



## **Design Studio Group Ltd.**

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

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**Third Quarter and Nine Months Financial Statements  
And Dividend Announcement  
For The Period Ended  
30 September 2019**

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**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

**Third 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 and statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Consolidated Income Statement**

	<b>Group</b>					
	<b>3rd Quarter ended</b>			<b>Nine Months ended</b>		
	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>+ / (-)</b>	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>+ / (-)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
Revenue	21,759	36,154	(39.8)	73,284	125,743	(41.7)
<b>Other items of income</b>						
Other income	7	8	(12.5)	138	95	45.3
Interest income	4	11	(63.6)	22	49	(55.1)
	<u>21,770</u>	<u>36,173</u>	<u>(39.8)</u>	<u>73,444</u>	<u>125,887</u>	<u>(41.7)</u>
<b>Items of expenses</b>						
Change in inventories of finished goods and work in progress	141	(101)	N.M.	(650)	1,501	N.M.
Raw materials and consumables used	(8,524)	(7,882)	8.1	(19,923)	(26,164)	(23.9)
Subcontractors costs	(16,527)	(24,314)	(32.0)	(40,182)	(71,449)	(43.8)
Employee benefits	(6,866)	(8,171)	(16.0)	(22,973)	(23,312)	(1.5)
Depreciation and amortisation expenses	(849)	(513)	65.5	(2,468)	(1,769)	39.5
Finance costs	(195)	(47)	>100	(332)	(140)	>100
Impairment loss on financial assets and contract assets	-	(152)	>100	(6,916)	(200)	>100
Reversal of impairment loss on financial assets	55	446	(87.7)	143	697	(79.5)
Other expenses	(5,714)	(7,292)	(21.6)	(14,695)	(14,557)	0.9
	<u>(16,709)</u>	<u>(11,853)</u>	<u>41.0</u>	<u>(34,552)</u>	<u>(9,506)</u>	<u>&gt;100</u>
Income tax (credit)/ expense	125	365	(65.8)	(534)	(683)	(21.8)
<b>Loss after tax</b>	<u>(16,584)</u>	<u>(11,488)</u>	<u>44.4</u>	<u>(35,086)</u>	<u>(10,189)</u>	<u>&gt;100</u>
<b>(Loss)/ Profit attributable to:</b>						
Owners of the Company	(16,541)	(11,505)	43.8	(35,126)	(10,218)	>100
Non-controlling interests	(43)	17	N.M.	40	29	37.9
	<u>(16,584)</u>	<u>(11,488)</u>	<u>44.4</u>	<u>(35,086)</u>	<u>(10,189)</u>	<u>&gt;100</u>

**Consolidated Statement of Comprehensive Income**

<b>Loss after tax</b>	(16,584)	(11,488)	44.4	(35,086)	(10,189)	>100
<b>Other comprehensive loss</b>						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(434)	(1,973)	(78.0)	(415)	(811)	(48.8)
<b>Total comprehensive loss</b>	<u>(17,018)</u>	<u>(13,461)</u>	<u>26.4</u>	<u>(35,501)</u>	<u>(11,000)</u>	<u>&gt;100</u>
<b>Total comprehensive (loss)/ income attributable to:</b>						
Equity holders of the Company	(16,975)	(13,478)	25.9	(35,536)	(11,029)	>100
Non-controlling interests	(43)	17	N.M.	35	29	20.7
	<u>(17,018)</u>	<u>(13,461)</u>	<u>26.4</u>	<u>(35,501)</u>	<u>(11,000)</u>	<u>&gt;100</u>

N.M.: Not Meaningful

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

	Note	Group		Company	
		30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
<b>Non-current assets</b>					
Property, plant and equipment		14,685	14,109	3,412	3,321
Investment in subsidiaries		-	-	41,359	41,359
Intangible assets	1(b)(1)	2,754	2,762	25	33
Deferred tax assets		476	554	289	287
Trade and other receivables	1(b)(2)	5,438	7,277	-	-
Total non-current assets		23,353	24,702	45,085	45,000
<b>Current assets</b>					
Inventories	1(b)(3)	3,767	4,050	-	-
Contract assets	1(b)(4)	57,413	65,735	-	-
Trade and other receivables	1(b)(2)	51,702	51,427	3,743	3,413
Prepayments		1,102	709	42	69
Loans to subsidiaries		-	-	6,604	6,155
Tax recoverable		1,624	1,501	-	-
Cash at banks and on hand		4,533	11,805	36	365
Total current assets		120,141	135,227	10,425	10,002
<b>Current liabilities</b>					
Trade and other payables	1(b)(5)	76,313	80,689	2,355	1,463
Contract liabilities	1(b)(4)	15,982	8,490	-	-
Lease liabilities		936	-	50	-
Provisions		1,420	2,225	-	-
Borrowings		17,540	3,000	490	-
Provision for tax		212	186	-	-
Total current liabilities		112,403	94,590	2,895	1,463
<b>Net current assets</b>		7,738	40,637	7,530	8,539
<b>Non-current liabilities</b>					
Deferred tax liabilities		37	37	-	-
Lease liabilities		1,503	-	513	-
Total non-current liabilities		1,540	37	513	-
<b>Net assets</b>		29,551	65,302	52,102	53,539
<b>Equity attributable to owners of the Company</b>					
Share capital		32,732	32,732	32,732	32,732
Reserves		(2,817)	32,969	19,370	20,807
		29,915	65,701	52,102	53,539
<b>Non-controlling interests</b>		(364)	(399)	-	-
<b>Total equity</b>		29,551	65,302	52,102	53,539

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**Notes to Statement of Financial Position**

**Note 1(b)(1) Intangible assets**

	Group		Company	
	30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
Club membership	128	128	128	128
Less: Accumulated amortisation	(103)	(95)	(103)	(95)
	25	33	25	33
Goodwill	2,729	2,729	-	-
	<u>2,754</u>	<u>2,762</u>	<u>25</u>	<u>33</u>

**Note 1(b)(2) Trade and other receivables**

	Group		Company	
	30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
<b>Trade and other receivables (non-current):</b>				
Retention monies				
- Third parties	4,513	6,056	-	-
- Immediate holding company	925	1,239	-	-
	5,438	7,295	-	-
Less: Loss allowance	-	(18)	-	-
	<u>5,438</u>	<u>7,277</u>	<u>-</u>	<u>-</u>
<b>Trade receivables (current):</b>				
Retention monies				
- Third parties	6,703	9,371	-	-
Trade receivables				
- Third parties	23,758	29,666	-	1
- Immediate holding company	4,097	2,516	-	-
- Related companies	529	522	-	-
- Subsidiary	-	-	457	665
	35,087	42,075	457	666
Less: Loss allowance	(2,407)	(809)	-	-
	<u>32,680</u>	<u>41,266</u>	<u>457</u>	<u>666</u>
Other receivables and deposits	19,471	10,124	68	69
Less: Loss allowance	(486)	-	-	-
	<u>18,985</u>	<u>10,124</u>	<u>68</u>	<u>69</u>
Amount due from a related company	37	37	28	28
Amount due from subsidiaries (non-trade)	-	-	3,190	2,650
Total	<u>51,702</u>	<u>51,427</u>	<u>3,743</u>	<u>3,413</u>
<b>Movement in allowance accounts:</b>				
At beginning of the year	827	1,486	-	-
Charge for the year	2,406	716	-	-
Write-back during the year	(143)	(1,070)	-	-
Write-off during the year	(188)	(273)	-	-
Currency translation difference	(9)	(32)	-	-
At end of the year	<u>2,893</u>	<u>827</u>	<u>-</u>	<u>-</u>

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

**Note 1(b)(3) Inventories**

	Group		Company	
	30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
Raw materials	2,395	2,369	-	-
Work-in-progress	506	576	-	-
Finished goods	866	1,105	-	-
	<u>3,767</u>	<u>4,050</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
Contract revenue	62,054	65,907	-	-
Less: Loss allowance	(4,641)	(172)	-	-
Total contract assets	<u>57,413</u>	<u>65,735</u>	<u>-</u>	<u>-</u>
Contract revenue	1,254	1,146	-	-
Advance payment from customers	14,728	7,344	-	-
Total contract liabilities	<u>15,982</u>	<u>8,490</u>	<u>-</u>	<u>-</u>
Net contract assets	<u>41,431</u>	<u>57,245</u>	<u>-</u>	<u>-</u>

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

	Group		Company	
	30.09.2019 S\$'000	31.12.2018 S\$'000	30.09.2019 S\$'000	31.12.2018 S\$'000
<u>Trade payables:</u>				
Amount due to third parties	20,096	19,799	-	-
Amount due to subsidiaries	-	-	28	28
Amount due to related companies	81	80	-	-
Amount due to immediate holding company	4,048	1,844	-	-
Retention payables	8,558	8,396	-	-
Accrued contract costs	36,836	44,997	-	-
	<u>69,619</u>	<u>75,116</u>	<u>28</u>	<u>28</u>
Other payables	2,061	2,230	288	80
Amount due to a subsidiary	-	-	6	7
Amount due to a related company	1,838	1,165	1,818	1,122
Accrued operating expenses	2,795	2,178	215	226
	<u>76,313</u>	<u>80,689</u>	<u>2,355</u>	<u>1,463</u>

**1(b)(ii) Aggregate amount of group's borrowings and debts securities as at the end of the current financial period reported on with comparative figures as at the end of the immediately preceding financial year.**

**Amount repayable in one year or less, or on demand**

	30.09.2019 S\$'000	31.12.2018 S\$'000
Unsecured bank borrowings	<u>17,540</u>	<u>3,000</u>

**Amount repayable after one year – Nil**

**Details of any collateral**

As at 30 September 2019, the Group's bank facilities were secured by the corporate guarantees provided by the Company. Certain bank facilities of a subsidiary were also secured by a charge against certain projects receivables of the subsidiary as well as corporate guarantee provided by immediate holding company.

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

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

**Consolidated Statement of Cash Flows**

	<b>Group</b>			
	<b>3rd Quarter ended</b>		<b>Nine Months ended</b>	
	<b>30.09.2019</b>	<b>30.9.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>Cash flows from operating activities</b>				
Loss before tax	(16,709)	(11,853)	(34,552)	(9,506)
Adjustments:				
Depreciation of property, plant and equipment	846	512	2,460	1,767
Loss/ (Gain) on disposal of property, plant and equipment	129	(20)	129	(139)
Impairment loss on property, plant and equipment	168	-	168	-
Interest income	(4)	(11)	(22)	(49)
Interest expenses	195	47	332	140
Reversal of impairment loss on club membership	-	(28)	-	(28)
Amortisation of club membership	3	1	8	2
<b>Operating loss before working capital changes</b>	<b>(15,372)</b>	<b>(11,352)</b>	<b>(31,477)</b>	<b>(7813)</b>
Decrease in inventories	101	975	183	265
Decrease/ (Increase) in contract assets and liabilities	10,988	(5,444)	17,997	(43,963)
(Increase)/ Decrease in trade and other receivables	(4,228)	(388)	1,822	2,034
(Decrease)/ Increase in trade and other payables	(573)	11,169	(8,280)	41,110
<b>Cash flows used in operations</b>	<b>(9,084)</b>	<b>(5,040)</b>	<b>(19,755)</b>	<b>(8,367)</b>
Interest expenses paid	(281)	(47)	(332)	(140)
Income taxes paid	(59)	(613)	(446)	(1,539)
<b>Net cash flows used in operating activities</b>	<b>(9,424)</b>	<b>(5,700)</b>	<b>(20,533)</b>	<b>(10,046)</b>
<b>Cash flows from investing activities</b>				
Costs incurred for construction-in-progress	-	(174)	-	(456)
Interest income received	4	11	22	49
Proceeds from sale of property, plant and equipment	90	21	90	151
Purchase of property, plant and equipment	(60)	(933)	(665)	(1,555)
<b>Net cash flows generated from/ (used in) investing activities</b>	<b>34</b>	<b>(1,075)</b>	<b>(553)</b>	<b>(1,811)</b>
<b>Cash flows from financing activities</b>				
Decrease in fixed deposits pledged	-	-	-	1,023
Repayment of finance lease liabilities	-	-	-	(50)
Proceeds from bank borrowings	9,025	-	13,327	-
Repayment of bank borrowings	(3,042)	-	(6,435)	-
Increase in finance liabilities due to adoption of SFRS(I) 16	(142)	-	(724)	-
<b>Net cash flows generated from financing activities</b>	<b>5,841</b>	<b>-</b>	<b>6,168</b>	<b>973</b>

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

**Consolidated Statement of Cash Flows (cont'd)**

	<b>Group</b>			
	<b>3rd Quarter ended</b>		<b>Nine Months ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Net decrease in cash and cash equivalents	(3,549)	(6,775)	(14,918)	(10,884)
Effect of exchange rate changes on cash and cash equivalents	(36)	(167)	(2)	99
Cash and cash equivalents at beginning of the period	470	24,075	11,805	27,918
Cash and cash equivalents at end of the period (Note A)	<u>(3,115)</u>	<u>17,133</u>	<u>(3,115)</u>	<u>17,133</u>

**Notes to Consolidated Statement of Cash Flows**

**A. Cash and cash equivalents**

	<b>Group</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Cash at banks and on hand	4,533	16,744
Fixed deposits	-	389
Cash and short-term deposits	<u>4,533</u>	<u>17,133</u>
Less: Bank overdraft	<u>(7,648)</u>	<u>-</u>
Cash and cash equivalents	<u>(3,115)</u>	<u>17,133</u>

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

**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 capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

**Statements of Changes in Equity**

<b>Group</b>	<b>Attributable to owners of the Company</b>				<b>Non-controlling interests</b>	<b>Total Equity</b>
	<b>Share capital</b>	<b>Revenue reserve</b>	<b>Other reserve</b>	<b>Total</b>		
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>2019</b>						
Balance at 31 December 2018	32,732	34,692	(1,723)	65,701	(399)	65,302
Adoption of SFRS(I) 16	-	(250)	-	(250)	-	(250)
Balance at 1 January 2019, after adoption of SFRS(I)	32,732	34,442	(1,723)	65,451	(399)	65,052
Loss after tax	-	(35,126)	-	(35,126)	40	(35,086)
Other comprehensive income for the period	-	-	(410)	(410)	(5)	(415)
Total comprehensive loss for the period	-	(35,126)	(410)	(35,536)	35	(35,501)
Balance at 30 September 2019	32,732	(684)	(2,133)	29,915	(364)	29,551
<b>2018</b>						
Balance at 31 December 2017	32,732	61,488	(959)	93,261	(459)	92,802
Adoption of SFRS(I) 15	-	(96)	(8)	(104)	-	(104)
Adoption of SFRS(I) 9	-	(177)	-	(177)	-	(177)
Balance at 1 January 2018, after adoption of SFRS(I)	32,732	61,215	(967)	92,980	(459)	92,521
Loss after tax	-	(10,218)	-	(10,218)	29	(10,189)
Other comprehensive loss for the period	-	-	(811)	(811)	-	(811)
Total comprehensive loss for the period	-	(10,218)	(811)	(11,029)	29	(11,000)
Balance at 30 September 2018	32,732	50,997	(1,778)	81,951	(430)	81,521

<b>Company</b>	<b>Share capital</b>	<b>Revenue reserve</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
<b>2019</b>			
Balance at 31 December 2018	32,732	20,807	53,539
Adoption of SFRS(I) 16	-	(206)	(206)
Balance at 1 January 2019, after adoption of SFRS(I)	32,732	20,601	53,333
Loss after tax, representing total comprehensive loss for the period	-	(1,231)	(1,231)
Balance at 30 September 2019	32,732	19,370	52,102
<b>2018</b>			
Balance at 31 December 2017	32,732	24,832	57,564
Loss after tax, representing total comprehensive loss for the period	-	(865)	(865)
Balance at 30 September 2018	32,732	23,967	56,699



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**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
<b>Issued and fully paid ordinary shares:</b>		
At 31 December 2018 and 30 September 2019	260,264,171	32,732

There were no changes in the share capital of the company in the 3<sup>rd</sup> quarter of 2019.

There were no outstanding convertible securities as at 30 September 2018 and 30 September 2019.

There were no treasury shares and subsidiary holdings as at 30 September 2018 and 30 September 2019.

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 2019, 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.**

	<b>30.09.2019</b>	<b>31.12.2018</b>
Total number of shares (excluding treasury shares)	260,264,171	260,264,171

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**(Registration Number: 199401553D)**

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**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 2019 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 2019.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

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 2018.

**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 2018 except for the adoption of SFRS(I) 16, *Leases*.

SFRS(I) 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not change significantly.

The Group has applied the standard from its mandatory adoption date of 1 January 2019. The Group has applied the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases have been measured on transition as if the new rules had always been applied. All other right-of-use assets have been measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

The impact of adoption of SFRS(I) equivalent of IFRS 16 has been disclosed in the Statements of Changes in Equity.

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

6. **(Loss)/ 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; and**  
**(b) Based on fully diluted basis (detailing any adjustments made to the earnings)**

	<b>Group</b>			
	<b>3rd Quarter ended</b>		<b>Nine Months ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>	<b>30.09.2019</b>	<b>30.09.2018</b>
(a) Based on weighted average number of ordinary shares in issue (cents)	(6.36)	(4.42)	(13.5)	(3.93)
(b) On fully diluted basis (cents)	(6.36)	(4.42)	(13.5)	(3.93)

The basic earnings per ordinary share for the 3<sup>rd</sup> quarter ended 30 September 2019 is calculated by dividing the 3<sup>rd</sup> quarter loss attributable to shareholders of S\$16.5 million (30 September 2018: loss attributable to shareholders of S\$11.5 million) by the weighted average number of 260,264,171 (30 September 2018: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the nine months ended 30 September 2019 is calculated by dividing the nine months loss attributable to shareholders of S\$35.1 million (30 September 2018: loss attributable to shareholders of S\$10.2 million) by the weighted average number of 260,264,171 (30 September 2018: 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**

	<b>Group 30.09.2019</b>	<b>Company 30.09.2019</b>
Net asset value per ordinary share for the period based on existing issued share capital of 260,264,171 ordinary shares as at 30 September 2019 (cents)	11.49	20.02

**(b) Immediately preceding financial year**

	<b>Group 31.12.2018</b>	<b>Company 31.12.2018</b>
Net asset value per ordinary share for the period based on existing issued share capital of 260,264,171 ordinary shares as at 31 December 2018 (cents)	25.24	20.57

## Design Studio Group Ltd.

(Registration Number: 199401553D)

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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

#### 3Q2019 vs 3Q2018

	3rd Quarter ended		+/(-) %
	30.09.2019 S\$'000	30.09.2018 S\$'000	
Singapore BU	9,752	21,878	(55.4)
Malaysia BU	(13)	8,479	(>100)
International BU	10,221	1,628	>100
Manufacture BU	1,799	4,169	(56.8)
Total revenue	21,759	36,154	(39.8)

For 3Q2019, the Group's revenue decreased by 39.8% to S\$21.8 million as compared to 3Q2018. This was mainly due to lower revenue recognised by Singapore, Malaysia and Manufacture business units ("BU"), partially offset by an increase in revenue recognition under International BU as the Group's intensified its focus on international business.

In line with lower revenue, subcontractors' costs decreased from S\$24.3 million in 3Q2018 to S\$16.5 million in 3Q2019. However, raw material and consumables used increased from S\$7.9 million in 3Q2018 to S\$8.5 million in 3Q2019.

Employee benefits decreased from S\$8.2 million in 3Q2018 to S\$6.9 million in 3Q2019 mainly attributed to staff right sizing.

Depreciation and amortization expenses increased from S\$0.5 million in 3Q2018 to S\$0.8 million in 3Q2019 mainly attributed to increase in IT related capital expenditure.

Finance costs increased from S\$0.05 million in 3Q2018 to S\$0.2 million in 3Q2019 owing to increase in bank borrowings for working capital.

Other expenses decreased from S\$7.3 million in 3Q2018 to S\$5.7 million in 3Q2019. Other expenses consist mainly of operating expenses, professional and legal expenses, repair and maintenance, utilities, transport, travelling expenses, freight and shipping charges.

Income tax expenses comprised of income tax credit of S\$0.18 million partially offset by deferred tax expense of S\$0.05 million in 3Q2019. The income tax credit was mainly attributed to International BU.

Overall the Group recorded higher losses in 3Q2019 mainly due to lower revenue and reduction in estimated project margins as a result of higher than expected project costs including defects and provision for foreseeable loss for certain projects. The Group recorded loss after tax of S\$16.6 million in 3Q2019 as compared to loss after tax of S\$11.5 million in 3Q2018.

# Design Studio Group Ltd.

(Registration Number: 199401553D)

## Review of Group Performance (cont'd)

### 9M2019 vs 9M2018 (cont'd)

	Nine Months ended		+ / (-) %
	30.09.2019 S\$'000	30.09.2018 S\$'000	
Singapore BU	28,485	57,779	(50.7)
Malaysia BU	6,928	45,600	(84.8)
International BU	32,848	12,068	>100
Manufacture BU	5,023	10,296	(51.2)
Total revenue	73,284	125,743	(41.7)

For 9M2019, the Group's revenue decreased by 41.7% to S\$73.3 million as compared to 9M2018 due mainly to lower revenue recognised by Singapore, Malaysia and Manufacture BUs, while the Group recognised an increase in revenue in its International BU. The International BU revenue increased from S\$12.1 million to S\$32.8 million in 9M2019.

In line with lower revenue, raw materials and consumables used decreased from S\$26.2 million in 9M2018 to S\$19.9 million in 9M2019 and subcontractors' costs also decreased from S\$71.4 million in 9M2018 to S\$40.2 million in 9M2019.

Employee benefits decreased from S\$23.3 million in 9M2018 to S\$23.0 million in 9M2019 mainly attributed to staff right sizing.

Depreciation and amortization expenses increased from S\$1.8 million in 9M2018 to S\$2.5 million in 9M2019 mainly due to increase in IT related capital expenditure.

Finance costs increased from S\$0.1 million in 9M2018 to S\$0.3 million in 9M2019 owing to increase in bank borrowings for working capital.

The Group provided higher impairment losses of S\$6.9 million on contract assets and receivables in 9M2019 mainly attributed to Malaysia BU and Singapore BU.

Other expenses of S\$14.7 million in 9M2019 was comparable to S\$14.6 million in 9M2018. Other expenses consist mainly of operating expenses, professional and legal expenses, repair and maintenance, utilities, transport, travelling expenses, freight and shipping charges.

Income tax expenses comprised of income tax and deferred tax expense of S\$0.46 million and S\$0.07 million respectively in 9M2019. The income tax expenses were mainly attributed to International BU.

Overall the Group recorded higher losses in 9M2019 mainly due to lower revenue and reduction in estimated project margins as a result of higher than expected project costs including defects and provision for foreseeable loss for certain projects. The Group recorded loss after tax of S\$35.1 million in 9M2019 as compared to loss after tax of S\$10.2 million in 9M2018.

### Balance Sheet (30 September 2019 vs 31 December 2018)

Property, plant and equipment increased by S\$0.6 million mainly due to IT related capital expenditure partially offset by depreciation charges in 9M2019.

Net contract assets decreased by S\$15.8 million to S\$41.4 million [Note 1(b)(4)] mainly due to increase in advance payment from customers and higher impairment loss allowance.

Trade receivables decreased by S\$8.6 million to S\$32.7 million [Note 1(b)(2)] mainly due to collections from customers and higher impairment loss allowance made in the current period.

Other receivables and deposits increased by S\$8.9 million to S\$19.0 million [Note 1(b)(2)]. The increase was mainly due to deposits made to suppliers and subcontractors in the current period.

Trade payables decreased by S\$5.5 million to S\$69.6 million [Note 1(b)(5)]. The decrease was mainly due to payment and lower project related costs incurred during the period.

# Design Studio Group Ltd.

## (Registration Number: 199401553D)

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### Review of Group Performance (cont'd)

#### Balance Sheet (30 September 2019 vs 31 December 2018) (cont'd)

Lease liabilities of S\$2.4 million arose from the adoption of SFRS(I) 16 *Leases*.

Provisions decreased by S\$0.8 million to S\$1.4 million as at 30 September 2019. Provisions were attributed to onerous contract costs.

Borrowings increased by S\$14.5 million to S\$17.5 million due to financing for working capital requirements.

### Cash Flow

#### 3Q2019 vs 3Q2018

For 3Q2019, cash and cash equivalents decreased by S\$3.5 million which mainly consists of net cash outflow of S\$9.4 million from operating activities partially offset by net cash inflow of S\$5.8 million from financing activities.

In comparison, cash and cash equivalent for 3Q2018 decreased by S\$6.8 million which consists of net cash outflow from investing activities of S\$1.1 million and net cash outflow of S\$5.7 million from operating activities.

#### 9M2019 vs 9M2018

For 9M2019, cash and cash equivalents decreased by S\$14.9 million which consists of net cash outflow from operating activities of S\$20.5 million and net cash outflow from investing activities of S\$0.6 million, partially offset by net cash inflow from financing activities of S\$6.2 million.

In comparison, cash and cash equivalent for 9M2018 decreased by S\$10.9 million which consists of net cash outflow of S\$10.0 million from operating activities and net cash outflow from investing activities of S\$1.8 million partially offset by net cash inflow of S\$0.9 million from financing activities.

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

The Company has not made any forecast or prospect statement previously.

### **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 consideration of the losses incurred for the nine months ended 30 September 2019, the Group is expecting to record a full year loss for FY2019. The Group expects the fit-out industry to remain highly competitive. The Group will continue to strive on improving the bottom line by increasing efficiency, productivity and costs management. The Group is currently negotiating with Depa United Group PJSC, the Group's controlling shareholder, for a term loan to be provided to the Group for working capital requirement to support its ongoing operations.

The Group has an outstanding order book of approximately S\$163 million as at 30 September 2019.

**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

**Book closure date**

Not applicable

**12. If no dividend has been declared/recommended, a statement to the effect and the reason(s) for the decision.**

No dividend has been declared/recommended for the nine months period ended 30 September 2019 in view of the losses recorded by the Group.

**13. Aggregate value of transactions 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 2019 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 United Group PJSC	S\$250,088	-
Depa Interiors LLC	-	S\$874,534

**Design Studio Group Ltd.**  
**(Registration Number: 199401553D)**

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**14. Confirmation under Rule 705(5) of the Listing Manual**

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 third quarter and the nine months ended 30 September 2019 to be false or misleading in any material aspect.

On behalf of Board of Directors

\_\_\_\_\_  
Edgar Ramani  
Director

\_\_\_\_\_  
Dr Adelle Maree Howse  
Director

**15. 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: 14 November 2019**