



Design Studio Group Ltd

(Incorporated in Singapore)
(Registration Number: 199401553D)

**3rd Quarter and 9 Months Financial Statements
And Dividend Announcement
For The Period Ended
30 September 2018**

Design Studio Group Ltd
(Registration Number: 199401553D)

3rd Quarter and Nine Months Financial Statements and Dividend Announcement

**PART 1 - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
 HALF-YEAR AND FULL YEAR RESULTS**

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Income Statement

		Group					
		3rd Quarter ended			9 Months ended		
		30.09.2018 S\$'000	30.09.2017 S\$'000	+/(-) %	30.09.2018 S\$'000	30.09.2017 S\$'000	+/(-) %
Revenue		36,154	31,872	13.4	125,743	100,716	24.8
Other items of income							
Other income	1(a)(1)	8	11	(27.3)	95	91	4.4
Finance Income	1(a)(2)	11	13	(15.4)	49	74	(33.8)
		<u>36,173</u>	<u>31,896</u>	<u>13.4</u>	<u>125,887</u>	<u>100,881</u>	<u>24.8</u>
Items of expenses							
Change in inventories of finished goods and work in progress		(101)	(1,505)	(93.3)	1,501	35	>100
Raw materials and consumables used		(7,882)	(9,983)	(21.0)	(26,164)	(31,444)	(16.8)
Subcontractors costs		(24,314)	(5,344)	>100	(71,449)	(28,335)	>100
Staff costs		(8,171)	(7,077)	15.5	(23,312)	(20,791)	12.1
Depreciation and amortisation expenses		(513)	(887)	(42.2)	(1,769)	(2,637)	(32.9)
Finance costs		(47)	(81)	(42.0)	(140)	(274)	(48.9)
Other expenses	1(a)(3)	(6,998)	(3,834)	82.5	(14,060)	(11,258)	24.9
(Loss)/ profit before tax		<u>(11,853)</u>	<u>3,185</u>	<u>N.M.</u>	<u>(9,506)</u>	<u>6,177</u>	<u>N.M.</u>
Income tax expense	1(a)(4)	365	(604)	N.M.	(683)	(1,303)	(47.6)
(Loss)/ profit after tax		<u>(11,488)</u>	<u>2,581</u>	<u>N.M.</u>	<u>(10,189)</u>	<u>4,874</u>	<u>N.M.</u>
(Loss)/ profit attributable to:							
Owners of the Company		(11,505)	2,582		(10,218)	4,876	
Non-controlling interests		17	(1)		29	(2)	
		<u>(11,488)</u>	<u>2,581</u>		<u>(10,189)</u>	<u>4,874</u>	

N.M.: Not Meaningful

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Consolidated Income Statement (cont'd)

* The comparative figures for the financial period ended 30 September 2017 have been restated to take into account the retrospective adjustments arising from the adoption of SFRS(I) 9 - Financial Instruments and SFRS(I) 15 – Revenue From Contracts With Customers.

Note 1: With effect from 1 January 2018 the Group has changed the presentation of the consolidated income statement from the classification based on function to the classification based on the nature of expenses. Presenting the consolidated income statement by nature provides information that is reliable and more relevant to users of the financial statements. Accordingly, the 9M2017 and 3Q2017 results have been reclassified to ensure that comparability is maintained.

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Notes to Consolidated Income Statement

Note 1(a)(1) Other income

	Group					
	3rd Quarter ended			9 Months ended		
	30.09.2018	30.09.2017	+ / (-)	30.09.2018	30.09.2017	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sundry income	8	11	(27.3)	95	91	4.4

Note 1(a)(2) Finance income:

	Group					
	3rd Quarter ended			9 Months ended		
	30.09.2018	30.09.2017	+ / (-)	30.09.2018	30.09.2017	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Finance income						
- Cash and short-term deposits	11	13	(15.4)	49	74	(33.8)

Note 1(a)(3) Other expenses include the following:

	Group					
	3rd Quarter ended			9 Months ended		
	30.09.2018	30.09.2017	+ / (-)	30.09.2018	30.09.2017	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Foreign exchange (gain)/ loss, net	(216)	295	N.M.	(39)	708	N.M.
(Gain)/ loss on disposal of property, plant and equipment	(20)	3	N.M.	(139)	(116)	19.8
Impairment loss on receivables arising from adoption of SFRS(l) 9	116	118	(1.7)	99	65	52.3
Impairment loss on contract assets arising from adoption of SFRS(l) 9	36	13	>100	101	31	>100
Impairment loss on doubtful receivables	-	196	N.M.	-	196	N.M.
Write back of doubtful receivables	(446)	(8)	>100	(697)	(8)	>100
Write back of impairment loss on inventories	(146)	-	N.M.	(146)	-	N.M.
Write back of impairment loss recognised on club membership	(28)	-	N.M.	(28)	-	N.M.

Note 1(a)(4) Income tax expense include the following:

	Group					
	3rd Quarter ended			9 Months ended		
	30.09.2018	30.09.2017	+ / (-)	30.09.2018	30.09.2017	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Income tax	(420)	609	N.M.	525	1,298	(59.6)
Deferred tax	55	(5)	N.M.	158	5	>100
	(365)	604	N.M.	683	1,303	(47.6)

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1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Balance Sheets

	Note	Group		Company	
		30.09.2018	31.12.2017 (Restated)	30.09.2018	31.12.2017
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Property, plant and equipment		14,326	14,536	2,821	3,249
Investment in subsidiaries		-	-	41,359	41,359
Intangible assets	1(b)(2)	2,764	2,738	35	9
Deferred tax assets		1,202	1,333	280	280
Trade and other receivables	1(b)(1)	7,179	11,873	-	-
Total non-current assets		25,471	30,480	44,495	44,897
Current assets					
Inventories	1(b)(3)	7,623	8,047	-	-
Contract assets	1(b)(4)	55,029	16,240	-	-
Trade and other receivables	1(b)(1)	58,460	56,494	3,442	3,355
Prepayments		679	171	47	33
Loans to subsidiaries		-	-	8,925	8,725
Tax recoverable		1,411	1,070	-	-
Cash and short-term deposits		17,133	28,942	533	1,693
Total current assets		140,335	110,964	12,947	13,806
Current liabilities					
Trade and other payables	1(b)(5)	82,703	41,734	743	1,139
Contract liabilities	1(b)(4)	1,316	6,230	-	-
Finance lease liabilities	1(b)(ii)	-	50	-	-
Provision for tax		151	824	-	-
Total current liabilities		84,170	48,838	743	1,139
Net current assets		56,165	62,126	12,204	12,667
Non-current liabilities					
Deferred tax liabilities		115	85	-	-
Net assets		81,521	92,521	56,699	57,564
Equity attributable to owners of the Company					
Share capital		32,732	32,732	32,732	32,732
Reserves		49,219	60,248	23,967	24,832
		81,951	92,980	56,699	57,564
Non-controlling interests		(430)	(459)	-	-
Total equity		81,521	92,521	56,699	57,564

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Notes to Balance Sheets

Note 1(b)(1) Trade and other receivables

	Group		Company	
	30.09.2018	31.12.2017 (Restated)	30.09.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other receivables (non-current):				
<u>Trade receivables: Retention monies</u>				
Third parties	5,958	10,709	-	-
Immediate holding company	1,238	1,187	-	-
	<u>7,196</u>	<u>11,896</u>	-	-
Less: Impairment loss arising from adopting of SFRS (I) 9	(17)	(23)	-	-
	<u>7,179</u>	<u>11,873</u>	-	-
Trade and other receivables (current):				
Trade receivables	49,058	50,336	665	942
Other receivables and deposits	9,402	6,158	2,777	2,413
	<u>58,460</u>	<u>56,494</u>	<u>3,442</u>	<u>3,355</u>
Trade receivables:				
<u>Third parties:</u>				
Trade receivables	28,571	31,989	-	277
Retention monies	10,098	7,151	-	-
	<u>38,669</u>	<u>39,140</u>	-	<u>277</u>
<u>Immediate holding company:</u>				
Trade receivables	10,335	12,056	-	-
	<u>10,335</u>	<u>12,056</u>	-	-
<u>Related parties:</u>				
Trade receivables	523	499	-	-
	<u>523</u>	<u>499</u>	-	-
<u>Subsidiaries:</u>				
Trade receivables	-	-	665	665
	<u>-</u>	<u>-</u>	<u>665</u>	<u>665</u>
Total gross trade receivables (current)	49,527	51,695	665	942
Less: Allowance for doubtful receivables	(242)	(1,237)	-	-
Less: Impairment loss arising from adoption of SFRS(I) 9	(227)	(122)	-	-
Net trade receivables (current)	<u>49,058</u>	<u>50,336</u>	<u>665</u>	<u>942</u>
Movement in allowance accounts:				
At beginning of the year	1,382	452	-	-
Charge for the year	-	1,163	-	-
Impact of adoption of SFRS(I) 9	99	145	-	-
Write-back during the year	(697)	(8)	-	-
Write-off during the year	(273)	(370)	-	-
Currency translation difference	(25)	-	-	-
At end of the year	<u>486</u>	<u>1,382</u>	-	-

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Note 1(b)(1) Trade and other receivables (cont'd)

	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables and deposits:				
Other receivables	772	295	64	64
Deposits	8,630	5,863	66	70
	<u>9,402</u>	<u>6,158</u>	<u>130</u>	<u>134</u>
Amount due from subsidiaries (non-trade)	-	-	2,647	2,279
	<u>9,402</u>	<u>6,158</u>	<u>2,777</u>	<u>2,413</u>

Note 1(b)(2) Intangible assets

	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Club membership	128	128	128	128
Less: Impairment loss on club membership	-	(28)	-	(28)
	<u>128</u>	<u>100</u>	<u>128</u>	<u>100</u>
Less: Accumulated amortisation	(93)	(91)	(93)	(91)
Goodwill	2,729	2,729	-	-
	<u>2,764</u>	<u>2,738</u>	<u>35</u>	<u>9</u>

Note 1(b)(3) Inventories

	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Raw materials, at cost	4,599	5,256	-	-
Work-in-progress, at cost	1,859	1,584	-	-
Finished goods, at cost	1,165	1,207	-	-
	<u>7,623</u>	<u>8,047</u>	<u>-</u>	<u>-</u>

Note 1(b)(4) Contract assets and contract liabilities

	Group		Company	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
	S\$'000	(Restated) S\$'000	S\$'000	S\$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	359,727	428,803	-	-
Less: Progress billings	<u>(306,014)</u>	<u>(418,793)</u>	<u>-</u>	<u>-</u>
	<u>53,713</u>	<u>10,010</u>	<u>-</u>	<u>-</u>
Presented as:				
Contract assets	55,029	16,240	-	-
Contract liabilities	<u>1,316</u>	<u>6,230</u>	<u>-</u>	<u>-</u>

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Note 1(b)(5) Trade and other payables

	Group		Company	
	30.09.2018	31.12.2017 (Restated)	30.09.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Trade payables:</u>				
Amount due to third parties	16,328	7,001	9	1
Amount due to subsidiaries	-	-	28	187
Amount due to related companies	58	231	-	-
Amount due to immediate holding company	8,067	2,653	-	-
Retention payables	8,927	8,609	-	-
Advance payments from customers	3,944	828	-	-
Provision for foreseeable losses	284	354	-	-
Accrued contract cost	37,894	13,541	-	-
	<u>75,502</u>	<u>33,217</u>	<u>37</u>	<u>188</u>
Other payables	2,859	1,877	107	-
Amount due to a related company	502	360	458	317
Accrued operating expenses	3,840	6,280	141	634
	<u>82,703</u>	<u>41,734</u>	<u>743</u>	<u>1,139</u>

1(b)(ii) Aggregate amount of group's borrowings and debts securities

Amount repayable in one year or less, or on demand

As at 30.09.2018		As at 31.12.2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	50

Amount repayable after one year

As at 30.09.2018		As at 31.12.2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 September 2018, the Group's bank facilities were secured by the corporate guarantees provided by the Company.

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1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Cash Flows

	Group			
	3rd Quarter ended		9 Months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
	S\$'000	S\$'000	S\$'000	(Restated) S\$'000
Cash flows from operating activities				
(Loss)/profit before tax	(11,853)	3,185	(9,506)	6,177
Adjustments:				
Depreciation of property, plant and equipment	512	886	1,767	2,635
(Gain)/ loss on disposal of property, plant and equipment	(20)	3	(139)	(116)
Finance income	(11)	(13)	(49)	(74)
Finance expenses	47	81	140	274
Impairment loss on doubtful receivables	-	196	-	196
Write back of doubtful receivables	(446)	(8)	(697)	(8)
Write back of inventories	(146)	-	(146)	-
Write back of club membership	(28)	-	(28)	-
Impairment loss on contract assets arising from adoption of SFRS (I) 9	36	13	101	31
Impairment loss on receivables arising from adoption of SFRS(I) 9	116	118	99	65
Amortisation of club membership	1	1	2	2
Operating (loss)/ profit before working capital changes	(11,792)	4,462	(8,456)	9,182
Decrease/ (increase) in:				
Inventories	1,121	952	411	1,231
Net contract assets/liabilities	(5,480)	(3,059)	(44,064)	(19,211)
Trade and other receivables	(58)	(9,426)	2,632	22,350
Increase/ (decrease) in:				
Trade and other payables	11,169	(1,291)	41,110	(16,732)
Cash flows from operations	(5,040)	(8,362)	(8,367)	(3,180)
Finance expenses paid	(47)	(81)	(140)	(274)
Income taxes paid	(613)	(1,533)	(1,539)	(3,684)
Net cash flows used in operating activities	(5,700)	(9,976)	(10,046)	(7,138)
Cash flows from investing activities				
Costs incurred for construction-in-progress	(174)	(747)	(456)	(762)
Finance income received	11	13	49	74
Proceeds from sale of property, plant and equipment	21	-	151	130
Purchase of property, plant and equipment	(933)	(193)	(1,555)	(734)
Net cash flows used in investing activities	(1,075)	(927)	(1,811)	(1,292)
Cash flows from financing activities				
(Increase)/ decrease in fixed deposits pledged	-	(730)	1,023	(775)
Repayment of finance lease liabilities	-	(17)	(50)	(25)
Dividends paid on ordinary shares by the Company	-	(3,253)	-	(16,917)
Net cash flows (used in)/ from financing activities	-	(4,000)	973	(17,717)

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Consolidated Statement of Cash Flows (cont'd)

	Group			
	3rd Quarter ended		9 Months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017 (Restated)
	S\$'000	S\$'000	S\$'000	S\$'000
Net decrease in cash and cash equivalents	(6,775)	(14,903)	(10,884)	(26,147)
Effect of exchange rate changes on cash and cash equivalents	(167)	14	99	(203)
Cash and cash equivalents at beginning of the period	24,075	42,502	27,918	53,963
Cash and cash equivalents at end of the period (Note A)	17,133	27,613	17,133	27,613

Notes to Consolidated Statement of Cash Flows

A. Cash and cash equivalents

	Group	
	30.09.2018 S\$'000	30.09.2017 S\$'000
Cash at banks and on hand	16,744	27,373
Fixed deposits	389	1,015
Cash and short-term deposits	17,133	28,388
Less: Cash and short-term deposits pledged	-	(775)
Cash and cash equivalents	17,133	27,613

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

(A) Consolidated Statement of Comprehensive Income

	Group					
	3rd Quarter ended			9 Months ended		
	30.09.2018	30.09.2017 (Restated)	+ / (-)	30.09.2018	30.09.2017 (Restated)	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Profit after tax	(11,488)	2,581	N.M.	(10,189)	4,874	N.M.
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(1,973)	221	N.M.	(811)	(502)	61.6
Total comprehensive income	(13,461)	2,802	N.M.	(11,000)	4,372	N.M.
Total comprehensive income attributable to:						
Equity holders of the Company	(13,478)	2,803		(11,029)	4,374	
Non-controlling interests	17	(1)		29	(2)	
	(13,461)	2,802		(11,000)	4,372	

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B) Statements of Changes in Equity

Group

	Attributable to owners of the Company				Non-controlling interests S\$'000	Total Equity S\$'000
	Share capital	Revenue reserve	Other reserves	Total		
	S\$'000	S\$'000	S\$'000	S\$'000		
2018						
Balance at 1 January 2018, as previously reported	32,732	61,488	(959)	93,261	(459)	92,802
Impact of adoption of SFRS(I) 15 on previously reported reserves as at 1 January 2017	-	(417)	-	(417)	-	(417)
Impact of adoption of SFRS(I) 9 on previously reported reserves as at 1 January 2017	-	(185)	-	(185)	-	(185)
Impact of adoption of SFRS(I) 15 on previously reported results for the year ended 31 December 2017	-	321	(8)	313	-	313
Impact of adoption of SFRS(I) 9 on previously reported results for the year ended 31 December 2017	-	8	-	8	-	8
Balance at 1 January 2018, as restated	32,732	61,215	(967)	92,980	(459)	92,521
Total comprehensive income for 9M2018	-	(10,218)	(811)	(11,029)	29	(11,000)
Balance at 30 September 2018	32,732	50,997	(1,778)	81,951	(430)	81,521
2017						
Balance at 1 January 2017, as previously reported	32,732	77,204	(863)	109,073	(456)	108,617
Impact of adoption of SFRS(I) 15 on previously reported reserves as at 1 January 2017	-	(417)	-	(417)	-	(417)
Impact of adoption of SFRS(I) 9 on previously reported reserves as at 1 January 2017	-	(185)	-	(185)	-	(185)
Balance at 1 January 2017, as restated	32,732	76,602	(863)	108,471	(456)	108,015
Total comprehensive income for 9M2017, as restated	-	4,876	(502)	4,374	(2)	4,372
Dividends on ordinary shares	-	(16,917)	-	(16,917)	-	(16,917)
Balance at 30 September 2017	32,732	64,561	(1,365)	95,928	(458)	95,470

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(B) Statement of Changes in Equity (cont'd)

<u>Company</u>	Share capital S\$'000	Revenue reserve S\$'000	Total S\$'000
2018			
Balance at 1 January 2018	32,732	24,832	57,564
Total comprehensive income for 9M2018	-	(865)	(865)
Balance at 30 September 2018	<u>32,732</u>	<u>23,967</u>	<u>56,699</u>
2017			
Balance at 1 January 2017	32,732	28,662	61,394
Total comprehensive income for 9M2017	-	13,449	13,449
Dividends on ordinary shares	-	(16,917)	(16,917)
Balance at 30 September 2017	<u>32,732</u>	<u>25,194</u>	<u>57,926</u>

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	Share capital in S\$'000
Issued and fully paid ordinary shares:		
At 31 December 2017 and 30 September 2018	<u>260,264,171</u>	<u>32,732</u>

There were no changes in the share capital of the company in the 3rd quarter of 2018.

There were no outstanding convertible securities as at 30 September 2017 and 30 September 2018.

There were no treasury shares and subsidiary holdings as at 30 September 2017 and 30 September 2018.

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

As of 30 September 2018, no options or shares have been granted to employees or directors.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	30.09.2018	31.12.2017
Total number of shares (excluding treasury shares)	260,264,171	260,264,171

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 September 2018 as the Company does not have any treasury shares.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 September 2018.

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)

The figures have not been audited or reviewed.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Except as disclosed in Note 5 below, the Group and Company have applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements as at 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group has applied the same accounting policies and methods of computation in the preparation of the financial information for the current period as compared with the audited financial statements as at 31 December 2017 except for the adoption of Singapore IFRS-identical Financial Reporting Standards ["SFRS(I)"].

As required by the listing requirements of the Singapore Exchange, the Group has adopted SFRS (I) on 1 January 2018. The Company has concurrently applied new major SFRS (I) equivalent of IFRS9 Financial Instruments and IFRS15 Revenue from Contracts with Customers.

The main changes in the adoption of SFRS (I) equivalent of IFRS9 Financial Instruments and IFRS15 Revenue from Contracts with Customers are explained below:

(i) Adoption of SFRS(I) equivalent of IFRS9

The Group's following financial assets have been subjected to the expected credit loss model under the SFRS(I) equivalent of IFRS 9:

- Trade and other receivables and contract assets recognised under the SFRS(I) equivalent of IFRS 15;

There has been an increase in the provision for impairment for the above financial assets and a corresponding decrease in the opening reserves.

5. If there are any changes in the accounting policies and methods of computation including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change. (cont'd)

(ii) Adoption of SFRS(I) equivalent of IFRS15

In accordance with the requirements of IFRS 1, the Group has adopted the SFRS(I) equivalent of IFRS 15 retrospectively. The main adjustments are as follows:

a. Measurement of progress of contracts

- Under FRS 18 and FRS 11, revenue is recognised in accordance with percentage-of-completion method. The stage of completion is determined by reference to professional surveys of work performed.
- Under SFRS(I), the Group has assessed that an input measure using the cost-to-cost method will best depict the transfer of goods and services to customers. This has resulted in the Group's adoption of the cost-to-cost method where the stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract.

b. Presentation of contract assets and liabilities

The Group has changed the presentation of certain amounts in the balance sheet to reflect the terminology in SFRS(I) equivalent of IFRS 15:

- Gross amounts due from customers for contract work-in-progress under FRS 11 has been reclassified to be presented as part of contract assets.
- Gross amounts due to customers for contract work-in-progress under FRS 11 has been reclassified to be presented as part of contract liabilities.

The impact of adoption of SFRS(I) equivalent of IFRS 15 and IFRS 9 has been disclosed in the Statements of Changes in Equity.

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6. **Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends: -**

- (a) Based on weighted average number of ordinary shares on issue**
(b) Based on fully diluted basis (detailing any adjustments made to the earnings)

	Group			
	3rd Quarter ended		9 Months ended	
	30.09.2018	30.09.2017	30.09.2018	30.09.2017
(a) Based on weighted average number of ordinary shares in issue	(4.42 cents)	0.99 cents	(3.93 cents)	1.87 cents
(b) On fully diluted basis	(4.42 cents)	0.99 cents	(3.93 cents)	1.87 cents

The basic earnings per ordinary share for the third quarter ended 30 September 2018 is calculated by dividing the 3rd quarter loss attributable to shareholders of S\$11.5 million (30 September 2017: profit of S\$2.6 million) by the weighted average number of 260,264,171 (30 September 2017: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the nine months ended 30 September 2018 is calculated by dividing the nine months loss attributable to shareholders of S\$10.2 million (30 September 2017: profit of S\$4.9 million) by the weighted average number of 260,264,171 (30 September 2017: 260,264,171) shares in issue during the financial period.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year**

- (1) Current period reported on**

	Group 30.09.2018	Company 30.09.2018
Net asset value per ordinary share for the period based on existing issued share capital as at 30 September 2018 of 260,264,171 ordinary shares	31.32 cents	21.79 cents

- (2) Immediately preceding financial year**

	Group 31.12.2017 (Restated)	Company 31.12.2017
Net asset value per ordinary share for the period based on existing issued share capital as at 31 December 2017 of 260,264,171 ordinary shares	35.55 cents	22.12 cents

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8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Review of Group Performance

3Q2018 vs 3Q2017

The Group is reporting a loss after tax of S\$11.5 million for 3Q2018, as compared with a profit after tax of S\$2.6 million for 3Q2017. The loss in 3Q2018 mainly due to the following key items:

- S\$6.0 million arising from cost-overruns from delays, resulting in a provision for foreseeable loss made on a project in United Arab Emirates;
- S\$2.5 million provision made relating to the consolidation of manufacturing operations in the Group;

	3rd Quarter ended		+ / (-) %
	30.09.2018 S\$'000	30.09.2017 S\$'000	
Singapore	21,878	13,821	58.3
Malaysia	8,479	10,742	(21.1)
International	5,797	7,309	(20.6)
Total	36,154	31,872	13.4

For 3Q2018, the Group's revenue increased by 13.4% to S\$36.2 million as compared with revenue for 3Q2017 mainly due to increased revenue from Singapore business unit.

Raw materials and consumables used decreased from S\$10.0 million in 3Q2017 to S\$7.9 million in 3Q2018, mainly due to the current composition of projects having lower material costs and lower activity in manufacturing operations.

Subcontractors' costs increased from S\$5.3 million in 3Q2017 to S\$24.3 million in 3Q2018, mainly due to more related subcontract works incurred for current projects.

Staff costs increased from S\$7.1 million in 3Q2017 to S\$8.2 million in 3Q2018 due to increased projects activities.

Other expenses increased from S\$3.8 million in 3Q2017 to S\$7.0m in 3Q2018 mainly due to the provision taken up in relation to the consolidation of manufacturing operations.

Tax expenses reduced in 3Q2018 by S\$0.9 million due to losses in the current quarter as compared with S\$0.6 million tax expenses in 3Q 2017.

9M2018 vs 9M2017

	9 Months ended		+ / (-) %
	30.09.2018 S\$'000	30.09.2017 S\$'000	
Singapore	57,779	57,273	0.9
Malaysia	45,600	26,507	72.0
International	22,364	16,936	32.1
Total	125,743	100,716	24.8

For 9M2018, the Group's revenue increased by 24.8% to S\$125.7 million as compared with revenue for 9M2017 due mainly to higher revenue from the Malaysia and International segments.

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Review of Group Performance (cont'd)

9M2018 vs 9M2017 (cont'd)

Raw materials and consumables used decreased from S\$31.4 million in 9M2017 to S\$26.2 million in 9M2018, mainly due to the current composition of projects having lower material costs and lower activity in manufacturing operations.

Subcontractors' costs increased from S\$28.3 million in 9M2017 to S\$71.4 million in 9M2018, mainly due to more related subcontract works incurred for current projects

Staff costs increased from S\$20.8 million in 9M2017 to S\$23.3 million in 9M2018 due to increased projects activities.

Other expenses increased from S\$11.3 million in 9M2017 to S\$14.1 million, mainly due to provision taken up in relation to the consolidation of manufacturing operations.

The Group is reporting a loss before tax of S\$9.5 million for 9M2018, as compared with a profit before tax of S\$6.2 million for 9M2017. The loss in 9M2018 is mainly due to the following key items:

- S\$5.3 million arising from cost-overruns from delays, resulting in a provision for foreseeable loss made on a project in United Arab Emirates;
- S\$2.5 million provision made relating to the consolidation of manufacturing operations in the Group;

After taking into account tax expenses, the Group's net loss after tax was S\$10.2 million for 9M2018.

Balance Sheet (30 September 2018 vs 31 December 2017)

Inventories decreased by S\$0.4 million to S\$7.6 million [Note 1(b)(3)]. The decrease was mainly due to lower activity levels in manufacturing operations.

Contract assets increased by S\$38.8 million to S\$55.0 million [Note 1(b)(4)] as at 30 September 2018 due to higher amount of work in progress related to costs being incurred ahead of billings.

Other receivables and deposits increased by S\$3.2 million to S\$9.4 million [Note 1(b)(1)]. The increase was mainly due to more deposits made to suppliers and subcontractors in the current period.

Trade payables increased to S\$75.5 million [Note 1(b)(5)]. The increase was mainly due to more project related costs in the current period.

Cash Flow

3Q2018 vs 3Q2017

For 3Q2018, there was net cash outflow of S\$6.8 million. The cash outflow is mainly due to the cash outflows for operating activities and purchase of equipment.

9M2018 vs 9M2017

For 9M2018, there was net cash outflow of S\$10.8 million. There was a S\$10.0 million net outflow from operating activities and S\$1.8 million net outflow from investing activities, offset by cash inflow from financing activities due to the return of a security deposit pledge reaching maturity.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's performance is in line with the commentary previously disclosed in the results announcement for the period ended 30 June 2018 and the profit warning announcement dated on 19 October 2018 in relation to the Group's unaudited financial results for 3Q2018, via SGXNET.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

In line with the profit warning announcement dated on 19 October 2018, the Group is expected to report a loss for the full year ending 31 December 2018.

The Group secured S\$144.8 million of new work in 9MFY18. This brings the order book to S\$158.7 million as at 30 September 2018.

11. Dividend

(1) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(2) Corresponding Period of the immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Nil

Date payable

Not applicable

Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to the effect.

No interim dividend has been declared/ recommended for 3Q ended 30 September 2018.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

- 15. A breakdown of sales**

Not applicable

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Not applicable

AGGREGATE VALUE OF TRANSACTION UNDER RULE 920(1)(A)(II) OF THE LISTING MANUAL

Aggregate value of transactions conducted pursuant to the general mandate for interested person transactions for the 3 months period ended 30 September 2018 pursuant to Rule 920(1)(a)(ii) of the Listing Manual:

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than S\$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 S\$100,000)
Depa Interiors LLC & its associates	Nil	S\$2,453,679

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CONFIRMATION THAT THE ISSUER HAS PROCURED UNDERTAKINGS FROM ALL ITS DIRECTORS AND EXECUTIVE OFFICERS UNDER RULE 720(1) OF THE LISTING MANUAL

The Company confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

BY ORDER OF THE BOARD

Hazel Chia
Company Secretary

Date: 25 October 2018

CONFIRMATION BY THE BOARD

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors which may render the unaudited financial statements for the 3Q and 9M ended 30 September 2018 to be false or misleading in any material aspect.

ON BEHALF OF BOARD OF DIRECTORS

Name: Edgar Ramani
Director

Name: Ong Tiew Siam
Director

Date: 25 October 2018