade payables	13,166	16,084	18,726	14,687	**27,563**
Accrued operating expenses	22,026	28,575	33,301	22,038	**38,232**
Deposits received	2,615	2,873	1,766	1,777	**944**
Shareholders' equity	102,451	105,477	109,429	106,546	**108,617**
Total assets	145,030	157,179	168,241	148,967	**180,915**
Total liabilities	42,579	51,702	58,812	42,421	**72,298**

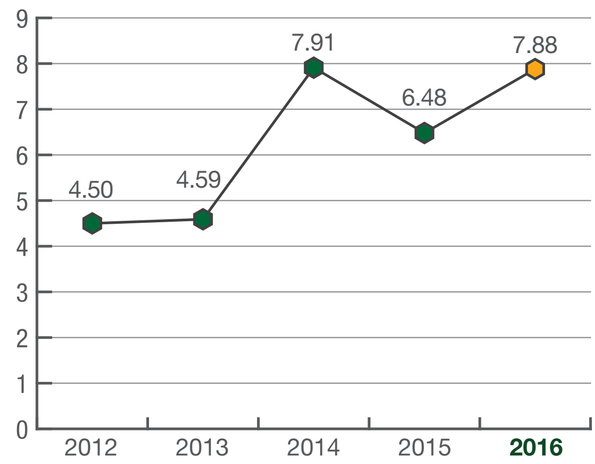
Cash Flow

(in S$'000)	2012	2013	2014	2015	**2016**
Operating activities	11,133	26,741	20,966	26,221	**17,754**
Investing activities	(7,187)	(1,199)	(457)	(924)	**(712)**
Financing activities	(4,178)	(7,606)	(16,915)	(19,011)	**(16,685)**
Net movement	(232)	17,936	3,594	6,286	**357**

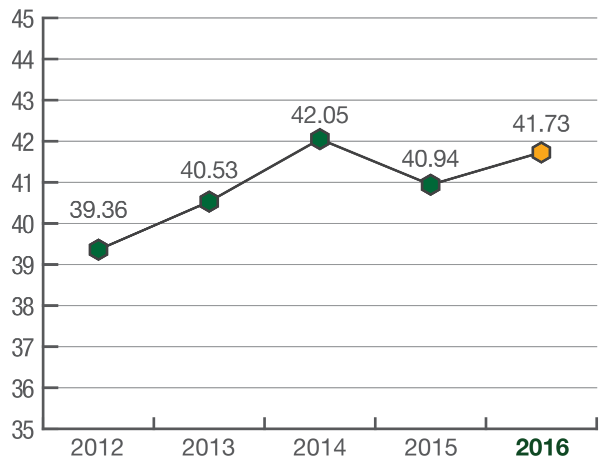
Financial Ratios

	2012	2013	2014	2015	**2016**
Earnings per share (S$cents)	4.50	4.59	7.91	6.48	**7.88**
Net asset value per share (S$cents)	39.36	40.53	42.05	40.94	**41.73**
Dividend per share (S$cents)	4.00	6.50	6.50	6.50	**6.50**
Return on equity (%)	11.38	11.32	18.81	15.84	**18.87**
Return on asset (%)	8.04	7.60	12.23	11.33	**11.33**
Current ratio	2.53	2.35	2.32	2.67	**2.05**

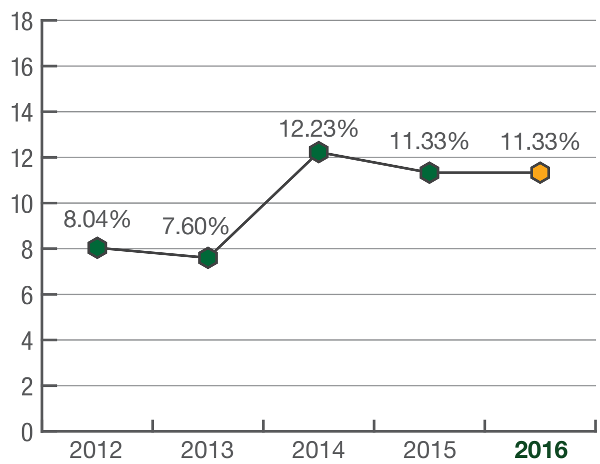
Earnings per share
(in S$cents)



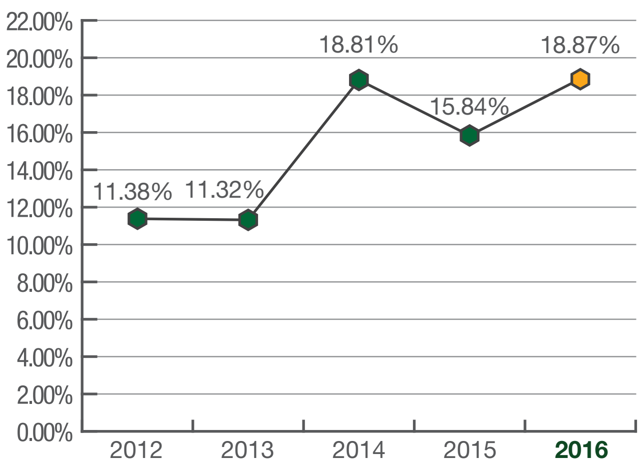
Net asset value per share
(in S$cents)



Return on assets
(%)

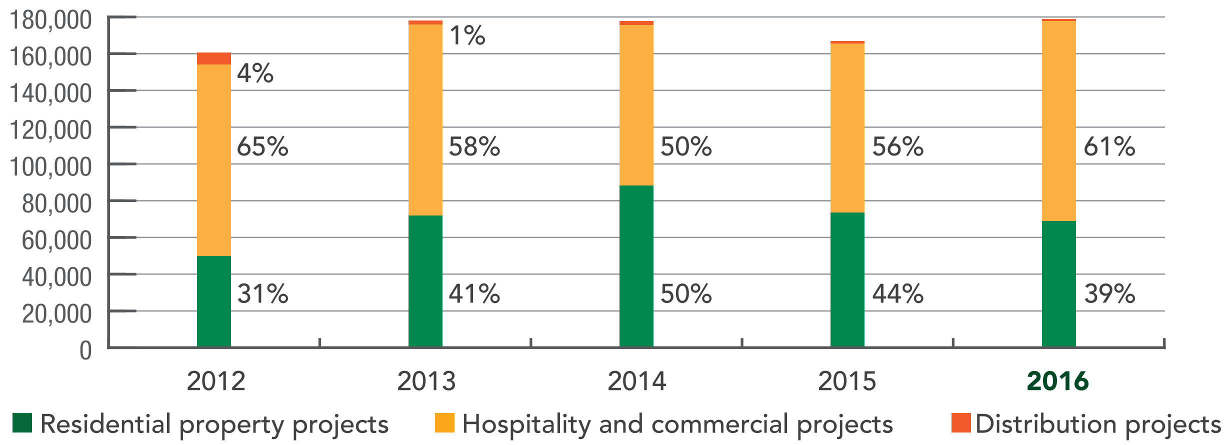


Return on equity
(%)



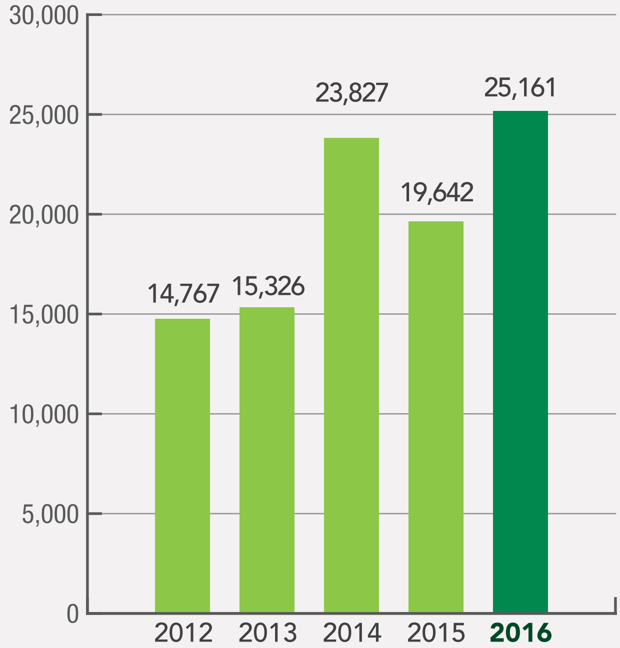
FINANCIAL SUMMARY

Group revenue by business segments
(in S$'000)

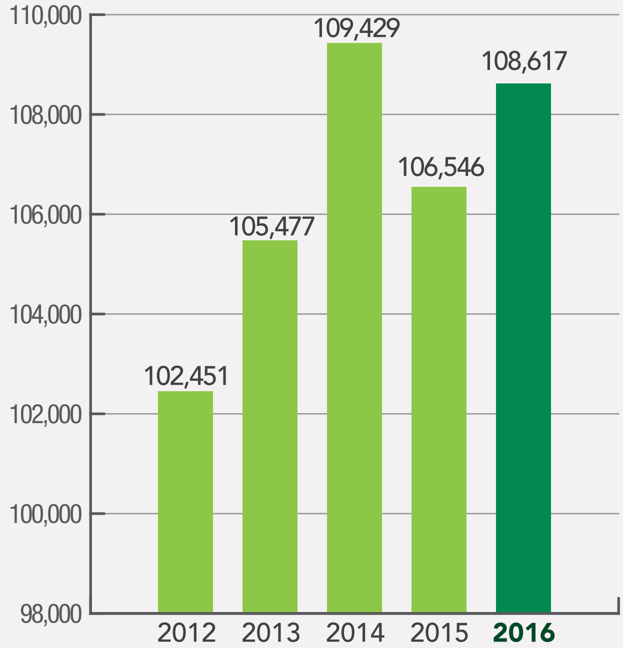


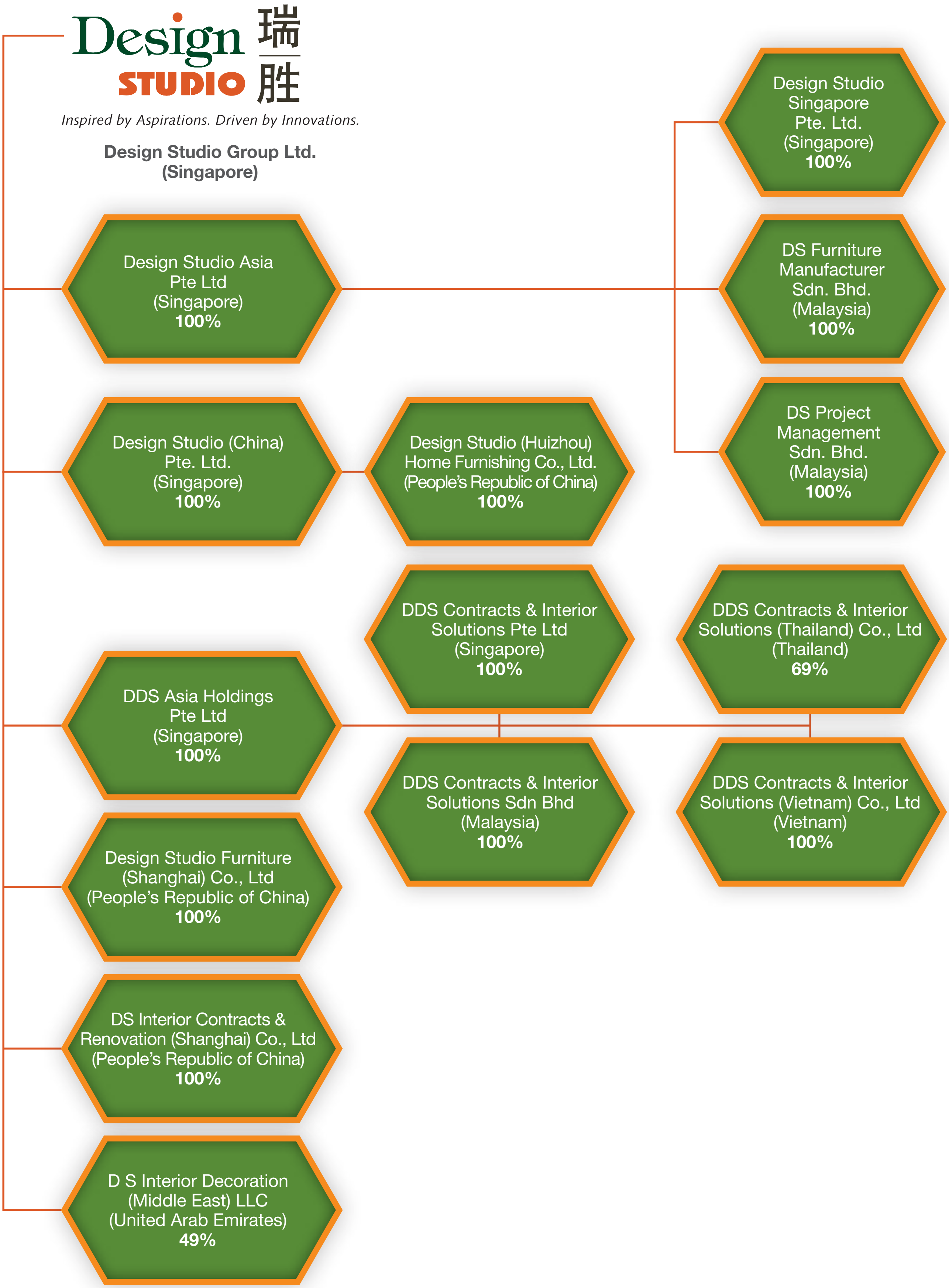
	2012	2013	2014	2015	2016
Residential property projects	49,949	71,974	88,391	73,591	68,907
Hospitality and commercial projects	103,990	104,011	88,839	92,941	109,990
Distribution projects	6,692	2,112	578	394	74
	160,631	**178,097**	**177,808**	**166,926**	**178,971**

Profit from operations
(in S$'000)



Shareholders' equity
(in S$'000)




Inspired by Aspirations. Driven by Innovations.
Design Studio Group Ltd. (Singapore)
Design Studio Asia Pte Ltd (Singapore) 100%
Design Studio Singapore Pte. Ltd. (Singapore) 100%
DS Furniture Manufacturer Sdn. Bhd. (Malaysia) 100%
DS Project Management Sdn. Bhd. (Malaysia) 100%
Design Studio (China) Pte. Ltd. (Singapore) 100%
Design Studio (Huizhou) Home Furnishing Co., Ltd. (People's Republic of China) 100%
DDS Asia Holdings Pte Ltd (Singapore) 100%
DDS Contracts & Interior Solutions Pte Ltd (Singapore) 100%
DDS Contracts & Interior Solutions (Thailand) Co., Ltd (Thailand) 69%
DDS Contracts & Interior Solutions Sdn Bhd (Malaysia) 100%
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd (Vietnam) 100%
Design Studio Furniture (Shanghai) Co., Ltd (People's Republic of China) 100%
DS Interior Contracts & Renovation (Shanghai) Co., Ltd (People's Republic of China) 100%
D S Interior Decoration (Middle East) LLC (United Arab Emirates) 49%

BOARD OF DIRECTORS

Tan Siok Chin

Non-Executive Chairman

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

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

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

Edgar Ramani

Director and Chief Executive Officer

Edgar Ramani was appointed a Director of our Company on 22 February 2017 and the Chief Executive Officer of Design Studio Group on 23 February 2017. He is responsible for the Group's overall strategic direction, growth, business development and operations for the Group.

He is a civil engineer with extensive experience in delivering turnkey resource and infrastructure projects throughout Australia, South East Asia, India and the Middle East.

Prior to joining Design Studio, he was the Chief Executive, Asia of UGL Limited. He was responsible for leading UGL's business in the Asian region. Before that, he was a Project Director at Leighton Asia (CIMIC Group) managing large scale projects across a number of countries. He was responsible for managing Leighton's first offshore oil & gas projects in Saudi Arabia, Australia and Singapore for Saudi Water and Electric Company, Apache and Shell respectively. He also managed the start-up of one of Asia's longest road tunnel EPC projects in the Himalayan region of Northern India.

Edgar commenced his career with Rinker Group in Brisbane and later with Clough Engineering in Australia and Indonesia.

Edgar holds a Bachelor of Civil Engineering (Hons) from the University of Queensland.

Roderick David Maciver

Non-Executive Director

Roderick David Maciver was appointed as a Non-Executive Director of our Company on 9 November 2015. Mr Maciver is Depa Limited's Vice Chairman.

Mr Maciver has over 40 years of experience in the construction industry in the Middle East, including periods as a Managing Director for Wimpey International and Managing Director, Operations for both Tarmac International and more recently Carillion International. Since retiring from full time employment in 2006, Mr Maciver has worked as an advisor for various companies including Kempe Engineering Pty Ltd, Al-Futtaim Group Real Estate and for the past eight years Consolidated Contractors Company (CCC).

Mr Maciver holds an HNC in Building (Structural Engineering Stream).

Ong Tiew Siam

Independent Director

Ong Tiew Siam was appointed as our Independent Director on 1 March 2007. He has more than 37 years of experience in finance and administrations. He graduated with a Bachelor of Commerce (Accountancy) (Honours) degree in 1975 from the Nanyang University of Singapore. He is a fellow member of the Institute of Singapore Chartered Accountants and member of the Singapore Institute of Directors. Mr Ong also sits on the board of several listed companies.

Hamish Gordon Tyrwhitt

Non-Executive Director

Hamish Gordon Tyrwhitt was appointed as Non-Executive Director of Design Studio on 29 June 2016. Mr Tyrwhitt is the Group Chief Executive Officer of Design Studio's largest shareholder, the Depa Group, one of the world's leading providers of interior solutions. Since November 2016 he has also held the position of Chief Executive Officer of the Arabtec Group, one of the leading construction and engineering groups in the Middle East and North Africa.

Mr Tyrwhitt has three decades of senior leadership experience in the global engineering and construction sectors. Most recently, he was CEO of Asia Resource Minerals Plc, a coal mining company listed in London. Prior to this he was CEO of Australian Securities Exchange-listed Leighton Group (now known as CIMIC Group) with annual revenues of around USD20 billion and operations in more than 20 international markets. In his previous roles, Mr Tyrwhitt supervised the delivery of numerous multi-billion dollar projects, and as Managing Director for Leighton Asia, he ran the business across all of Asia based from their headquarters in Hong Kong.

CORPORATE INFORMATION

Board of Directors

Tan Siok Chin	Non-Executive Chairman & Independent Director
Edgar Ramani	Director & Chief Executive Officer
Hamish Gordon Tyrwhitt	Non-Executive Director
Roderick David Maciver	Non-Executive Director
Ong Tiew Siam	Independent Director

Audit Committee

Ong Tiew Siam	Chairman
Hamish Gordon Tyrwhitt	
Tan Siok Chin	

Remuneration Committee

Tan Siok Chin	Chairman
Ong Tiew Siam	
Roderick David Maciver	

Nominating Committee

Ong Tiew Siam	Chairman
Tan Siok Chin	
Roderick David Maciver	

Company Secretary

Hazel Chia Luang Chew

Management Team

Edgar Ramani	Chief Executive Officer
Jeremy Koh Kah Liam	Director
Chew Keng Meng	Chief Operating Officer of DDS Singapore
Jack Chen Vun Loong	Chief Operating Officer of DDS Malaysia
George Soh Chin Chyun	Project Director of DDS Group
Chan Pheng Chun	General Manager, Projects of Design Studio Singapore
Shirley Gan Shi Khim	General Manager of Design Studio Huizhou
Mak Soon Heng	General Manager of Design Studio Malaysia

Auditors

Ernst & Young LLP
Partner: Yong Kok Keong
(appointed on 29 May 2015)

Principal Bankers

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

Share Registrar

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

Registered Office

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

The Board of Directors (the "Board") and the Management of Design Studio Group Ltd. (the "Company") and its subsidiaries (together, the "Group") are committed to maintaining a high standard of corporate governance within the Group, and in conformity with the principles and guidelines set out in the Code of Corporate Governance 2012 (the "Code"), where applicable, unless otherwise specified. 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 by providing entrepreneurial leadership, setting strategic objectives, and ensuring that the necessary financial and human resources are in place for the Group to meet its objectives;
- Approve financial objectives and business strategies;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding shareholders' interests and the Group's assets. Monitor the standard of performances and adequacy of such internal controls and risk management, both directly and through Board Committees set up by the Board;
- Review the Management's performance;
- Identify the key stakeholder groups and recognise their perceptions which affect the Company's reputation;
- Set the Company's values and standards (including ethical standards) and ensure shareholders' and stakeholders' obligations are understood and met; and
- Consider sustainability issues, for example environmental and social factors as part of its strategic formulation.

In order to ensure that our Group's business operations are not disrupted, Board and Board Committees 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 Company's Constitution provide for Directors to convene meetings other than physical meetings, via telephone conference, video conferencing or other similar means of communication.

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

The number of Board and Board Committees meetings held in the financial year ended 31 December 2016 ("FY2016") including the attendance of each member 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
Tan Siok Chin	7	7	5	5	2	2	5	5
Ku Wei Siong(1)	7	7	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Kelly Ng Chai Choey(2)	7	7	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Hamish Gordon Tyrwhitt(3)	7	4	5	1	N.A.	N.A.	N.A.	N.A.
Roderick David Maciver	7	7	N.A.	N.A.	2	2	5	5
Ong Tiew Siam	7	7	5	5	2	2	5	5
Muhammad Umar Saleem(4)	7	5	5	4	N.A.	N.A.	N.A.	N.A.

(1) Mr Ku Wei Siong ceased to be an Executive Director and Chief Executive Officer of the Company on 22 February 2017 and Mr Edgar Ramani was appointed Director of the Company on 22 February 2017 and Chief Executive Officer of the Company on 23 February 2017.

(2) Ms Kelly Ng Chai Choey ceased to be an Executive Director of the Company with effect from 31 March 2017.

(3) Mr Hamish Gordon Tyrwhitt was appointed a Non-Executive Director on 29 June 2016 and a member of the AC on 21 September 2016.

(4) Mr Muhammad Umar Saleem ceased to be a Non-Executive Director and a member of the AC on 21 September 2016.

N.A. Not applicable

The Company has and will organise orientation programs for new Directors to familiarise themselves with the Group's operations and business and the relevant regulations and governance requirements. The Company will also provide training for the first-time Directors in areas such as accounting, legal and industry-specific knowledge, as appropriate. New Directors will be provided with a letter of appointment setting out their duties, obligations and terms of appointment.

Mr Hamish Gordon Tyrwhitt, who was appointed to the Board in June 2016, and Mr Edgar Ramani, who was appointed to the Board in February 2017 were briefed by the previous Executive Director and Chief Executive Officer, namely Mr Ku Wei Siong, and Executive Director, namely Ms Kelly Ng respectively, on the Group's business and operations. They attended Directors' trainings conducted by Singapore Institute of Directors ("SID") to familiarise themselves with the roles and responsibilities of a Director of a listed company in Singapore.

Apart from the above-named new Directors, during FY2016, some Directors attended trainings/seminars conducted by SID and ACRA on topics relating to, *inter alia*, the duties of the AC and RC as well as Board and Director Fundamentals, as part of the Board's commitment to professional development.

The Company will, if necessary, organise regular training for, or circulate memoranda to Directors to enable them to keep pace with relevant new laws, regulations and changing commercial risks from time to time, where such changes have a material bearing on the Group.

The Company Secretary, whose appointment and removal are subject to the Board's approval, attends all Board and Board Committees meetings. She provides advice, secretarial support and assistance to the Board and ensures that Board procedures are followed and the Company complies with the relevant rules and regulations applicable to the Company. The Directors have independent access to the Company Secretary at all times.

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

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

The Board supervises the management and corporate affairs of the Group. The Board has adopted a set of internal guidelines specifying matters requiring the Board's approval. The Board has also given clear directions to the Management on matters (including setting thresholds for certain operational matters) that require the Board's approval.

Matters that require the Board's decision and approval include, amongst others, the following:-

- Annual budgets and business/financial performance of the Group;
- Major funding proposals, including investments and divestments;
- Interested person transactions;
- Dividend payments;
- Appointment of Directors and key management staff;
- Convening of shareholders' meetings; and
- Internal controls and risk management strategies and execution.

Principle 2: Board Composition and Guidance

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

Tan Siok Chin	(Non-Executive Chairman & Independent Director)
Edgar Ramani	(Director & Chief Executive Officer)
Hamish Gordon Tyrwhitt	(Non-Executive Director)
Roderick David Maciver	(Non-Executive Director)
Ong Tiew Siam	(Independent Director)

The Board, through its NC, reviews, on an on-going basis, the structure, size and 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, provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group, and also provide 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 composition of the three Board Committees is set out below:-

Board Committee	Composition	Members
Nominating Committee (NC)	Three members: two Independent Directors (IDs) and one Non-Executive Director (NED) The NC is comprised entirely of NEDs, the majority of whom, including the Chairman, are independent	Mr Ong Tiew Siam (Chairman) Ms Tan Siok Chin Mr Roderick David Maciver
Audit Committee (AC)	Three members: two IDs and one NED* The AC is comprised entirely of NEDs, the majority of whom, including the Chairman, are independent	Mr Ong Tiew Siam (Chairman) Ms Tan Siok Chin Mr Muhammad Umar Saleem* Mr Hamish Gordon Tyrwhitt*
Remuneration Committee (RC)	Three members: two IDs and one NED The RC is comprised entirely of NEDs, the majority of whom, including the Chairman, are independent	Ms Tan Siok Chin (Chairman) Mr Ong Tiew Siam Mr Roderick David Maciver

* Mr Muhammad Umar Saleem ceased to be a Non-Executive Director and a member of the AC on 21 September 2016. Mr Hamish Gordon Tyrwhitt was appointed a member of the AC on 21 September 2016.

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 has 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.

The Non-Executive Directors constructively challenge the Management and assist in the development of proposals on strategy. The Non-Executive Directors also review the performance of the Management in meeting agreed goals and objectives and monitor the reporting of performance.

Non-Executive Directors also meet regularly without the presence of the Management to exercise objective judgement on corporate affairs independently.

Principle 3: Non-Executive Chairman and Chief Executive Officer

The Company adopts a dual leadership structure. Ms Tan Siok Chin is the Non-Executive Chairman and Independent Director and Mr Edgar Ramani is the Chief Executive Officer. The Chairman of the Board and the Chief Executive Officer are not related to each other. There is a clear division of responsibilities between the Non-Executive Chairman and Chief Executive Officer, which provides a balance of power and authority.

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

The role of the Non-Executive Chairman is to:-

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

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

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

The Company does not have any Lead Independent Director given that the Chairman and the Chief Executive Officer are separate persons and are not immediate family members; the Chairman is also not part of the Management team and is an Independent Director.

The Independent Directors also meet regularly without the presence of the other Directors.

Principle 4: Board Membership

The Company believes that Board renewal should be an on-going process in order to ensure good corporate governance. In accordance with the Company's Constitution, at least one-third of the Directors shall retire by rotation at each annual general meeting ("AGM"). All new Directors appointed by the Board shall retire at the next AGM following their appointments. The Director retiring from office shall be eligible for re-election at the AGM. The following Directors who will be due to retire at the 2017 AGM have offered themselves for re-election at the 2017 AGM:-

- Director retiring by rotation under Article 102 of the Constitution:

  (i) Tan Siok Chin

- Newly Appointed Directors retiring under Article 106 of the Constitution:

  (i) Hamish Gordon Tyrwhitt
  (ii) Edgar Ramani

The NC has recommended to the Board the above-named Directors for re-appointment at the 2017 AGM having regard to their performance and contributions and taking into account the participation and attendance of these Directors at Board and Board Committees meetings, as appropriate.

The Company does not have any Alternate Directors.

The NC comprises the following members:-

Ong Tiew Siam	(Chairman)
Tan Siok Chin	(Member)
Roderick David Maciver	(Member)

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

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

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

The NC has formalised procedures for the selection, appointment and re-appointment of Directors. The desired profile of new directors are developed before comprehensive external searches are carried out and are subsequently recommended to the Board for appointment.

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

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

As at 31 December 2016, both the Independent Directors, namely, Ms Tan Siok Chin ("Ms Tan") and Mr Ong Tiew Siam ("Mr Ong"), had served the Board for more than nine years. The NC and Board had assessed and were of the view that both Ms Tan and Mr Ong are independent as they have continued to demonstrate independence in judgement in the best interest of the Company in the discharge of their duties as Directors and through their active participations and objective questioning of all matters discussed at Board and Board Committees meetings. They have also provided valuable contributions to the Board through their integrity, objectivity and professionalism, notwithstanding the years of service. In addition, Ms Tan and Mr Ong had continued to provide overall guidance to the Management and in protecting the Company's assets and shareholders' interests in particular, non-controlling shareholders. Accordingly, the NC and Board have determined that both Ms Tan and Mr Ong shall continue to be Independent Directors.

Despite some of the Directors having other board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. The NC has determined the maximum number of listed company board representations which any Director may hold to be five.

Key information regarding the Directors as at 20 March 2017 is set out below:-

Name of Director	Date of First Appointment	Date of Last Re-appointment	Directorships or Chairmanships in Other Listed Companies		Other Principal Commitments
			Present	Past (Preceding 3 Years)	
Tan Siok Chin	1 January 2006	24 April 2014	Independent Director of Cosmosteel Holdings Limited Non-Executive Director of Valuetronics Holdings Limited	Nil	Director of ACIES Law Corporation
Edgar Ramani[1]	22 February 2017	N.A.	Nil	Chief Executive of UGL Limited (Asia Business Unit)	Nil
Kelly Ng Chai Choey[2]	15 September 2008	23 April 2015	Nil	Nil	Nil
Roderick David Maciver	9 November 2015	29 April 2016	Vice Chairman and Independent Director of Depa Limited	Non-Executive Director of Al- Futtaim Group Real Estate	Advisor to Consolidated Contractors Company (CCC)
Hamish Gordon Tyrwhitt	29 June 2016	N.A.	CEO of Depa Group and Arabtec Holding Executive Board member of Depa Limited	CEO of Leighton Group Independent Director of Asia Resource Minerals plc	Nil
Ong Tiew Siam	1 March 2007	29 April 2016	Independent Director of:- Fung Choi Media Group Limited (Joint Provisional Liquidators Appointed) Tat Hong Holdings Ltd Valuetronics Holdings Limited	Independent Director of:- Ace Achieve Infocom Limited Lizhong Wheel Group Ltd.	Director of Thomson Ng Chwee Cheng Foundation Limited

(1) Mr Edgar Ramani was appointed as Director of the Company on 22 February 2017 and Chief Executive Officer of the Company on 23 February 2017 and Mr Ku Wei Siong ceased to be Executive Director and Chief Executive Officer of the Company on 22 February 2017.

(2) Ms Kelly Ng Chai Choey has ceased to be Executive Director with effect from 31 March 2017.

Further information on the Directors' background, experience and skills is found in the "Board of Directors" section in this Annual Report. In addition, information on the shareholding held by each Director in the Company and its related corporations is found on page 40 of this Annual Report.

Principle 5: Board Performance

The NC will review and evaluate the performance of the Board as a whole, taking into consideration, attendance records at respective Board and Board Committees 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 complete and submit a board evaluation form for 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 board evaluation form requires each Director to evaluate the Board's composition as a whole, whilst members of the relevant Board Committees are also required to evaluate their respective Board Committees, namely, the AC, NC and RC.

In addition, members of the Board are required to complete peer assessment checklists to identify their strengths, weaknesses and contributions to the effectiveness of the Board. No external facilitator had been appointed by the Board for the assessment of the performance of the Board as a whole, respective Board Committees and peers.

Principle 6: Access to Information

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

To enable the Board to fulfil its responsibilities, the Management is required to provide quarterly reports to the Board on the Group's activities. Under the direction of the Non-Executive Chairman and Chief Executive Officer, the Company Secretary ensures good information flows within the Board and its committees and between the Management, Non-Executive Directors and Independent Directors. An agenda for Board meetings together with the relevant papers which are prepared in consultation with the Non-Executive Chairman are usually circulated before the holding of each Board and Board Committees meeting. This allows control over the quality, quantity and timeliness of the flow of information between the Management and the Board.

The Company Secretary also attends all Board and Board Committees meetings and assists to facilitate orientation and professional development as and when required.

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

REMUNERATION MATTERS

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

The RC comprises the following members:-

Tan Siok Chin	(Chairman)
Ong Tiew Siam	(Member)
Roderick David Maciver	(Member)

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

- Review and recommend to the Board a general framework of remuneration for the Board and key management personnel. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowance, bonus, annual incentive bonus and benefits in-kind;

- Review and recommend to the Board the specific remuneration packages for each Director as well as for the key management personnel, covering all aspect of remuneration matters, as well as the Company's obligations arising in the event of termination of the Executive Directors and key management personnel's contracts of service; and

- Maintain an effective working relationship with the Board and the Management while refraining from interfering in any business decisions.

In reviewing the remuneration packages, the RC takes into account the current market circumstances and the need to attract and retain Directors of experience and good standing. The RC has full authority to obtain external professional advice on matters relating to remuneration should the need arises. In FY2016, the RC sought views on market practices and trends of Non-Executive Directors' fees from external remuneration consultants Mercer. The Board also engaged external executive search firm, Egon Zehnder to aid the search for suitable candidates for position of executives. The RC and Board confirmed that the Company has no existing relationships with the external remuneration consultants and executive search firm that would affect their independence and objectivity.

The fees for Non-Executive Directors and Independent Directors which are paid on a current year basis, will be payable to the Directors on a quarterly basis, in arrears. Overseas Directors are reimbursed for travelling expenses or allowances incurred by them in carrying out their duties. In respect of fees for the Non-Executive Directors and Independent Directors, the Board would table its recommendation at the 2017 AGM for shareholders' approval.

Our Executive Directors have entered into service agreements with the Company, subject to renewal every three years. The review of service contracts for Executive Directors come under the purview of the RC and the RC ensures that fair and reasonable terms of service are aligned with performance. Executive Directors are paid a fixed salary and a performance incentive bonus from the Group's incentive bonus pool. The performance incentive bonus pool is calculated based on profit before taxation of the Group for each financial year. The allocation of the performance incentive bonus to the Executive Directors is at the discretion of RC based on the Executive Directors' performance.

Having reviewed and considered the incentive components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The RC will review the feasibility of implementing such contractual provisions when appropriate. Executive Directors do not receive Directors' fees and attendance fees.

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

(a) Eligibility

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

(b) Maximum Entitlement to Options/Grants of Awards

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

(c) Size of the ESOS/PSP

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

(d) Duration of the ESOS/PSP

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

(e) Administration of the ESOS/PSP

The ESOS/PSP are administered by the RC.

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

(f) Exercise Price under the ESOS

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

(g) Market Price Options

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

(h) Discount Price Options and Quantum of Discount

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

(i) Grant and Acceptance of Options/Award of Shares

Options and Share Awards may be granted under the ESOS/PSP at any time during the period while the ESOS/PSP are in force.

(j) Validity Period of Options/Vesting Period for Share Awards

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

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

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

(k) Rights of Shares Arising

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

(l) Termination of Options/Share Awards

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

The number of Options/Share Awards granted under the ESOS/PSP shall be determined at the discretion of the RC which shall take into account criteria such as the performance of the Group, the length of services, individual performance based on prescribed performance targets covering market competitiveness, quality of returns, business growth and productivity growth and contribution of the participant to the success and development of the Group.

No Options and Share Awards have been granted under the ESOS or PSP during the year.

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

	S$
Basic Director fee	55,000
Board Chairmanship	Additional 100% of Basic Fee
AC Chairmanship	Additional 60% of Basic Fee
AC Membership	Additional 50% of fee paid to the AC Chairman
RC Chairmanship	Additional 45% of Basic Fee
RC Membership	Additional 13% of Basic Fee
NC Chairmanship	Additional 25% of Basic Fee
NC Membership	Additional 13% of Basic Fee

The attendance fee payable to Non-Executive Directors and Independent Directors is S$4,000 for full day meetings and S$2,000 for half-day meetings. The attendance fee is applicable for attendance at Board and Board Committees meetings other than the regular scheduled Board and Board Committees meetings.

The remuneration of Directors and top seven key management personnel for FY2016 are set out below:-

Remuneration band Name of Directors	Salary (%)	Performance Incentive Bonus (%)	Director Fees (%)	Other Benefits (%)	Total (%)
Above S$500,000 and up to S$750,000					
Executive Director & Chief Executive Officer					
Ku Wei Siong[(1)]	53	36		11	100
Executive Director					
Kelly Ng Chai Choey[(2)]	41	53		6	100
Below S$250,000					
Non-Executive Directors					
Roderick David Maciver			100%		100%
Muhammad Umar Saleem[(3)]			100%		100%
Hamish Gordon Tyrwhitt[(4)]			0%		0%
Independent Directors					
Tan Siok Chin			100%		100%
Ong Tiew Siam			100%		100%

(1) Mr Ku Wei Siong ceased to be Executive Director and Chief Executive Officer of the Company on 22 February 2017 and Mr Edgar Ramani was appointed as Director of the Company on 22 February 2017 and Chief Executive Officer of the Company on 23 February 2017.

(2) Ms Kelly Ng Chai Choey ceased to be Executive Director of the Company with effect from 31 March 2017.

(3) Mr Muhammad Umar Saleem ceased to be Non-Executive Director and a member of the AC on 21 September 2016.

(4) Mr Hamish Gordon Tyrwhitt was appointed Non-Executive Director on 29 June 2016 and a member of the AC on 21 September 2016. As a nominee of Depa Interiors LLC (the Controlling Shareholder of the Company), he has waived his entitlement to Director's fee.

Given the sensitivity and confidentiality of the remuneration matters, the Board is of the view that it is in the best interest of the Group to disclose the remuneration of Directors and top seven key management personnel in bands of S$250,000 with a breakdown showing the level and mix of remuneration in percentage terms.

The Board is also of the view that the information disclosed is sufficient for shareholders to have adequate understanding of the Company's remuneration policies and practice.

Remuneration band Name of Top Seven Key Management Personnel	Salary (%)	Performance Incentive Bonus (%)	Other Benefits (%)	Total (%)
Above S$500,000 and up to S$750,000				
Jeremy Koh Kah Liam	45	36	19	100
Above S$250,000 and up to S$500,000				
Chew Keng Meng	51	36	13	100
Jack Chen Vun Loong	52	33	15	100
George Soh Chin Chyun	52	37	11	100
Chan Pheng Chun	51	36	13	100
Shirley Gan Shi Khim	53	38	9	100
Mak Soon Heng	54	41	5	100

The total remuneration paid to the above top seven key management personnel (who are not Directors or Chief Executive Officer) for FY2016 was S$2,501,439.

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

There was no employee of the Group who was an immediate family member of a Director or the Chief Executive Officer and whose remuneration exceeded S$50,000 per annum during the financial year under review.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board accepts that it is accountable to the shareholders and adopts best practices to maintain shareholders' confidentiality and trust. Quarterly financial statements/results are released via SGXNET within the respective periods stipulated in the SGX-ST's Listing Manual after approval by the Board. In presenting the quarterly and yearly financial statements/results, 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 Board has taken adequate steps to ensure compliance with legislative and regulatory requirements.

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. In addition, the Management provides the Board with a continual flow of relevant information as and when required and on a timely basis in order to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

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

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

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

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

The Board is satisfied that the Company's framework on internal controls is adequate to provide reasonable assurance on the effectiveness of the internal control system put in place by the Management. The Board, with the concurrence of the AC, is of the opinion that the Company's internal controls and risk management systems are adequate and effective in addressing financial, operational, compliance and information technology risks within the Group.

The Company has not established a separate Board Risk Committee. The Board has delegated the AC to assist in its oversight of the risk management framework, policies and processes.

Principle 12: Audit Committee

The members of the AC are as follows:

Ong Tiew Siam	(Chairman)
Tan Siok Chin	(Member)
Hamish Gordon Tyrwhitt	(Member)

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

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 review the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Management to the external and internal auditors;

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

- Meets with the external auditors, internal auditors, and the Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews the quarterly and full-year financial statements announcements and the auditors' report on the full-year financial statements of the Company before their submission to the Board;
- 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 appointment, re-appointment and removal of the external auditors, approves the compensation and terms of engagement of the external auditors, and reviews the scope and results of the audit;
- Reviews whistle-blowing policy and arrangements;
- Reviews interested person transactions ("IPTs") in accordance with the requirements of the SGX-ST's Listing Manual; and
- Reviews the effectiveness of the system for monitoring compliance with laws and regulations and the results of the Management's investigation and follow up of any instances of non-compliance.

None of the members nor Chairman of the AC are former partners or directors of the Group's auditing firms.

The Board is of the view that the AC members have adequate, relevant and recent accounting or related financial management expertise and experience to discharge the AC's functions.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being provided by the external and internal auditors.

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

The AC has also conducted a review of the IPTs carried out in FY2016. An aggregate value of all IPTs conducted pursuant to the shareholders' mandate during FY2016 is set out in the "Supplementary Information" section on page 101 in this Annual Report.

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

In addition to the review of the independence and objectivity of the incumbent auditors, Ernst & Young LLP ("EY"), the AC has evaluated a nomination from Depa Interiors LLC ("Depa"), the controlling shareholder of the Company, for the appointment of PricewaterhouseCoopers LLP ("PwC") as the Company's new auditors in order to streamline the Group's audit efficiencies and financial management process. PwC has expressed its willingness to accept the appointment.

The AC had met with PwC to review and consider various factors, including the adequacy of the resources of PwC, 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 financial statements and PwC's proposed audit arrangements for the Company. The AC is of the opinion that PwC would be able to meet the audit requirements of the Company and the Group. The Board had accepted the AC's recommendation and would table the appointment of PwC as the Company's external auditors in place of the retiring auditors, EY, for shareholders' approval at the forthcoming AGM. In appointing PwC as the Company's external auditor, the Company has complied with Rule 712 of the SGX-ST's Listing Manual.

The Directors wish to express their appreciation for the past services rendered by EY.

The Board and AC had reviewed the appointment of a different audit firm for one foreign-incorporated subsidiary and are satisfied that the appointment of different auditors for this subsidiary would not compromise the standard and effectiveness of the audit, and that the Company has complied with Rule 716 of the SGX-ST's Listing Manual. The Company has also complied with Rule 715 of the SGX-ST's Listing Manual in relation to the appointment of auditors for its Singapore-incorporated subsidiaries and other significant foreign-incorporated subsidiaries.

Whistle-blowing Policy

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

Principle 13: Internal Audit

The Group's internal audit function is outsourced to RSM Risk Advisory Pte. Ltd. ("RSM"), an international accounting firm. The AC reviewed and approved the internal audit plan put up by the internal auditors on an annual basis. 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 internal auditors' reports on 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.

RSM has adopted the international quality standards set by internal auditing professional bodies including the Standards for the Professional Practice of Internal Auditing prescribed by The Institute of Internal Auditors.

As the Group's outsourced internal auditors, RSM ensures that the engagement staff possess the relevant qualifications and experience to conduct the internal audits. RSM maintains a formal continual professional training program which ensures that staff possess the required technical capabilities to maintain the quality of the engagement and its deliverables.

The AC is satisfied that the internal auditors have the necessary resources to adequately carry out its functions.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

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

Information is communicated to shareholders on a timely basis through:-

- The Annual Report, containing the full financial statements of the Company and the Group;
- Notices of and explanatory notes for AGM/Extraordinary General Meeting ("EGM") advertised in the newspapers and released via SGXNET;
- Announcements and press releases on major developments of the Group released via SGXNET in accordance with the requirements of the SGX-ST's Listing Manual; and
- 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 Company's 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. Shareholders are also encouraged to participate effectively and to vote at AGM and other general meetings, either in person or by proxy. The Company's Constitution does not allow shareholders to vote in absentia at general meetings except through the appointment of a proxy/ proxies, attorney or corporate representative (in the case of a corporation) to attend in their stead.

Issues seeking approval of shareholders, if any, are usually tabled as separate resolutions at general meetings. All polls for AGM and general meetings are conducted in the presence of independent scrutineer(s). The results of the poll voting are announced at the meeting and made via SGXNET on the same day of the AGM/general meeting.

Minutes of AGM and other general meetings are prepared and made available to shareholders upon their written request.

The Directors, Chairman of the AC, RC and NC and external auditors are normally present at the general meetings to address relevant questions.

The Company solicits feedback from and addresses the concerns of shareholders through the in-house investor relations team. An Investor Relations section, with contact information, is available in the Company's website as channel to address inquiries from shareholders and investors.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS

The Company has adopted internal code in relation to dealings in the Company's securities pursuant to Rule 1207(19) of the SGX-ST's Listing Manual (the "Rule") that is applicable to the Company and all its officers. All Directors, key officers and employees of the Group who have access to "price-sensitive" information are required to observe this Rule. Under the Rule, the Company, its Directors, key officers and employees are prohibited from dealing in the Company's securities during the period commencing (i) two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year ("Quarters") and (ii)(a) one month before the announcement of the Company's full year financial statements; or (ii)(b) on the 25th day of the month following the end of the Quarters or financial year, whichever is earlier.

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 business days of the transactions.

DIVIDENDS

The Company has adopted a dividend policy to recommend and distribute annual dividend of not less than 25% of its net profits attributable to shareholders. In proposing dividend payouts, the Directors take into consideration the Company's cash, gearings, earnings, expected financial performance and condition, projected capital expenditure, other investment plans, funding requirements and any other factor that the Directors consider relevant. The Company will communicate any dividend payouts to shareholders via announcements released via SGXNET.

The Board is recommending a final dividend payout of 1.25 Singapore cents and a special dividend payout of 4.00 Singapore cents per ordinary share, subject to shareholders' approval at the 2017 AGM.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Design Studio Group 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 2016.

Opinion of the directors

In the opinion of the directors,

(a) the consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and

(b) 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.

Directors

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

Tan Siok Chin	(Non-Executive Chairman)
Edgar Ramani	(Chief Executive Officer)
Kelly Ng Chai Choey	(Executive Director)
Hamish Gordon Tyrwhitt	(Non-Executive Director)
Roderick David Maciver	(Non-Executive Director)
Ong Tiew Siam	(Independent Director)

Arrangements to enable directors to acquire shares and debentures

Except as disclosed in this statement, neither at the end of nor at any time during the financial year was the Company a party to 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.

Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Share options

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

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

No options were issued by the Company or its subsidiaries during the financial year. As at 31 December 2016, there were no options on the unissued shares of the Company or its subsidiaries which are outstanding. During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

Audit committee

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

Ong Tiew Siam	(Chairman)
Hamish Gordon Tyrwhitt	
Tan Siok Chin	

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

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

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

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

- Reviewed the quarterly and full-year financial statements announcements and the auditors' report on the full-year financial statements of the Group and the Company before their submission to the Board;

- Reviewed 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;

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

DIRECTORS' STATEMENT

- Reviewed the nature and extent of non-audit services provided by the external auditors;
- Recommended to the Board the appointment, re-appointment and removal of the external auditors, approved the compensation and terms of engagement of the external auditors, and reviewed the scope and results of the audit;
- Reviewed whistle-blowing policy and arrangements;
- Reviewed interested person transactions in accordance with the requirements of the SGX-ST's Listing Manual; and
- Reviewed the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow up of any instances of non-compliance.

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 with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

Auditor

Ernst & Young LLP will not be seeking re-appointment.

On behalf of the board of directors:

Ong Tiew Siam
Director

Kelly Ng Chai Choey
Director

Singapore

10 March 2017

Report on the Audit of financial statements

Opinion

We have audited the financial statements of Design Studio Group Ltd (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the Audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Accounting for construction contracts

The Group is involved in projects for which the revenue is recognized over the period by reference to the stage of completion of the contract activities as indicated by Quantity Surveyor ("QS") Certification issued by external architects. As the certification date may not necessarily be at the end of the reporting period, management is required to exercise judgement and use estimates to determine and record revenue at reporting period. The amount of profit recognised in a year on projects is dependent; *inter alia*, on the actual cost incurred, the assessment of the percentage of completion of long-term contracts and the forecasted result of each project. In addition, the amount of revenue and profit is influenced by the valuation of work in progress, variation orders, claims, provision for foreseeable losses and provision for liquidated damage. Significant management judgement is also involved in estimating the cost to complete including the assessment of the remaining contingencies that a project is or could be facing until delivery. As such, we determined the accounting for construction contracts to be key audit matter.

As part of our audit, we have obtained an understanding of the Group's process and controls over the accounting for construction contracts. We examined project documentation and discussed the status of projects under construction with the management. With the knowledge gained from those discussions and the results of our audit procedures, we evaluated the appropriateness of the budgeted cost estimates made for significant projects. Our evaluation was also based on our assessment of the historical accuracy of management's estimates in previous periods, identification and analysis of changes in assumptions from prior periods, and an assessment of the consistency of assumptions used across projects. We assessed the achievability of the forecasted results of the projects, including the effect of variation orders, contingencies, potential or actual disputes and claims. We also checked the mathematical accuracy of the revenue and profit based on the percentage of completion calculations and considered the implications of identified errors and changes in estimates, if any.

Furthermore, we obtained and reviewed QS certificates and credit notes issued after year-end to establish that revenue were properly recorded in the correct period. We have also assessed management's assumptions in determining allowance for foreseeable losses and provisions for liquidated damage through discussions, reading of project progress meeting minutes and the terms and conditions of the contracts, and also took into consideration the accuracy and consistency of similar estimates made in previous years.

Finally, we assessed the Group's disclosures for construction contracts, work-in-progress and the related risks (credit risk, liquidity risk and the aging of receivables) in Notes 2.13, 2.18, 3.1(a), 16 and 26 to the financial statements.

Impairment assessment of goodwill

As at 31 December 2016, goodwill is carried at $2,729,000 and represented 8.3% of the total non-current assets of the consolidated balance sheet. The audit procedures over management's annual impairment test were significant to our audit because the assessment process was complex, involved significant management judgement, and was based on assumptions that were affected by expected future market and economic conditions.

As disclosed in Note 12, the Group allocated goodwill to the hospitality and commercial project unit of the Group, DDS Asia Holdings Pte Ltd and its subsidiaries. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to contract sums and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the Cash Generating Unit ("CGU"). The growth rates are based on actual orders on hand and potential sales forecast. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market. We assessed and tested the appropriateness of the methodologies, key assumptions, discount rates and data used by the management by comparing them to external data such as expected inflation rates, market growth expectations and by analysing sensitivity of the valuation model.

We checked that the future cash flow projections are based on the financial budgets approved by the board of directors and other recent developments in the business of the CGU. We also assessed the robustness of management's budgeting process by comparing the actual financials versus previously forecasted financials.

Furthermore, we assessed the Group's disclosures on the key assumptions and adequacy of the sensitivity analysis in Note 12 to the financial statements.

Impairment assessment of trade receivables

Trade receivables were significant to the Group as they carried at $80,991,000 and represented 44.8% of the total assets of the consolidated balance sheet. The collectability of trade receivables is a key element of the Group's working capital management, and is managed on an ongoing basis by management. Specific factors that management considers in assessing the recoverability of outstanding trade receivables include the age of the outstanding balance, recent historical payment patterns and other available information concerning the creditworthiness of customers. Management uses this information to determine whether an impairment charge is required for any amount deemed not recoverable. As this requires significant management judgment, we determined that this is a key audit matter.

We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables. We performed audit procedures, amongst others, sending trade receivable confirmations, and reviewing for collectability by way of obtaining evidence of subsequent receipts from the customers and subsequent credit notes review. We evaluated management's assumptions used to calculate the trade receivables impairment amount, notably through analyses of ageing of receivables, assessment of significant overdue individual trade receivables and customers specific risks. We assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 14 and 26 to the financial statements.

Other information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yong Kok Keong.

Ernst & Young LLP

Public Accountants and
Chartered Accountants

Singapore

10 March 2017

CONSOLIDATED INCOME STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	4	178,971	166,926
Cost of sales		(139,081)	(132,361)
Gross profit		39,890	34,565
Other income	5	219	183
Marketing and distribution expenses		(6,079)	(4,773)
General and administrative expenses		(8,869)	(10,333)
Profit from operations		25,161	19,642
Finance income	6	152	153
Profit before tax	7	25,313	19,795
Income tax expense	8	(4,817)	(2,948)
Profit net of tax		20,496	16,847
Profit attributable to:			
Owners of the Company		20,498	16,877
Non-controlling interests		(2)	(30)
		20,496	16,847
Earnings per share (cents)			
- basic	9	7.88	6.48
- diluted	9	7.88	6.48

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

As at 31 December 2016

	Group	
	2016	2015
	$'000	$'000
Profit net of tax	20,496	16,847
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss:		
Foreign currency translation	(1,508)	(861)
Total comprehensive income for the year, net of tax	18,988	15,986
Total comprehensive income attributable to:		
Owners of the Company	18,990	16,016
Non-controlling interests	(2)	(30)
	18,988	15,986

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

BALANCE SHEETS

As at 31 December 2016

	Note	Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	10	15,041	18,543	2,040	2,255
Investment in subsidiaries and loan to a subsidiary	11	–	–	41,359	41,359
Intangible assets	12	2,741	2,743	12	14
Deferred tax assets	13	361	321	272	257
Trade and other receivables	14	14,828	14,169	–	2,000
Total non-current assets		32,971	35,776	43,683	45,885
Current assets					
Inventories	15	13,252	13,690	–	–
Gross amount due from customers for contract work-in-progress	16	5,232	5,654	–	265
Trade and other receivables	14	72,939	36,358	2,975	3,162
Prepayments		1,427	2,228	26	22
Loan to a subsidiary	11	–	–	2,675	2,675
Tax recoverable		1,131	1,154	–	–
Cash and short-term deposits	17	53,963	54,107	12,767	12,361
Total current assets		147,944	113,191	18,443	18,485
Current liabilities					
Trade and other payables	18	68,821	39,673	721	2,658
Provision for tax		3,402	2,748	11	248
Total current liabilities		72,223	42,421	732	2,906
Net current assets		75,721	70,770	17,711	15,579
Non-current liability					
Provision for reinstatement cost	19	75	–	–	–
Net assets		108,617	106,546	61,394	61,464
Equity attributable to owners of the Company					
Share capital	20	32,732	32,732	32,732	32,732
Reserves		76,341	74,268	28,662	28,732
		109,073	107,000	61,394	61,464
Non-controlling interests		(456)	(454)	–	–
Total equity		108,617	106,546	61,394	61,464

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

Group	Share capital (Note 20) $'000	Revenue reserve $'000	Other reserves $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
2016						
At 1 January 2016	32,732	73,623	645	107,000	(454)	106,546
Profit net of tax	–	20,498	–	20,498	(2)	20,496
Other comprehensive income for the year						
- Foreign currency translation	–	–	(1,508)	(1,508)	–	(1,508)
Total comprehensive income for the year	–	20,498	(1,508)	18,990	(2)	18,988
Transaction with owners, recognised directly in equity:						
- Dividends on ordinary shares (Note 29)	–	(16,917)	–	(16,917)	–	(16,917)
At 31 December 2016	32,732	77,204	(863)	109,073	(456)	108,617
2015						
At 1 January 2015	32,732	75,615	1,506	109,853	(424)	109,429
Profit net of tax	–	16,877	–	16,877	(30)	16,847
Other comprehensive income for the year						
- Foreign currency translation	–	–	(861)	(861)	–	(861)
Total comprehensive income for the year	–	16,877	(861)	16,016	(30)	15,986
Transaction with owners, recognised directly in equity:						
- Dividends on ordinary shares (Note 29)	–	(18,869)	–	(18,869)	–	(18,869)
At 31 December 2015	32,732	73,623	645	107,000	(454)	106,546

Company	Share capital (Note 20) $'000	Revenue reserve $'000	Total equity $'000
2016			
At 1 January 2016	32,732	28,732	61,464
Profit net of tax, representing total comprehensive income for the year	–	16,847	16,847
Transaction with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 29)	–	(16,917)	(16,917)
At 31 December 2016	32,732	28,662	61,394
2015			
At 1 January 2015	32,732	39,930	72,662
Profit net of tax, representing total comprehensive income for the year	–	7,671	7,671
Transaction with owners, recognised directly in equity:			
Dividends on ordinary shares (Note 29)	–	(18,869)	(18,869)
At 31 December 2015	32,732	28,732	61,464

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Profit before tax		25,313	19,795
Adjustments for:			
Depreciation of property, plant and equipment	7	3,694	4,067
Loss/(gain) on disposal of property, plant and equipment	7	78	(28)
Finance income	6	(152)	(153)
Amortisation of club membership	7	2	2
Impairment loss on doubtful receivables	7	252	281
Inventories written down	7	545	–
Currency translation differences		(533)	(192)
Operating cash flows before changes in working capital		29,199	23,772
(Increase)/decrease in inventories		(107)	312
Decrease in contract work-in-progress		422	4,101
(Increase)/decrease in trade and other receivables		(37,953)	17,368
Decrease/(increase) in prepayments		801	(576)
Increase /(decrease) in trade and other payables		29,573	(15,747)
Cash flows generated from operations		21,935	29,230
Income taxes paid		(4,181)	(3,009)
Net cash flows generated from operating activities		17,754	26,221
Cash flows from investing activities			
Costs incurred for construction-in-progress		(497)	(826)
Finance income received		152	153
Proceeds from disposal of property, plant and equipment		4	122
Purchases of property, plant and equipment		(371)	(373)
Net cash flows used in investing activities		(712)	(924)
Cash flows from financing activities			
Decrease/(increase) in cash and short-term deposits pledged		232	(142)
Dividends paid on ordinary shares by the Company	29	(16,917)	(18,869)
Net cash flows used in financing activities		(16,685)	(19,011)
Net increase in cash and cash equivalents		357	6,286
Effect of exchange rate changes on cash and cash equivalents		(269)	(725)
Cash and cash equivalents at 1 January		53,875	48,314
Cash and cash equivalents at 31 December (Note A)		53,963	53,875

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

A. Cash and cash equivalents

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

	Group	
	2016	2015
	$'000	$'000
Cash at banks and on hand	52,570	42,869
Fixed deposits	1,393	11,238
Cash and short-term deposits	53,963	54,107
Less: Cash and short-term deposits pledged	–	(232)
Cash and cash equivalents	53,963	53,875

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

1. Corporate information

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

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.

Since 2014, the business of the Company had been gradually transferred to its wholly owned subsidiary, Design Studio Singapore Pte Ltd, as part of an internal restructuring exercise. The Company will become an investment holding company in 2017.

The principal activities of the subsidiaries are shown in Note 11 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore dollars ("SGD" or "$") and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Changes in accounting policies

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 that are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
Amendments to FRS 102 *Classification and Measurement of Share-Based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
Amendments to FRS 104 *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
Improvements to FRSs (December 2016)	
Amendments To FRS 101 *First-Time Adoption Of Financial Reporting Standards*	1 January 2018
(a) Amedments To FRS 112 *Disclosure Of Interests In Other Entities*	1 January 2017
(b) Amendments To FRS 28 *Investments In Associates And Joint Ventures*	1 January 2018
(c) INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for FRS 109, FRS 115 and FRS 116 the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Company to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group includes identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree, and the fair value of the Group's previously held equity interest in the acquire, over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 12. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

2. Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation and business combinations (cont'd)

(b) Business combinations and goodwill (cont'd)

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and 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 interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. Summary of significant accounting policies (cont'd)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

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

Assets under construction are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2. Summary of significant accounting policies (cont'd)

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written-down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Investment in subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investment in subsidiaries is accounted for at cost less impairment losses.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When the financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement – loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired, and through the amortisation process.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

2. Summary of significant accounting policies (cont'd)

2.10 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.11 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account is written off against the carrying value of the financial asset.

2. Summary of significant accounting policies (cont'd)

2.11 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

To determine whether there is objective evidence that an impairment loss on financial asset has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

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 was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) Financial assets carried at cost

If there is objective evidence that an impairment loss on financial assets carried at cost had been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and demand deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.13 Construction contracts

The Group principally operates fixed priced contracts. Contract 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.

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

2. Summary of significant accounting policies (cont'd)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs 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. These costs are assigned on a first-in first-out 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 the business, less estimated costs of completion and the estimated costs necessary to make the sale.

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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

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.

2.16 Employee benefits

(a) Defined contribution plans

The Group makes contributions to the Central Provident Fund ("CPF") scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

The subsidiaries in Malaysia make contribution to the Employees Provident Fund ("EPF").

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

2. Summary of significant accounting policies (cont'd)

2.17 Leases

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.18 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Construction contract

Revenue from construction contracts are recognised in accordance with the Company's accounting policy on construction contracts (see Note 2.13).

(c) Finance income

Finance income is recognised using the effective interest method.

(d) Dividend income

Dividend income from investments is recognised when the Group's rights to receive payment is established.

2.19 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

2. Summary of significant accounting policies (cont'd)

2.19 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liabilty in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utiltsed.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

2. Summary of significant accounting policies (cont'd)

2.19 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.20 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Stage of completion of construction contracts

The Group recognises project revenue by reference to the stage of completion of the contract activity at the end of the reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is determined by reference to professional surveys of work performed. Significant assumptions are required to estimate the total contract costs and the recoverability of variation works. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 16 to the financial statements.

(b) Impairment of goodwill

As disclosed in Note 12 to the financial statements, the recoverable amounts of the goodwill are determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 12 to the financial statements.

The carrying amount of goodwill at the end of the reporting period was $2,729,000 (2015: $2,729,000). No impairment loss has been recognised.

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant estimate is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's tax recoverable, income tax payable and deferred tax assets at the end of the reporting period was $1,131,000 (2015: $1,154,000), $3,402,000 (2015: $2,748,000) and $361,000 (2015: $321,000) respectively. The carrying amount of the Company's net income tax payables and deferred tax assets at the end of the reporting period was $11,000 (2015: $248,000) and $272,000 (2015: $257,000) respectively.

3. Significant accounting judgements and estimates (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

(d) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 14 to the financial statements.

(e) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows.

4. Revenue

	Group	
	2016 $'000	2015 $'000
Revenue from construction contracts	178,897	166,532
Sale of goods	74	394
	178,971	166,926

5. Other income

	Group	
	2016 $'000	2015 $'000
Sundry income	66	20
Income from wage credit schemes	153	163
	219	183

6. Finance income

	Group	
	2016	2015
	$'000	$'000
Interest income from fixed deposits	152	153

7. Profit before tax

The following items have been included in arriving at profit before tax:

	Group	
	2016	2015
	$'000	$'000
Audit fees		
- auditors of the Company	195	164
- other auditors	92	99
Non-audit fees		
- auditors of the Company	6	100
- other auditors	16	–
Depreciation of property, plant and equipment (Note 10)	3,694	4,067
Directors' fees	398	432
Directors' remuneration		
- directors of the Company (Note 21)	1,456	1,320
- other directors	1,637	1,394
Net foreign exchange (gain)/loss	(233)	703
Loss/(gain) on disposal of property, plant and equipment	78	(28)
Operating lease expenses	2,503	2,939
Amortisation of club membership (Note 12)	2	2
Impairment loss on doubtful receivables (Note 14)	252	281
Inventories written down (Note 15)	545	–

8. Income tax expense

Major components of income tax expense

The major components of income tax expense for the financial years ended 31 December 2016 and 2015 are:

	Group	
	2016	2015
	$'000	$'000
Current income tax:		
Singapore		
- current year	2,977	2,695
- over provision in respect of previous years	(11)	(39)
Foreign		
- current year	1,891	314
- under provision in respect of previous years	3	19
	4,860	2,989
Deferred income tax:		
Singapore		
- origination and reversal of temporary differences	(82)	4
Foreign		
- origination and reversal of temporary differences	39	(45)
	(43)	(41)
Income tax expense recognised in profit or loss	4,817	2,948

Domestic income tax is calculated at 17% (2015: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

8. Income tax expense (cont'd)

Relationship between tax expense and accounting profit:

A reconciliation between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016 $'000	2015 $'000
Profit before tax	25,313	19,795
Income tax at the domestic rates applicable to profits in the countries where the Group operates	4,910	3,014
Non-deductible expenses	206	212
Income not subject to taxation	(61)	(22)
Effect of partial tax exemption and other reliefs	(92)	(138)
Deduction on tax incentives	(75)	(125)
Overprovision in respect of previous years	(8)	(20)
Utilisation of deferred tax benefits not recognised in previous years	(63)	36
Others	–	(9)
Income tax expense recognised in profit or loss	4,817	2,948

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

9. Earnings per share

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

Diluted earnings per share is calculated by dividing the profit net of tax for the year attributable to owners of the Company 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 reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2016 $'000	2015 $'000
Profit attributable to owners of the Company	20,498	16,877
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share	260,264	260,264

There are no dilutive potential ordinary shares.

10. Property, plant and equipment

Group	Leasehold factory building $'000	Leasehold improvement $'000	Office equipment $'000	Furniture and fittings $'000	Motor vehicles $'000	Computers $'000	Renovations $'000	Machinery $'000	Site equipment $'000	Construction-in-progress $'000	Total $'000
Cost											
At 1 January 2015	5,680	107	467	2,700	2,109	1,989	5,693	34,463	65	–	53,273
Additions	–	–	23	13	–	231	30	76	–	826	1,199
Disposals	–	–	(14)	(23)	(537)	(32)	–	(82)	–	–	(688)
Reclassifications	–	–	–	–	–	–	–	81	–	(81)	–
Exchange differences	–	(8)	1	35	6	6	98	396	(3)	(5)	526
At 31 December 2015 and 1 January 2016	5,680	99	477	2,725	1,578	2,194	5,821	34,934	62	740	54,310
Additions	–	–	14	44	–	181	150[(1)]	47	10	497	943
Disposals	–	–	(6)	(27)	(252)	(41)	(64)	(159)	–	–	(549)
Reclassifications	–	–	–	–	–	–	1,237	–	–	(1,237)	–
Exchange differences	–	–	(7)	(91)	(13)	(42)	(201)	(855)	–	–	(1,209)
At 31 December 2016	5,680	99	478	2,651	1,313	2,292	6,943	33,967	72	–	53,495
Accumulated depreciation											
At 1 January 2015	3,248	107	350	1,194	1,860	1,181	3,304	20,852	49	–	32,145
Depreciation charge for the year (Note 7)	258	–	62	425	93	321	959	1,949	–	–	4,067
Disposals	–	–	(10)	(19)	(537)	(26)	–	(2)	–	–	(594)
Exchange differences	–	(8)	–	7	3	(3)	46	106	(2)	–	149
At 31 December 2015 and 1 January 2016	3,506	99	402	1,607	1,419	1,473	4,309	22,905	47	–	35,767
Depreciation charge for the year (Note 7)	258	–	40	354	70	309	1,015	1,641	7	–	3,694
Disposals	–	–	(5)	(16)	(252)	(39)	(64)	(91)	–	–	(467)
Exchange differences	–	–	(5)	(45)	(10)	(25)	(143)	(312)	–	–	(540)
At 31 December 2016	3,764	99	432	1,900	1,227	1,718	5,117	24,143	54	–	38,454
Net carrying amount											
At 31 December 2015	2,174	–	75	1,118	159	721	1,512	12,029	15	740	18,543
At 31 December 2016	1,916	–	46	751	86	574	1,826	9,824	18	–	15,041

(1) Additions to renovation in current year included provision for reinstatement costs of $75,000 (Note 19).

10. Property, plant and equipment (cont'd)

Company	Leasehold factory building	Leasehold improvement	Motor vehicles	Renovations	Total
	$'000	$'000	$'000	$'000	$'000
Cost					
At 1 January 2015	5,680	67	1,712	1,139	8,598
Disposals	–	–	(537)	–	(537)
At 31 December 2015 and 1 January 2016	5,680	67	1,175	1,139	8,061
Additions	–	–	–	84	84
Disposals	–	–	(252)	(64)	(316)
At 31 December 2016	5,680	67	923	1,159	7,829
Accumulated depreciation					
At 1 January 2015	3,248	66	1,592	1,082	5,988
Depreciation charge for the year	258	1	42	54	355
Disposals	–	–	(537)	–	(537)
At 31 December 2015 and 1 January 2016	3,506	67	1,097	1,136	5,806
Depreciation charge for the year	258	–	35	6	299
Disposals	–	–	(252)	(64)	(316)
At 31 December 2016	3,764	67	880	1,078	5,789
Net carrying amount					
At 31 December 2015	2,174	–	78	3	2,255
At 31 December 2016	1,916	–	43	81	2,040

11. Investment in subsidiaries and loan to a subsidiary

	Company	
	2016	2015
	$'000	$'000
Unquoted shares, at cost	18,058	18,058
Less: Allowance for impairment	(1,127)	(1,127)
	16,931	16,931
Long-term loan to a subsidiary	24,428	24,428
	41,359	41,359
Movement in the allowance for impairment:		
Balance at beginning and at end of the year	1,127	1,127

Impairment losses of $1,127,000 were provided for in prior years based on the recoverable amounts of the subsidiaries.

Long-term loan to a subsidiary is non-interest bearing, unsecured and is an extension of the investment which has no fixed repayment terms.

	Company	
	2016	2015
	$'000	$'000
Short-term loan to a subsidiary	2,675	2,675

Short-term loan to a subsidiary is unsecured, non-interest bearing and repayable on demand.

11. Investment in subsidiaries and loan to a subsidiary (cont'd)

Details of the subsidiaries are as follows:

Name	Principal activities/ country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2016	2015	2016	2015
Held by the Company:					
Design Studio Asia Pte. Ltd.[(1)]	Investment holding company (Singapore)	100	100	100	100
Design Studio (China) Pte. Ltd.[(1)]	Investment holding company (Singapore)	100	100	100	100
D S Interior Decoration (Middle East) LLC[(3) (6)]	Dormant (United Arab Emirates)	49	49	100	100
DDS Asia Holdings Pte Ltd[(1)]	Investment holding company (Singapore)	100	100	100	100
Design Studio Furniture (Shanghai) Co., Ltd[(6)]	Dormant (People's Republic of China)	100	100	100	100
DS Interior Contracts & Renovation (Shanghai) Co., Ltd[(6)]	Dormant (People's Republic of China)	100	100	100	100
Held by Design Studio (China) Pte. Ltd.:					
Design Studio (Huizhou) Home Furnishing Co., Ltd[(2)]	Manufacture, installation and trading of paneling products (People's Republic of China)	100	100	100	100

11. Investment in subsidiaries and loan to a subsidiary (cont'd)

Name	Principal activities/ country of incorporation and operation	Proportion of ownership interest (%)		Voting power (%)	
		2016	2015	2016	2015
Held by Design Studio Asia Pte. Ltd.:					
Design Studio Singapore Pte Ltd[(1)]	Design, manufacture, installation and trading of paneling products (Singapore)	100	100	100	100
DS Furniture Manufacturer Sdn. Bhd.[(2)]	Design, manufacture, installation and trading of paneling products (Malaysia)	100	100	100	100
DS Project Management Sdn. Bhd.[(2)]	Project management, installation and trading of paneling products (Malaysia)	100	100	100	100
Held by DDS Asia Holdings Pte Ltd:					
DDS Contracts & Interior Solutions Pte Ltd[(1)]	Interior fitting-out and furnishing solutions (Singapore)	100	100	100	100
DDS Contracts & Interior Solutions Sdn Bhd[(2)]	Interior fitting-out and furnishing solutions (Malaysia)	100	100	100	100
DDS Contracts & Interior Solutions (Thailand) Co., Ltd[(4)]	Interior fitting-out and furnishing solutions (Thailand)	69.39	69.39	69.39	69.39
DDS Contracts & Interior Solutions (Vietnam) Co., Ltd[(5)]	Interior fitting-out and furnishing solutions (Vietnam)	100	100	100	100

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by member firms of EY Global in the respective countries.

(3) 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.

(4) Audited by Chatchawat Auditing & Tax Co., Ltd.

(5) Not required to present audited financial statements under the laws of its country of incorporation and considered not material to the Group.

(6) In the process of liquidation.

11. Investment in subsidiaries and loan to a subsidiary (cont'd)

Details of non-wholly owned subsidiary that has material non-controlling interests:

Name of subsidiary	Place of incorporation and place of business	Proportion of ownership interest and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
DDS Contracts & Interior Solutions (Thailand) Co., Ltd	Thailand	30.61	30.61	(2)	(30)	(456)	(454)

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	DDS Contracts & Interior Solutions (Thailand) Co., Ltd	
	2016 $'000	2015 $'000
Current assets	159	168
Current liabilities	113	118
Equity attributable to owners of the Company	501	505
Non-controlling interests	(456)	(454)
Expenses	6	98
Loss for the year	(6)	(98)
Loss attributable to owners of the Company	(4)	(68)
Loss attributable to the non-controlling interests	(2)	(30)
Loss for the year	(6)	(98)
Total comprehensive loss attributable to owners of the Company	(4)	(68)
Total comprehensive loss attributable to the non-controlling interests	(2)	(30)
Total comprehensive loss for the year	(6)	(98)
Net cash (outflow)/inflow from operating activities	(332)	877

12. Intangible assets

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Club membership	128	128	128	128
Order backlog	3,116	3,116	–	–
Less: Impairment loss on club membership	(28)	(28)	(28)	(28)
	3,216	3,216	100	100
Less: Accumulated amortisation	(3,204)	(3,202)	(88)	(86)
	12	14	12	14
Goodwill	2,729	2,729	–	–
	2,741	2,743	12	14

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

Club membership

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

	Group and Company	
	2016 $'000	2015 $'000
At 1 January	86	84
Amortisation during the year (Note 7)	2	2
At 31 December	88	86

The amortisation expense had been included in the line item "general and administrative expenses" in consolidated income statement.

Order backlog

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

	Group	
	2016 $'000	2015 $'000
Cost		
At 1 January and 31 December	3,116	3,116
Accumulated amortisation		
At 1 January and 31 December	(3,116)	(3,116)
Carrying amount		
At 1 January and 31 December	–	–

12. Intangible assets (cont'd)

Order backlog arose from the acquisition of DDS Asia Holdings Pte Ltd in 2012 which was related to work on existing projects that had not yet been fulfilled.

The amortisation expense had been included in the line item "general and administrative expenses" in consolidated income statement.

Goodwill

	Group	
	2016	2015
	$'000	$'000
Cost		
At 1 January and 31 December	2,729	2,729

Goodwill acquired in a business combination is allocated, at acquisition, to a cash-generating unit ("CGU") that is expected to benefit from that business combination. Goodwill is allocated to the hospitality and commercial projects unit of DDS Asia Holdings Pte Ltd and its subsidiaries. The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to contract sums and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU. The growth rates are based on actual orders on hand and potential sales forecast. Changes in revenue and direct costs are based on past practices and expectations of future changes in the market.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows for the subsequent years based on estimated growth rate of 0% (2015: 0%). The rate does not exceed the average long-term growth rate for the relevant markets.

The rate used to discount the forecast cash flows is 17.5% (2015: 17.1%).

At 31 December 2016, any reasonably possible change to the key assumptions applied is not likely to cause the recoverable amount to be below the carrying amount of the CGU.

13. Deferred tax

Deferred tax at 31 December relates to the following:

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Deferred tax assets:						
Differences in depreciation	296	249	47	(94)	272	257
Unrealised foreign exchange	–	72	(72)	92	–	–
Other general provision	65	–	65	21	–	–
Exchange differences	–	–	–	20	–	–
Total	361	321	40	39	272	257
Deferred tax liabilities:						
Differences in depreciation	–	2	–	–	–	–
Unrealised foreign exchange	–	(2)	–	(2)	–	–
Total	–	–	–	(2)	–	–

14. Trade and other receivables

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables (non-current):				
Retention monies:				
Third parties	14,540	14,169	–	1,140
Corporate shareholder	288	–	–	–
Subsidiary	–	–	–	860
	14,828	14,169	–	2,000
Trade receivables (current):				
Retention monies:				
Third parties	10,221	6,032	–	1,580
Subsidiary	–	–	–	44
	10,221	6,032	–	1,624
Trade receivables:				
Third parties	48,876	26,786	–	915
Corporate shareholder	5,470	–	–	–
Subsidiary	–	–	665	282
Related companies	2,048	70	–	–
	66,615	32,888	665	2,821
Less: Allowance for doubtful receivables	(452)	(270)	–	–
	66,163	32,618	665	2,821
Other receivables and deposits:				
Other receivables	747	1,071	64	65
Deposits	6,029	2,669	61	60
	6,776	3,740	125	125
Amounts due from subsidiaries (non-trade)	–	–	2,185	216
	6,776	3,740	2,310	341
Total trade and other receivables (current)	72,939	36,358	2,975	3,162
Total trade and other receivables (non-current and current)	87,767	50,527	2,975	5,162
Add: Cash and short-term deposits (Note 17)	53,963	54,107	12,767	12,361
Less: Advances paid to suppliers	(5,272)	(1,626)	–	–
Less: Sales tax receivables	(164)	(435)	–	–
Total loans and receivables	136,294	102,573	15,742	17,523

14. Trade and other receivables (cont'd)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms (2015: 30 to 90 days' terms). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade amounts due from subsidiary, related companies and a corporate shareholder

Trade amounts due from subsidiary, related companies and a corporate shareholder are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Other receivables and non-trade amounts due from subsidiaries

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

Trade and other receivables denominated in currencies other than the respective group entities' functional currencies at 31 December are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
United States Dollars	3,482	686	–	154
Malaysian Ringgit	8,217	2,729	–	–
United Arab Emirates Dirham	5,786	–	–	–
Euro	–	122	–	14

Receivables that are past due but not impaired

The Group and the Company have trade receivables, excluding retention monies and including amount due from a corporate shareholder and related companies, amounting to $12,177,000 and $Nil respectively (2015: $3,921,000 and $607,000) that are past due at the end of the respective reporting period but not impaired.

The analysis of the aging at the end of the reporting period is as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables past due but not impaired:				
1 to 30 days	6,635	335	–	–
31 to 60 days	954	1,119	–	–
61 to 90 days	967	179	–	152
91 to 150 days	837	284	–	–
More than 150 days	2,784	2,004	–	455
	12,177	3,921	–	607

14. Trade and other receivables (cont'd)

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables - nominal amount	662	270	–	–
Less: Allowance for impairment	(452)	(270)	–	–
	210	–	–	–
Third parties:				
At 1 January	(270)	–	–	–
Allowance for the financial year (Note 7)	(252)	(281)	–	–
Written off	70	11	–	–
At 31 December	(452)	(270)	–	–

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. Inventories

	Group	
	2016 $'000	2015 $'000
Balance sheet:		
Raw materials, at cost	10,119	10,682
Work-in-progress, at cost	2,500	2,248
Finished goods, at cost or net realisable value	633	760
	13,252	13,690
Income statement		
Inventories recognised as an expense in cost of sales	22,637	15,229
Inclusive of the following charge:		
- Inventories written-down	545	–

The amount of inventories charged to the contract cost during the year was $22,660,000 (2015: $15,229,000). The contract cost was recognised as expense in cost of sales based on stage of completion of the contract activity at the end of the reporting period.

16. Gross amount due from customers for contract work-in-progress

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	397,174	431,328	–	153,419
Less: Progress billings	(391,942)	(425,674)	–	(153,154)
Presented as:				
Gross amount due from customers for contract work	5,232	5,654	–	265
Retention monies on construction contract included in trade receivables	25,049	20,201	–	3,624

17. Cash and short-term deposits

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Cash at banks and on hand	52,570	42,869	12,767	6,353
Fixed deposits (secured)	–	232	–	–
Fixed deposits (unsecured)	1,393	11,006	–	6,008
	1,393	11,238	–	6,008
Total cash and short-term deposits	53,963	54,107	12,767	12,361

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0.05% to 1.35% (2015: 0.05% to 0.35%) per annum. Fixed deposits of the Group bear interest ranging from 0.88% to 1.59% (2015: 0.10% to 3.50%) per annum and for tenure of one to five months (2015: one to five months).

In 2015, banking facilities were secured by pledge of cash and short-term deposits of two subsidiaries amounting to $232,000 and corporate guarantees by the Company. No financial guarantee liability was recognised in the separate financial statements of the Company as the amount was deemed as immaterial.

Cash and short-term deposits denominated in currencies other than the respective group entities' functional currencies at 31 December are as follows:

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Malaysian Ringgit	1,003	46	–	–
United States Dollars	1,759	2,296	815	908
Euro	56	57	56	57

18. Trade and other payables

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade payables (current):				
Amounts due to third parties	18,427	7,060	129	33
Amounts due to subsidiaries	–	–	29	31
Amount due to a corporate shareholder	873	148	–	–
Amounts due to related companies	220	–	–	–
Retention payables	8,043	7,479	–	705
Advance payments from customers	478	1,777	–	–
Advance payments from a related company	466	–	–	–
Accrued contract costs	31,663	16,106	–	1,400
	60,170	32,570	158	2,169
Other payables (current):				
Other payables	1,838	1,031	103	10
Amount due to a corporate shareholder	244	20	224	–
Amounts due to related companies	–	120	–	120
Accrued operating expenses	6,569	5,932	236	359
	8,651	7,103	563	489
Total trade and other payables	68,821	39,673	721	2,658
Less: Sales tax (payables)/receivables	(1,772)	(742)	(124)	48
Less: Advance payments from customers	(478)	(1,777)	–	–
Advance payments from a related company	(466)	–	–	–
Total financial liabilities carried at amortised cost	66,105	37,154	597	2,706

Trade and other payables

Trade payables and other payables are non-interest bearing and are normally settled on 30 to 60 days' terms (2015: 30 to 60 days' terms).

18. Trade and other payables (cont'd)

Trade and other payables denominated in currencies other than the respective group entities' functional currencies at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Singapore Dollars	5	–	–	–
Malaysian Ringgit	3,352	1,248	–	–
United States Dollars	765	239	–	1
Euro	174	197	–	–
United Arab Emirates Dirham	1,086	140	224	120
Chinese Renminbi	6,666	3,707	29	31

Amounts due to subsidiaries, related companies and a corporate shareholder

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

Advance payments from customers and a related company

Advance payments from customers and a related company are non-interest bearing and are proportionately offset against the progress billings made to customers.

19. Provision for reinstatement cost

Provision for reinstatement cost was made for the estimated cost for reinstating the Group's rented premises to the original condition upon termination of the lease.

	Group	
	2016	2015
	$'000	$'000
Movements in the provision for reinstatement cost are as follows:		
At beginning of the financial year	–	–
Charge for the year	75	–
At end of the financial year	75	–
Comprises:		
- Non-current	75	–
At end of the financial year	75	–

20. Share capital

	Group and Company			
	2016	2016	2015	2015
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid:				
At 1 January and 31 December	260,264	32,732	260,264	32,732

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

21. Employee benefits

	Group	
	2016	2015
	$'000	$'000
Salaries and bonuses	28,733	25,037
Defined contribution plan	3,010	2,837
Other short-term benefits	573	557
	32,316	28,431
Less: Directors' remuneration	(3,094)	(2,714)
	29,222	25,717

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

22. Related party transactions

(a) 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.

	Group	
	2016	2015
	$'000	$'000
Sales to immediate holding company's group of companies	9,465	73
Purchase from immediate holding company's group of companies	23	–
Purchase of services from firms related to directors	11	21
Sales to a director	12	–

22. Related party transactions (cont'd)

(b) Compensation of key management personnel

	Group	
	2016	2015
	$'000	$'000
Short-term employee benefits	4,273	4,000
Defined contribution plans	255	191
	4,528	4,191
Comprise amounts paid to:		
- Directors of the Group	1,456	1,320
- Other key management personnel	3,072	2,871
	4,528	4,191

23. Commitments

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 two 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.

Minimum lease payments recognized as an expense in profit or loss for the financial year ended 31 December 2016 amounted to $2,503,000 (2015: $2,939,000).

Future minimum lease payments payable under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Not later than one year	1,904	1,849	131	124
Later than one year but not later than five years	2,787	2,438	392	372
Later than five years	484	587	447	547
	5,175	4,874	970	1,043

24. Contingencies

Corporate guarantees

As at 31 December 2016, the Company had provided corporate guarantees of approximately $38,374,000 (2015: $36,567,000) in favour of banks and financial institutions for the granting of credit facilities to five (2015: five) subsidiaries.

Performance guarantees

	Group	
	2016	2015
	$'000	$'000
Performance guarantees for contracts undertaken by subsidiaries (secured):	23,804	18,058

Performance guarantees are secured by way of corporate guarantees by the Company.

Financial support

The Company has undertaken to provide financial support to a subsidiary (2015: two subsidiaries) for deficiency in their shareholders' funds and to extend adequate funding to meeting their net current liability position for the financial years ended 31 December 2016 and 2015.

25. Fair value of financial instruments

The fair value of a financial instrument is the amount at which the instrument could be exchanged for or settled between knowledgeable parties in an arm's length transaction, other than in a forced or liquidation sale.

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short-term deposits, trade and other receivables, trade and other payables, short term loan to a subsidiary, amounts due from/(to) subsidiaries, amount due from/(to) corporate shareholder and amounts due from/(to) related companies, based on their notional amounts, reasonably approximate their fair values because these are mostly short-term in nature.

Retention monies and long-term loan to a subsidiary have no repayment terms and accordingly, the fair value of the amount is not determinable as the timing of the future cash flows cannot be estimated reliably.

26. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the management.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets including cash and short-term deposits, the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

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

<u>Exposure to credit risk</u>

At the end of the reporting period, the Group'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 $38,374,000 (2015: $36,567,000) relating to corporate guarantees provided by the Company in favour of banks and financial institutions for the granting of credit facilities to five (2015: five) subsidiaries.

Information regarding credit enhancements for trade and other receivables is disclosed in Note 14.

26. Financial risk management objectives and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables including amounts due from a corporate shareholder at the end of the reporting period is as follows:

	2016		2015	
Group	**$'000**	**% of total**	**$'000**	**% of total**
By country				
Singapore	37,145	45.9	33,024	70.6
Malaysia	18,511	22.9	4,466	9.6
South Korea	5,478	6.8	6,006	12.8
Japan	8,601	10.6	1,780	3.8
People's Republic of China	3,450	4.2	1,441	3.1
United Arab Emirates	7,806	9.6	70	0.1
	80,991	100.0	46,787	100.0

At the end of the reporting period, approximately:

– 47.2% (2015: 62.7%) of the Group's third party trade receivables were due from 5 major customers who are property conglomerates or hotel management companies in Singapore, Japan, South Korea and Malaysia (2015: property conglomerates located in Singapore and South Korea).

– 2.5% (2015: 0.2%) of the Group's trade receivables were due from three related parties located in United Arab Emirates.

– 7.1% of the Group's trade receivables were due from a corporate shareholder.

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 14.

26. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. 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 assets and liabilities at the reporting period based on contractual undiscounted repayment obligations.

Group	One year or less	One to five years	Total
	$'000	$'000	$'000
2016			
Financial assets:			
Trade and other receivables	67,503	14,828	82,331
Cash and short-term deposits	53,963	–	53,963
Total undiscounted financial assets	121,466	14,828	136,294
Financial liabilities:			
Trade and other payables	66,105	–	66,105
Total undiscounted financial liabilities	66,105	–	66,105
Total net undiscounted financial assets	55,361	14,828	70,189
2015			
Financial assets:			
Trade and other receivables	34,297	14,169	48,466
Cash and short-term deposits	54,107	–	54,107
Total undiscounted financial assets	88,404	14,169	102,573
Financial liabilities:			
Trade and other payables	37,154	–	37,154
Total undiscounted financial liabilities	37,154	–	37,154
Total net undiscounted financial assets	51,250	14,169	65,419

26. Financial risk management objectives and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	One year or less $'000	One to five years $'000	Total $'000
2016			
Financial assets:			
Trade and other receivables	2,975	–	2,975
Cash and short-term deposits	12,767	–	12,767
Total undiscounted financial assets	15,742	–	15,742
Financial liabilities:			
Trade and other payables	597	–	597
Total undiscounted financial liabilities	597	–	597
Total net undiscounted financial assets	15,145	–	15,145
2015			
Financial assets:			
Trade and other receivables	3,162	2,000	5,162
Cash and short-term deposits	12,361	–	12,361
Total undiscounted financial assets	15,523	2,000	17,523
Financial liabilities:			
Trade and other payables	2,706	–	2,706
Total undiscounted financial liabilities	2,706	–	2,706
Total net undiscounted financial assets	12,817	2,000	14,817

The table below shows the contractual expiry of maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	One year or less $'000	One to five years $'000	Total $'000
2016			
Financial guarantees	–	38,374	38,374
2015			
Financial guarantees	–	36,567	36,567

26. Financial risk management objectives and policies (cont'd)

(c) 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 United States Dollars (USD), Malaysian Ringgit (Ringgit) and Chinese Renminbi (RMB).

Sensitivity analysis for foreign exchange risk

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

			Group	
			Profit before tax	
			2016	2015
			$'000	$'000
USD/SGD	-	strengthened 3% (2015: 3%)	95	37
	-	weakened 3% (2015: 3%)	(93)	(36)
MYR/SGD	-	strengthened 3% (2015: 3%)	176	56
	-	weakened 3% (2015: 3%)	(171)	(54)
RMB/SGD	-	strengthened 3% (2015: 3%)	(200)	(110)
	-	weakened 3% (2015: 3%)	194	107
USD/RMB	-	strengthened 3% (2015: 3%)	38	45
	-	weakened 3% (2015: 3%)	(37)	(44)
EUR/SGD	-	strengthened 3% (2015: 3%)	(4)	3
	-	weakened 3% (2015: 3%)	3	(3)
AED/SGD	-	strengthened 3% (2015: 3%)	140	–
	-	weakened 3% (2015: 3%)	(136)	–

27. 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 financial years ended 31 December 2016 and 31 December 2015.

27. Capital management (cont'd)

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 less cash and short-term deposits. Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade and other payables (Note 18)	68,821	39,673	721	2,658
Less:				
Cash at banks and on hand (Note 17)	(52,570)	(42,869)	(12,767)	(6,353)
Fixed deposits (Note 17)	(1,393)	(11,238)	–	(6,008)
Net debt/(cash)	14,858	(14,434)	(12,046)	(9,703)
Equity attributable to the owners of the Company, representing total capital	109,073	107,000	61,394	61,464
Capital and net debt	123,931	N.A.*	N.A.*	N.A.*
Gearing ratio	13.6%	N.A.*	N.A.*	N.A.*

* Not applicable as the Group and the Company were in a net cash position.

28. Segment information

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

1. 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.

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

3. 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.

28. Segment information (cont'd)

	Residential property projects $'000	Hospitality and commercial projects $'000	Distribution projects $'000	Adjustments and elimination $'000	Notes	Consolidated $'000
2016						
Revenue:						
External customers	68,907	109,990	74	–		178,971
Inter-segment	23,530	30,047	–	(53,577)	A	–
Total revenue	92,437	140,037	74	(53,577)		178,971
Results:						
Other income	–	–	–	219		219
Other non-cash expenses	252	–	–	4,241	B	4,493
Segment profit before tax	13,577	14,789	270	(3,323)	C	25,313
Assets:						
Additions to non-current assets	–	196	–	747	D	943
Segment assets	33,236	89,252	243	58,184	E	180,915
Liabilities:						
Segment liabilities	11,092	50,019	18	11,169	F	72,298
2015						
Revenue:						
External customers	73,591	92,941	394	–		166,926
Inter-segment	24,024	18,291	–	(42,315)	A	–
Total revenue	97,615	111,232	394	(42,315)		166,926
Results:						
Other income	–	–	–	183		183
Other non-cash expenses	11	270	–	4,069	B	4,350
Segment profit before tax	13,130	10,280	116	(3,731)	C	19,795
Assets:						
Additions to non-current assets	–	108	–	1,091	D	1,199
Segment assets	28,688	63,223	852	56,204	E	148,967
Liabilities:						
Segment liabilities	6,260	25,309	474	10,378	F	42,421

A Inter-segment revenue is eliminated on consolidation.

B Other non-cash expenses consist of impairment loss on doubtful receivables, depreciation expenses, amortisation of club membership and inventories written down.

28. Segment information (cont'd)

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

	Group	
	2016	2015
	$'000	$'000
Other income	219	183
Finance income	152	153
Depreciation of property, plant and equipment	(3,694)	(4,067)
	(3,323)	(3,731)

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

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

	Group	
	2016	2015
	$'000	$'000
Property, plant and equipment	14,813	18,383
Club membership	12	14
Deferred tax assets	367	328
Tax recoverable	327	263
Cash and short-term deposits	30,247	23,866
Inventories	11,234	11,846
Other receivables, deposits and prepayments	1,184	1,504
	58,184	56,204

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

	Group	
	2016	2015
	$'000	$'000
Other payables	6,319	5,577
Trade payables	2,653	1,484
Provision for tax	1,847	1,542
Advance payments from customers	350	1,775
	11,169	10,378

28. Segment information (cont'd)

Geographical information

Revenue by geographical markets are as follows:

	Group	
	2016	2015
	$'000	$'000
Singapore	121,765	141,760
Malaysia	34,403	17,652
United Arab Emirates	7,298	73
People's Republic of China	3,438	340
Japan	6,715	7,054
United States of America	5,196	27
Others	156	20
	178,971	166,926

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

	Group	
	2016	2015
	$'000	$'000
Singapore	5,214	5,626
Malaysia	1,187	959
People's Republic of China	11,381	14,701
	17,782	21,286

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about major customers

Revenue from three (2015: two) major customers amounted to $61,145,000 (2015: $58,329,000) arising from sales in the hospitality and commercial projects segment.

29. Dividends

	Group	
	2016	2015
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2015: 1.25 cents (2014: 2.00 cents) per share	3,253	5,205
- Special exempt (one-tier) dividend for 2015: 4.00 cents (2014: 4.00 cents) per share	10,411	10,411
- Interim exempt (one-tier) dividend for 2016: 1.25 cents (2015: 1.25 cents) per share	3,253	3,253
	16,917	18,869
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 2016: 1.25 cents (2015: 1.25 cents) per share	3,253	3,253
- Special exempt (one-tier) dividend for 2016: 4.00 cents (2015: 4.00 cents) per share	10,411	10,411
	13,664	13,664

30. Authorisation of financial statements

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the Directors on 10 March 2017.

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

Name of interested person	Aggregate value of all interested persons transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Depa Interiors LLC & its associates	$Nil	$22,004,621

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 2016.

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	31 years commencing 1 June 1994	1,916

STATISTICS OF SHAREHOLDINGS

As at 7 March 2017

Issued and fully paid-up capital	-	S$33,390,983
Class of shares	-	Ordinary shares
Number of shares	-	260,264,171
Voting rights	-	One vote per share
Treasury shares	-	The Company does not hold any treasury shares

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	1	0.20	25	0.00
100 - 1000	57	11.47	48,121	0.02
1,001 - 10,000	221	44.47	1,453,109	0.56
10,001 - 1,000,000	213	42.86	10,901,200	4.19
1,000,001 AND ABOVE	5	1.00	247,861,716	95.23
TOTAL	**497**	**100.00**	**260,264,171**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	DEPA INTERIORS LLC	233,108,716	89.57
2	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	10,795,000	4.15
3	UOB KAY HIAN PRIVATE LIMITED	1,647,800	0.63
4	RAFFLES NOMINEES (PTE) LIMITED	1,198,100	0.46
5	DB NOMINEES (SINGAPORE) PTE LTD	1,112,100	0.43
6	CIMB SECURITIES (SINGAPORE) PTE. LTD.	994,400	0.38
7	DBS NOMINEES (PRIVATE) LIMITED	483,400	0.19
8	LEE ENG KHIAN	390,000	0.15
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	387,500	0.15
10	MAYBANK KIM ENG SECURITIES PTE. LTD.	301,400	0.12
11	PHILLIP SECURITIES PTE LTD	262,800	0.10
12	CITIBANK NOMINEES SINGAPORE PTE LTD	260,000	0.10
13	NG HOCK KON	250,000	0.10
14	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	230,400	0.09
15	LEE ONG LOCK	199,000	0.08
16	ABN AMRO CLEARING BANK N.V.	189,600	0.07
17	TAN KWEE HONG @ TAN KUI HWA OR CHEONG AI KOON	159,000	0.06
18	ROYSTON YANG CHIN HOON (ROYSTON YANG ZHENYUN)	155,000	0.06
19	LEE LAI LAN OR NEE SENG KIAT LEONARD	137,000	0.05
20	RHB SECURITIES SINGAPORE PTE. LTD.	135,600	0.05
	TOTAL	**252,396,816**	**96.99**

SUBSTANTIAL SHAREHOLDERS AS AT 7 MARCH 2017

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interest	
No.	Name	No. of shares held	%	No. of shares held	%
1.	Depa Interiors LLC	233,733,716	89.81[1]	–	–

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 7 March 2017, 10.19% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

Note:

(1) This relates to 233,108,716 shares held by Depa Interiors LLC, and 625,000 shares held by Depa Interiors LLC, through Morgan Stanley Asia (Singapore) Securities Pte Ltd.

NOTICE OF ANNUAL GENERAL MEETING

31 December 2016

NOTICE IS HEREBY GIVEN that the Annual General Meeting of DESIGN STUDIO GROUP LTD. (the "Company") will be held at the Company's registered office, 8 Sungei Kadut Crescent, Singapore 728682 on 20 April 2017 (Thursday) at 10.30 am for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. (i). To re-elect Tan Siok Chin, a Director retiring by rotation pursuant to Article 102 of the Company's Constitution.
   [See Explanatory Note (i)] **(Resolution 2)**

   (ii). To re-elect the following Directors retiring pursuant to Article 106 of the Company's Constitution:

   - Hamish Gordon Tyrwhitt **(Resolution 3)**
   - Edgar Ramani **(Resolution 4)**

   [See Explanatory Note (ii)]

3. (i). To approve the payment of additional Directors' fees of S$16,750 for the financial year ended 31 December 2016. **(Resolution 5)**

   (ii). To approve the payment of Directors' fees of up to S$384,600 for the financial year ending 31 December 2017, to be paid quarterly in arrears (FY2016: S$375,300).
   [See Explanatory Note (iii)] **(Resolution 6)**

4. To declare a final dividend of 1.25 cents per ordinary share and a special dividend of 4.00 cents per ordinary share, on a one-tier tax exempt basis, for the financial year ended 31 December 2016. **(Resolution 7)**

5. To appoint PricewaterhouseCoopers LLP as the auditors of the Company, in place of the retiring auditors, Ernst & Young LLP, to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix their remuneration.
   [See Explanatory Note (iv)] **(Resolution 8)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to Issue Shares

That pursuant to Section 161 of the Companies Act, Chapter 50 (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company be authorised and empowered to:

A. (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise, and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

B. (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company 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 the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty percent (50%) of the total number of issued shares (excluding treasury 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 shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, 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 of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision 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 has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution 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.
[See Explanatory Note (v)] **(Resolution 9)**

8. Renewal of the General Mandate for Interested Person Transactions

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as defined in Chapter 9 of the Listing Manual of the SGX-ST), or any of them to enter into any of the transactions falling within the categories of Interested Person Transactions set out in the Company's Addendum to Notice of Annual General Meeting dated 3 April 2017 in relation to the Proposed Renewal of the Shareholders' Mandate for Interested Person Transactions (the "Addendum 1") with any party who is of the class or classes of Interested Persons described in the Addendum 1, provided that such transactions are made on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders, and are in accordance with the guidelines and review procedures for Interested Person Transactions as set out in the Addendum 1 (the "IPT Mandate");

(b) the IPT 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 or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier; and

(c) the Directors of the Company and/or any of them be and are/is hereby authorised to complete and do all such acts and things (including, without limitation, executing all such documents as may be required) as they and/or he/she may consider expedient or necessary or in the interests of the Company to give effect to the IPT Mandate and/or this Resolution.
[See Explanatory Note (vi)] **(Resolution 10)**

9. Authority to Allot and Issue Shares Under the Design Studio Employee Share Option Scheme

That the Directors of the Company be and are hereby authorised to offer and grant options in accordance with the provisions of the Design Studio Employee Share Option Scheme (the "ESOS") and to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options under the ESOS, provided that the aggregate number of new shares to be issued pursuant to the ESOS when added to the number of shares issued and/or issuable under the PSP (as defined in Resolution 12) or such other share-based incentive plans of the Company shall not exceed 7.5% of the total number of issued shares of the Company (excluding treasury shares) on the day preceding that date. Such limit will be subject to a further sub-limit of 1.5% for every 2-year period on a cumulative basis during which the ESOS and the PSP are in force. Any unutilised per centum of the sub-limits in respect of any such 2-year period shall be available for roll-over and aggregated with the applicable sub-limit of 1.5% for the subsequent 2-year period for grants of options and awards.
[See Explanatory Note (vii)] **(Resolution 11)**

10. Authority to Allot and Issue Shares Under the Design Studio Performance Share Plan

That the Directors of the Company be and are hereby authorised to grant awards in accordance with the provisions of the Design Studio Performance Share Plan (the "PSP") and to allot, issue, transfer and/or deliver from time to time such number of fully paid-up shares in the capital of the Company as may be required to be issued or delivered pursuant to the vesting of the awards under the PSP, provided that the aggregate number of new shares to be issued or delivered pursuant to the PSP when added to the number of shares issued and/or issuable under the ESOS (as defined in Resolution 11) or such other share-based incentive plans of the Company shall not exceed 7.5% of the total number of issued shares of the Company (excluding treasury shares) on the day preceding that date. Such limit will be subject to a further sub-limit of 1.5% for every 2-year period on a cumulative basis during which the PSP and the ESOS are in force. Any unutilised per centum of the sub-limits in respect of any such 2-year period shall be available for roll-over and aggregated with the applicable sub-limit of 1.5% for the subsequent 2-year period for grants of options and awards.
[See Explanatory Note (viii)] **(Resolution 12)**

By Order of the Board

Hazel Chia Luang Chew
Company Secretary

Singapore, 3 April 2017

Explanatory Notes:

(i) Ordinary Resolution 2 is to re-elect Ms Tan Siok Chin as a Director of the Company. Ms Tan will, upon re-election, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. She is considered independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Ms Tan and the other Directors, the Company or its 10% shareholder.

(ii) Ordinary Resolution 3 is to re-elect Mr Hamish Gordon Tyrwhitt as a Director of the Company. Mr Tyrwhitt will, upon re-election, remain as a member of the Audit Committee. He is considered non-independent for the purposes of Rule 704(8) of the Listing Manual of the SGX-ST. There are no relationships (including immediate family relationships) between Mr Tyrwhitt and the other Directors or the Company.

Ordinary Resolution 4 is to re-elect Mr Edgar Ramani as a Director of the Company. Mr Ramani is a Director and the Chief Executive Officer of the Company. Save as disclosed in the Company's Annual Report, there are no relationships (including immediate family relationships) between Mr Ramani and the other Directors, the Company or its 10% shareholder.

* *Information on the Directors who are proposed to be re-appointed can be found under "Board of Directors" and "Corporate Governance Report" sections in this Annual Report.*

(iii) Ordinary Resolution 6 is to seek approval for the Company to pay Directors' fees of up to S$384,600 to the Non-Executive Director and Independent Directors on a quarterly basis, in arrears, for their services rendered during the course of the financial year ending 31 December 2017. This will facilitate Directors' compensation for services rendered in a more timely manner.

(iv) Ordinary Resolution 8 relates to the appointment of PricewaterhouseCoopers LLP ("PwC") as the auditors of the Company, in place of the retiring auditors, Ernst & Young LLP ("EY"). Please refer to the Addendum to this Notice of Annual General Meeting in relation to the Proposed Change of Auditors (the "Addendum 2") for details. In accordance with the requirements of Rule 1203(5) of the Listing Manual of the SGX-ST:

(a) the retiring auditors, EY, have confirmed in writing that they are not aware of any professional reasons why the new auditors, PwC, should not accept appointment as auditors of the Company;

(b) the Company confirms that there were no disagreements with the retiring auditors, EY, on accounting treatments within the last 12 months of the date of this Notice of Annual General Meeting;

(c) the Company confirms that, other than as set out in the Addendum 2, it is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of shareholders;

(d) the specific reasons for the Proposed Change of Auditors are disclosed in the Addendum 2; and

(e) the Company confirms that it is in compliance with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST in relation to the appointment of PwC as the auditors of the Company.

(v) Ordinary Resolution 9 is to empower the Directors of the Company from the date of the above meeting until the date of the next Annual General Meeting to issue shares and/or 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 fifty percent (50%) of the total number of issued shares (excluding treasury 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 shall not exceed twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company.

(vi) Ordinary Resolution 10 is to allow the Company, its subsidiaries and associated companies that are considered to be "entities at risk" (as defined in Chapter 9 of the Listing Manual of the SGX-ST), or any of them, to enter into transactions with persons who are considered "Interested Persons" (as described in the Addendum 1) from the date of the above meeting until the date 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 earlier, and to empower the Directors of the Company to do all acts and things necessary to give effect to the IPT Mandate or this Resolution. Please refer to the Addendum 1 for details.

(vii) Ordinary Resolution 11 is to empower the Directors to grant options, and to allot and issue shares in the capital of the Company pursuant to the ESOS, up to an amount (which include shares issued and/or issuable pursuant to any other existing share scheme(s) or plan(s) of the Company for the time being) not exceeding in total 7.5% of the total number of issued shares of the Company (excluding treasury shares) and subject to the sub-limit imposed for the time being pursuant to the exercise of the options under the ESOS.

(viii) Ordinary Resolution 12 is to empower the Directors to grant awards, and to allot, issue, transfer and/or deliver such number of fully paid-up shares in the capital of the Company pursuant to the PSP, up to an amount (which include shares issued and/or issuable pursuant to any other existing share scheme(s) or plan(s) of the Company for the time being) not exceeding in total 7.5% of the total number of issued shares of the Company (excluding treasury shares) and subject to the sub-limit imposed for the time being pursuant to the vesting of the awards under the PSP.

Notes –

1. (a) A member of the Company ("Member") entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead.

   (b) A Relevant Intermediary* may appoint more than two (2) proxies but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her.

   * *"Relevant Intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.*

2. A proxy need not be a Member.

3. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed under seal or the hand of its duly authorised officer or attorney.

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

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a Member (i) consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the Member discloses the personal data of the Member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Member's breach of warranty. In addition, by attending the Annual General Meeting and/or any adjournment thereof, a Member consents to the collection, use and disclosure of the Member's personal data by the Company (or its agents or service providers) for any of the Purposes.

DESIGN STUDIO GROUP LTD.

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199401553D)

IMPORTANT:

1. Relevant intermediaries (as defined in Section 181 of the Companies Act, Cap. 50) may appoint more than two (2) proxies to attend and vote at the Annual General Meeting.
2. For CPF investors who have used their CPF monies to buy ordinary shares in the capital of Design Studio Group Ltd., this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. 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.
4. CPF investors who wish to attend and vote at the Annual General Meeting should contact their respective CPF Approved Nominees within the specified timeframe.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ________________________________ (Name) ________________________ (NRIC/Passport/Registration No.)

of ____ (Address)

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at the Company's registered office, 8 Sungei Kadut Crescent, Singapore 728682 on 20 April 2017 (Thursday) at 10.30 am 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/she has an interest in the outcome of the resolution.

*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the *proxy/proxies will vote or abstain from voting at *his/their discretion, as he/they will on any other matter arising at the Meeting and at any adjournment thereof.

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please tick (✓) within the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please indicate the number of shares in the relevant boxes provided below.)

No.	Resolutions relating to:	Number of Votes For	Number of Votes Against
1.	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016 ("FY2016")		
2.	Re-election of Ms Tan Siok Chin as a Director		
3.	Re-election of Mr Hamish Gordon Tyrwhitt as a Director		
4.	Re-election of Mr Edgar Ramani as a Director		
5.	Approval of additional Directors' fees for FY2016		
6.	Approval of Directors' fees for the financial year ending 31 December 2017		
7.	Payment of proposed final dividend and special dividend		
8.	Appointment of PricewaterhouseCoopers LLP as auditors of the Company in place of the retiring auditors, Ernst & Young LLP		
9.	Authority to Issue Shares		
10.	Renewal of the General Mandate for Interested Person Transactions		
11.	Authority to Allot and Issue Shares under the Design Studio Employee Share Option Scheme		
12.	Authority to Allot and Issue Shares under the Design Studio Performance Share Plan		

**Delete where inapplicable*

Dated this ______ day of ____________________ 2017

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two (2) proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two (2) proxies to attend and vote instead of such member, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number and class of shares in relation to which each proxy has been appointed.

   "Relevant intermediary" means:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

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

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

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

General:

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. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member(s) accept(s) and agree(s) to the personal data privacy terms set out in the Notice of Annual General Meeting.

GROUP DIRECTORY

SINGAPORE

Design Studio Group Ltd
Head Office / Singapore

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

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

MALAYSIA

DS Furniture Manufacturer Sdn Bhd
Factory / Malaysia
PLO 44 Kawasan Perindustrian Senai
81400 Senai, Johor Bahru
Malaysia
Tel: (607) 598 6363
Fax: (607) 598 6368

DS Project Management Sdn Bhd
Showroom / Malaysia
No. 158 Jalan Maarof
Taman Bandaraya
59100 Kuala Lumpur
Malaysia

DDS Contracts and Interior Solutions Sdn Bhd
Office / Malaysia
18th Floor, West Block, Wisma Selangor Dredging
142C Jalan Ampang
50450 Kuala Lumpur
Malaysia
Tel: (603) 2164 6686
Fax: (603) 2164 3393
Email: marketing@ddsasia.com.my

CHINA

Design Studio (Huizhou) Home Furnishing Co., Ltd.
Factory / China
1 North Road, Technology Park, Boluo County
Shiwan Town, Huizhou City, Guangdong Province, China
Postal Code 516127
Tel: (86752) 636 0333
Fax: (86752) 611 6333

Showroom / China
Chiling Lane, Guan Tai Road, Houjie San Tun
Houjie Town, Dongguan City, Guangdong Province, China
Postal Code 523963
Tel: (86769) 8583 4222
Fax: (86769) 8581 7488
Email: marketing@designstudio.com.cn

THAILAND

DDS Contracts and Interior Solutions (Thailand) Co., Ltd
Office / Thailand
Euro Creations Building (B1)
119 Sukhumvit 55
North Klong Ton, Wattana
Bangkok 10110 Thailand
Tel: (662) 712 7080
Fax: (662) 712 7081
Email: marketing@ddsthailand.co.th

Websites: www.designstudio.com.sg
www.designstudio.com.cn
www.ddsasia.com.sg

Design STUDIO 瑞胜

Inspired by Aspirations. Driven by Innovations.

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

a member of depa