



Design Studio Group Ltd

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

4th Quarter and Full Year Financial Statements And Dividend Announcement For The Year Ended 31 December 2018

Design Studio Group Ltd
(Registration Number: 199401553D)

4th Quarter and Full Year 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					
		4th Quarter ended			Full Year ended		
		31.12.2018	31.12.2017	+ / (-)	31.12.2018	31.12.2017	+ / (-)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Revenue	43,051	38,368	12.2	168,794	139,084	21.4
	Other items of income						
	Other income	160	67	>100	255	158	61.4
	Finance Income	15	16	(6.3)	64	90	(28.9)
		<u>43,226</u>	<u>38,451</u>	<u>12.4</u>	<u>169,113</u>	<u>139,332</u>	<u>21.4</u>
	Items of expenses						
	Change in inventories of finished goods and work in progress	(1,414)	(1,054)	34.2	87	(1,019)	N.M.
	Raw materials and consumables used	(9,824)	(15,230)	(35.5)	(35,988)	(46,674)	(22.9)
	Subcontractors costs	(30,316)	(12,809)	>100	(101,765)	(41,144)	>100
	Staff costs	(9,312)	(7,329)	27.1	(32,624)	(28,120)	16.0
	Depreciation and amortisation expenses	(585)	(916)	(36.1)	(2,354)	(3,553)	(33.7)
	Finance costs	(68)	(32)	>100	(208)	(306)	(32.0)
	Other expenses	(4,565)	(5,442)	(16.1)	(18,625)	(16,700)	11.5
	(Loss)/ profit before tax	<u>(12,858)</u>	<u>(4,361)</u>	<u>>100</u>	<u>(22,364)</u>	<u>1,816</u>	<u>N.M.</u>
	Income tax expense	(865)	999	N.M.	(1,548)	(304)	>100
	(Loss)/ profit after tax	<u>(13,723)</u>	<u>(3,362)</u>	<u>>100</u>	<u>(23,912)</u>	<u>1,512</u>	<u>N.M.</u>
	(Loss)/ profit attributable to:						
	Owners of the Company	(13,754)	(3,361)		(23,972)	1,515	
	Non-controlling interests	31	(1)		60	(3)	
		<u>(13,723)</u>	<u>(3,362)</u>		<u>(23,912)</u>	<u>1,512</u>	

N.M.: Not Meaningful

Consolidated Income Statement (cont'd)

* The comparative figures for the financial year ended 31 December 2017 ("FY2017") 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 FY2017 and 4Q2017 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					
	4th Quarter ended			Full Year ended		
	31.12.2018	31.12.2017	+ /(-)	31.12.2018	31.12.2017	+ /(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sundry income	160	67	>100	255	158	61.4

Note 1(a)(2) Finance income:

	Group					
	4th Quarter ended			Full Year ended		
	31.12.2018	31.12.2017	+ /(-)	31.12.2018	31.12.2017	+ /(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Finance income						
- Cash and short-term deposits	15	16	(6.3)	64	90	(28.9)

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

	Group					
	4th Quarter ended			Full Year ended		
	31.12.2018	31.12.2017	+ /(-)	31.12.2018	31.12.2017	+ /(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Foreign exchange loss/ (gain), net	12	138	(91.3)	(27)	846	N.M.
Loss/ (gain) on disposal of property, plant and equipment	682	35	>100	543	(81)	N.M.
Impairment loss on fixed assets	305	-	N.M.	305	-	N.M.
Impairment loss on contract assets	17	10	70.0	118	41	>100
Impairment loss on doubtful receivables	617	917	(32.7)	716	1,178	(39.2)
Write back of doubtful receivables	(373)	-	N.M.	(1,070)	(8)	>100
Inventories written off	108	-	N.M.	108	-	N.M.
Inventories written down, net	1,619	2,045	(20.8)	1,473	2,045	(28.0)
Write back of impairment loss on inventories	(46)	-	N.M.	(192)	-	N.M.
Write back of impairment loss on club membership	-	-	-	(28)	-	N.M.

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

	Group					
	4th Quarter ended			Full Year ended		
	31.12.2018	31.12.2017	+ /(-)	31.12.2018	31.12.2017	+ /(-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Income tax	289	(107)	N.M.	814	1,191	(31.7)
Deferred tax	576	(892)	N.M.	734	(887)	N.M.
	865	(999)	N.M.	1,548	304	>100

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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	
		31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017
		S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets					
Property, plant and equipment		14,109	14,536	3,321	3,249
Investment in subsidiaries		-	-	41,359	41,359
Intangible assets	1(b)(2)	2,762	2,738	33	9
Deferred tax assets		554	1,333	287	280
Trade and other receivables	1(b)(1)	7,277	11,852	-	-
Total non-current assets		24,702	30,459	45,000	44,897
Current assets					
Inventories	1(b)(3)	4,050	7,886	-	-
Contract assets	1(b)(4)	67,357	16,400	-	-
Trade and other receivables	1(b)(1)	51,427	55,286	3,413	3,346
Prepayments		709	1,297	69	42
Loans to subsidiaries		-	-	6,155	8,725
Tax recoverable		1,501	1,070	-	-
Cash and short-term deposits		11,805	28,942	365	1,693
Total current assets		136,849	110,881	10,002	13,806
Current liabilities					
Trade and other payables	1(b)(5)	82,090	40,899	1,463	1,139
Contract liabilities	1(b)(4)	8,467	7,039	-	-
Finance lease liabilities	1(b)(ii)	-	50	-	-
Borrowings		3,000	-	-	-
Provision for tax		186	824	-	-
Total current liabilities		93,743	48,812	1,463	1,139
Net current assets		43,106	62,069	8,539	12,667
Non-current liabilities					
Deferred tax liabilities		37	85	-	-
Net assets		67,771	92,443	53,539	57,564
Equity attributable to owners of the Company					
Share capital		32,732	32,732	32,732	32,732
Reserves		35,438	60,170	20,807	24,832
		68,170	92,902	53,539	57,564
Non-controlling interests		(399)	(459)	-	-
Total equity		67,771	92,443	53,539	57,564

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Notes to Balance Sheets

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

	Group		Company	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	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	6,056	10,709	-	-
Immediate holding company	1,239	1,187	-	-
	<u>7,295</u>	<u>11,896</u>	<u>-</u>	<u>-</u>
Less: Impairment loss	(18)	(44)	-	-
	<u>7,277</u>	<u>11,852</u>	<u>-</u>	<u>-</u>
Trade and other receivables (current):				
Trade receivables	41,266	50,254	666	942
Other receivables and deposits	10,161	5,032	2,747	2,404
	<u>51,427</u>	<u>55,286</u>	<u>3,413</u>	<u>3,346</u>
Trade receivables:				
<u>Third parties:</u>				
Trade receivables	29,666	31,990	1	277
Retention monies	9,371	7,151	-	-
	<u>39,037</u>	<u>39,141</u>	<u>1</u>	<u>277</u>
<u>Immediate holding company:</u>				
Trade receivables	2,516	12,056	-	-
	<u>2,516</u>	<u>12,056</u>	<u>-</u>	<u>-</u>
<u>Related parties:</u>				
Trade receivables	522	499	-	-
	<u>522</u>	<u>499</u>	<u>-</u>	<u>-</u>
<u>Subsidiaries:</u>				
Trade receivables	-	-	665	665
	<u>-</u>	<u>-</u>	<u>665</u>	<u>665</u>
Total gross trade receivables (current)	42,075	51,696	666	942
Less: Impairment loss	(809)	(1,442)	-	-
Net trade receivables (current)	<u>41,266</u>	<u>50,254</u>	<u>666</u>	<u>942</u>
<u>Movement in allowance accounts:</u>				
At beginning of the year	1,486	686	-	-
Charge for the year	716	1,178	-	-
Write-back during the year	(1,070)	(8)	-	-
Write-off during the year	(273)	(370)	-	-
Currency translation difference	(32)	-	-	-
At end of the year	<u>827</u>	<u>1,486</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Other receivables and deposits:				
Other receivables	606	295	-	64
Deposits	9,518	4,737	69	61
	10,124	5,032	69	125
Amount due from a related party	37	-	28	-
Amount due from subsidiaries (non-trade)	-	-	2,650	2,279
	<u>10,161</u>	<u>5,032</u>	<u>2,747</u>	<u>2,404</u>

Note 1(b)(2) Intangible assets

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	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)
	128	100	128	100
Less: Accumulated amortisation	(95)	(91)	(95)	(91)
Goodwill	2,729	2,729	-	-
	<u>2,762</u>	<u>2,738</u>	<u>33</u>	<u>9</u>

Note 1(b)(3) Inventories

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Raw materials, at cost	2,369	5,256	-	-
Work-in-progress, at cost	576	1,584	-	-
Finished goods, at cost	1,105	1,046	-	-
	<u>4,050</u>	<u>7,886</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	31.12.2018	31.12.2017	31.12.2018	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	424,597	428,154	-	-
Less: Progress billings	(365,707)	(418,793)	-	-
	<u>58,890</u>	<u>9,361</u>	<u>-</u>	<u>-</u>
Presented as:				
Contract assets	67,357	16,400	-	-
Contract liabilities	8,467	7,039	-	-

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

	Group		Company	
	31.12.2018	31.12.2017 (Restated)	31.12.2018	31.12.2017
	S\$'000	S\$'000	S\$'000	S\$'000
Trade payables:				
Amount due to third parties	19,799	7,001	-	1
Amount due to subsidiaries	-	-	28	187
Amount due to related companies	58	231	-	-
Amount due to immediate holding company	1,866	2,653	-	-
Retention payables	8,396	8,609	-	-
Provision for foreseeable losses	616	348	-	-
Accrued contract cost	45,097	13,541	-	-
	<u>75,832</u>	<u>32,383</u>	<u>28</u>	<u>188</u>
Other payables				
Other payables	2,363	1,876	80	-
Amount due to a subsidiary	-	-	7	-
Amount due to a related company	1,165	360	1,122	317
Accrued operating expenses	2,730	6,280	226	634
	<u>82,090</u>	<u>40,899</u>	<u>1,463</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 31.12.2018		As at 31.12.2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	3,000*	-	50

Amount repayable after one year

As at 31.12.2018		As at 31.12.2017	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 31 December 2018, the Group's bank facilities were secured by the corporate guarantees provided by the Company.

*As at 31 December 2018, a subsidiary of the Group has a bank facility which requires the Group to maintain a minimum tangible net worth of S\$ 80 million.

As at 31 December 2018, the Group's tangible net worth is below S\$80 million. Thus, the Group was not in compliance with its bank covenants. As at to-date, the Group has obtained a waiver from the bank on the breach of loan covenant.

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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			
	4th Quarter ended		Full Year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017 (Restated)
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
(Loss)/ profit before tax	(12,858)	(4,361)	(22,364)	1,816
Adjustments:				
Depreciation of property, plant and equipment	583	916	2,350	3,551
Loss/ (gain) on disposal of property, plant and equipment	682	35	543	(81)
Finance income	(15)	(16)	(64)	(90)
Finance expenses	68	32	208	306
Impairment loss on fixed assets	305	-	305	-
Impairment loss on doubtful receivables	617	917	716	1,178
Write back of doubtful receivables	(373)	-	(1,070)	(8)
Write back of impairment loss on club membership	-	-	(28)	-
Inventories written off	108	-	108	-
Inventories written down, net	1,619	2,045	1,473	2,045
Impairment loss on contract assets	17	10	118	41
Amortisation of club membership	2	-	4	2
Operating (loss)/ profit before working capital changes	(9,245)	(422)	(17,701)	8,760
Decrease/ (increase) in:				
Inventories	1,788	2,004	2,199	3,235
Net contract assets/liabilities	(8,815)	(8,340)	(49,762)	(27,990)
Trade and other receivables	6,360	(2,555)	8,992	19,795
Increase/ (decrease) in:				
Trade and other payables	3,344	11,485	41,337	(4,808)
Cash flows from operations	(6,568)	2,172	(14,935)	(1,008)
Finance expenses paid	(68)	(32)	(208)	(306)
Income taxes paid	(343)	7	(1,882)	(3,677)
Net cash flows (used in)/ generated from operating activities	(6,979)	2,147	(17,025)	(4,991)
Cash flows from investing activities				
Costs incurred for construction-in-progress	(555)	-	(1,011)	-
Finance income received	15	16	64	90
Proceeds from sale of property, plant and equipment	19	-	170	130
Purchase of property, plant and equipment	(816)	(1,664)	(2,371)	(3,160)
Net cash flows used in investing activities	(1,337)	(1,648)	(3,148)	(2,940)

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Consolidated Statement of Cash Flows (cont'd)

	Group			
	4th Quarter ended		Full Year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017 (Restated)
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from financing activities				
(Increase)/ decrease in fixed deposits pledged	-	(248)	1,023	(1,023)
Repayment of finance lease liabilities	-	(25)	(50)	(50)
Increase in bank borrowings	3,000	-	3,000	-
Dividends paid on ordinary shares by the Company	-	-	-	(16,917)
Net cash flows from/ (used in) financing activities	3,000	(273)	3,973	(17,990)
Net (decrease)/ increase in cash and cash equivalents	(5,316)	226	(16,200)	(25,921)
Effect of exchange rate changes on cash and cash equivalents	(12)	80	86	(123)
Cash and cash equivalents at beginning of the period	17,133	27,613	27,919	53,963
Cash and cash equivalents at end of the period (Note A)	11,805	27,919	11,805	27,919

Notes to Consolidated Statement of Cash Flows

A. Cash and cash equivalents

	Group	
	31.12.2018 S\$'000	31.12.2017 S\$'000
Cash at banks and on hand	11,805	27,893
Fixed deposits	-	1,049
Cash and short-term deposits	11,805	28,942
Less: Cash and short-term deposits pledged	-	(1,023)
Cash and cash equivalents	11,805	27,919

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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					
	4th Quarter ended			Full Year ended		
	31.12.2018	31.12.2017 (Restated)	+ / (-)	31.12.2018	31.12.2017 (Restated)	+ / (-)
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
(Loss)/ profit after tax	(13,723)	(3,362)	>100	(23,912)	1,512	N.M.
Other comprehensive (loss) income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	51	397	(87.2)	(760)	(105)	>100
Total comprehensive (loss) income	<u>(13,672)</u>	<u>(2,965)</u>	N.M.	<u>(24,672)</u>	<u>1,407</u>	N.M.
Total comprehensive (loss) income attributable to:						
Equity holders of the Company	(13,703)	(2,964)		(24,732)	1,410	
Non-controlling interests	31	(1)		60	(3)	
	<u>(13,672)</u>	<u>(2,965)</u>		<u>(24,672)</u>	<u>1,407</u>	

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

<u>Group</u>	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 at 1 January 2017	-	(247)	-	(247)	-	(247)
Impact of adoption of SFRS(I) 15 on previously reported results for the year ended 31 December 2017	-	370	(9)	361	-	361
Impact of adoption of SFRS(I) 9 on previously reported results for the year ended 31 December 2017	-	(56)	-	(56)	-	(56)
Balance at 1 January 2018, as restated	32,732	61,138	(968)	92,902	(459)	92,443
Total comprehensive loss for the year	-	(23,972)	(760)	(24,732)	60	(24,672)
Balance at 31 December 2018	32,732	37,166	(1,728)	68,170	(399)	67,771
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	-	(247)	-	(247)	-	(247)
Balance at 1 January 2017, as restated	32,732	76,540	(863)	108,409	(456)	107,953
Total comprehensive income for the year, as restated	-	1,515	(105)	1,410	(3)	1,407
Dividends on ordinary shares	-	(16,917)	-	(16,917)	-	(16,917)
Balance at 31 December 2017	32,732	61,138	(968)	92,902	(459)	92,443

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

<u>Company</u>	<u>Share capital</u> <u>S\$'000</u>	<u>Revenue reserve</u> <u>S\$'000</u>	<u>Total</u> <u>S\$'000</u>
2018			
Balance at 1 January 2018	32,732	24,832	57,564
Total comprehensive income for the year	-	(4,025)	(4,025)
Balance at 31 December 2018	<u>32,732</u>	<u>20,807</u>	<u>53,539</u>
2017			
Balance at 1 January 2017	32,732	28,662	61,394
Total comprehensive income for the year	-	13,087	13,087
Dividends on ordinary shares	-	(16,917)	(16,917)
Balance at 31 December 2017	<u>32,732</u>	<u>24,832</u>	<u>57,564</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.

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

There were no changes in the share capital of the company in the 4th quarter of 2018.

There were no outstanding convertible securities as at 31 December 2017 and 31 December 2018.

There were no treasury shares and subsidiary holdings as at 31 December 2017 and 31 December 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 31 December 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.

	<u>31.12.2018</u>	<u>31.12.2017</u>
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 31 December 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 31 December 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.

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			
	4th Quarter ended		Full Year ended	
	31.12.2018	31.12.2017	31.12.2018	31.12.2017
(a) Based on weighted average number of ordinary shares in issue	(5.27 cents)	(1.29) cents	(9.19 cents)	0.58 cents
(b) On fully diluted basis	(5.27 cents)	(1.29) cents	(9.19 cents)	0.58 cents

The basic earnings per ordinary share for the fourth quarter ended 31 December 2018 is calculated by dividing the 4th quarter loss attributable to shareholders of S\$13.7 million (31 December 2017: loss of S\$3.4 million) by the weighted average number of 260,264,171 (31 December 2017: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the financial year ended 31 December 2018 is calculated by dividing the full year loss attributable to shareholders of S\$23.9 million (31 December 2017: profit of S\$1.5 million) by the weighted average number of 260,264,171 (31 December 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

(a) Current period reported on

	Group 31.12.2018	Company 31.12.2018
Net asset value per ordinary share for the period based on existing issued share capital as at 31 December 2018 of 260,264,171 ordinary shares	26.04 cents	20.57 cents

(b) 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	35.52 cents	22.12 cents

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

4Q2018 vs 4Q2017

The Group is reporting a loss after tax of S\$13.7 million for 4Q2018, as compared with a loss after tax of S\$3.4 million for 4Q2017. The loss in 4Q2018 is mainly due to the following significant items:

- One-Off items totaling S\$7.5 million:
 - S\$4.4 million arising from losses in manufacturing operations due to lower manufacturing activity levels.
 - S\$1.1 million for closure of underutilised showrooms in Malaysia and in the People's Republic of China.
 - S\$0.8 million from costs overruns due to delay from a project in United Arab Emirates.
 - S\$0.7 million for costs incurred on defects and commercial settlements for completed projects.
 - S\$0.5 million arising from cost incurred and provisions made relating to the consolidation of manufacturing operations in the Group.
- Other items:
 - S\$2.6 million due to project cost overruns
 - S\$0.8 million for write down on slow moving inventory that are unlikely to be utilised based on current market product trends

For 4Q2018, the Group's revenue increased by 12.2% to S\$43.1 million as compared with revenue for 4Q2017 mainly due to increased revenue from the Singapore business unit.

Raw materials and consumables used decreased from S\$15.2 million in 4Q2017 to S\$9.8 million in 4Q2018, mainly due to the current composition of projects having lower material costs and lower activity in manufacturing operations.

Subcontractors' costs increased from S\$12.8 million in 4Q2017 to S\$30.3 million in 4Q2018, mainly due to more related subcontract works incurred for current projects.

Staff costs increased from S\$7.3 million in 4Q2017 to S\$9.3 million in 4Q2018 in line with the increase in revenue and in the number of projects undertaken and also due to redundancy cost incurred in relation to the consolidation of manufacturing operations.

Other expenses increased from S\$4.6 million in 4Q2017 to S\$5.4 million in 4Q2018, mainly due to cost provisions taken up in relation to the consolidation of manufacturing operations.

Income tax expenses of S\$0.9 million in 4Q2018 arose mainly from the reversal of deferred tax assets relating to the consolidation of manufacturing operations.

Review of Group Performance (cont'd)

FY2018 vs FY2017

For FY2018, the Group's revenue increased by 21.4% to S\$168.8 million as compared with revenue for FY2017 with higher revenue recorded across the Singapore, Malaysia and International business segments.

The Group is reporting a loss after tax of S\$23.9 million for FY2018, as compared with a profit after tax of S\$1.5 million for FY2017. The loss in FY2018 is mainly due to the following significant items:

- One-off items totaling S\$19.1 million:
 - S\$7.0 million arising from losses in manufacturing operations due to lower manufacturing activity levels
 - S\$6.1 million arising from cost overruns due to delay from a project in United Arab Emirates
 - S\$3.0 million from cost incurred and provisions made relating to the consolidation of manufacturing operations in the Group.
 - S\$1.9 million for costs incurred on defects and commercial settlement for completed projects.
 - S\$1.1 million for closure of underutilised showrooms in Malaysia and in the People's Republic of China.
- Other items:
 - S\$0.6 million for write down on slow moving inventory that are unlikely to be utilized based on current market product trends.

Raw materials and consumables used decreased from S\$46.7 million in FY2017 to S\$36.0 million in FY2018, mainly due to the current composition of projects having lower material costs and lower activity in manufacturing operations.

Subcontractors' costs increased from S\$41.1 million in FY2017 to S\$101.8 million in FY2018, mainly due to more related subcontract works incurred for current projects.

Staff costs increased from S\$28.1 million in FY2017 to S\$32.6 million in FY2018 in line with the increase in revenue and in the number of projects undertaken and also due to redundancy cost incurred in relation to the consolidation of manufacturing operations.

Other expenses increased from S\$16.7 million in FY2017 to S\$18.6 million in FY2018, mainly due to cost provisions taken up in relation to the consolidation of manufacturing operations.

Balance Sheet (31 December 2018 vs 31 December 2017)

Inventories decreased by S\$3.8 million to S\$4.1 million [Note 1(b)(3)]. The decrease was mainly due to lower activity levels in manufacturing operations.

Contract assets increased by S\$51.0 million to S\$67.4 million [Note 1(b)(4)] as at 31 December 2018 due to higher amount of work in progress related to costs being incurred ahead of billings.

Other receivables and deposits increased by S\$5.2 million to S\$10.2 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 by S\$43.4 million to S\$75.8 million [Note 1(b)(5)]. The increase was mainly due to more project related costs in the current period.

Cash Flow

4Q2018 vs 4Q2017

For 4Q2018, there was net cash outflow of S\$5.3 million. The cash outflow is mainly due to the cash outflows for operating activities offset with cash inflow from financing activities in the form of a S\$3.0 million short term working capital loan to fund projects commencing in the 4Q2018 period.

Review of Group Performance (cont'd)

Cash Flow (cont'd)

FY2018 vs FY2017

For FY2018, there was net cash outflow of S\$16.2 million. There was a S\$17.0 million net outflow from operating activities and S\$3.1 million net outflow from investing activities, offset by cash inflow from financing activities in the form of a S\$3.0 million short term working capital loan to fund projects commencing in the 4Q2018 period.

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 profit warning announcements dated 22 February 2019 and 19 October 2018.

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

The Group secured S\$180.2 million of new work in FY2018. This brings the order book to S\$136.2 million as at 31 December 2018.

The Group anticipates building on this order book with a number of projects nearing award and expected to be secured in 1Q2019 and 2Q2019. The Group remains well positioned in its capacity and capability to service the expected increase in order book following the consolidation of its Manufacturing operations

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Nil

(b) 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 final dividend has been recommended for 4Q ended 31 December 2018 in view of the Group's loss for the year.

Design Studio Group Ltd
(Registration Number: 199401553D)

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

The Group has four reportable segments:

Projects

1. Singapore BU
2. Malaysia BU
3. International BU

Manufacturing

4. Manufacturing BU

	-----PROJECTS-----			Manufacturing BU	Others	Adjustments and eliminations	Consolidated
	Singapore BU	Malaysia BU	International BU				
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2018							
Revenue							
External customers	76,666	54,485	22,426	15,217	-	-	168,794
Inter-segment	-	1,937	-	17,428	-	(19,365)	-
Total revenue	76,666	56,422	22,426	32,645	-	(19,365)	168,794
Results							
Other income	28	2	-	176	49	-	255
Other non-cash expenses	116	1,113	22	2,747	519	-	4,517
Segment (loss) /profit before tax	817	494	(6,278)	(10,893)	(6,504)	-	(22,364)
Assets							
Additions to non-current assets	147	63	214	1,912	1,045	-	3,381
Segment assets	49,430	46,828	26,527	31,618	7,148	-	161,551
Liabilities							
Segment liabilities	38,285	26,966	17,210	9,144	2,175	-	93,780
2017							
Revenue							
External customers	68,750	32,258	20,432	17,644	-	-	139,084
Inter-segment	-	3,929	-	42,114	-	(46,043)	-
Total revenue	68,750	36,187	20,432	59,758	-	(46,043)	139,084
Results							
Other income	10	29	-	56	63	-	158
Other non-cash expenses	155	-	-	5,925	278	-	6,358
Segment profit/ (loss) before tax	9,116	30	3,138	(3,787)	(6,681)	-	1,816
Assets							
Additions to non-current assets	185	419	-	1,139	-	-	1,743
Segment assets	44,836	29,181	13,294	35,570	18,459	-	141,340
Liabilities							
Segment liabilities	25,273	9,678	2,934	8,524	2,488	-	48,897

Geographical Segment

Revenue by geographical markets

	Full Year ended 31.12.2018	Full Year ended 31.12.2017 (Restated)
	S\$'000	S\$'000
Singapore	76,858	67,713
Malaysia	58,865	45,382
United Arab Emirates	7,532	21,220
People's Republic of China	10,646	3,916
United States of America	709	37
Thailand	13,436	813
Others	748	3
	<u>168,794</u>	<u>139,084</u>

Non-current assets by geographical markets

	Full Year ended 31.12.2018	Full Year ended 31.12.2017
	S\$'000	S\$'000
Singapore	7,864	7,101
Malaysia	1,109	1,210
People's Republic of China	7,700	8,963
Thailand	169	-
Others	29	-
	<u>16,871</u>	<u>17,274</u>

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

Revenue from Singapore increased from S\$67.7 million in FY2017 to S\$76.9 million in FY2018, as a result of more projects being completed during the year.

Revenue from Malaysia increased from S\$45.4 million in FY2017 to S\$58.9 million in FY2018 as a result of more projects being completed during the year.

Revenue from the People's Republic of China increased from S\$3.9 million in FY2017 to S\$10.6 million in FY2018 due to completion of Chinese projects during the year.

Revenue from Thailand increased from S\$0.8 million in FY2017 to S\$13.4 million in FY2018 with an increase of projects in Thailand.

Singapore BU's profit has decreased from S\$9.1 million in FY2017 to S\$0.8 million in FY2018 mainly due to cost incurred on defect and commercial settlement for completed projects.

Malaysia BU's profit increased from S\$0.03 million in FY2017 to S\$0.5 million in FY2018 as a result of more projects being completed during the year.

International BU's profit decreased from S\$3.1 million in FY2017 to a loss of S\$6.3 million in FY2018 mainly due to cost overruns due to delay from a project in United Arab Emirates.

Manufacturing BU's loss increased from S\$3.8 million in FY2017 to S\$10.9 million in FY2018 mainly due to cost incurred and provisions made relating to the consolidation of manufacturing operations in the Group.

15. A breakdown of sales

	Group	
	Full Year ended	
	31.12.2018	31.12.2017
	S\$'000	S\$'000
(a) Sales reported for first half year	89,589	68,844
(b) Operating profit after tax before deducting minority interests reported for first half year	1,299	2,293
(c) Sales reported for second half year	79,205	70,240
(d) Operating profit after tax before deducting minority interests reported for second half year	(25,211)	(781)

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

Type of Dividend	FY2018	FY2017
	S\$'000	S\$'000
Interim	-	3,253
Total	-	3,253

17. 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 31 December 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	S\$498,087	S\$2,481,209

18. 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.

19. PERSONS OCCUPYING MANAGERIAL POSITIONS WHO IS RELATED TO A DIRECTOR, CEO OR SUBSTANTIAL SHAREHOLDER

Pursuant to Rule 704(13) of the Listing Manual, the Board wishes to confirm that there is no person occupying a managerial position in the Company or any of its principal subsidiaries as at the financial year ended 31 December 2018 who is a relative of a director, chief executive officer or substantial shareholder of the Company.

BY ORDER OF THE BOARD

Hazel Chia
Company Secretary

Date: 23 February 2019