

Design Studio Group Ltd

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

**2nd Quarter and Half Year Financial Statements
And Dividend Announcement
For The Period Ended
30 June 2017**

Design Studio Group Ltd
(Registration Number: 199401553D)

2nd Quarter and Half 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					
		2nd Quarter ended			Half Year ended		
		30.06.2017	30.06.2016	+ / (-)	30.06.2017	30.06.2016	+ / (-)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
	Revenue	28,560	41,528	(31.2)	62,956	62,610	0.6
	Cost of sales	(24,605)	(33,233)	(26.0)	(52,521)	(49,494)	6.1
	Gross profit	3,955	8,295	(52.3)	10,435	13,116	(20.4)
	Other income	34	31	9.7	80	152	(47.4)
		3,989	8,326	(52.1)	10,515	13,268	(20.7)
	Marketing and distribution expenses	(1,548)	(1,201)	28.9	(3,047)	(2,373)	28.4
	General and administrative expenses	(1,814)	(1,923)	(5.7)	(4,460)	(3,470)	28.5
	Profit from operations	627	5,202	(87.9)	3,008	7,425	(59.5)
	Finance income	33	39	(15.4)	61	87	(29.9)
	Profit before tax	660	5,241	(87.4)	3,069	7,512	(59.1)
	Income tax expense	(109)	(872)	(87.5)	(699)	(1,233)	(43.3)
	Profit net of tax	551	4,369	(87.4)	2,370	6,279	(62.3)
Profit attributable to:							
	Owners of the Company	551	4,370		2,371	6,281	
	Non-controlling interests	-	(1)		(1)	(2)	
		551	4,369		2,370	6,279	

N.M.: Not Meaningful

Design Studio Group Ltd
(Registration Number: 199401553D)

Notes to Consolidated Income Statement

Note 1(a)(1) Other income

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2017	30.06.2016	+/(-) %	30.06.2017	30.06.2016	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Sundry income	34	31	9.7	80	152	(47.4)

Note 1(a)(2) Profit from operations is determined after charging/(crediting) the following:

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2017	30.06.2016	+/(-) %	30.06.2017	30.06.2016	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Depreciation of property, plant and equipment	870	903	(3.7)	1,748	1,843	(5.2)
Foreign exchange (gain)/ loss, net	(21)	28	(1.8)	413	(232)	N.M.
(Gain)/ Loss on disposal of property, plant and equipment	(122)	1	N.M.	(119)	2	N.M.
Amortisation of club membership	1	-	N.M.	2	1	100.0

Note 1(a)(3) Finance income:

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2017	30.06.2016	+/(-) %	30.06.2017	30.06.2016	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Finance income						
- Cash and short-term deposits	33	39	(15.4)	61	87	(29.9)

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

	Group					
	2nd Quarter ended			Half Year ended		
	30.06.2017	30.06.2016	+/(-) %	30.06.2017	30.06.2016	+/(-) %
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Current tax						
Singapore						
- current year	61	541	(88.7)	580	644	(9.9)
- over provision for prior year	(2)	-	N.M.	(2)	-	N.M.
Foreign						
- current year	51	343	(85.1)	108	644	(83.2)
- under provision for prior year	3	-	N.M.	3	-	N.M.
	113	884	(87.2)	689	1,288	(46.5)
Deferred tax						
Singapore	(4)	(18)	(77.8)	10	(52)	N.M.
Foreign	-	6	N.M.	-	(3)	N.M.
	109	872	(87.5)	699	1,233	(43.3)

Design Studio Group Ltd
(Registration Number: 199401553D)

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	
		30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
Non-current assets					
Property, plant and equipment		13,657	15,041	1,886	2,040
Investment in subsidiaries		-	-	41,381	41,359
Intangible assets	1(b)(2)	2,739	2,741	10	12
Deferred tax assets		349	361	268	272
Trade and other receivables	1(b)(1)	14,118	14,828	-	-
Current assets					
Inventories	1(b)(3)	12,833	13,252	-	-
Gross amount due from customers for contract work-in-progress	1(b)(4)	14,572	5,232	-	-
Trade and other receivables	1(b)(1)	41,560	72,939	3,167	2,975
Prepayments		1,548	1,427	34	26
Loan to a subsidiary		-	-	2,675	2,675
Tax recoverable		1,257	1,131	-	-
Cash and short-term deposits		42,547	53,963	7,428	12,767
		114,317	147,944	13,304	18,443
Current liabilities					
Trade and other payables	1(b)(5)	46,346	68,821	470	721
Finance lease liabilities		92	-	-	-
Provision for tax		2,060	3,402	-	11
		48,498	72,223	470	732
Net current assets		65,819	75,721	12,834	17,711
Non-current liabilities					
Other Payables		75	75	-	-
Net assets		96,607	108,617	56,379	61,394
Equity attributable to owners of the Company					
Share capital		32,732	32,732	32,732	32,732
Reserves		64,332	76,341	23,647	28,662
		97,064	109,073	56,379	61,394
Non-controlling interests		(457)	(456)	-	-
Total equity		96,607	108,617	56,379	61,394

Design Studio Group Ltd
(Registration Number: 199401553D)

Notes to Balance Sheets

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

	Group		Company	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
	S\$'000	S\$'000	S\$'000	S\$'000
Trade and other receivables (non-current):				
<u>Trade receivables: Retention monies</u>				
Third parties	13,503	14,540	-	-
Corporate Shareholder	615	288	-	-
Subsidiary	-	-	-	-
	<u>14,118</u>	<u>14,828</u>	<u>-</u>	<u>-</u>
Trade and other receivables (current):				
Trade receivables	36,706	66,163	799	665
Other receivables and deposits	4,854	6,776	2,368	2,310
	<u>41,560</u>	<u>72,939</u>	<u>3,167</u>	<u>2,975</u>
Trade receivables:				
<u>Third parties:</u>				
Trade receivables	19,739	48,876	55	-
Retention monies	8,616	10,221	-	-
	<u>28,355</u>	<u>59,097</u>	<u>55</u>	<u>-</u>
Less: Allowance for doubtful receivables	(447)	(452)	-	-
	<u>27,908</u>	<u>58,645</u>	<u>55</u>	<u>-</u>
Movement in allowance accounts:				
At beginning of the year	452	270	-	-
Charge for the year	-	252	-	-
Write-off during the year	(5)	(70)	-	-
At end of the year	<u>447</u>	<u>452</u>	<u>-</u>	<u>-</u>
<u>Corporate shareholder:</u>				
Trade receivables	7,974	5,470	-	-
	<u>7,974</u>	<u>5,470</u>	<u>-</u>	<u>-</u>
<u>Related parties:</u>				
Trade receivables	824	2,048	-	-
	<u>824</u>	<u>2,048</u>	<u>-</u>	<u>-</u>
<u>Subsidiaries:</u>				
Trade receivables	-	-	744	665
	<u>-</u>	<u>-</u>	<u>744</u>	<u>665</u>
Total trade receivables (current)	<u>36,706</u>	<u>66,163</u>	<u>799</u>	<u>665</u>
Other receivables and deposits:				
Other receivables	1,104	747	64	64
Deposits	3,750	6,029	61	61
	<u>4,854</u>	<u>6,776</u>	<u>125</u>	<u>125</u>
Amount due from subsidiaries (non-trade)	-	-	2,243	2,185
	<u>4,854</u>	<u>6,776</u>	<u>2,368</u>	<u>2,310</u>

Design Studio Group Ltd
(Registration Number: 199401553D)

Note 1(b)(2) Intangible assets

	Group		Company	
	30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
Club membership	128	128	128	128
Order backlog	3,116	3,116	-	-
Less: Impairment loss on club membership	(28)	(28)	(28)	(28)
	3,216	3,216	100	100
Less: Accumulated amortisation	(3,206)	(3,204)	(90)	(88)
Goodwill	2,729	2,729	-	-
	2,739	2,741	10	12

Note 1(b)(3) Inventories

	Group		Company	
	30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
Raw materials, at cost	8,159	10,119	-	-
Work-in-progress, at cost	2,772	2,500	-	-
Finished goods, at cost	1,902	633	-	-
	12,833	13,252	-	-

Note 1(b)(4) Gross amount due from customers for contract work-in-progress

	Group		Company	
	30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	365,146	397,174	-	-
Less: Progress billings	(350,574)	(391,942)	-	-
	14,572	5,232	-	-
Presented as:				
Gross amount due from customers for contract work	14,572	5,232	-	-

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

	Group		Company	
	30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
<u>Trade payables:</u>				
Amount due to third parties	8,135	18,427	-	129
Amount due to subsidiaries	-	-	28	29
Amount due to a related party	415	220	-	-
Amount due to a corporate shareholder	1,548	873	-	-
Retention payables	8,578	8,043	-	-
Advance payment from customers	323	478	-	-
Advance payments from a related company	-	466	-	-
Accrued contract cost	22,580	31,663	-	-
	41,579	60,170	28	158
Other payables	1,269	1,838	55	103
Non-trade payables due to a related company	259	244	239	224
Accrued operating expenses	3,239	6,569	148	236
	46,346	68,821	470	721

Design Studio Group Ltd
(Registration Number: 199401553D)

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

Amount repayable in one year or less, or on demand

As at 30.06.2017		As at 31.12.2016	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	92	-	-

Amount repayable after one year

As at 30.06.2017		As at 31.12.2016	
S\$'000	S\$'000	S\$'000	S\$'000
Secured	Unsecured	Secured	Unsecured
-	-	-	-

Details of any collateral

As at 30 June 2017, the Group's bank facilities were secured by the following:

- (i) corporate guarantees provided by the Company;
- (ii) plant and equipment of a subsidiary acquired under finance lease liabilities.

Design Studio Group Ltd
(Registration Number: 199401553D)

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			
	2nd Quarter ended		Half Year ended	
	30.06.2017 S\$'000	30.06.2016 S\$'000	30.06.2017 S\$'000	30.06.2016 S\$'000
Cash flows from operating activities				
Profit before tax	660	5,241	3,069	7,512
Adjustments:				
Depreciation of property, plant and equipment	870	903	1,748	1,843
(Gain)/ Loss on disposal of property, plant and equipment	(122)	1	(119)	2
Finance income	(33)	(39)	(61)	(87)
Amortisation of club membership	1	-	2	1
Currency translation difference	(126)	(180)	170	(398)
Operating profit before working capital changes	1,250	5,926	4,809	8,873
(Increase)/ decrease in:				
Inventories	357	406	419	(724)
Contract work-in-progress	(6,016)	1,303	(9,340)	(2,338)
Trade and other receivables	6,616	(13,426)	31,446	(4,619)
Prepayments	(49)	610	(121)	1,371
Increase/ (decrease) in:				
Trade and other payables	1,580	5,896	(22,222)	134
Cash flows from operations	3,738	715	4,991	2,697
Income taxes paid	(1,737)	(1,392)	(2,154)	(1,633)
Net cash flows generated from/ (used in) operating activities	2,001	(677)	2,837	1,064
Cash flows from investing activities				
Costs incurred for construction-in-progress	(15)	(285)	(15)	(470)
Finance income received	33	39	61	87
Proceeds from sale of property, plant and equipment	130	-	130	-
Purchase of property, plant and equipment	(498)	(133)	(541)	(159)
Net cash flows used in investing activities	(350)	(379)	(365)	(542)
Cash flows from financing activities				
Decrease in cash and short-term deposits pledged	-	3	(45)	152
Repayment of finance lease liabilities	(8)	-	(8)	-
Dividends paid on ordinary shares by the Company	(13,664)	(13,664)	(13,664)	(13,664)
Net cash flows used in financing activities	(13,672)	(13,661)	(13,717)	(13,512)
Net (decrease) in cash and cash equivalents	(12,021)	(14,717)	(11,245)	(12,990)
Effect of exchange rate changes on cash and cash equivalents	2	(441)	(216)	(428)
Cash and cash equivalents at beginning of the period	54,521	55,615	53,963	53,875
Cash and cash equivalents at end of the period (Note A)	42,502	40,457	42,502	40,457

Design Studio Group Ltd
(Registration Number: 199401553D)

Notes to Consolidated Statement of Cash Flows

A. Cash and cash equivalents

	Group	
	30.06.2017 S\$'000	30.06.2016 S\$'000
Cash at banks and on hand	40,579	38,423
Fixed deposits	1,968	2,113
Cash and short-term deposits	42,547	40,536
Less: Cash and short-term deposits pledged	(45)	(79)
Cash and cash equivalents	<u>42,502</u>	<u>40,457</u>

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					
	2nd Quarter ended			Half Year ended		
	30.06.2017 S\$'000	30.06.2016 S\$'000	+ / (-) %	30.06.2017 S\$'000	30.06.2016 S\$'000	+ / (-) %
Profit net of tax	551	4,369	(87.4)	2,370	6,279	(62.3)
Other comprehensive income						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(144)	(1,096)	(86.9)	(716)	(1,739)	(58.8)
Total comprehensive income	<u>407</u>	<u>3,273</u>	<u>(87.6)</u>	<u>1,654</u>	<u>4,540</u>	<u>(63.6)</u>

Total comprehensive income attributable to:

Equity holders of the Company	407	3,274	1,655	4,543
Non-controlling interests	-	(1)	(1)	(3)
	<u>407</u>	<u>3,273</u>	<u>1,654</u>	<u>4,540</u>

(B) Statements of Changes in Equity

Group

	Attributable to Equity holders of the Company				Non-controlling interests S\$'000	Total Equity S\$'000
	Share capital S\$'000	Revenue reserve S\$'000	Other reserves S\$'000	Total S\$'000		
2017						
Balance at 1 January 2017	32,732	77,204	(863)	109,073	(456)	108,617
Total comprehensive income for 1H2017	-	2,371	(716)	1,655	(1)	1,654
Dividends on ordinary shares	-	(13,664)	-	(13,664)	-	(13,664)
Balance at 30 June 2017	<u>32,732</u>	<u>65,911</u>	<u>(1,579)</u>	<u>97,064</u>	<u>(457)</u>	<u>96,607</u>
2016						
Balance at 1 January 2016	32,732	73,623	645	107,000	(454)	106,546
Total comprehensive income for 1H2016	-	6,281	(1,738)	4,543	(3)	4,540
Dividends on ordinary shares	-	(13,664)	-	(13,664)	-	(13,664)
Balance at 30 June 2016	<u>32,732</u>	<u>66,240</u>	<u>(1,093)</u>	<u>97,879</u>	<u>(457)</u>	<u>97,422</u>

Design Studio Group Ltd
(Registration Number: 199401553D)

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

<u>Company</u>	Share capital S\$'000	Revenue reserve S\$'000	Total S\$'000
2017			
Balance at 1 January 2017	32,732	28,662	61,394
Total comprehensive income for 1H2017	-	8,649	8,649
Dividends on ordinary shares	-	(13,664)	(13,664)
Balance at 30 June 2017	<u>32,732</u>	<u>23,647</u>	<u>56,379</u>
2016			
Balance at 1 January 2016	32,732	28,732	61,464
Total comprehensive income for 1H2016	-	5,302	5,302
Dividends on ordinary shares	-	(13,664)	(13,664)
Balance at 30 June 2016	<u>32,732</u>	<u>20,370</u>	<u>53,102</u>

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-back, exercise of share options of warrants, conversion of other issues of equity securities, issue of share for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles 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 2016 and 30 June 2017	<u>260,264,171</u>	<u>32,732</u>

There were no changes in the share capital of the company in the 2nd quarter of 2017.

There were no outstanding convertible securities as at 30 June 2016 and 30 June 2017.

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 June 2017, 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.

	30.06.2017	31.12.2016
Total number of shares (excluding treasury shares)	260,264,171	260,264,171

Design Studio Group Ltd
(Registration Number: 199401553D)

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

There were no sales, transfers, disposal, cancellation and/or use of treasury shares as at 30 June 2017 as the Company does not have any treasury shares.

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.

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 2016, except for the adoption of accounting standards (including its consequential amendments) and interpretations applicable for the financial period beginning 1 January 2017. Please see note 5.

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.

In the current year, the Group adopted the new/revised Financial Reporting Standards ("FRS") that are effective for annual periods beginning on or after 1 January 2017. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS.

The following are the amendments to the FRS that are relevant to the Group:

Description	Effective for annual periods beginning on or after
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to FRS 112 Disclosure of Interests in Other Entities	1 January 2017

The adoption of the above FRS did not result in any substantial change to the Group's accounting policies or any significant financial impact on the financial statements.

Design Studio Group Ltd
(Registration Number: 199401553D)

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			
	2nd Quarter ended		Half Year ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
(a) Based on weighted average number of ordinary shares in issue	0.21 cents	1.68 cents	0.91 cents	2.41 cents
(b) On fully diluted basis	0.21 cents	1.68 cents	0.91 cents	2.41 cents

The basic earnings per ordinary share for the second quarter ended 30 June 2017 is calculated by dividing the 2nd quarter profit attributable to shareholders of S\$0.6 million (30 June 2016: S\$4.4 million) by the weighted average number of 260,264,171 (30 June 2016: 260,264,171) shares in issue during the financial period.

The basic earnings per ordinary share for the half year ended 30 June 2017 is calculated by dividing the half year profit attributable to shareholders of S\$2.4 million (30 June 2016: S\$6.3 million) by the weighted average number of 260,264,171 (30 June 2016: 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 30.06.2017	Company 30.06.2017
Net asset value per ordinary share for the period based on existing issued share capital as at 30 June 2017 of 260,264,171 ordinary shares	37.12 cents	21.66 cents

- (2) Immediately preceding financial year

	Group 31.12.2016	Company 31.12.2016
Net asset value per ordinary share for the period based on existing issued share capital as at 31 December 2016 of 260,264,171 ordinary shares	41.73 cents	23.59 cents

Design Studio Group Ltd
(Registration Number: 199401553D)

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

2Q2017 vs 2Q2016

	2nd Quarter ended		+ / (-) %
	30.06.2017 S\$'000	30.06.2016 S\$'000	
Residential property	9,511	19,681	(51.7)
Hospitality and commercial	19,049	21,847	(12.8)
Total	28,560	41,528	(31.2)

For 2Q2017, the Group's revenue decreased by 31.2% to S\$28.6 million as compared with revenue for 2Q2016 as a result of decrease in contribution from both Residential property and Hospitality and commercial segments. During the quarter, fewer projects were completed as compared with 2Q2016.

The gross margin decreased from 20.0% in 2Q2016 to 13.8% for 2Q2017, as a result of lower margins recorded in projects completed during the quarter.

Marketing and distribution expenses increased by 28.9% to S\$1.5 million in 2Q2017. This was attributed to increase in staff costs relating to restructuring and showroom related expenses.

General and administrative expenses decreased from S\$1.9 million in 2Q2016 to S\$1.8 million in 2Q2017. The decrease was mainly due to foreign exchange loss.

As a result, the Group achieved lower profit before tax of S\$0.7 million for 2Q2017, a decrease of 87.4% as compared with S\$5.2 million for 2Q2016. After taking into account tax expenses, the Group's net profit after tax was S\$0.6 million for 2Q2017.

1H2017 vs 1H2016

	Half Year ended		+ / (-) %
	30.06.2017 S\$'000	30.06.2016 S\$'000	
Residential property	19,631	29,862	(34.3)
Hospitality and commercial	43,325	32,674	32.6
Distribution	-	74	N.M.
Total	62,956	62,610	0.6

The Group's revenue for 1H2017 increased by 0.6% to S\$63.0 million as compared with the revenue for 1H2016. The increase was a result of an increase in contribution from Hospitality and commercial segment, offset by the decrease from the Residential property segments

The gross margin decreased from 20.9% in 1H2016 to 16.6% for 1H2017, as a result of lower margins recorded in projects completed during the half year.

For 1H2017, marketing and distribution expenses increased by 28.4% to S\$3.0 million as compared with S\$2.4 million in 1H2016. This was attributed to increase in staff costs relating to restructuring, travelling expenses and showroom related expenses.

General and administrative expenses increased from S\$3.5 million in 1H2016 to S\$4.5 million in 1H2017. The increase was mainly due to exchange loss in 1H2017 as compared with an exchange gain in 1H2016, increase in staff costs relating to restructuring and executive search fees.

Design Studio Group Ltd

(Registration Number: 199401553D)

As a result, the Group achieved a lower profit before tax of S\$3.1 million for 1H2017, as compared with S\$7.5 million for 1H2016. After taking into account the tax expenses, the Group's net profit after tax was S\$2.4 million for 1H2017.

Balance Sheet (30 June 2017 vs 31 December 2016)

Property, plant and equipment decreased by S\$1.4 million mainly due to depreciation charges, offset by the purchase of equipment during the period.

Contracts work-in-progress increased by S\$9.3 million to S\$14.6 million [Note 1(b)(4)] as at 30 June 2017. The increase was due to higher amount of work in progress pending certification by client as at 30 June 2017.

Total current trade receivables decreased to S\$36.7 million [Note 1(b)(1)] as at 30 June 2017 as compared with S\$66.2 million as at 31 December 2016. The decrease is mainly due to collections from customers during the current period and the decrease in revenue for 2Q2017 as compared to 4Q2016.

Other receivables and deposits decreased by S\$1.9 million to S\$4.9 million [Note 1(b)(1)]. The decrease was mainly due to lesser deposits made to suppliers and subcontractors.

Trade payables decreased by S\$18.6 million to S\$41.6 million [Note 1(b)(5)]. The decrease was mainly due to payment made to creditors during the period and lower accruals of project-related expenses due to less projects in the current period.

Accrued operating expense decreased by S\$3.3 million to S\$3.2 million [Note 1(b)(5)]. The decrease was mainly due to the payment of bonus in 1Q2017.

Cash Flow

2Q2017 vs 2Q2016

For 2Q2017, there was net cash outflow of S\$12.0 million. The cash outflow is mainly due to the payment of dividends in May 2017, slightly offset by cash inflow from operating activities.

1H2017 vs 1H2016

For 1H2017, there was net cash outflow of S\$11.2 million. The cash outflow is mainly due to the payment of dividends in May 2017, slightly offset by cash inflow from operating activities.

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 31 March 2017, via SGXNET.

Design Studio Group Ltd

(Registration Number: 199401553D)

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

We continue to see opportunities and prospects in the region, underpinned by a thriving tourism and hospitality sector that continues to increase demand for hotel accommodation. However, the residential sector in Singapore remains challenging. We are continuing our expansion into international markets such as Middle East, Thailand and China, as well as in different niche segments.

The Group remains well-positioned to grow, with an order book of S\$141.8 million, a strong balance sheet and a healthy cash position of S\$42.5 million as at 30 June 2017. Following the completion of our restructuring, we see the business returning to more normal levels of revenue and backlog relative to our historic performance.

11. Dividend

(1) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

Name of dividend	Cash
Dividend type	Interim
Dividend amount per share (in SG cents)	1.25 cents per ordinary share
Tax rate	One-tier tax exempt

(2) Corresponding Period of the immediately Preceding Financial Year

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

Name of dividend	Cash
Dividend type	Interim
Dividend amount per share (in SG cents)	1.25 cents per ordinary share
Tax rate	One-tier tax exempt

Date payable

8 September 2017

Books closure date

NOTICE IS HEREBY GIVEN THAT the Transfer Books and the Register of Members of the Company will be closed on 23 August 2017 for the purposes of determining shareholders' entitlements to the interim dividend.

Duly completed registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 22 August 2017 will be registered to determine shareholders' entitlements to the interim dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 22 August 2017 will be entitled to the interim dividend.

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

Not applicable

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**

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 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 June 2017 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	\$648,033

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: 26 July 2017

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 1H ended 30 June 2017 to be false or misleading in any material respect.

ON BEHALF OF BOARD OF DIRECTORS

Name: Edgar Ramani
Director

Name: Ong Tiew Siam
Director

Date: 26 July 2017