**Issuer:** Design Studio Group Ltd.

**Security:** Design Studio Group Ltd.

**Meeting details:**
Date: 19 April 2018
Time: 9.00 a.m.
Venue: 8 Sungei Kadut Crescent, Singapore 728682

## Company Description

Design Studio Group Ltd., together with its subsidiaries, manufactures, supplies, and installs paneling products in Singapore, Malaysia, the People's Republic of China, the United Arab Emirates, the United States, and internationally. The company operates in three segments: Residential Property Projects, Hospitality and Commercial Projects, and Distribution Projects. The Residential Property Projects segment offers paneling products, such as kitchen and vanity cabinets, wardrobes, doors and door frames, and furniture components. The Hospitality and Commercial Projects segment provides interior fitting-out services to hotels, resorts, office, shops, and bank branches. The Distribution Projects segment is involved in the distribution of furniture products of overseas brands. The company offers its products and services under the in-house brand name of PANELZ; and imported brand name of SieMatic. The company was formerly known as Design Studio Furniture Manufacturer Ltd. and changed its name to Design Studio Group Ltd. in January 2014. The company was founded in 1992 and is headquartered in Singapore. Design Studio Group Ltd. is a subsidiary of Depa Interiors LLC.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=D11)

1. The group carried out an organisation restructuring in FY2017 to transform the group. With its new vision of being the global interior Fit-out partner of choice, the group is moving ahead into phase 2 which will see the group try to deliver predictable results and to re-establish DSG as a market leader in Singapore and regionally (page 2 of the annual report).

Would the board and/or management provide even greater clarity on the group's transformation strategies and plans? Specifically:

- **(i)** **In terms of geographical footprint, other than the historical key markets of Singapore, Malaysia, the U.A.E and China, which are the new markets that the group will venture to?**

- **(ii)** **Can management help shareholders better understand the group's brand equity and the positioning in the marketplace?**

- **(iii)** **Has the board set out financial and non-financial KPIs for management to achieve in each market? If so, what are they?**

- **(iv)** Revenue derived from residential property projects accounted for 44%, 35% and 21% of the total revenue in FY2015, FY2016 and FY2017 respectively. **Going forward, under the new vision, will the residential segment remain as one of the key pillars?**

- **(v)** **Can management elaborate further on the cost management initiatives and its efforts to increase efficiency?**

- **(vi)** **How does the group intend to strike a balance between cost cutting and providing high quality products/good service?**

- **(vii)** **To drive innovation in the group's service and product offering, how much resources will the group commit to R&D?**

2. The Independent Auditor has highlighted the impairment of trade receivables and write down of inventory as two (of the three) key audit matters in the Independent Auditor's Report. Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements for the financial year ended 31 December 2017.

- **(i)** **Impairment of trade receivables:** The group recognised $1.16 million as allowance for the impairment of trade receivables in FY2017 (page 105 – Note 14 Trade and other receivables). **Can management provide a further breakdown to show the number of debtors, their country of operation and the amount due from each debtor?** In addition, the amount of trade receivable past due but not impaired has almost doubled from $12.2 million as at 31 December 2016 to $21.4 million as at 31 December 2017 (page 104). Trade receivables past due by more than 150 days almost doubled to $5.22 million from $2.78 million. **Can the board elaborate further on the group's framework to manage its credit risk? How does the board ensure that the group does not take on excessive credit risks especially with new customers and in a new market?**

- **(ii)** **Write down of inventory:** As at 31 December 2016, the group carried $13.3 million in inventory, but recognised a write down of $2.05 million of inventory in FY2017. **Can management disclose the average age of the inventory written off? What improvements have management made to reduce the group's risks of slow moving and obsolete inventory?**

3. As disclosed in the Corporate Governance Report, the Nominating committee (NC) comprises Mr Ong Tiew Siam (as chairman), Ms Tan Siok Chin and Mr Roderick David Maciver (page 45).

As at 31 December 2017, both the Independent Directors, namely Ms Tan Siok Chin and Mr Ong Tiew Siam, had served the Board for more than nine years. The NC has reviewed the independence of the Board members and is of the opinion that Ms Tan and Mr Ong are independent.

**(i)** **Given that both Ms Tan and Mr Ong are member and chairman of the NC respectively, how did the NC conduct its review of the independence of Ms Tan and Mr Ong?**

**(ii)** **Were any directors involved in the review of his/her independence?**

Guideline 2.4 calls for the particularly rigorous review of the independence of any director who has served on the Board beyond nine years from the date of his/her first appointment.

**(iii)** **Can the board and the NC explain in detail how the particularly rigorous review of the independence of the directors was carried out?**

**(iv)** **Given that this is a crucial period for the company to have continuity on the board, can the company disclose its plans to progressively refresh the board in a smooth and non-disruptive manner in the near-term?**