KIM ENG

Design Studio

Growth potential underappreciated

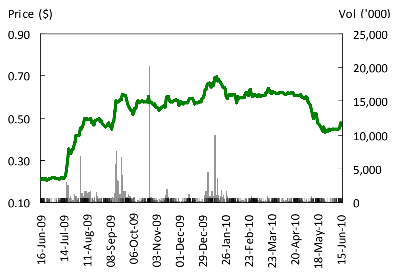
BUY

Company Update

Analyst
Pauline LEE
paulinelee@kimeng.com
(65) 6432 1453

Price	**$0.475**
Target	**$0.90**
ST Index	**2,846.94**

Historical Chart



Performance	1m	3m	6m
Absolute (%)	1.0	-24.2	-16.4
Relative (%)	0.6	-22.3	-17.4

Stock Information

Ticker code	DESS.SI DSFM SP
Market cap (US$m)	87.0
52-week high (S$)	0.695
52-week low (S$)	0.205
Shares issued (m)	255.2
6m avg d.vol (US$m)	0.21
Free float (%)	50
Major shareholders (%)	

Depa (24.71); Straits Const. (16.05) CEO (5.78); Prudential Asset (5.98)

Key Indicators

ROE (%)	32.9
Net cash (S$m)	42.0
NAV (S cents)	29.25
Interest cover (x)	766.2

Event

- Design Studio is poised to benefit from the strong supply of private residential units and hotel rooms in Singapore. Strong overseas demand that could be multiple times that in Singapore will also serve as a positive catalyst. With a dividend yield in excess of 5%, PER of just 4x, and solid balance sheet strength (net cash $42m), the stock offers deep value.

Our View

- Our recent discussion with management reaffirmed the positive view we have on Design Studio. Its earnings momentum will accelerate in 2HFY10, propelled by a fast-growing orderbook. In addition, robust demand for its high-quality products in the private residential and hospitality segments should attract more contract wins both in Singapore and overseas in the near term.
- Upside earnings surprises appear aplenty given the huge market potential in Asia. We estimate that the supply pipeline for private residential properties and hotels in Singapore alone could contribute at least $100m per annum to the group's revenue for the next five years. Strong demand from overseas, which comprises 30% of Design Studio's current order book, will further enhance earnings upside.
- The stock tumbled some 27% last month when a piece of old news relating to a litigation in Dubai surfaced. Management firmly declared that the alleged claim was without substance and stood ready to defend the case. No contingent liability would be made. We believe that the market has overreacted, and see this as a good opportunity to buy into the strong growth potential.

Action & Recommendation

We cut our earnings estimates for FY10 and FY11 by 15.6% and 19%, respectively, to factor in slower-than-expected revenue recognition. Our target price thus falls to 90 cents, pegged at 7.5x FY10 PER. Reiterate BUY.

Year End Dec	2008	2009	2010F	2011F	2012F
Sales (S$ m)	74.4	113.9	136.4	150.0	159.0
Pre-tax (S$ m)	15.3	30.0	32.6	35.9	38.6
Net profit (S$ m)	12.8	25.4	27.0	29.8	31.6
EPS (cts)	5.0	11.3	12.0	13.2	14.0
EPS growth (%)	24.3	125.0	6.5	10.3	6.1
PER (x)	9.5	4.2	4.0	3.6	3.4
EV/EBITDA (x)	4.3	2.5	2.0	1.7	1.1
Yield (%)	2.1	5.3	5.2	5.9	6.2

SEE APPENDIX I FOR IMPORTANT DISCLOSURES AND ANALYST CERTIFICATIONS

Co. Reg No: 198700034E
MICA (P) : 090/11/2009

SINGAPORE

Strong orderbook to drive earnings momentum

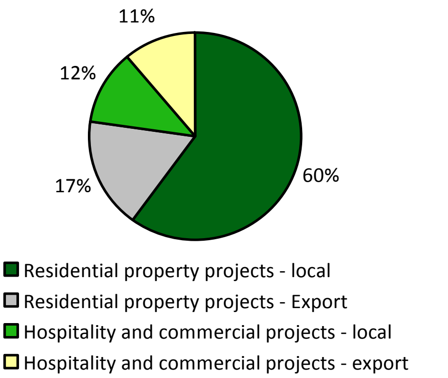
In 2HFY10, we expect Design Studio's earnings momentum to accelerate on the strength of its strong orderbook in Singapore and overseas. This should mitigate the disappointment caused by the 12.5% yoy drop in 1Q10 earnings to $3.3m, due to the seasonally quiet period.

The group's current orderbook of $184.5m (excluding DDS) should support earnings visibility for FY10. In addition, DDS continues to make good progress. The management is confident that DDS's contribution in FY10 will match last year's contribution of $4m at the least.

In Singapore, Design Studio's orderbook was recently boosted by new residential projects such as Centennia Suites, Anderson 18, Hundred Trees and Caspian, bringing the total number of new condominium units to 1,315. In Malaysia, the group secured a joinery package for Five Stone, a 377-unit condominium development by locally-listed SDB Group. We estimate that these new orders have increased Design Studio's orderbook by $45m in 1QFY10. It is encouraging to see the group securing new orders from long-standing clients, new developers as well as new clients from overseas.

DDS continues to garner new contracts as well. To recap, DDS was formed in 2008 to target interior contracts in the hospitality and commercial sectors in Singapore, Malaysia, Thailand, Indonesia and Vietnam. It recently secured a hotel soft rooms refurbishment contract by RCMS Properties Pte Ltd and has awarded the joinery works to Design Studio. Management is confident that it can secure more order wins for DDS, in particular in Malaysia and Thailand.

Figure 1: Orderbook breakdown



Source: Company data, Kim Eng

Figure 2: Good earnings visibility

Visible earnings for FY10		S$m
Orderbook as of May 2010	184.5	
Assuming 70% of orderbook to be recognised in FY10	131.0	
Apply operating margin of 20%		26.2
Profit after tax		21.5
Percentage of FY10 profit forecast		80%

Source: Company data, Kim Eng

Figure 3: Residential property projects secured

Customers	2010/2011	2011/2012	2012/2013
City Developments Ltd*	Quayside (228 units) Tribeca (175 units)	Livia (724 units)	Hundred Trees (396 units)*
SC Global	Marq at Paterson (66 units)	38 Martin (91 units)	
MCL Land			The Estuary (608 units)
UOL Ltd			Meadows on Pierce (430 units)
Kim Eng Group		Beacon Heights (212 units)	
Keppel Land	Reflections at Keppel Bay (1,129 units)		
SPH	Sky@eleven (273 units)		
Wheelock Properties	Scotts Square (338 units)		
Ho Bee & NTUC Choice Homes	Dakota Residences (340 units)		
Capitala (JV between Mubadala and CapitaLand)	Rihan Heights, Abu Dhabi (858 units)		
Emaar	Burj Khalifa, Dubai (899 units)		
Allgreen Properties*			Viva@Suffolk (235 units)*
WingTai Asia & CDL*			18 Anderson (110 units)*
Lippo Group*			Centennia Suites (97 units)*
Nakono*			Caspian Condominium (712 units)*
SDB Group*			Five Stones (377 units)*

Source: Company data

**New projects secured in 1QFY10*

Figure 4: Projects in DDS's orderbook

Project	Developer/Main Contractor	Products
Somerset Liang Court (Level 8-16)	DDS	Proposed A&A works to 93 serviced apartments.
RCMS Properties Pte Ltd	DDS	Supply and install joinery and loose furniture to hotel guest rooms and suites.
Marina Bay Sands Hotel Tower 1	MBS/DDS	Supply of joinery to 716 guest rooms, BOH at basements and VIP suites.

Source: Company data

Growth drivers aplenty

Buoyant property launches offer sweet spot

Design Studio will benefit from the buoyant property launches and supply in Singapore. As at end-1Q10, there were 63,581 private residential units in the pipeline (up 5% from 4Q09), of which 34,233 units were still unsold. These comprise supply from projects already under construction and those with planning approval but have yet to be built. This supply pipeline will translate to a revenue potential of at least $100m per year and a total revenue potential of $954m in Singapore for the next five years.

In addition, the Government Land Sales (GLS) Programme has kicked in in earnest in 1H10 after the government reinstated the confirmed list in November 2009 and made available adequate sites in the reserve list. It has placed sites that can potentially yield 2,925 private residential units on the confirmed list and others that could yield 7,625 private residential units on the reserve list. Collectively, the GLS Programme should yield 10,550 private residential units, including 2,445 executive condominium units. The upshot is an augmented supply pipeline for residential units in Singapore in the long term, benefiting Design Studio.

Figure 5: Supply of private residential units in the pipeline as at end-1Q10

(S$m)	2010	2011	2012	2013	2014	>2014	Total
Under construction (units)	6716	7473	7975	9271	4774	267	36476
Planned (units)	0	473	4355	6454	8842	6981	27105
Total (units)	**6716**	**7946**	**12330**	**15725**	**13616**	**7248**	**63581**
Source: URA							
Estimated revenue from each unit (S$)	15,000						
Potential revenue from residential property projects in Singapore (S$ m)	**100.7**	**119.2**	**185.0**	**235.9**	**204.2**	**108.7**	**953.7**

Source: URA, Kim Eng estimates

Dressing up existing and new hotels

Along with the buoyant private residential property demand, Design Studio is enjoying brisk business in its interior fit out division for hospitality and commercial projects. Thanks to DDS, the group is a prime beneficiary of the business opportunities spawned by new hotel rooms coming on-stream and the refurbishment of existing hotels.

Singapore can expect a total of 15,031 new hotel rooms in the next five years, according to URA. This supply pipeline will translate to a total revenue potential of $451m for the next five years.

But existing hotels are not resting on their laurels. Many are gearing up for a facelift to ride the tide of growing tourist arrivals and premium room rates. Recall that the Singapore Tourism Board has projected visitor arrivals to grow by 20-30% this year to 12.5m visitors. More importantly, the existing hotels need to get ready to face the influx of new hotel rooms from the two integrated resorts.

Based on our estimate that 30% of the existing 30,000 hotel rooms in Singapore have to be refurbished, this works out to a revenue potential of approximately $270m in the next two years. The imminent need for refurbishment in Singapore hotels could well double DDS's order book. Already it has won a mega refurbishment contract from a prominent hotel in Asia in 1Q10.

Figure 6: Estimated net profit from refurbishing existing hotels

		Remarks
Estimated existing hotel rooms in Singapore	30,000	units
Assume 30% will need refurbishment in the next 12 months	9,000	units
Estimated cost of refurbishment per room (S$)	30,000	
Revenue from hotel room refurbishment (S$m)	270	

Source: Kim Eng estimates

Figure 7: Supply of hotel rooms as at end-1Q10

	Hotel rooms	S$m	Remarks
2Q10-4Q10	4,608	138.2	Estimated revenue per room S$30,000
2011	3,351	100.5	
2012	3,275	98.3	
2013	2,800	84.0	
>2014	997	29.9	
Total	15,031	450.9	

Source: URA, Kim Eng estimates

Rising demand from overseas markets

As illustrated above, in Singapore alone, the combined market potential for total supply of new private residential properties and hotel rooms could amount to $1.41bn in the next five years. This averages out to $280m a year, which would give Design Studio's earnings momentum a considerable boost. In addition, there could be $270m worth of hotel refurbishment contracts that it can tap on locally in the near term.

In overseas, demand is equally strong. We believe that the group's track record of work for some of the world's more prominent projects, such as the Marina Bay Sands Hotel, the Trump International Hotel Tower at Las Vegas and Tokyo Midtown in Roppongi, has enhanced its reputation for quality jobs.

On the residential property front, Design Studio has established its presence in many parts of the world while maintaining market leadership in Singapore. It has been contracted for work on high-profile developments in Kuala Lumpur, Bangkok, Dubai and New York, to name a few. In its pipeline are the 858-unit Rihan Heights development in Abu Dhabi, the 899-unit Burj Khalifa project in Dubai and a 377-unit private residential development called Five Stones in Malaysia.

In the hospitality and commercial projects segment, the group has partnered with DDS in the past two years to garner fit-out projects in Singapore, Malaysia, Thailand, Indonesia and Vietnam, and the results have been satisfactory so far.

Indeed, the collaboration has helped Design Studio win mega contracts from Singapore's two integrated resorts. We believe the strong momentum will be sustained this year as the group has already secured a contract to refurbish a prominent hotel in Asia. At the rate things are going, we expect more mega contract wins from DDS. Management is confident that contributions from DDS in FY10 can match last year's $4m at the least.

Shares oversold on 'unfounded' litigation

The share price of Design Studio tumbled some 27% last month on a piece of old news relating to a Dubai litigation. In our view, this is an over reaction, resulting in the stock being oversold. However, given the group's strong orderbook pipeline and market potential, this should be an opportune time to accumulate the stock.

We spoke to management for an update on the litigation. The group is firm that the alleged claim is without substance and is ready to defend the litigation on the basis of legal advice. As it is still a summons case, not a court case, no contingent liability will be made. The summons will be heard in July 2010, when we should expect more updates thereafter.

The litigation was first made in March 2009, when Design Studio was served a judicial summons and a statement of claim from the Dubai Courts of First Instance, UAE. Talal Saeed Ghazi is claiming a sum of 300m dirhams (S$114m) for an alleged breach of contractual obligations.

An attractive M&A target

Key shareholder and strategic partner, Depa has been accumulating Design Studio shares all these years. The most recent transaction took place in December 2009, when Depa bought a 3.9% stake from founder Bernard Lim, raising its stake in Design Studio from 20.8% to 24.7%.

With a deep pocket (net cash of US$87.8m or ~S$123m) and keen pursuit of growth in Asia, Depa is in a good position to acquire companies in this region. It has always been on the look-out for valuable acquisitions. In its recent outlook statement, it reaffirmed its long-term strategy of vertical and horizontal integration and will continue to acquire and invest in companies strategically related to its own.

At the current valuation of just 4x forward PER and a market capitalisation of S$120m, Design Studio looks like a good fit and is clearly an appealing acquisition target.

Glaringly cheap

We cut our earnings estimates for FY10 and FY11 by 15.6% and 19%, respectively, to account for the slower-than-expected revenue recognition and our lower estimates for DDS contributions. After we spoke to the management, we understand that the revenue recognition for some projects is likely to be delayed to 2HFY10 and early FY11 as the main developments are behind schedule. Our new earnings estimates reflect our prudent stance on revenue recognition. While 1Q tends to be a seasonally quiet due to closure during the Chinese New Year period, the management is confident that the second half of the year will be better on the back of its strong order book.

We see positive earnings surprise given the huge market potential across all its business segments. In addition, balance-sheet strength is solid, with net cash growing from $36m in 4QFY09 to $42m in 1QFY10. Design Studio does not have any bank borrowings.

Our target price is accordingly lowered to 90 cents, pegged at 7.5x FY10 PER, in line with the sector average. Trading at a sharp 47% discount to its peers and offering an attractive dividend yield in excess of 5%, Design Studio offers great value and M&A opportunities, in our view. Reiterate BUY.

Figure 8: Peers comparison

	Share price (lcl curr)	Shares outstanding (m)	Market cap (US$ m)	PE Hist (x)	PE Curr (x)	PE Fwd (x)	EPS growth Curr (%)	EPS growth Next Yr (%)	Price/ book (x)	ROE (%)	Net Margin (%)
Kingsmen Creative Ltd	0.54	194.2	75.3	6.9	6.4	5.9	8.0	8.2	2.0	31.5	7.4
Cityneon Holdings Limited	0.36	88.5	22.9	12.0	na	na	na	na	1.3	17.5	5.8
Communication Design Intl	0.08	91.0	5.2	nm	na	na	na	na	0.9	(36.2)	nm
Design Studio Furniture	**0.49**	**255.2**	**89.8**	**4.2**	**4.0**	**3.6**	**6.5**	**10.3**	**1.8**	**41.3**	**24.0**
Nobel Design Holdings Ltd	0.10	165.0	11.8	3.8	na	na	na	na	0.6	16.6	1.6
Singxpress Ltd	0.02	272.0	3.9	nm	na	na	na	na	1.5	(29.9)	nm
Pico Far East Holdings	1.35	1197.1	207.4	13.0	9.0	7.5	44.9	20.0	1.7	13.5	5.8
Depa Ltd	0.73	614.7	445.7	6.9	7.1	6.3	(2.6)	13.3	0.9	13.0	7.9
LCL	0.13	143.1	5.5	nm	nm	nm	nm	nm	nm	nm	nm
Simple average (exclude Design Studio)				**8.5**	**7.5**	**6.5**	**16.8**	**13.9**	**1.1**	**3.7**	**5.7**

Source: Bloomberg, Kim Eng estimates

Profit and Loss

YE Dec (S$m)	2008	2009	2010F	2011F	2012F
Sales	**74.4**	**113.9**	**136.4**	**150.0**	**159.0**
Cost of goods sold	(50.4)	(78.3)	(95.5)	(105.0)	(111.3)
Gross Profit	**24.0**	**35.6**	**40.9**	**45.0**	**47.7**
Marketing & dist exp	(3.5)	(2.9)	(5.2)	(6.0)	(6.4)
General and adm exp	(4.8)	(7.0)	(8.2)	(8.7)	(9.2)
Operating Profit	**15.7**	**26.0**	**27.6**	**30.3**	**32.1**
Net interest	(0.0)	(0.0)	0.0	0.0	0.0
Interest income	0.2	0.1	0.3	0.3	0.3
Interest expense	(0.3)	(0.1)	(0.3)	(0.3)	(0.3)
Net investment income/(loss).	0.0	0.3	0.0	0.0	0.0
Net other income.JV+Assoc	(0.4)	4.0	5.0	5.6	6.4
Net exceptional items	0.0	0.0	0.0	0.0	0.0
Pretax income	15.3	30.0	32.6	35.9	38.6
Income taxes	(2.5)	(4.6)	(5.5)	(6.1)	(6.9)
Minority interest	0.0	0.0	0.0	0.0	0.0
Net profit	**12.8**	**25.4**	**27.0**	**29.8**	**31.6**
EBITDA	18.3	28.5	31.6	34.8	36.1
EPS (S cts)	**5.01**	**11.3**	**12.0**	**13.2**	**14.0**

Source: Company data, Kim Eng estimates

Balance Sheet

YE Dec (S$m)	2008	2009	2010F	2011F	2012F
Total assets	86.2	101.3	128.2	149.8	179.9
Current assets	74.4	85.5	113.5	136.5	167.6
Cash & ST investment	31.2	36.4	45.4	46.8	69.0
Inventories	40.6	13.3	55.7	49.3	74.4
Accounts receivable	2.6	34.4	11.0	39.0	22.9
Others	0.1	1.4	1.4	1.4	1.4
Other assets	11.8	15.8	14.8	13.3	12.3
LT investments	1.8	5.9	5.9	5.9	5.9
Net fixed assets	9.3	9.8	8.8	7.3	6.3
Others	0.6	0.1	0.1	0.1	0.1
Total liabilities	34.7	30.0	35.3	33.1	37.9
Current liabilities	31.7	29.8	35.2	32.9	37.7
Accounts payable	6.3	5.7	10.3	7.2	11.3
ST borrowings	0.6	0.2	0.2	0.2	0.2
Others	24.8	24.0	24.7	25.5	26.2
Long-term liabilities	3.0	0.2	0.2	0.2	0.2
Long-term debts	2.9	0.0	0.0	0.0	0.0
Convertible notes	0.1	0.0	0.0	0.0	0.0
Others (Deferred tax)	0.05	0.14	0.14	0.14	0.14
Shareholder's equity	51.6	71.3	92.9	116.7	142.0
Paid-in capital	30.1	30.1	30.1	30.1	30.1
Reserve	21.5	41.2	62.8	86.6	111.9
Net Tangible Assets	51.6	71.3	92.9	116.7	142.0

Source: Company data, Kim Eng estimates

Cash Flow

YE Dec (S$m)	2008	2009	2010F	2011F	2012F
Operating cash flow	**13.5**	**18.6**	**17.4**	**10.4**	**31.5**
Net profit	15.3	30.0	27.0	29.8	31.6
Depreciation & amortisation	2.6	2.5	4.1	4.5	4.0
Change in working capital	(3.2)	(6.5)	(13.7)	(23.9)	(4.1)
Others	(1.2)	(7.3)	0.0	0.0	0.0
Investment cash flow	**(3.5)**	**(4.4)**	**(3.0)**	**(3.0)**	**(3.0)**
Net capex	(1.5)	(3.0)	(3.0)	(3.0)	(3.0)
Change in LT investment	(2.3)	(1.4)	0.0	0.0	0.0
Change in other assets	0.2	(0.1)	0.0	0.0	0.0
Cash flow after invt.	9.9	14.2	14.4	7.4	28.5
Financing cash flow	**(0.8)**	**(9.6)**	**(5.4)**	**(6.0)**	**(6.3)**
Change in share capital	0.0	0.0	0.0	0.0	0.0
Net change in debt	(1.1)	(3.3)	(0.0)	(0.0)	(0.0)
Change in other LT liab.	0.2	(6.3)	(5.4)	(6.0)	(6.3)
Net cash flow	**9.1**	**4.6**	**9.0**	**1.4**	**22.2**

Source: Company data, Kim Eng estimates

Key Ratios

YE Dec	2008	2009	2010F	2011F	2012F
Growth (% YoY)					
Sales	-2.7	53.2	19.7	10.0	6.0
OP	39.3	65.3	6.2	10.0	6.0
EBITDA	35.4	55.2	11.2	10.0	3.7
NP	46.0	98.5	6.5	10.3	6.1
EPS	24.3	125.0	6.5	10.3	6.1
Profitability (%)					
Gross margin	32.3	31.3	30.0	30.0	30.0
Operating margin	21.1	22.8	20.2	20.2	20.2
EBITDA margin	24.7	25.0	23.2	23.2	22.7
Net Profit margin	17.2	22.3	19.8	19.9	19.9
ROA	16.3	27.1	23.5	21.4	19.2
ROE	27.5	41.3	32.9	28.4	24.4
Stability					
Gross debt/equity (%)	6.7	0.3	0.2	0.2	0.1
Net debt/equity (%)	-53.7	-50.7	-48.6	-39.9	-48.5
Int. coverage (X)	57.3	242.5	91.8	101.0	107.1
Int. & ST debt coverage (X)	18.9	89.8	57.2	62.9	66.6
Cash flow int. coverage (X)	49.1	173.8	58.1	34.7	105.1
Cash flow int. & ST debt (X)	16.2	64.4	36.2	21.6	65.4
Current ratio (X)	2.3	2.9	3.2	4.2	4.4
Quick ratio (X)	1.1	2.4	1.6	2.7	2.5
Net debt /(cash)($ m)	-27.7	-36.1	-45.2	-46.6	-68.8
Per share data (cts)					
EPS	5.0	11.3	12.0	13.2	14.0
CFPS	3.6	2.1	4.0	0.6	9.9
BVPS	22.9	31.7	41.3	51.9	63.1
SPS	33.0	50.6	60.6	66.6	70.6
EBITDA/share	8.1	12.6	14.1	15.5	16.0
DPS	1.0	2.5	2.5	2.8	2.9

Source: Company data, Kim Eng estimates

SINGAPORE

Stephanie WONG *Head of Research*
Regional Head of Institutional Research
+65 6432 1451 swong@kimeng.com
- Strategy
- Small & Mid Caps

Gregory YAP
+65 6432 1450 gyap@kimeng.com
- Conglomerates
- Technology & Manufacturing
- Transport & Telcos

Rohan SUPPIAH
+65 6432 1455 rohan@kimeng.com
- Airlines
- Marine & Offshore

Pauline LEE
+65 6432 1453 paulinelee@kimeng.com
- Bank & Finance
- Consumer
- Retail

Wilson LIEW
+65 6432 1454 wilsonliew@kimeng.com
- Hotel & Resort
- Property & Construction

Anni KUM
+65 6432 1470 annikum@kimeng.com
- Industrials
- REITs

James KOH
+65 6432 1431 jameskoh@kimeng.com
- Infrastructure
- Resources

Eric ONG
+65 6432 1857 ericong@kimeng.com
- Marine & Offshore

David LOOMIS
+65 6432 1417 dloomis@kimeng.com
- Special Situations

HONG KONG / CHINA

Edward FUNG *Head of Research*
+852 2268 0632 edwardfung@kimeng.com.hk
- Power
- Construction

Ivan CHEUNG
+852 2268 0634 ivancheung@kimeng.com.hk
- Property

Ivan LI
+852 2268 0641 ivanli@kimeng.com.hk
- Banking & Finance

TAM Tsz Wang
+852 2268 0636 tamtszwang@kimeng.com.hk
- Telcos
- Small Caps

Emily LEE
+852 2268 0631 emilylee@kimeng.com.hk
- Retail

Jacqueline KO
+852 2268 0633 jacquelineko@kimeng.com.hk
- Food & Beverage

INDIA

Jigar SHAH *Head of Research*
+91 22 6623 2601 jigar@kimeng.co.in
- Oil & Gas
- Transportation

Anubhav GUPTA
+91 22 6623 2605 agupta@kimeng.co.in
- Property
- Capital goods

Urmil SHAH
+91 22 6623 2606 urmil@kimeng.co.in
- Software
- Telecom

R. SRINIVASAN
+912266232625 rsrinivasan@kimeng.co.in
- Banking and Financial services

Nikhil Agarwal
+912266232611 nikhil@kimeng.co.in
- Cement
- Metals

MALAYSIA

YEW Chee Yoon *Head of Research*
+603 2141 1555 cheeyoon@kimengkl.com
- Strategy
- Banks
- Telcos
- Property
- Conglomerates & others

LIEW Mee Kien
+603 2141 1555 meekien@kimengkl.com
- Gaming
- Media
- Power
- Construction

Research Team
+603 2141 1555
- Food & Beverage
- Manufacturing
- Plantations
- Tobacco
- Technology

INDONESIA

Katarina SETIAWAN *Head of Research*
+6221 2557 1125 ksetiawan@kimeng.co.id
- Consumer
- Infra
- Shipping
- Strategy
- Telcos
- Others

Ricardo SILAEN
+6221 2557 1126 rsilaen@kimeng.co.id
- Auto
- Energy
- Heavy Equipment
- Property
- Resources

Rahmi MARINA
+6221 2557 1128 rmarina@kimeng.co.id
- Banking

Lucky ARIESANDI, CFA
+6221 2557 1127 lariesandi@kimeng.co.id
- Cement
- Construction
- Pharmaceutical
- Retail

Adi N. WICAKSONO
+6221 2557 1130 anwicaksono@kimeng.co.id
- Generalist

Arwani PRANADJAYA
+6221 2557 1129 apranadjaya@kimeng.co.id
- Technical analyst

VIETNAM

Nguyen Thi Ngan Tuyen
+84 838 38 66 36 x 163 tuyen.nguyen@kimeng.com.vn
- Pharmaceutical
- Confectionary and Beverage
- Oil and Gas

Ngo Bich Van
+84 838 38 66 36 x 164 van.ngo@kimeng.com.vn
- Bank
- Insurance

Nguyen Quang Duy
+84 838 38 66 36 x 162 duy.nguyenquang@kimeng.com.vn
- Shipping
- Seafood
- Rubber

Trinh Thi Ngoc Diep
+84 838 38 66 36 x 166 diep.trinh@kimeng.com.vn
- Property
- Construction

THAILAND

Naphat CHANTARASEREKUL
+662 658 6300 x 4770 naphat.c@kimeng.co.th
- Energy

Supattra KHONGRUNGPHAKORN
+662 6586300 ext 4800 supattra.k@kimeng.co.th
- Media & Publishing
- Retail
- Information & Communication Technology

Kanchan KHANIJOU
+ 662 658 6300 x 4750 kanchan@kimeng.co.th
- Banks
- Construction Materials

KELIVE Thailand (for retail clients)

George HUEBSCH *Head of Research*
+662 658 6300 ext 1400 george.h@kimeng.co.th

PHILIPPINES

Ricardo PUIG *Head of Research*
+63 2 849 8835 ricardo_puig@atr.com.ph
- Strategy
- Property
- Telcos

Laura DY-LIACCO
+63 2 849 8840 laura_dyliacco@atr.com.ph
- Utilities
- Conglomerates

Robin SARMIENTO
+63 2 849 8839 robin_sarmiento@atr.com.ph
- Banking
- Ports
- Mining

Lovell SARREAL
+63 2 849 8841 lovell_sarreal@atr.com.ph
- Consumer
- Cement
- Media

REGIONAL

Luz LORENZO *Economist*
+63 2 849 8836 luz_lorenzo@atr.com.ph
- Economics

TAIWAN

Gary Chia
Head of Greater China Research
+886 2 3518 7900 gary.chia@yuanta.com

Boris Markovich
COO, Greater China Research
+852 3969 9518 boris.markovic@yuanta.com

John Brebeck, CFA
Head of Taiwan Strategy
Head of Research, Taiwan
+886 2 3518 7906 john.brebeck@yuanta.com

George Chang, CFA
Head of Upstream Tech
+886 2 3518 7907 george.chang@yuanta.com

Vincent Chen
Head of Downstream Tech
+886 2 3518 7903 vincent.chen@yuanta.com

Dennis Chan – NB Supply Chain
+886 2 3518 7913 dennis.chan@yuanta.com

Andrew C Chen – IC Backend
+886 2 3518 7940 andrew.chen@yuanta.com

Ellen Chiu – Taiwan Consumer
+886 2 3518 7936 ellen.chiu@yuanta.com

Danny Ho – Taiwan Petrochemical
+886 2 3518 7923 danny.ho@yuanta.com

Min Li – Alternative Energy
+852 3969 9521 min.li@yuanta.com

May Lin – Taiwan Telecom
+886 2 3518 7942 may.lin@yuanta.com

Tess Wang – Taiwan Financials
+886 2 3518 7901 tess.wang@yuanta.com

Recommendation definitions
Our recommendation is based on the following expected price performance within 12 months:

+15% and above: BUY
-15% to +15%: HOLD
-15% or worse: SELL

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLOSURES AND DISCLAIMERS

This report, and any electronic access to it, is restricted to and intended only for clients of Kim Eng Research Pte. Ltd. ("KER") or a related entity to KER (as the case may be) who are institutional investors (for the purposes of both the Singapore Securities and Futures Act (“SFA”) and the Singapore Financial Advisers Act (“FAA”)) and who are allowed access thereto (each an "Authorised Person") and is subject to the terms and disclaimers below.

IF YOU ARE NOT AN AUTHORISED PERSON OR DO NOT AGREE TO BE BOUND BY THE TERMS AND DISCLAIMERS SET OUT BELOW, YOU SHOULD DISREGARD THIS REPORT IN ITS ENTIRETY AND LET KER OR ITS RELATED ENTITY (AS RELEVANT) KNOW THAT YOU NO LONGER WISH TO RECEIVE SUCH REPORTS.

This report provides information and opinions as reference resource only. This report is not intended to be and does not constitute financial advice, investment advice, trading advice or any other advice. It is not to be construed as a solicitation or an offer to buy or sell any securities or related financial products. The information and commentaries are also not meant to be endorsements or offerings of any securities, options, stocks or other investment vehicles.

The report has been prepared without regard to the individual financial circumstances, needs or objectives of persons who receive it. The securities discussed in this report may not be suitable for all investors. Readers should not rely on any of the information herein as authoritative or substitute for the exercise of their own skill and judgment in making any investment or other decision. Readers should independently evaluate particular investments and strategies, and are encouraged to seek the advice of a financial adviser before making any investment or entering into any transaction in relation to the securities mentioned in this report. The appropriateness of any particular investment or strategy whether opined on or referred to in this report or otherwise will depend on an investor’s individual circumstances and objectives and should be confirmed by such investor with his advisers independently before adoption or implementation (either as is or varied). You agree that any and all use of this report which you make, is solely at your own risk and without any recourse whatsoever to KER, its related and affiliate companies and/or their employees. You understand that you are using this report AT YOUR OWN RISK.

This report is being disseminated to or allowed access by Authorised Persons in their respective jurisdictions by the Kim Eng affiliated entity/entities operating and carrying on business as a securities dealer or financial adviser in that jurisdiction (collectively or individually, as the context requires, "Kim Eng") **which has, vis-à-vis a relevant Authorised Person, approved of, and is solely responsible in that jurisdiction for, the contents of this publication in that jurisdiction.**

Kim Eng, its related and affiliate companies and/or their employees may have investments in securities or derivatives of securities of companies mentioned in this report, and may trade them in ways different from those discussed in this report. Derivatives may be issued by Kim Eng its related companies or associated/affiliated persons.

Kim Eng and its related and affiliated companies are involved in many businesses that may relate to companies mentioned in this report. These businesses include market making and specialised trading, risk arbitrage and other proprietary trading, fund management, investment services and corporate finance.

Except with respect the disclosures of interest made above, this report is based on public information. Kim Eng makes reasonable effort to use reliable, comprehensive information, but we make no representation that it is accurate or complete. The reader should also note that unless otherwise stated, none of Kim Eng or any third-party data providers make ANY warranties or representations of any kind relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages of any kind relating to such data.

Proprietary Rights to Content. The reader acknowledges and agrees that this report contains information, photographs, graphics, text, images, logos, icons, typefaces, and/or other material (collectively “Content”) protected by copyrights, trademarks, or other proprietary rights, and that these rights are valid and protected in all forms, media, and technologies existing now or hereinafter developed. The Content is the property of Kim Eng or that of third party providers of content or licensors. The compilation (meaning the collection, arrangement, and assembly) of all content on this report is the exclusive property of Kim Eng and is protected by Singapore and international copyright laws. The reader may not copy, modify, remove, delete, augment, add to, publish, transmit, participate in the transfer, license or sale of, create derivative works from, or in any way exploit any of the Content, in whole or in part, except as specifically permitted herein. If no specific restrictions are stated, the reader may make one copy of select portions of the Content, provided that the copy is made only for personal, information, and non-commercial use and that the reader does not alter or modify the Content in any way, and maintain any notices contained in the Content, such as all copyright notices, trademark legends, or other proprietary rights notices. Except as provided in the preceding sentence or as permitted by the fair dealing privilege under copyright laws, the reader may not reproduce, or distribute in any way any Content without obtaining permission of the owner of the copyright, trademark or other proprietary right. Any authorised/permitted distribution is restricted to such distribution not being in violation of the copyright of Kim Eng only and does not in any way represent an endorsement of the contents permitted or authorised to be distributed to third parties.

Additional information on mentioned securities is available on request.

Jurisdiction Specific Additional Disclaimers:

THIS RESEARCH REPORT IS STRICTLY CONFIDENTIAL TO THE RECIPIENT, MAY NOT BE DISTRIBUTED TO THE PRESS OR OTHER MEDIA, AND MAY NOT BE REPRODUCED IN ANY FORM AND MAY NOT BE TAKEN OR TRANSMITTED INTO THE REPUBLIC OF KOREA, OR PROVIDED OR TRANSMITTED TO ANY KOREAN PERSON. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF SECURITIES LAWS IN THE REPUBLIC OF KOREA. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

THIS RESEARCH REPORT IS STRICTLY CONFIDENTIAL TO THE RECIPIENT, MAY NOT BE DISTRIBUTED TO THE PRESS OR OTHER MEDIA, AND MAY NOT BE REPRODUCED IN ANY FORM AND MAY NOT BE TAKEN OR TRANSMITTED INTO MALAYSIA OR PROVIDED OR TRANSMITTED TO ANY MALAYSIAN PERSON. FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF SECURITIES LAWS IN MALAYSIA. BY ACCEPTING THIS REPORT, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.

Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply if the reader is receiving or accessing this report in or from other than Singapore.

As of 17 June 2010, Kim Eng Research Pte. Ltd. and the covering analyst do not have any interest in Design Studio.

Analyst Certification:

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

KIM ENG

Singapore
Kim Eng Securities Pte Ltd
Kim Eng Research Pte Ltd
9 Temasek Boulevard
#39-00 Suntec Tower 2
Singapore 038989

Tel: +65 6336 9090
Fax: +65 6339 6003

LAU Wai Kwok (sales)
lauwk@kimeng.com

Stephanie WONG (research)
swong@kimeng.com

London
Kim Eng Securities (London) Ltd
6/F, 20 St. Dunstan's Hill
London EC3R 8HY, UK

Tel: +44 20 7621 9298
Dealers' Tel: +44 20 7626 2828
Fax: +44 20 7283 6674

Giles WALSH (sales)
gwalsh@kimeng.co.uk

Geoff HO (sales)
gho@kimeng.co.uk

James JOHNSTONE (sales)
jjohnstone@kimeng.co.uk

New York
Kim Eng Securities USA Inc
406, East 50th Street
New York, NY 10022, U.S.A.

Tel: +1 212 688 8886
Fax: +1 212 688 3500

Jeffrey S. SEO (sales)
jseo@kesusa.com

Warren KIM (trading)
wkim@kesusa.com

Taiwan
Yuanta Securities Investment Consulting Co.
10/F, No 225, Nanking East Rd
Section 3
Taipei 104, Taiwan

Tel: +886 2 8770-6078
Fax: +886 2 2546-0376

Arthur LO (sales)
Arthur.lo@yuanta.com.tw

Gary CHIA (research)
Gary.chia@yuanta.com.tw

Hong Kong
Kim Eng Securities (HK) Ltd
Level 30,
Three Pacific Place,
1 Queen's Road East,
Hong Kong

Tel: +852 2268 0800
Fax: +852 2877 0104

Ray LUK (sales)
rluk@kimeng.com.hk

Edward FUNG (research)
edwardfung@kimeng.com.hk

Thailand
Kim Eng Securities (Thailand) Public Company Limited
999/9 The Offices at Central World,
20th - 21st Floor,
Rama 1 Road, Pathumwan,
Bangkok 10330, Thailand

Tel: +66 2 658 6817 (sales)
Tel: +66 2 658 6801 (research)

Vikas KAWATRA (sales)
vkawatra@kimeng.co.th

Naphat CHANTARASEREKUL (research)
naphat.c@kimeng.co.th

Indonesia
PT Kim Eng Securities
Plaza Bapindo
Citibank Tower 17th Floor
Jl Jend. Sudirman Kav. 54-55
Jakarta 12190, Indonesia

Tel: +62 21 2557 1188
Fax: +62 21 2557 1189

Kurnia SALIM (sales)
ksalim@kimeng.co.id

Katarina SETIAWAN (research)
ksetiawan@kimeng.co.id

Malaysia
Kim Eng Research Sdn Bhd
16/F, Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur, Malaysia

Tel: +603 2141 1555
Fax: +603 2141 1045

YEW Chee Yoon (research)
cheeyoon@kimengkl.com

Philippines
ATR-Kim Eng Securities Inc.
17/F, Tower One & Exchange Plaza
Ayala Triangle, Ayala Avenue
Makati City, Philippines 1200

Tel: +63 2 849 8888
Fax: +63 2 848 5738

Lorenzo ROXAS (sales)
lorenzo_roxas@atr.com.ph

Ricardo PUIG (research)
ricardo_puig@atr.com.ph

Vietnam
Kim Eng Vietnam Securities Joint Stock Company
1st Floor, 255 Tran Hung Dao St.
District 1
Ho Chi Minh City, Vietnam

Tel : +84 838 38 66 36
Fax : +84 838 38 66 39

Mai Phan Lam Hoa (sales)
Hoa.maiphan@kimeng.com.vn

India
Kim Eng Securities India Pvt Ltd
2nd Floor, The International,
Plot No.16, Maharishi Karve Road,
Churchgate Station,
Mumbai City - 400 020, India

Tel: +91.22.6623.2600
Fax: +91.22.6623.2604

Vikas KAWATRA (sales)
vkawatra@kimeng.co.th

Jigar SHAH (research)
jigar@kimeng.co.in

South Asia Sales Trading
Connie TAN
connie@kimeng.com
Tel: +65 6333 5775
US Toll Free: +1 866 406 7447

North Asia Sales Trading
Eddie LAU
eddielau@kimeng.com.hk
Tel: +852 2268 0800
US Toll Free: +1 866 598 2267

North America Sales Trading
Warren KIM
wkim@kesusa.com
Tel: +1 212 688 8886

Stephanie Wong
CEO, Kim Eng Research