

DESIGN STUDIO GROUP LTD.

(Incorporated in the Republic of Singapore)

(Co. Reg. No.: 199401553D)

MATERIAL VARIANCES BETWEEN UNAUDITED FINANCIAL STATEMENTS AND AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

The Board of Directors of Design Studio Group Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce and clarify differences between the unaudited financial statements announced on 23 February 2019 (“**Results Announcement**”) and audited financial statements for the financial year ended 31 December 2018 (“**FY2018**”). The material variances and the reasons for the differences are set out in the explanatory notes below.

Adjustments to Consolidated Income Statement for FY2018 as follows:

	Note	31 December 2018		Variances S\$'000
		Audited S\$'000	Unaudited S\$'000	
Revenue	(a)	167,144	168,794	(1,650)
Subcontractors costs	(b)	(101,050)	(101,765)	715
Staff costs	(b)	(32,925)	(32,624)	(301)
Finance costs	(b)	(8)	(208)	200
Impairment loss on financial assets and contract assets	(b)	(834)	-	(834)
Reversal of impairment loss on financial assets	(b)	1,070	-	1,070
Other expenses	(a) & (b)	(20,299)	(18,625)	(1,674)
Loss before tax	(a)	(24,838)	(22,364)	2,474
Loss after tax	(a)	(26,386)	(23,912)	2,474
Loss attributable to Owners of the Company	(a)	(26,446)	(23,972)	2,474
Loss per share (cents)	(a)	(10.16)	(9.19)	(0.97)
Net asset value per share (cents)	(a)	25.24	26.04	(0.80)

Adjustments to Balance Sheet as at 31 December 2018 as follows:

	Note	31 December 2018		Variances S\$'000
		Audited S\$'000	Unaudited S\$'000	
Current assets				
Contract assets	(a) & (c)	65,735	67,357	1,622
Current liabilities				
Trade and other payables	(a) & (d)	80,689	82,090	(1,401)
Provisions	(a) & (d)	2,225	-	2,225
Contract liabilities	(a) & (c)	8,490	8,467	23
Net Assets	(a) & (e)	65,302	67,771	2,469
Equity				
Reserves	(a) & (e)	32,969	35,438	2,469

Adjustments to Consolidated Statement of Cash Flows as follows:

	Note	31 December 2018		Variances S\$'000
		Audited S\$'000	Unaudited S\$'000	
Cash flow from operating activities				
Loss before tax	(a)	(24,838)	(22,364)	2,474
Operating loss before working capital changes	(a)	(20,175)	(17,701)	2,474
Net cash flows used in operating activities	(f)	(17,204)	(17,025)	179
Net cash flows used in investing activities	(f)	(2,969)	(3,148)	179

Note:

The variances comprise of the following:

- (a) Following the Group's Results Announcement of its FY2018 unaudited financials on the 23rd February 2019, the margins on certain on-going projects as at 31 December 2018 in Singapore and Malaysia were revised due to projected cost overruns from project delays and procurement costs.

The Group recognises contract revenue on progress of the contract work and is determined based on the proportion of contract costs incurred to date to the estimated total contract costs. Accordingly, revenue has been reduced by S\$1,650,000, due to lower percentage of progress and decrease in margins on on-going contracts of which S\$362,000 is related to Malaysian manufacturing operations. An additional provision for onerous contracts of \$924,000 was also made for loss making projects. A write back of trade and other payables of \$100,000. These adjustments have resulted additional loss before tax of S\$2,474,000 to FY2018.

- (b) The reclassification of expenses by their appropriate nature: S\$715,000 relating to provision for onerous contracts was re-classified from sub-contractors cost to other expenses, S\$301,000 was reclassified from other expenses to staff cost, S\$200,000 relating to bank charges was re-classified from finance costs to other expenses, impairment loss on financial assets and contract assets of S\$834,000 and reversal of impairment loss on financial assets of S\$1,070,000 were re-classified from other expenses.
- (c) Contract assets has decreased by S\$1,622,000 and contract liabilities has increased by S\$23,000 arising from the adjustment to the revenue as stated in (a) above.
- (d) Trade and other payables have decreased by S\$1,401,000 arising from reclassification of S\$1,301,000 to provisions and a write back of S\$100,000 to income statement. The provisions have increased by S\$2,225,000 due to the S\$1,401,000 reclassification from trade and other payables and an additional provision for onerous contracts of S\$924,000 as stated in (a) above.
- (e) Reserves has decreased by S\$2,469,000 arising from adjustments in (a) above of S\$2,474,000 and a gain in currency translation differences arising from consolidation of S\$5,000.
- (f) The reclassification of net cash flow used in operating activities to investing activities.

By Order of the Board

Hazel Chia
Company Secretary

29 March 2019