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- (1) **PROPOSED ACQUISITION OF ALL THE REMAINING SHARES IN THE CAPITAL OF ITS ASSOCIATE COMPANY, DDS ASIA HOLDINGS PTE. LTD. FROM ITS CONTROLLING SHAREHOLDER, DEPA INTERIORS LLC - AN INTERESTED PERSON TRANSACTION AND A DISCLOSEABLE TRANSACTION (the “PROPOSED ACQUISITION”)**
 - (2) **PROPOSED ALLOTMENT AND ISSUE OF 5,041,666 NEW SHARES IN THE CAPITAL OF THE COMPANY AS PART OF THE CONSIDERATION PURSUANT TO THE PROPOSED ACQUISITION (the “PROPOSED ISSUE OF NEW SHARES”)**
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1. INTRODUCTION

The Board of Directors of Design Studio Furniture Manufacturer Ltd (the “**Company**”) wishes to announce that the Company has today entered into a conditional sale and purchase agreement (the “**Sale and Purchase Agreement**”) to acquire 2,750,000 issued ordinary shares (the “**Sale Shares**”) in the capital of its associate company, DDS Asia Holdings Pte. Ltd. (“**DDS**”) from its controlling shareholder, DEPA Interiors LLC (“**DEPA**” or the “**Vendor**”) at an aggregate purchase price of S\$15,125,000 (the “**Purchase Consideration**”). The Sale Shares represent the 55% shareholding interest in DDS not already owned by the Company.

The Proposed Acquisition constitutes both an interested person transaction and a discloseable transaction under Chapters 9 and 10 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual (the “**Listing Manual**”). Further details of the Proposed Acquisition and the Proposed Issue of New Shares (collectively, the “**Proposed Transaction**”) are set out below.

2. DETAILS OF THE PROPOSED ACQUISITION AND THE PROPOSED ISSUE OF NEW SHARES

2.1. Information on DDS Asia Holdings Pte. Ltd.

DDS is a joint venture company set up by both the Company and DEPA in 2008. The said joint venture transaction fell within the definition of an interested person transaction under Chapter 9 of the Listing Manual, details of which were announced by the Company in its announcement dated 1 April 2008.

DDS was incorporated as an investment holding company in Singapore. As at the date of this announcement, it is the holding company of the following subsidiaries:-

- (a) DDS Contracts & Interior Solutions Pte. Ltd., a private company incorporated in Singapore is a wholly owned subsidiary of DDS;
- (b) DDS Contracts & Interior Solutions Sdn Bhd, a private company incorporated in Malaysia is a wholly owned subsidiary of DDS;
- (c) DDS Contracts & Interior Solutions (Thailand) Co., Ltd., a private company incorporated in Thailand is 69.39% owned by DDS; and

- (d) DDS Contracts & Interior Solutions (Vietnam) Co., Ltd, a private company incorporated in Vietnam is a wholly owned subsidiary of DDS,

collectively referred to as the "**DDS Group**" or "**DDS Group of companies**".

As at the date of this announcement, DDS has an issued and paid-up capital of 5,000,000 ordinary shares ("**DDS Shares**"). The Company holds 2,250,000 DDS Shares and DEPA holds the balance 2,750,000 DDS Shares representing 45% and 55% of the issued and paid-up share capital of DDS respectively. Following the completion of the Sale and Purchase Agreement, DDS will become a wholly-owned subsidiary of the Company and DEPA will cease to hold DDS Shares.

2.2. Purchase Consideration

The Purchase Consideration is based on arms length negotiations and was arrived at on a willing-buyer willing-seller basis taking into account the price to earnings ratio and the implied equity value of the DDS Group based on the unaudited consolidated accounts of DDS Group as at 30 September 2011.

Pursuant to the Sale and Purchase Agreement, the Purchase Consideration will be satisfied in the following manner:-

- (i) 80% of the Purchase Consideration, being S\$12,100,000, in cash in Singapore dollars ("**Cash Consideration**") to be paid by the Company to the Vendor in full on Completion; and
- (ii) the balance 20% of the Purchase Consideration, being S\$3,025,000, by way of the Company allotting and issuing to the Vendor, credited as fully paid up, 5,041,666 new ordinary shares ("**Shares**") in the capital of the Company (the "**Consideration Shares**") at an issue price of S\$0.60 per Consideration Share on Completion. The Consideration Shares, when allotted and issued, will rank *pari passu* in all respects with the then existing Shares in the issued and paid-up share capital of the Company.

The Consideration Shares will represent approximately 1.98% of the issued and paid-up share capital of the Company as at the date of this announcement (being 255,222,505 Shares) and approximately 1.94% of the enlarged issued and paid-up share capital of the Company immediately after the allotment and issue of the Consideration Shares (being 260,264,171 Shares).

The Company intends to finance the Cash Consideration with internal resources.

2.3. Conditions Precedent

Completion of the Sale and Purchase Agreement is conditional upon the fulfillment, or waiver (if capable of being waived), of, *inter alia*, the following conditions on or before 30 June 2012, being the long stop date of the Sale and Purchase Agreement:-

- (i) the Company having obtained the approval of its shareholders ("**Shareholders**") at an extraordinary general meeting to be convened in respect of all transactions contemplated by the Sale and Purchase Agreement, including the Proposed Acquisition and the Proposed Issue of New Shares;
- (ii) the approval in-principle of the SGX-ST for the listing of and quotation for the Consideration Shares on the Official List of the SGX-ST being obtained and not revoked or amended on or before completion of the Sale and Purchase Agreement. If such approval is subject to the imposition of any condition(s) or restriction(s), such condition(s) or restriction(s) (a) being reasonably acceptable to the Company and (b) where applicable and so required, being duly fulfilled or complied with;

- (iii) where the terms of any contracts or agreements entered into by the DDS Group contain any restrictions or prohibition on the change in control of the shareholdings and/or boards of directors or management of such company or include any right to terminate exercisable prior to or as a result of any matter contemplated by the Sale and Purchase Agreement, the Vendor providing written confirmation in a form and on terms reasonably satisfactory to the Company by the counterparties thereto, or the waiver of such restrictions or prohibition in relation to any such change arising from the transactions under the Sale and Purchase Agreement or of any such right of termination, where necessary;
- (iv) no circumstance, development or event that has or is reasonably likely to have a material adverse effect on the assets, liabilities, business, prospects, operations or financial condition of any company in the DDS Group having occurred (as determined by the Company in its sole and absolute discretion); and
- (v) the execution and performance of the Sale and Purchase Agreement by the Company and the Vendor not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant law, regulation, order, rule or directive promulgated by any legislative, executive or regulatory body or other authority of competent jurisdiction in Singapore, the United Arab Emirates or otherwise.

If any of the conditions precedent set out above are not fulfilled or waived (if capable of being waived), as the case may be, on or before the long stop date being 30 June 2012, the Sale and Purchase Agreement shall *ipso facto* cease and determine thereafter and save for any antecedent breach or default, none of the parties to the Sale and Purchase Agreement shall have any claim against the other party.

2.4. **Completion**

Completion of the Sale and Purchase Agreement shall take place on the fifth business days from the date of the fulfillment or waiver (if capable of being waived), as the case may be, of all the conditions precedent set out in the Sale and Purchase Agreement, or such other date as the Company and the Vendor may mutually agree in writing.

3. **RATIONALE FOR THE PROPOSED ACQUISITION**

3.1. The objectives of the Proposed Acquisition are:-

- (i) to streamline the corporate structure of the companies among the Design Studio group of companies (the "**Group**") and to align the interests of the Company, DDS and DEPA. With the Company holding 100% of DDS directly, DEPA's interest in the Group following the Proposed Acquisition will be *via* its shareholdings in the Company rather than directly in the DDS; and
- (ii) to allow the Company to continue to expand and strengthen its existing business and operations with full management and equity rights over the DDS Group.

3.2. The Proposed Acquisition is proposed to be carried out after taking into account:-

- (i) DEPA's interests in DDS have been two-fold: a direct interest *via* its 55% shareholding in DDS and an indirect interest *via* its controlling interest in the Company, which has since increased from approximately 16.55% when DDS was first set up as a joint venture company with the Company being a joint venture partner to approximately 86.86% as at the date of this announcement; and

- (ii) the abilities of the Company's management team to manage the business and operations of the DDS Group without a joint venture partner. The Company's management team has since the incorporation of DDS been actively involved in the business and day-to-day operations of the DDS Group of companies. It possesses the requisite competence and expertise in managing the business and operations of the DDS Group.

4. PROPOSED ACQUISITION AS AN INTERESTED PERSON TRANSACTION

4.1. Chapter 9 of the Listing Manual

As at the date of this announcement, DEPA holds 221,692,050 Shares, representing approximately 86.86% of the issued and paid-up share capital of the Company. As such, DEPA, being a controlling Shareholder, is deemed an "interested person" under Chapter 9 of the Listing Manual.

Pursuant to Rule 906 of the Listing Manual, the Company is required to obtain Shareholders' approval for the Proposed Acquisition if the value of the consideration is equal to or exceeds 5% of the Group's latest audited net tangible assets ("**NTA**").

Based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2010 ("**FY2010**") (being the latest available audited consolidated accounts of the Company as at the date of the Sale and Purchase Agreement), the audited consolidated NTA of the Group was S\$84.63 million. Accordingly, the Purchase Consideration would be approximately 17.87% of the latest audited consolidated NTA of the Group. As the Purchase Consideration exceeds 5% of the latest audited consolidated NTA of the Group, on the basis that DEPA is an interested person, the Proposed Acquisition would constitute an interested person transaction and is subject to Shareholders' approval at an extraordinary general meeting of the Company to be convened under Chapter 9 of the Listing Manual.

4.2. Independent Financial Adviser

The Company has appointed DMG & Partners Securities Pte Ltd as the independent financial adviser to advise the independent Directors on whether the Proposed Transaction is on normal commercial terms and whether such transaction is prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee will form its view after considering the advice of the Independent Financial Adviser. The Audit Committee's view will be set out in a circular to be despatched to Shareholders.

4.3. Total Value of all Interested Person Transactions

Pursuant to Rule 917(5) of the Listing Manual, it is hereby stated that as at the date of this announcement, the value of interested person transactions (excluding any transaction below \$100,000) for the current financial year ending 31 December 2011 is as follows:-

- (i) with DEPA and its associates : S\$25,942,395
- (ii) with all other interested persons : Nil

5. PROPOSED ACQUISITION AS A DISCLOSEABLE TRANSACTION

- 5.1. Pursuant to Chapter 10 of the Listing Manual, the Company is required to announce the Proposed Acquisition if one or more of the Rule 1006 relative figures exceeds 5% but does not exceed 20%. Further, if the only relative figure exceeding 20% is that computed based on Rule 1006(b): the net profit test, no shareholders' approval will be required.
- 5.2. For illustrative purposes, the relative figures for the Proposed Acquisition computed on the bases set out in Rule 1006 of the Listing Manual with the latest announced audited consolidated financial statements of the Group and the DDS Group for FY2010 and the latest announced unaudited consolidated financial statements of the Group and the DDS Group for the nine months ended 30 September 2011 ("**3Q2011**") are as follows.

Rule 1006	Bases	Relative Figures
Rule 1006(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable
Rule 1006(b)	The net profits ⁽¹⁾ attributable to the assets acquired, compared with the Group's net profits.	8.39% ⁽²⁾ and 23.56% ⁽³⁾
Rule 1006(c)	The aggregate value of the consideration given, compared with the Company's market capitalisation based on the total number of Shares excluding treasury shares.	10.82% ⁽⁴⁾
Rule 1006(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	1.98% ⁽⁵⁾

Notes:

- (1) Under Rule 1002(3)(b) of the Listing Manual, "net profits" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Determined by dividing 55% of the audited net profits before tax of the DDS Group for FY2010, being S\$1,937,768, by the audited consolidated net profits of the Group for FY2010, being S\$23,088,000.
- (3) Determined by dividing 55% of the unaudited net profits before tax of the DDS Group for 3Q2011, being S\$3,110,205, by the unaudited consolidated net profits of the Group for 3Q2011, being S\$13,203,000.
- (4) Based on the volume weighted average price of the Share of S\$0.536 on the last traded day (being 8 August 2011) prior to the date of the Sale and Purchase Agreement, the Consideration Shares which consist of 5,041,666 Shares have a market value of approximately S\$2,702,333. Together with the Cash Consideration of S\$12,100,000, the total Purchase Consideration would be S\$14,802,333. Based on the audited financial statements of the Company for FY2010, the net asset value per Share is approximately S\$0.3316. The net asset value represented by the Consideration Shares would amount to approximately S\$1,671,816. Together with the Cash Consideration, the total Purchase Consideration would be approximately S\$13,771,816. Pursuant to Listing Rule 1003, the volume weighted average price represented by the Consideration Shares was used to compute the relative figure for Rule 1006(c).
- The relative figures were determined by dividing the value of the Purchase Consideration, being S\$14,802,333, by the market capitalisation of the Company of approximately S\$136,799,263 based on the volume weighted average price of the Share of S\$0.536 on the last traded day (which is 8 August 2011) prior to the date of the Sale and Purchase Agreement.
- (5) Determined by dividing the number of Consideration Shares, being 5,041,666 Shares, by the number of 255,222,505 Shares.

- 5.3. Other than relative figure in Rule 1006(b) above exceeds 20%, none of the other relative figures in Rule 1006 exceed 20%. Accordingly, the Proposed Acquisition is a "Discloseable

Transaction” and would not constitute a “Major Transaction” to the Company within the meaning of Chapter 10 of the Listing Manual and is therefore not subject to Shareholders’ approval at an extraordinary general meeting of the Company to be convened under Chapter 10 of the Listing Manual.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION AND THE PROPOSED ISSUE OF NEW SHARES

For illustrative purposes only, the financial effects of the Proposed Acquisition and the Proposed Issue of New Shares set out below were prepared based on the audited consolidated accounts of the Group for FY2010 (being the latest available audited consolidated accounts of the Group) and the audited consolidated financial statements of the DDS Group for FY2010 and subject to the following main assumptions:-

- (i) for the purposes of computing the effect of the Proposed Acquisition and the Proposed Issue of New Shares on the NTA per Share, it is assumed that the Proposed Acquisition and the Proposed Issue of New Shares had been completed on 31 December 2010;
- (ii) for the purposes of computing the effect of the Proposed Acquisition and the Proposed Issue of New Shares on the earnings per Share (“**EPS**”), it is assumed that the Proposed Acquisition and the Proposed Issue of New Shares had been completed on 1 January 2010; and
- (iii) an estimated amount of S\$170,000 is provided for costs and expenses including professional fees in respect of the Proposed Transaction.

6.1. Issued Share Capital

	<u>Number of Shares in the capital of the Company</u>	<u>Amount</u>
Immediately before the Proposed Acquisition and the Proposed Issue of New Shares	255,222,505	S\$30,365,983
Number of Consideration Shares	5,041,666	S\$3,025,000
Immediately after the Allotment and Issue of Consideration Shares	260,264,171	S\$33,390,983

6.2. NTA per Share of the Company

	<u>NTA</u>	<u>Number of Shares in the capital of the Company</u>	<u>NTA per Share of the Company</u>
Immediately before the Proposed Acquisition and the Proposed Issue of New Shares	S\$84,626,000	255,222,505	33.16 cents
Immediately after the Allotment and Issue of Consideration Shares	S\$88,275,550	260,264,171	33.92 cents

6.3 EPS of the Company

	<u>Earnings</u>	<u>Number of Shares in the capital of the Company</u>	<u>EPS</u>
Immediately before the Proposed Acquisition and the Proposed Issue of New Shares	S\$19,617,000	255,222,505	7.69 cents
Immediately after the Allotment and Issue of Consideration Shares	S\$21,038,730	260,264,171	8.08 cents

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

7.1 Interests of Directors

Mr. Mohannad Izzat Sweid, a Non-Executive Director of the Company, is the chief executive officer and director of both the Vendor and Depa Ltd., the ultimate holding company of the Vendor. As at the date of this announcement, Mr. Sweid has an approximately 1.85% shareholding in the share capital of Depa Ltd. Mr. Sweid does not have any direct interest in the shares in the share capital of the Company or the Vendor.

Mr Muhammad Umar Saleem, a Non-Executive Directors of the Company, is the managing director of finance of Depa Ltd.. Mr Hadi Solh, a Non-Executive Director of the Company, is the managing director of investments of Depa Ltd. As at the date of this announcement, none of Messrs Saleem and Solh holds any interest in the share capital of the Company, the Vendor or Depa Ltd.

As Messrs Sweid, Saleem and Solh are nominee directors of DEPA, each of Messrs Sweid, Saleem and Solh have abstained from voting on Board resolutions relating to the Proposed Acquisition and the Proposed Issue of New Shares.

Save as disclosed in this announcement, none of the Directors of the Company have any direct or indirect interest (other than through their shareholdings in the Company) in the Proposed Acquisition and the Proposed Issue of New Shares.

7.2 Interests of Controlling Shareholders and abstinence from voting

DEPA, being the interested person in relation to the Proposed Acquisition and the Proposed Issue of New Shares will abstain, and will procure their associates abstain, from voting in respect of each of their shareholdings in the Company and will not accept nominations as proxy or otherwise for voting at the EGM in relation to the Proposed Acquisition and the Proposed Issue of New Shares.

As at the date of this announcement, based on the Register of Substantial Shareholders maintained by the Company, the Company does not have any other Controlling Shareholders (other than DEPA) or substantial Shareholders.

8. AUDIT COMMITTEE STATEMENT

The Audit Committee will form its view on whether the Proposed Transaction is on normal commercial terms and whether such transaction is prejudicial to the interests of the Company and its minority Shareholders after considering the opinion of the Independent Financial Adviser as set out in paragraph 4.2 of this announcement.

9. CIRCULAR TO SHAREHOLDERS

An Extraordinary General Meeting will be convened to seek Shareholders' approval for the Proposed Acquisition and the Proposed Issue of New Shares and a circular containing details thereof, the opinion of the Independent Financial Adviser and the Audit Committee's view will be despatched to Shareholders in due course.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at No. 8 Sungei Kadut Crescent, Singapore 728682 during normal office hours for three months from the date of this Announcement:-

- (i) the Sale and Purchase Agreement;
- (ii) the annual report of the Company for FY2010;
- (iii) the audited consolidated financial statements of DDS Group for FY2010; and
- (iv) the unaudited consolidated accounts of DDS Group as at 30 September 2011.

BY ORDER OF THE BOARD

Bernard Lim Leng Foo
Chairman & Chief Executive Officer

25 November 2011