

Design Studio Group reports FY2017 net profit after tax of S\$1.2 million with the Group stabilised, rebased and restructured for improved performance in FY2018

- Order book of S\$131.4 million as at 31 December 2017, down from order book as at 31 December 2016 of S\$193.1 million;
- One-off items impacted the three months ending in 31 December 2017 ("4Q2017") by S\$8.2 million;
- Significant initiatives undertaken to stabilise, rebase and restructure the business;
- Interim dividend paid for FY2017 of 1.25 cents per share (final dividend: nil)

**SUMMARY OF ONE-OFF ITEMS
IMPACTING Q42017 AND FY2017 RESULTS**

Summary of one-off items	Profit Before Tax (PBT)
Deterioration from forecast due to commercial judgements on revenue and cost for residential projects	(S\$4.9 million)
Write-downs made on inventories	(S\$2.1 million)
Impairment of doubtful receivables	(S\$1.2 million)
Total one-off items	(S\$8.2 million)
Reported result	S\$1.5 million
Underlying result excluding one-off items	S\$9.7 million

Financial Performance

Design Studio Group Ltd ("Design Studio Group" and collectively with its subsidiaries, "the Group"), Singapore's leading interior fit-out solutions provider, today reported a statutory net profit after tax for the year ended 31 December 2017 ("FY2017") of S\$1.2 million (FY2016: \$20.5 million) and a net loss after tax of the three months ended 31 December 2017 ("4Q2017") of S\$4.0 million (FY2016: net profit of S\$9.3 million).

The Group's underlying profit before tax, excluding the one-off items (S\$8.2 million) is S\$9.7 million for FY2017.

The reported result includes the following one-off items:

- S\$4.9 million deterioration from forecast due to commercial judgements on revenue and cost for residential projects.
- S\$2.1 million for write down on slow moving inventory that are unlikely to be utilised based on current market product trends.
- An impairment of S\$1.2 million was made in FY2017 for doubtful receivables on projects with ongoing contractual disputes and long outstanding amounts with collection issues on completed projects.

Revenue was \$142.0 million (FY2016: S\$178.9 million) and order book as at 31 December 2017 was S\$131.4 million (FY2016: S\$193.1 million).

The balance sheet remains healthy with no net borrowings with cash and short-term deposits of S\$28.9 million (FY2016: S\$53.9 million). The decline in the cash balance is largely due to dividend payments made during FY2017 totalling S\$16.9 million. Working capital negative cash outflow of S\$5.0 million during FY2017 is due to timing on collection of receivables. Investment net cash outflow also contributed S\$2.9 million to the reduction in cash from FY2016.

The Singapore commercial and hospitality segment reported mixed performance in 2017 with some good performing projects, but failed to win sufficient new work throughout the year to replenish the order book. The Singapore residential segment and Malaysia business both performed poorly due to project cost overruns, prolongation on project construction durations and lower revenue.

Design Studio Group CEO, Edgar Ramani said: “Design Studio Group had a challenging FY2017. The Group underwent a transition in senior management, coupled with a downturn in the residential segment and a lack of new projects secured early in the year. However, with the economic drivers improving in Singapore and other countries we operate in, our underlying business remains strong as we continue to drive positive change and transformation across the Group. In Singapore the Group secured key projects such as Funan DigitalLife Mall with CapitaLand Mall Trust and Outpost Sentosa Hotel with Far East Hospitality. In Malaysia the Group secured key projects such as citizenM Hotel Kuala Lumpur with Artyzen Hospitality Group and Pinnacle Supreme as well as Robinsons department store with Al-Futtaim Group. In China the Group secured new projects, such as Shenzhen Hengyu Residences with Shenzhen Hengyu Group.”

“The manufacturing businesses in the Group have been restructured with cost reductions made in the Singapore manufacturing facility. The Malaysia manufacturing facility is being revamped with a new management team who have vast experience in furniture manufacturing.”

Mr Ramani said: “A strategic review and overhaul of our projects including cost forecasting was implemented in FY2017. These reviews did uncover improvement areas in projects and manufacturing which have been addressed. We are now well progressed in standardising our systems and processes including the implementation of our ERP system to ensure efficiency and cost-savings. In FY2018 the full implementation of project reporting and forecasting, as well as business unit reporting and forecasting will be a key priority leading to a regulated and consistent operating model that applies to all our people, in all locations, at all times.”

Operational Performance

The commercial and hospitality segment delivered revenue of S\$81.4 million in FY2017 (FY2016: S\$110.0 million) and profit before tax of S\$8.7 million. (FY2016: S\$14.8 million). The residential segment delivered revenue of S\$60.6 million in FY2017 (FY2016: S\$68.9 million) and loss before tax of S\$3.9 million (FY2016: profit before tax of S\$13.6 million).

Dividends

Interim dividend of 1.25 cents per share was paid for FY2017. No final dividend recommended for FY2017, in line with the Group's unaudited financial results for FY2017. The Group's dividend policy remains unchanged.

Outlook

The Group secured new projects worth S\$57.4 million in the second half of FY2017, bringing its order book to S\$131.4 million.

We are cautiously optimistic about continuing to strengthen our business in the Singapore market overall, Malaysia's hospitality sector and other international markets where we are making a concerted effort to further expand into. We expect to keep up the momentum we have built in securing projects from the second half of 2017.

Following the management and structural changes we will continue to focus on building our order book and operational productivity efficiencies to reinforce our competitiveness and sustainability. We remain cognizant that our reputation is key to new business opportunities, and will seek to enhance our relationships with new and existing clients in our various markets of operation.

Please refer to the Group's unaudited financial results announcement for 4Q2017 and FY2017 dated 26 February 2018 for a detailed review of the Group's performance.

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About Design Studio Group:

Design Studio Group is a Singapore based high-end interior fit-out and joinery manufacturing company, listed on the Singapore Stock Exchange (SGX:D11), with state of the art, automated manufacturing facilities in China and Malaysia.

The Group also specializes in high end fit-out of hotels, retail and entertainment outlets, function centres, commercial buildings and the like; as well as turnkey projects including mechanical, electrical and structural works. Design Studio Group has completed several landmark residential, hospitality, retail, gaming and cruise projects in Asia, United Arab Emirates and the United States of America.

Design Studio Group is headquartered in Singapore with a strong presence in the Asian region, particularly, Malaysia and China.

Cautionary statement:

This document contains certain 'forward-looking statements' with respect to Design Studio Group's financial condition; results of operations and business; and certain of Design Studio Group's plans and objectives with respect to these items. By their very nature, forward looking statements are inherently unpredictable, speculative and involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. All written or verbal forward looking statements, made in this document or made subsequently, which are attributable to Design Studio Group or any other member of the Group or persons acting on their behalf are expressly qualified on this basis. Design Studio Group does not intend to update these forward-looking statements.