

CIRCULAR DATED 4 AUGUST 2021

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to the contents of this Circular or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisor immediately.

Capitalised terms appearing but not defined on the cover of this Circular bear the same meanings as ascribed to them in the Section entitled "Definitions" of this Circular.

If you have sold or transferred all your ordinary shares in the capital of the Company, you should forward this Circular together with the Notice of EGM and the enclosed Proxy Form immediately to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The SGX-ST assumes no responsibility for the correctness or accuracy of any of the statements made, reports contained or opinions expressed in this Circular.

This Circular (together with the Notice of EGM and Proxy Form) has been made available on SGXNET and the Company's website and may be accessed at the URL https://www.ds-group.com/ir_announcements.php. A printed copy of this Circular will NOT be despatched to Shareholders.

Due to the current COVID-19 restriction orders in Singapore, Shareholders will not be able to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by way of (a) watching the EGM proceedings via "live" webcast or listening to the EGM proceedings via "live" audio feed, (b) submitting questions in advance of the EGM, and/or (c) voting by proxy at the EGM. Questions can be submitted via the pre-registration website at the URL <https://events.studio/app/#/signin>, in hard copy by sending personally or by post and lodging the same at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 or by email to the Company's Share Registrar at srs.teamd@boardroomlimited.com, by 2:30 p.m. on 16 August 2021.

Please refer to Section 9 of this Circular and the Notice of Extraordinary General Meeting for further information, including the steps to be taken by Shareholders to participate at the EGM. The Notice of Extraordinary General Meeting may also be accessed on SGXNET and at the URL https://www.ds-group.com/ir_announcements.php.

Shareholders should note that the Company may make further changes to its EGM arrangements (including but not limited to any applicable alternative arrangements as may be prescribed or permitted (as the case may be) under the Infectious Diseases Regulations and the COVID-19 Act and any regulations promulgated thereunder (including the COVID-19 Order) as well as other guidelines issued by the relevant authorities) as the situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company as may be made from time to time on SGXNET.



Design Studio Group Ltd
(Incorporated in the Republic of Singapore)
(Company Registration No. 199401553D)

CIRCULAR TO SHAREHOLDERS

in relation to

THE DISPOSAL OF DESIGN STUDIO (CHINA) PTE LTD

Important Dates and Times:

- | | | |
|--|---|---|
| Last date and time for lodgment of Proxy Form | : | 17 August 2021 at 2:30 p.m. |
| Date and time of Extraordinary General Meeting | : | 19 August 2021 at 2:30 p.m. |
| Place of Extraordinary General Meeting | : | The EGM will be held by way of electronic means |

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DEFINITIONS

The following definitions apply throughout this Circular except where the context otherwise requires:

“ACRA”	:	Accounting and Corporate Regulatory Authority of Singapore
“Adjustment Amount”	:	An amount equivalent to the proceeds of the Third Party Sale, less the Initial Consideration and the costs and expenses incurred by Buyer SPV in connection with the Third Party Sale
“AJCapital”	:	AJCapital Advisory Pte Limited, the independent restructuring advisor to the Company in respect of the Restructuring Exercise
“Audit Committee”	:	The Audit Committee of the Company
“Board”	:	The Board of Directors of the Company
“Buyer SPV”	:	DSGCN Holdings Limited, a special purpose vehicle held by the Chief Restructuring Officer and a partner of AJCapital for the purpose of facilitating the Third Party Sale, if any such sale occurs
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 4 August 2021
“Companies Act”	:	The Companies Act, Chapter 50 of Singapore, as amended, modified or supplemented from time to time
“Company”	:	Design Studio Group Ltd
“Completion”	:	The completion of the Disposal in accordance with the terms and conditions set out in the Share Purchase Agreement
“Consideration”	:	The (a) Initial Consideration of S\$1.00; and (b) Adjustment Amount being an amount equivalent to the proceeds of the Third Party Sale, less the Initial Consideration and the costs and expenses incurred by Buyer SPV in connection with the Third Party Sale, if applicable
“COVID-19 Act”	:	The COVID-19 (Temporary Measures) Act 2020, as amended, modified or supplemented from time to time
“COVID-19 Order”	:	The COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, as amended, modified or supplemented from time to time
“COVID-19 Order Guidance”	:	The checklist first issued on 13 April 2020 and last updated on 1 October 2020 by ACRA, the Monetary Authority of Singapore and Singapore Exchange Regulation as guidance for listed and non-listed entities on the conduct of general meetings during the period when elevated safe distancing measures are in place
“Depa”	:	Depa Interiors LLC, the controlling shareholder of the Company holding approximately 89.8% of the Shares as at the Latest Practicable Date
“Depa Group”	:	Depa and its subsidiaries, excluding the Group
“Directors”	:	The director(s) of the Company
“Disposal”	:	The disposal of DS China in accordance with the terms of the Share Purchase Agreement
“DS China”	:	Design Studio (China) Pte Ltd, a company incorporated in Singapore

DEFINITIONS

“DS China Group”	:	Together, DS China and its subsidiaries, DS Shanghai and DSH
“DS Shanghai”	:	Design Studio Furniture (Shanghai) Co. Ltd, a company incorporated in China
“DSH”	:	Design Studio (Huizhou) Home Furnishing Co., Ltd., a company incorporated in China
“EGM”	:	The extraordinary general meeting of the Company to be held by way of electronic means on 19 August 2021 at 2:30 p.m., notice of which is set out on pages N-1 to N-3 of this Circular
“EPS”	:	Earnings per Share
“FY”	:	Financial year ended or, as the case may be, ending 31 December
“Group”	:	The Company and its subsidiaries
“Initial Consideration”	:	S\$1.00
“Irrevocable Undertaking”	:	The deed of irrevocable undertaking dated 12 January 2021 provided by Depa pursuant to which Depa has agreed to exercise all the voting rights attached to its shares to vote in favour of the resolution in respect of the Disposal in satisfaction of the condition of the Waiver set out in Section 4.1.1(d) of this Circular
“Latest Practicable Date”	:	30 July 2021, being the latest practicable date prior to the issue of this Circular
“Listing Manual”	:	The Mainboard Rules of the SGX-ST, as amended, modified or supplemented from time to time
“NAV”	:	Net asset value
“Notice of EGM”	:	The notice of the EGM which is set out on pages N-1 to N-3 of this Circular
“NTA”	:	Net tangible assets
“Ordinary Resolution”	:	The ordinary resolution set out in the Notice of EGM
“PPE”	:	Property, plant and equipment
“Proxy Form”	:	The proxy form in respect of the EGM as set out in this Circular
“PwC Dubai”	:	PricewaterhouseCoopers Limited
“Relevant DSG Debts”	:	The debts owing between the DS China Group and the other entities within the Group and <i>vice versa</i> as at 31 December 2020 of a net amount owing by the DS China Group to the other entities within the Group of approximately S\$23.9 million, comprising: <ul style="list-style-type: none">(a) the debts of approximately S\$26.1 million owing by the DS China Group to the other entities within the Group (excluding the DS China Group); and(b) the debts amounting to approximately S\$2.2 million owing by the other entities within the Group (excluding the DS China Group) to the DS China Group.
“Restructuring”	:	The restructuring of the indebtedness of the Group

DEFINITIONS

Exercise”

- “Sale Shares”** : 10,000 ordinary shares representing 100% of the issued and outstanding share capital of DS China
- “Securities Account”** : A securities account maintained by a Depositor with CDP (but does not include a securities sub-account maintained with a Depository Agent)
- “SFA”** : The Securities and Futures Act, Chapter 289 of Singapore, as amended, modified or supplemented from time to time
- “SGX-ST”** : Singapore Exchange Securities Trading Limited
- “Share Purchase Agreement”** : Share sale and purchase agreement dated 15 January 2021 between the Company and the Buyer SPV in connection with the disposal of the DS China Group
- “Share Registrar”** : The Share Registrar of the Company, Boardroom Corporate & Advisory Services Pte. Ltd.
- “Shareholders”** : Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term **“Shareholders”** shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
- “Shares”** : Ordinary shares in the capital of the Company
- “Singapore”** : The Republic of Singapore
- “SRS”** : Supplementary Retirement Scheme
- “SRS Approved Banks”** : Approved banks with whom SRS Investors hold their accounts under the SRS
- “SRS Investors”** : Investors who have previously purchased Shares under the SRS
- “Substantial Shareholder”** : A person who has an interest or interests in one or more voting shares in the Company and the total votes attached to that voting share, or those voting shares, is not less than five per cent. (5%) of the total votes attached to all the voting shares in the Company (excluding treasury shares)
- “Third Party Sale”** : The sale of the DS China Group either by the Buyer SPV by itself as principal or through a professional service provider to a third party within six (6) months of Completion (or such period as agreed between the Company and the Buyer SPV) in order to facilitate the Restructuring Exercise
- “Third Party Sale Confirmation”** : The confirmation dated 13 January 2021 signed by Depa, Buyer SPV and Truevera that Shareholders’ prior approval would be sought if DS China Group or part thereof is sold to interested persons within the meaning envisaged under Chapter 9 of the Listing Manual or their nominees in satisfaction of the condition of the Waiver set out in Section 4.1.1(f) of this Circular
- “Truevera”** : Truevera Investments Limited, a specialist restructuring advisory firm engaged by the Group to advise on the divestment of the DS China Group

DEFINITIONS

- “Waiver”** : The waiver granted by the SGX-ST on 27 November 2020 to the Company in respect of the obligation to obtain prior Shareholders’ approval for the Disposal under Rule 1014(2) of the Listing Manual
- “S\$” and “cents”** : Dollars and cents, respectively; the lawful currency of Singapore
- “%” or “per cent.”** : Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Circular to any enactment is a reference to that enactment for the time being amended or re-enacted. Any word or term defined under the Companies Act, the SFA, the Listing Manual, the Singapore Code on Take-overs and Mergers or any modification thereof and not otherwise defined in this Circular shall, where applicable, have the same meaning ascribed to it under the Companies Act, the SFA, the Listing Manual, the Singapore Code on Take-overs and Mergers or such modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of a day or date in this Circular shall be a reference to Singapore time and dates unless otherwise stated.

Any discrepancies in the figures included in this Circular between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

Where applicable, figures and percentages used in this Circular have been rounded to one decimal place for ease of reading.

Any reference to a website or any website directly or indirectly linked to such websites in this Circular is not incorporated by reference into this Circular and should not be relied upon as such.

Gibson, Dunn & Crutcher LLP has been appointed as the legal advisor to the Company in relation to the Disposal. No other legal advisor has been appointed by the Company in relation to the Disposal.

LETTER TO SHAREHOLDERS

DESIGN STUDIO GROUP LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 199401553D)

LETTER TO SHAREHOLDERS

Board of Directors:

David Chew Hock Lin (Non-Executive Chairman and Independent Director)
Steven James Salo (Executive Director and Chief Executive Officer)
Marwan Anthony Shehadeh (Non-Executive Director)
Kevin Derek Lewis (Non-Executive Director)
Dr. Adelle Maree Howse (Independent Director)

Registered Office:

8 Sungei Kadut
Crescent, Singapore
728682

4 August 2021

To: The Shareholders of Design Studio Group Ltd

THE DISPOSAL OF DS CHINA GROUP

Dear Sir / Madam

1. INTRODUCTION

1.1 EGM. The Directors are convening an EGM to be held by way of electronic means on 19 August 2021 at 2:30 p.m., the notice of which is set out at pages N-1 to N-3 of this Circular, to seek Shareholders' approval for the Disposal.

1.2 Circular. The purpose of this Circular is to provide Shareholders with information relating to the Disposal.

2. THE DISPOSAL

2.1 Introduction

2.1.1 On 20 January 2020, the Company announced that the Group had commenced the Restructuring Exercise in order to protect the value of its businesses while it reorganises its liabilities and restructures its operations. In that regard, the Group had commenced proceedings in Singapore and Malaysia to seek protection from creditor enforcement while the Group prepared a holistic restructuring proposal. The Restructuring Exercise remains ongoing and the Group is hopeful that it will be able to successfully implement the Restructuring Exercise, which is being carried out in good faith in the best interests of all its stakeholders.

2.1.2 As part of the Restructuring Exercise, and as set out in further detail in this Circular, the Company intends to dispose of the DS China Group. In that regard, on 15 January 2021, the Company announced that it had entered into the Share Purchase Agreement with the Buyer SPV that would, upon Completion, result in the effective disposal by the Company of the DS China Group. The Disposal was completed on 2 March 2021.

2.1.3 Following the Disposal of the DS China Group, the Group intends to continue with its core business of providing interior fit-out solutions and supplying and installing panelling products in its key markets of Singapore, Malaysia and Myanmar. The Group will also continue to pursue project opportunities in the United Arab Emirates, Sri Lanka and Thailand.

2.1.4 Pursuant to the Disposal, the Company sold the Sale Shares, representing the entire share capital of DS China, the parent company of DS Shanghai and DSH, to the Buyer SPV for the Initial Consideration. The Buyer SPV is a special purpose vehicle incorporated by AJCapital, the independent restructuring advisor to the Group in respect of the Restructuring Exercise.

LETTER TO SHAREHOLDERS

- 2.1.5 The Initial Consideration of S\$1.00 may be adjusted by the payment of an additional amount equivalent to the proceeds of the Third Party Sale less the Initial Consideration and the costs and expenses incurred by the Buyer SPV in connection with the Third Party Sale in the event a Third Party Sale is successfully concluded. For the avoidance of doubt, the Company shall not be liable to the Buyer SPV in the event the costs and expenses of the Third Party Sale exceed the proceeds from such sale. Please refer to Section 2.5.6 of this Circular for further information on the developments in relation to a Third Party Sale.
- 2.1.6 As the relative figures computed based on Rule 1006(a) and (b) of the Listing Manual are negative figures, and the loss on disposal of the DS China Group based on the unaudited financial statements of the Group for 3Q2019 (being the latest announced financial statements of the Group prior to the execution of the Share Purchase Agreement) exceeded 10% of the net loss of the Group, Rule 1014 of the Listing Manual would apply to the Disposal pursuant to paragraph 4.6 of the Practice Note 10.1 of the Listing Manual. Based on the adjusted NAV of the DS China Group of S\$9.1 million as at 31 December 2020, the Group would have expected to record a loss on disposal of approximately S\$9.1 million on an adjusted basis, which would have represented approximately 18.4% of the Group's losses based on its unaudited financial results for FY2020. Please refer to Section 2.11 of this Circular for further information on the expected loss on disposal of the DS China Group.
- 2.1.7 The SGX-ST granted the Waiver on 27 November 2020, which is conditional upon (among other things) ratification of the Disposal at an EGM. On 23 March 2021, the SGX-ST granted an extension of time of up to 27 April 2021 for the Company to obtain shareholder ratification of the Disposal. On 27 April 2021, the Company announced that it had applied to the SGX-ST for a further extension of time to obtain the Ratification, as it was unable to convene the EGM by 27 April 2021 in accordance with the condition set out under Section 4.1.1(b). This was due to the fact that this Circular was required to contain certain financial information in relation to FY2020, and the Company's unaudited financial statements for FY2020 were announced only on 28 April 2021. On 12 May 2021, the Company announced that the SGX-ST had rejected its application for a further extension of time to obtain the Ratification, and that the Company had failed to satisfy the condition set out under Section 4.1.1(b) in breach of Listing Rule 1014(2). Notwithstanding that the Ratification could not be obtained on or before 27 April 2021, the Company intends to convene the EGM to obtain the Ratification. Please refer to Section 4.1 of this Circular for further information on the Waiver, the extensions of time applied for by the Company and the decisions of the SGX-ST in respect of the Company's applications.

2.2 Information on DS China Group

- 2.2.1 Prior to the Disposal, DS China was a wholly owned subsidiary of the Company. DS China was an investment holding company incorporated in Singapore, which held the entire share capital of DSH. DSH operated as the centralized manufacturing facility for the Group's business units and related parties, which included businesses in Singapore, Malaysia, United Arab Emirates and Thailand. DS Shanghai was a dormant entity with no material assets or liabilities. As part of Completion, the Company agreed to transfer the shares of DS Shanghai from the Company to DS China. As at the Latest Practicable Date, the Company is in the process of completing the formalities for the registration of the transfer of DS Shanghai to DS China. The unaudited consolidated management accounts of the DS China Group for FY2019 and FY2020 are set out in Schedule 1 of this Circular.
- 2.2.2 Historically, DSH employed up to approximately 250 staff and had a floor space of approximately 5,000 square metres. Its facility manufactured bespoke joinery and components required for the Group's various projects. The operations of DSH were wound down in FY2020 and its manufacturing activities ceased on or about 31 January 2021, after completing the manufacturing of the joinery and panelling products required for one (1) of the Group's projects, as DSH no longer had sufficient cashflow to continue paying its operating costs and purchasing supplies without an injection of funds, and was at risk of trading while insolvent if it were to continue operations. The decision to wind down the operations of DSH and enter into the Disposal was unanimously approved by the Board to reduce operating costs as part of the Restructuring Exercise, dispose of a loss making business unit and mitigate the risks to the Group and the Restructuring Exercise arising from the financial condition of the DS China Group. As part of the cessation of DSH's manufacturing activities, approximately 180

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employees were made redundant. To the best of the knowledge of the Company, no litigation has been commenced by the former employees of DSH following the Disposal.

- 2.2.3 Following the Disposal, the Group continues to have a manufacturing facility in Myanmar with approximately 80 staff and floor space of approximately 2,000 square metres, and also has the equipment in Singapore to manufacture joinery and components, if necessary.
- 2.2.4 As at 31 December 2020, the DS China Group owed a net amount of approximately S\$23.9 million to the other entities within the Group (excluding the DS China Group), comprising debts of approximately S\$26.1 million owing by the DS China Group to the other entities within the Group (excluding the DS China Group), and debts of approximately S\$2.2 million owing by the other entities within the Group (excluding the DS China Group) to the DS China Group. As a term of the Disposal, the Relevant DSG Debts owing by the DS China Group to the other entities within the Group (excluding the DS China Group) and *vice versa* will be waived.
- 2.2.5 In FY2020, the Group recorded the waiver of the Relevant DSG Debts between the DS China Group and the other entities within the Group as a post-balance sheet event in anticipation of the waivers of the Relevant DSG Debts of a net amount of approximately S\$23.9 million owing by the DS China Group to the other entities within the Group, and recorded impairment losses of approximately S\$3.9 million and S\$3.6 million in respect of the PPE and inventories of the DS China Group respectively. The book value of the PPE and inventories were impaired as the DS China Group's PPE is comprised of highly customised equipment built for the specific purposes of the DS China Group and has limited market value outside the business of the DS China Group, while the inventories were primarily comprised of raw materials for the use of the DS China Group and had limited value following the winding down of the DS China Group's operations. The DS China Group was re-classified as assets available for sale at S\$1.00 in accordance with SFRS(I) 105 (Non-current Assets Held for Sale and Discontinued Operation) as at 31 December 2020, in anticipation of the Share Purchase Agreement that was entered into on 15 January 2021.
- 2.2.6 The PPE of the DS China Group was comprised of specialised equipment for the manufacture of bespoke joinery and panelling products for the Group's interior fit-out solutions, and equipment for the production of bespoke pre-fabricated cabins for installation in luxury cruise liners, which was assembled by the DS China Group to capitalise on the growth of the leisure cruise industry from 2009 to 2019. However, the COVID-19 pandemic resulted in severe restrictions on travel and the effective suspension of the leisure cruise industry globally in 2020, exacerbated by incidents of large-scale COVID-19 infections on cruise liners. This had a devastating impact on related industries, including the supply chain for the construction and refurbishment of cruise liners. The hospitality industry, in which many of the Group's customers operate, was similarly affected by travel restrictions and social distancing protocols imposed due to the COVID-19 pandemic. As a result, the relevant PPE was severely underutilised in FY2020, and external demand for such PPE was significantly depressed. As the PPE operated in integrated production lines, the sale of the PPE on an individual basis was expected to result in lower sale value. The PPE included machinery such as CNC machining equipment, cabinet assembly machines, various wood saw machines, veneer cutting machines and painting equipment. The PPE was purchased for a total cost of approximately RMB 81.3 million (equivalent to approximately S\$16.9 million based on an exchange rate of S\$1.00:RMB 4.81), and approximately 99.5% of such PPE (in terms of acquisition cost) was purchased from 2011 to 2014. Demand for such equipment in FY2020 and FY2021 was expected to be materially lower, due to the effects of the COVID-19 pandemic on the leisure cruise and construction industries. It should also be noted that the sale of such used equipment on the secondary market on an individual basis would result in additional costs being incurred for uprooting, cleaning, packing, marketing and administering the sale of the PPE, as well as the imposition of value added tax, which would further reduce recoveries. The impairment to the value of the PPE was based on a valuation conducted by CBRE (Hong Kong) Limited on the PPE of the DS China Group on an "as is, where is" basis as at 6 August 2020, and was reviewed by the auditors of Depa, PwC Dubai, in the course of Depa's audit for FY2020.

LETTER TO SHAREHOLDERS

- 2.2.7 The inventories of the DS China Group were comprised of raw materials for the manufacture of bespoke joinery and panelling products, such as plywood, timber and other wood materials, laminates, paints, ironmongery (*e.g.*, hinges, nails and screws) and aluminium railings, which were purchased as needed for manufacturing projects. As such, the inventories of the DS China Group were generally purchased in 2019 to 2020. Unlike commodities such as oil and metals, there is no secondary market for the raw materials of the DS China Group, and minimal value can be attributed to such raw materials following the cessation of the DS China Group's operations. It should also be noted that the sale of such raw materials in the secondary market on an individual basis would be challenging to administer. The impairment to the value of the inventories was based on the liquidation analysis conducted by Truevera, and was reviewed by the auditors of Depa, PwC Dubai, in the course of Depa's audit for FY2020.
- 2.2.8 Following the recording of the waiver of the Relevant DSG Debts, the DS China Group had current liabilities of approximately S\$2.3 million owing to third parties outside the Group as at 31 December 2020. These debts were owed to various suppliers and incurred for purchases of raw materials on an ongoing basis in 2019 and 2020 and for maintenance services for the DS China Group's PPE. The third party debts owing by the DS China Group will not be waived as part of the Disposal and were not capable of compromise and settlement under the creditor scheme of arrangement proposed by the Group, as they are owed by entities incorporated outside Singapore and Malaysia.
- 2.2.9 Based on the DS China Group's unaudited consolidated management accounts for FY2019 and FY2020, the DS China Group suffered net losses of approximately S\$9.2 million in FY2019 and had net profits of approximately S\$12.0 million in FY2020, representing approximately 11.1% and -24.3% of the Group's losses in FY2019 and FY2020 respectively. The profits recorded by the DS China Group in FY2020 arose due to the recording the waiver of the Relevant DSG Debts as a post-balance sheet event. Assuming that the waiver of the Relevant DSG Debts were not recorded in FY2020, the DS China Group would have recorded net losses of approximately S\$11.9 million in FY2020, arising due to the low or negative margins on many of the DS China Group's projects, which provided insufficient income to cover fixed costs and depreciation on its PPE. For illustrative purposes, the DS China Group's adjusted net loss of S\$11.9 million would have represented approximately 24.0% of the Group's unaudited consolidated net losses of approximately S\$49.5 million in FY2020.

2.3 Information on the Buyer SPV, AJCapital and Truevera

- 2.3.1 The Buyer SPV is a special purpose vehicle incorporated in the British Virgin Islands and functions as an intermediate holding entity for the DS China Group while a Third Party Sale is pursued. The Buyer SPV is owned and controlled by Luke Furler, the Chief Restructuring Officer of the Group and a partner of AJCapital, the independent restructuring advisor to the Group in respect of the Restructuring Exercise.
- 2.3.2 Founded in 2011, AJCapital is a specialist restructuring firm with offices in Singapore and Jakarta. AJCapital has an extensive track record in complex restructuring transactions in Singapore and Indonesia, including advising bondholders in the restructuring of Miclyn Express Offshore Limited, advising on the restructuring and turnaround management of PT Apexindo Pratama Duta Tbk and acting as the court appointed liquidator of Trikonsel Singapore Pte Ltd (In Compulsory Liquidation) and Siva Ships International Pte Limited (In Compulsory Liquidation).
- 2.3.3 Founded in 2019, Truevera is a specialist restructuring advisory firm incorporated and headquartered in Hong Kong, and with a presence in China and Vietnam. Truevera was founded by Marcus Paciocco, a chartered accountant with over 20 years of restructuring experience in China, Vietnam, Australia and the Cayman Islands. Truevera has an extensive track record in complex restructuring transactions in China, Australia and Vietnam, including advising on the restructurings of Win Concepts Holdings, Invitrocue Limited and Meinhardt (Vietnam) Limited.

LETTER TO SHAREHOLDERS

- 2.3.4 AJCapital was engaged as the independent restructuring advisor to the Company in respect of the Restructuring Exercise as a whole. In this role, AJCapital acts as the lead advisor to the Company in connection with the restructuring of the Group's operations globally and the efforts to reorganise the debts and liabilities of the Group. Truevera was engaged by the Company on the recommendation of AJCapital to provide advice in relation to the divestment of the DS China Group due to its presence in and experience with corporate restructurings and the insolvency regime in China, and, in particular, its experience with realisations of assets in corporate restructurings in China. During the course of its engagement, Truevera conducted a review of the operations, assets and liabilities of the DS China Group, and will endeavour to source a third party buyer in order to secure a Third Party Sale.
- 2.3.5 Neither AJCapital nor Truevera will be compensated on a commission basis for securing a Third Party Sale of DS China Group. AJCapital is compensated as part of its ongoing engagement as the restructuring advisor to the Group, while Truevera will be paid a fixed success fee of S\$200,000 upon the execution of an agreement for a Third Party Sale. Truevera will bear the legal fees and stamp duty chargeable in respect of any Third Party Sale.
- 2.3.6 Depa, the Buyer SPV and Truevera have executed the Third Party Sale Confirmation, under which they confirmed that Shareholders' prior approval would be sought if DS China Group or part thereof is sold to interested persons within the meaning envisaged under Chapter 9 of the Listing Manual or their nominees in satisfaction of the conditions of the Waiver.
- 2.3.7 Save for the appointments of AJCapital and Truevera for the purposes of the Restructuring Exercise, the directors and shareholders of AJCapital and Truevera have no past or current relationship with the Company, its directors or shareholders. Neither AJCapital nor Truevera will be compensated on a commission basis for undertaking the Disposal or securing a Third Party Sale.
- 2.3.8 There are no agreements, written or otherwise, between the Depa Group, its directors, key management or its substantial shareholders or their respective associates, and Truevera or AJCapital for the direct or indirect transfer or disposal of the DS China Group or its assets following the Disposal.

2.4 The Disposal

- 2.4.1 Pursuant to the Share Purchase Agreement, the Company shall transfer the entire share capital of DS China to the Buyer SPV. As part of Completion, the Company agreed to transfer all the shares of DS Shanghai to DS China, which became the parent company of the DS China Group. The Disposal was completed on 2 March 2021. However, as at the Latest Practicable Date, the Company is in the process of completing the formalities for the registration of the transfer of DS Shanghai to DS China.
- 2.4.2 The Buyer SPV is intended to be a holding entity for the DS China Group pending a successful Third Party Sale or the potential closure of the DS China Group in the event that a Third Party Sale is not successfully concluded.

2.5 Consideration

- 2.5.1 The initial consideration for the Disposal was the Initial Consideration of S\$1.00. The Initial Consideration was agreed on a willing buyer, willing seller basis, taking into account the Adjustment and the fact that the DS China Group is loss-making and the value of its liabilities exceeds its assets if it were to be liquidated. Please refer to Section 2.8.4 of this Circular for further information on the estimated value of the DS China Group in the event of liquidation.
- 2.5.2 The DS China Group had an NAV of approximately S\$1.5 million based on the unaudited consolidated management accounts of the DS China Group as at 31 December 2020, which were prepared on a going concern basis, after accounting for the waiver of the Relevant DSG Debts of a net amount of S\$23.9 million owing by the DS China Group to the other entities within the Group and impairments of approximately S\$7.6 million to the book value of its PPE and inventories. On an adjusted basis, disregarding the impairments to the book value of its PPE and inventories, the DS China Group had an adjusted NAV of approximately S\$9.1 million

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as at 31 December 2020. Please refer to Section 2.11 of this Circular for further information on the NAV of the DS China Group.

- 2.5.3 Following Completion of the Disposal, the Buyer SPV shall attempt to market the DS China Group with a view to on-selling the DS China Group or its business (or any part thereof) to a third party buyer within six (6) months. The six (6) month period was determined to be a reasonable period to allow for a Third Party Sale to materialise, taking into consideration the operating costs of the DS China Group (including rental costs and maintenance of the plant and equipment) and professional fees incurred in sourcing a third party buyer. The Company may consider extending the six (6) month period where there is certainty that a commercially attractive Third Party Sale can be concluded within a reasonable period thereafter, in which event the Company would be entitled to an amount equivalent to the proceeds of the Third Party Sale, less the Initial Consideration and the costs and expenses incurred by Buyer SPV in connection with the Third Party Sale, (the “**Adjustment Amount**”) arising from such Third Party Sale. In the event that a Third Party Sale is not successfully concluded, it is likely that steps will be taken for the closure of the DS China Group. As the value of the DS China Group’s liabilities would exceed the value of its assets in the event of liquidation, no surplus assets are expected to be distributable to shareholders upon closure of the DS China Group. In the highly unlikely event that any surplus assets remain after the DS China Group is liquidated and its liabilities are fully repaid, the Company shall be entitled to any such surplus assets. Please refer to Section 2.8.4 of this Circular for further information on the estimated value of the DS China Group in the event of liquidation.
- 2.5.4 In carrying out the Third Party Sale, the Buyer SPV will be assisted by Truevera to source a third party buyer of the DS China Group. In the event a Third Party Sale is successfully completed, the Buyer SPV shall pay the Adjustment Amount to the Company.
- 2.5.5 In addition, in connection with the Disposal, each entity within the DS China Group will execute a deed for the waiver of Relevant DSG Debts owed by the Group (other than the DS China Group) to DS China Group of approximately S\$2.2 million as at completion of the Disposal, and the Group (other than the DS China Group) will execute deeds for the waiver of Relevant DSG Debts owed by the DS China Group to the Group amounting to approximately S\$26.1 million as completion of the Disposal, as the entities within the Group are insolvent and the Relevant DSG Debts are deemed unrecoverable.
- 2.5.6 The agreed period for a Third Party Sale to be concluded will expire on 2 September 2021, six (6) months after the Completion on 2 March 2021. However, the Company has been informed by Truevera that following negotiations with various potential buyers, as at the Latest Practicable Date, no Third Party Sale has been concluded. The Company has also been informed that due to the weak financial condition of the DS China Group, some unutilised PPE will need to be sold on the secondary market in order to satisfy its outstanding liabilities of approximately S\$0.3 million for which payment is due, and a sale of the DS China Group or its business as a going concern may not be feasible in the coming months. Truevera has confirmed that the unutilised PPE will not be sold to the Depa Group or its related parties. The Company will make further announcements on material developments in relation to the Third Party Sale as and when they arise.

2.6 Completion of the Disposal

The Disposal was completed on 2 March 2021. However, as at the Latest Practicable Date, the shares of DS Shanghai (a dormant company with no material assets or liabilities) are held by the Company and the formalities for the registration of the transfer of DS Shanghai to DS China are in the process of being completed.

2.7 Shareholder’s Undertaking

Pursuant to the Irrevocable Undertaking, Depa, a controlling shareholder of the Company, holding approximately 89.8% of the Shares as at the Latest Practicable Date, has undertaken to, among other things, vote in favour of the shareholders’ resolution to ratify the Disposal.

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2.8 Rationale for the Disposal

- 2.8.1 DSH, the only operating company within the DS China Group, employed around 200 employees prior to the Disposal. Approximately 80% of the DS China Group's revenue was generated from sales to the Group's business units and related parties, while the remaining 20% of its revenue was generated from local customers in China. Losses arising from sales by the DS China Group to the Group's business units represented approximately 73.0% of the DS China Group's losses in FY2020 (excluding gains recorded by the DS China Group arising from the waiver of the Relevant DSG Debts). Since its inception in 2011, the DS China Group has generated a loss in seven (7) out of its ten (10) years of operation, with the last year of profitability being in 2016. The DS China Group's losses also led to the Company announcing a profit warning on 19 October 2018. The monthly operating cash costs of the DS China Group in FY2019 and FY2020 ranged between S\$150,000 to S\$300,000, which were primarily comprised of employee costs in respect of approximately 200 employees and rental costs in respect of the manufacturing facility of DSH, and have been funded by the Singapore and Malaysia entities of the Group. In addition, the depreciation of the fixed assets of DSH continuously eroded the consolidated net asset value of the Group. While the Disposal is not expected to generate material cash inflow to the Group, it will significantly reduce the Group's cash burden and loss making operations going forward, allowing the Group to fund ongoing working capital requirements in Singapore, Malaysia and Myanmar. Following the Disposal, the Group has relied on its manufacturing facility in Myanmar to replace the manufacturing capabilities of the DS China Group, save that the services of third party manufacturers in China were utilised while the Group's manufacturing facility was voluntarily closed to ensure the safety of the Group's employees during the protests in 2021 in Myanmar. Centralising the Group's manufacturing in Myanmar is not expected to have a material impact on the Group's profitability, save for cost savings from the elimination of the operating costs and losses arising from depreciation of PPE of the DS China Group.
- 2.8.2 Prior to the execution of the Share Purchase Agreement, the DS China Group was unable to continue carrying on as a going concern without further funding, due to liquidity shortages arising from factors such as declining sales and margins across the Group's business units, the impact of the COVID-19 pandemic on the construction industry, and the inability of the other entities within the Group to satisfy outstanding payments. Furthermore, given the financial condition of the Group, the Malaysia and Singapore entities of the Group were no longer able to continue funding the operations of the DS China Group, whose average monthly cashflow was approximately negative S\$128,000 in FY2019 and FY2020. As a result, the DS China Group was unable to continue operating as a going concern as it was no longer able to pay its debts as and when they fell due.
- 2.8.3 Based on the unaudited consolidated management accounts of the DS China Group as at 31 December 2020, which were prepared on a going concern basis, the DS China Group had an NAV of approximately S\$1.5 million, comprising current and non-current assets of approximately S\$3.8 million and current and non-current liabilities of approximately S\$2.3 million owing to third parties outside the Group, following impairments to the value of the DS China Group's PPE and inventories, and the recognition of the waiver of Relevant DSG Debts as a post-balance sheet event. Furthermore, the continuing operating losses of the DS China Group would have continued to erode the NAV of the DS China Group, and its NAV was expected to be negative in FY2021.
- 2.8.4 The value of the DS China Group's liabilities would exceed the value of its assets in the event of liquidation, as additional liabilities would arise on liquidation, such as contract termination and employee severance costs. As disclosed in Section 2.2.2 of this Circular, approximately 180 employees have been made redundant by the DS China Group following the cessation of manufacturing activities, which has given rise to severance costs payable by the DS China Group. The book value of the DS China Group's contract assets would be reduced to nil as such contracts will no longer be performed. Prepayments were made by the DS China Group to suppliers in FY2020, as suppliers required advance payment before delivering products due to the DS China Group's financial condition, and any outstanding prepayments are unlikely to be recoverable without incurring additional legal costs. In addition, the DS China Group's suppliers and creditors would likely accelerate payment terms in the event of liquidation, and legal disputes concerning collection of payments from debtors and debt repayment to creditors

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would likely arise, which would result in additional legal costs over and above the legal and compliance costs incurred to effect the liquidation and reduce recoveries on trade receivables. Furthermore, a sale process for distressed assets in liquidation is also likely to result in lower sale values for the DS China Group's PPE, which are highly customised equipment for the specific purposes of the DS China Group and have limited market value outside the business of the DS China Group as a going concern. As discussed in Sections 2.2.6 and 2.2.7 of this Circular, the value of the DS China Group's PPE and inventories may also be further depressed in a liquidation scenario, where such PPE and inventories may be sold on an individual basis on the secondary market, while the DS China Group would be required to pay all its liabilities in full in order to undertake an orderly winding up. The Company has been informed by Truevera that the liabilities of the DS China Group is estimated to amount to approximately S\$2.5 million as at 30 April 2021. Taking into account these factors, the Company was advised by Truevera following a liquidation analysis that the value of the assets of the DS China Group would be insufficient to discharge its liabilities were it to be liquidated, and that the costs of implementing an orderly winding up and dissolution of the DS China Group was estimated to be between S\$2.5 and S\$3.3 million.

2.8.5 Truevera was engaged to develop a pre-closure and sale plan in relation to the DS China Group with the goal of preserving value and mitigating commercial risks, as well as to conduct a liquidation analysis, which included a review of key personnel of DSH, valuation of PPE, assessment of third party receivables and desktop assessment of inventory, based on information as at 31 July 2020 provided by the Group. Certain assumptions made with respect to outcomes noted in the analysis were based on Truevera's operational and commercial experience with corporate restructurings in China. The estimated liquidation value of the DS China Group of between S\$2.5 and S\$3.3 million was arrived at after taking into account, among other things, the following:

- (a) The unaudited management accounts of DSH and DS China as at 31 July 2020.
- (b) All liabilities of the DS China Group, including trade debts, contract liabilities, tax and employee costs, would be repaid in full in order to effect an orderly winding up.
- (c) The Relevant DSG Debts are waived.
- (d) The value of outstanding third party receivables in a liquidation scenario were marked-down based on the age of the receivables, with the range of mark-downs being 35% to 45% for current receivables to 100% for receivables outstanding for over one (1) year.
- (e) Recovery of prepayments to suppliers would require extensive negotiation, and were in any case highly unlikely to be recovered.
- (f) PPE was valued by CBRE (Hong Kong) Limited on an "as is, where is" basis (*i.e.*, the PPE would not be removed from the facility), and assuming free and clear access to the facility without any intervention from creditors or landlord. It was also noted that a further discount of 25% to 30% would likely be incurred if the PPE was removed from the facility and sold due to additional costs for uprooting, cleaning, packing, marketing and administering the sale, and that value added tax would be imposed on the disposal of PPE.
- (g) The inventory comprising raw materials had no intrinsic value or secondary market unlike commodities, and that attempting to return the products to suppliers to potentially gain a credit offset may result in better recoveries.
- (h) Construction in progress represents historical sunk cost carried forward with no value in liquidation.
- (i) Potential counterclaims and claims for liquidated damages on existing projects were not quantified. It was also noted that the DS China Group did not have the financial

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means to contest any such claims.

- 2.8.6 Given the financial condition of the Group at the relevant time, the Company did not intend to and was unable to provide further funding to the DS China Group. As such, the DS China Group's operations were scaled down, by ceasing production activities and reducing manpower, to the care and maintenance of its plant and equipment only, to preserve its limited funds and allow time for the Buyer SPV (working together with Truevera) to conduct the Third Party Sale.
- 2.8.7 Due to the limitations in the formal insolvency regime in China, in particular relating to small and medium sized enterprises (SMEs), which provides for a mechanism to temporarily restrain creditor action against an insolvent company, effecting an orderly winding up of an entity in China requires payment of all creditors in full, including the payment of employee severance, before the entity can effectively realise its assets. As mentioned above, the estimated costs of an orderly winding up and dissolution of the DS China Group ranges between S\$2.5 to S\$3.3 million. An orderly winding up in China refers to a winding up process where all creditors are paid in full and all the assets of the company are fully realised. The Company did not have sufficient financial means to fund and effect an orderly winding up and dissolution of the DS China Group. As such, the Company decided to pursue the Disposal in order to separate the DS China Group from the Group to better manage the risks associated with the DS China Group while pursuing a Third Party Sale and the Restructuring Exercise.
- 2.8.8 The debts owed by the DS China Group to its third party creditors in China, amounting to approximately S\$2.3 million as at 31 December 2020, were outside the jurisdiction of the Singapore court, and such debts would not be capable of compromise under the restructuring plan proposed by the Group to compromise its liabilities under the formal restructuring proceedings in Singapore and Malaysia. As such, concluding the disposal of the DS China Group as early as possible was critical to the success of the Restructuring Exercise as a whole. The Group's creditors in Singapore and Malaysia would have been unlikely to approve any restructuring proposal to compromise their debts if the Group continued to own DS China Group, whose creditors would not have their debts similarly compromised. Further, the Group was not able to fund the costs of an orderly winding up of the DS China Group. Continuing to hold the DS China Group through a disorderly and contentious process to wind down its operations presented risk to the Group, which would have discouraged the other creditors of the Group from voting in favour of the restructuring plan, and further pose significant risk to the condition of the Group going forward even if the Restructuring Exercise is successfully implemented.
- 2.8.9 To ensure that the Group benefits from the proceeds of any Third Party Sale, the terms of the Disposal ensures that the Company will receive any excess proceeds from a Third Party Sale, if such a transaction is successfully concluded.

2.9 Proceeds from the Disposal

The Initial Consideration for the Disposal will not generate any material proceeds for the Company. The Company will announce the intended use of proceeds arising from the Adjustment in the event a Third Party Sale materialises.

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2.10 Relative Figures under Chapter 10 of the Listing Manual

Based on the unaudited financial statements of the Group for (a) the nine (9) month financial period ended 30 September 2019 (“**3Q2019**”) (being the latest announced financial statements of the Group prior to the execution of the Share Purchase Agreement); and (b) FY2020 (being the latest announced financial statements of the Group prior to the Latest Practicable Date, the relative figures of the Disposal computed on the bases set out in Rule 1006 of the Listing Manual are set out below:

Rule 1006	Bases of Calculation	Relative Figure (%)		
		3Q2019 Actual ⁽¹⁾	3Q2019 Pro forma ⁽²⁾	FY2020 Actual ⁽⁹⁾
(a)	Net asset value of the assets to be disposed of compared with the Group’s net asset value	-13.36 ⁽³⁾	-37.95 ⁽⁷⁾	-15.18 ⁽¹⁰⁾
(b)	The net profits ⁽⁴⁾ attributable to the assets disposed of, compared with Group’s net profits	-5.81 ⁽⁵⁾	-28.36 ⁽⁸⁾	-22.78 ⁽¹¹⁾
(c)	Aggregate value of the consideration to be received, compared with the Company’s market capitalisation	NM ⁽⁶⁾	NM ⁽⁶⁾	NM ⁽⁶⁾
(d)	The number of consideration shares issued by the Company, compared with the number of Shares (excluding treasury shares) previously in issue	N.A.	N.A.	N.A.
(e)	The aggregate volume of proved and probable reserves to be disposed of compared with the Group’s probable and proved reserves	N.A.	N.A.	N.A.

Notes:

- (1) Based on the unaudited financial statements of the Group for 3Q2019.
- (2) Based on the unaudited financial statements of the Group for 3Q2019, after adjustments to account for the waiver of the Relevant DSG Debts.
- (3) Computed based on the unaudited net asset value of the Group as at 30 September 2019 of S\$29,915,000 and the unaudited net asset value of the DS China Group as at 30 September 2019 of negative S\$3,997,000.
- (4) Under Rule 1002(3) of the Listing Manual, “net profits” means profit or loss before income tax, minority interests and extraordinary items.
- (5) Computed based on the unaudited net loss (before income tax, minority interests and extraordinary items) of the Group for 3Q2019 of S\$34,552,000 and the unaudited net loss (before income tax, minority interests and extraordinary items) of the DS China Group for 3Q2019 of S\$2,008,000.
- (6) Based on the initial consideration of S\$1.00.
- (7) Computed based on the adjusted unaudited net asset value of the Group as at 30 September 2019 of S\$26,723,000 and the adjusted unaudited net asset value of the DS China Group as at 30 September 2019 of negative S\$10,142,000 after accounting for the waiver of the Relevant DSG Debts.
- (8) Computed based on the adjusted unaudited net loss (before income tax, minority interests and extraordinary items) of the Group for 3Q2019 of S\$34,550,000 and the adjusted unaudited net loss (before income tax, minority interests and extraordinary items) of the DS China Group for 3Q2019 of S\$9,800,000 after accounting for the waiver of the Relevant DSG Debts.

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- (9) Based on the unaudited financial statements of the Group for FY2020.
- (10) Computed based on the unaudited net asset value of the Group as at 31 December 2020 of negative S\$67,177,000 and the unaudited net asset value of the DS China Group as at 31 December 2020 of negative S\$10,200,000.
- (11) Computed based on the unaudited net loss (before income tax, minority interests and extraordinary items) of the Group for FY2020 of S\$49,456,000 and the unaudited net profit (before income tax, minority interests and extraordinary items) of the DS China Group for FY2020 of S\$11,267,000.

2.11 Expected Loss on Disposal of the DS China Group

- 2.11.1 The Sale Shares do not have an open market value, as they are not listed or traded on any securities exchange. No valuation of the Sale Shares was commissioned for the purpose of the Disposal as the DS China Group was unable to continue operating as a going concern and the value of its liabilities would exceed its assets if it were to be liquidated.
- 2.11.2 Based on the unaudited consolidated management accounts of the DS China Group for 3Q2020 and assuming the waiver of the Relevant DSG Debts, the DS China Group had an NAV of approximately S\$9.8 million. Due to (a) recording impairment losses of approximately S\$3.9 million on PPE and approximately S\$3.6 million on inventories of the DS China Group, (b) unrealised losses on foreign currency translation of approximately S\$0.3 million, and (c) accumulated losses during 4Q2020 of approximately S\$0.5 million, the DS China Group had an NAV of approximately S\$1.5 million as at 31 December 2020. Please refer to Sections 2.2.6 and 2.2.7 of this Circular for further information on the rationale for the impairments to the book value of the PPE and inventories of the DS China Group.
- 2.11.3 The DS China Group was re-classified as assets available for sale at S\$1.00 as at 31 December 2020 in anticipation of the Share Purchase Agreement in accordance with SFRS(I) 105 (Non-current Assets Held for Sale and Discontinued Operation), and the Group recorded an impairment loss of approximately S\$1.5 million in respect of the DS China Group in FY2020 based on the DS China Group's NAV of approximately S\$1.5 million. Accordingly, based on the Initial Consideration, the Group expects to record no gain or loss on disposal of the DS China Group.
- 2.11.4 However, for illustrative purposes and assuming that:
 - (a) the DS China Group was not re-classified as assets available for sale at S\$1.00, which resulted in the Group recording an impairment loss of approximately S\$1.5 million in respect of the book value of the DS China Group in FY2020; and
 - (b) the impairments of the book values of the PPE and inventories of the DS China Group of an aggregate amount of approximately S\$7.6 million were not recorded in FY2020,

the DS China Group had an adjusted NAV of approximately S\$9.1 million as at 31 December 2020. In this event, the Group would have expected to record a loss on disposal of approximately S\$9.1 million, which would have represented approximately 18.4% of the Group's losses based on its unaudited financial results for FY2020.

2.12 Shareholders' Approval

- 2.12.1 As the relative figures computed based on Rule 1006(a) and (b) of the Listing Manual are negative figures, and the loss on disposal exceeds 10% of the net loss of the Group (on an adjusted basis, assuming that the DS China Group was not re-classified as assets available for sale and the impairments to the book values of the PPE and inventories of the DS China Group were not recorded in FY2020), Rule 1014 of the Listing Manual would apply to the Disposal pursuant to paragraph 4.6 of Practice Note 10.1 of the Listing Manual.

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2.12.2 Please refer to Section 4.1 of this Circular for further information on the Waiver, the extensions of time applied for by the Company and the decisions of the SGX-ST in respect of the Company's applications.

3. FINANCIAL EFFECTS OF THE DISPOSAL

3.1 Bases and assumptions

3.1.1 The *pro forma* financial effects below are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the Disposal.

3.1.2 These illustrative pro forma financial effects were computed based on the Group's unaudited consolidated financial statements for FY2020, based on the following assumptions:

- (a) the Group (including the DS China Group) is carrying on as a going concern;
- (b) the Relevant DSG Debts between the DS China Group and Group (excluding the DS China Group) are waived;
- (c) the DS China Group had not been reclassified as assets available for sale, and the book value of the DS China Group had not been impaired to S\$1.00;
- (d) the Third Party Sale has not been concluded; and
- (e) expenses incurred by the Company in connection with the Disposal are disregarded for the purpose of these illustrative financial effects.

3.1.3 Save as disclosed above, these pro forma financial effects do not take into account (i) any corporate actions announced and undertaken by the Group, including the Restructuring Exercise; and (ii) any issuance of new Shares, on or after 1 January 2020.

3.2 Share Capital

As the Disposal does not involve the issue of any new Shares, the Disposal will not have any impact on the existing share capital of the Company.

3.3 Effect on NTA

The illustrative financial effects of the Disposal on the NTA of the Group as 31 December 2020 are as follows:

	FY2020 ⁽¹⁾ (Unaudited)	
	Before	After
NTA (S\$'000) ⁽²⁾	(58,103)	(67,177)
Shares ('000)	260,264	260,264
NTA per Share (cents)	(22.32)	(25.81)

Notes:

- (1) Assuming the Disposal was completed on 31 December 2020.
- (2) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets (net of non-controlling interests).

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3.4 Effect on EPS

The illustrative financial effects of the Disposal on the EPS of the Group for FY2020 are as follows:

	FY2020 ⁽¹⁾ (Unaudited)	
	Before	After
(Loss) attributable to shareholders (S\$'000)	(40,329)	(49,403)
Weighted average number of Shares ('000)	260,264	260,264
Basic EPS (cents)	(15.50)	(18.98)

Notes:

(1) Assuming the Disposal was completed on 1 January 2020.

4. INFORMATION ON THE WAIVER

4.1 Conditions of the Waiver

- 4.1.1 As announced by the Company on 15 January 2021, the SGX-ST granted the Waiver on 27 November 2020, subject to the following conditions:
- (a) The Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Listing Manual and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;
 - (b) Ratification of the Disposal by shareholders at an EGM to be convened within three months from the date of the Waiver;
 - (c) Unanimous confirmation from the Board that the Disposal is in the best interests of the Company;
 - (d) An irrevocable written undertaking from Depa, the controlling shareholder of the Company, that Depa will vote and/or procure the voting of all its 89.8% shares in favour of the Disposal, and that Depa will not transfer, sell or otherwise dispose of any or all of its approximate 89.8% interest in the Company's shares prior to and during the period of the EGM to be convened for the shareholders' ratification;
 - (e) The DS China Group not being subsequently sold by Truevera or other parties to interested persons within the meaning envisaged under Chapter 9 of the Listing Manual or their nominees;
 - (f) Confirmation from the Board and controlling shareholder(s) and from Truevera that they will seek shareholders' prior approval if the DS China Group or part thereof is sold to interested persons within the meaning envisaged under Chapter 9 of the Listing Manual or their nominees; and
 - (g) Compliance with Rule 1010 of the Listing Manual when the assets are sold to third parties or otherwise liquidated by Truevera and/or AJCapital.
- 4.1.2 As at the Latest Practicable Date, all the conditions set out under Section 4.1 (other than 4.1.1(b) and 4.1.1(g)) have been satisfied.

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- 4.1.3 On 23 March 2021, the SGX-ST granted an extension of time of up to 27 April 2021 for the Company to obtain shareholder ratification of the Disposal. On 27 April 2021, the Company announced that it had applied to the SGX-ST for a further extension of time to obtain the Ratification, as it was unable to convene the EGM by 27 April 2021 in accordance with the condition set out under Section 4.1.1(b). This was due to the fact that this Circular was required to contain certain financial information in relation to FY2020, and the Company's unaudited financial statements for FY2020 were announced only on 28 April 2021. On 12 May 2021, the Company announced that the SGX-ST had rejected its application for a further extension of time to obtain the Ratification, and that the Company had failed to satisfy the condition set out under Section 4.1.1(b) in breach of Listing Rule 1014(2). Notwithstanding that the Ratification could not be obtained on or before 27 April 2021, the Company intends to convene the EGM to obtain the Ratification.

4.2 Grounds for the Waiver

The Company's grounds for applying for the Waiver are as follows:

- (a) The Company is of the opinion that the Disposal will materially reduce the risk profile of the Group and is critical to the survival of the Group, on the basis that:
- (b) the DS China Group is unable to carry on as a going concern and will cease operations unless the Third Party Sale is successfully concluded;
- (c) the debts of the DS China Group are not capable of compromise under the schemes of arrangement proposed by the Group in Singapore and Malaysia;
- (d) the Company is unable to fund the costs of an orderly winding up and dissolution of the DS China Group, which is estimated to be between S\$2.5 to S\$3.3 million; and
- (e) for the reasons set out above and in Section 2.8 of this Circular, the failure to conclude the Disposal is likely to have a material adverse impact on the success of the Restructuring Exercise as a whole, and may lead to the insolvency of the Group.
- (f) The Company announced on 20 January 2020 that the Restructuring Exercise would include potential asset divestments to increase efficiency and productivity, and manage costs. The DS China Group is an ancillary manufacturing business whose principal business is the manufacture of paneling products to support the Group's core business of providing interior fit-out solutions and the supply and installation of paneling products. As the Company is undertaking a restructuring exercise, the disposal of non-core, loss-making assets to reduce costs and streamline the operations of the Group would be expected by its shareholders and creditors. Following the Disposal of the DS China Group, the Group intends to continue with its core business of providing interior fit-out solutions and the supply and installation of paneling products in its key markets of Singapore, Malaysia and Myanmar. The Group will also continue to pursue project opportunities in the United Arab Emirates, Sri Lanka and Thailand.
- (g) The Company's majority shareholder, Depa, controls approximately 89.8% of the voting shares of the Company. Depa has provided the Company with an irrevocable undertaking to vote in favour of the Disposal at the EGM. In light of the support from Depa, the Company is of the view that the requirement for prior shareholder approval for the Disposal would be a mere formality and an unnecessary strain on the Group's limited financial resources.

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5. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

5.1 Directors' Interests

As at the Latest Practicable Date, no Director has any interests in Shares or securities convertible into Shares.

5.2 Interests

The interests of the Substantial Shareholders in the Shares, as recorded from the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date are set out below:

Substantial Shareholder	Direct Interest	(%)(¹)	Number of Shares		Total Interest	(%)(¹)
			Deemed Interest	(%)(¹)		
Depa Interiors LLC	233,723,716 ⁽²⁾	89.8	-	-	233,723,716	89.8

Notes:

(1) Based on the existing share capital comprising 260,264,171 Shares.

(2) This relates to 233,108,716 shares held by Depa Interiors LLC and 615,000 shares held by Depa Interiors LLC, through its nominee, CGS-CIMB Securities (Singapore).

5.3 Interests of Directors and Substantial Shareholders

Save as disclosed in this Circular, none of the Directors, or, as far as the Company is aware, Depa, have any interest, direct or indirect, in the Disposal other than through their respective directorships and shareholdings in the Company.

6. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Disposal, and no service contracts in relation thereto will be entered into by the Company.

7. DIRECTORS' RECOMMENDATION

The Directors are unanimously of the opinion, for the reasons set out in Section 2.8 above, that the Disposal is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the Ordinary Resolution relating to the Disposal to be proposed at the EGM.

8. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held by way of electronic means on 19 August 2021 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the Ordinary Resolution set out in the Notice of EGM.

COVID-19 Measures

The COVID-19 Order was issued on 13 April 2020 pursuant to the COVID-19 Act and was gazetted to take effect from 27 March 2020. The COVID-19 Order prescribes alternative arrangements for the conduct of general meetings of companies, and compliance with these alternative arrangements will be deemed to be compliant with the relevant provisions of written law or legal instrument in respect of which the alternative arrangements are made. Such alternative arrangements include the conduct of a general meeting of a company wholly or partly by electronic means provided that a listed company must publish the minutes of the meeting on SGXNET and the company's website (if available) within one month after the date of the relevant meeting.

LETTER TO SHAREHOLDERS

On the same day, ACRA, the Monetary Authority of Singapore and Singapore Exchange Regulation issued the COVID-19 Order Guidance (which was last updated on 1 October 2020) comprising a checklist to guide listed and non-listed entities on the conduct of general meetings during the period when elevated safe distancing measures are in place. The COVID-19 Order Guidance provides further guidance on Part 4 of the COVID-19 Act and the COVID-19 Order, and states that listed entities should refer to the COVID-19 Order Guidance when conducting general meetings during this elevated safe distancing period.

At the forthcoming EGM, the Company will comply with the COVID-19 precautionary measures recommended or imposed by the Singapore Government to minimise the risk of community spread of COVID-19 as may be appropriate, including the Infectious Diseases Regulations and COVID-19 Order, on the holding of general meetings amid COVID-19. Please refer to Section 9 of this Circular for more details on the actions Shareholders should take pursuant to the COVID-19 Act and any regulations promulgated thereunder, including without limitation, the COVID-19 Order, as well as the COVID-19 Order Guidance.

Shareholders should note that the Company may make further changes to its EGM arrangements as the COVID-19 situation evolves. Shareholders are advised to keep abreast of any such changes as may be announced by the Company as may be made from time to time on SGXNET.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

9.1 No attendance at EGM

In view of the elevated safe distancing measures pursuant to the Infectious Diseases Regulations and COVID-19 Regulations, Shareholders will not be able to attend the EGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate at the EGM by (i) watching the EGM proceedings via “live” webcast or listening to the EGM proceedings via “live” audio feed, (ii) submitting questions in advance of the EGM, and/or (iii) voting by proxy at the EGM. Please see the paragraphs below for these alternative arrangements.

9.2 Registration to attend the EGM remotely

The proceedings of the EGM will be conducted by electronic means. Shareholders will be able to watch the proceedings of the EGM through a “live” webcast via their mobile phones, tablets or computers or listen to these proceedings through a “live” audio feed via telephone. In order to do so, Shareholders must follow these steps:

- (a) Shareholders who wish to watch the “live” webcast or listen to the “live” audio feed must pre-register by 2:30 p.m. on 16 August 2021 (“**Registration Cut-Off Date**”) (being 72 hours before the time fixed for the EGM), at the URL <https://events.studio/app/#/signin>. Shareholders will be required to provide their full name, NRIC/Passport No./Company Registration No. and address for verification purposes. Shareholders who wish to submit questions related to the resolution to be tabled for approval at the EGM must do so by 16 August 2021 (being 72 hours before the time fixed for the EGM) in accordance with Section 9.3 below.
- (b) Upon successful registration, authenticated Shareholders will receive an email confirmation by 2:30 p.m. on 17 August 2021 with their user log-in details, access password and the link to access the “live” webcast and/or telephone number for “live” audio feed of the EGM proceedings.
- (c) Shareholders who do not receive any email by 2:30 p.m. on 17 August 2021, but who have registered by the Registration Cut-Off Date, should contact the Share Registrar at the following email address: srs.teamd@boardroomlimited.com.

LETTER TO SHAREHOLDERS

9.3 Prior submission of questions

Shareholders who pre-register to watch the “live” webcast or listen to the “live” audio feed may also submit questions related to the resolution to be tabled for approval for the EGM:

- (a) All questions must be submitted by 2:30 p.m. on 16 August 2021 (being 72 hours before the time fixed for the EGM):
 - (i) via the pre-registration website at the URL <https://events.studio/app/#/signin>;
 - (ii) in hard copy by sending personally or by post and lodging the same at the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (iii) by email to the Company’s Share Registrar at srs.teamd@boardroomlimited.com.
- (b) The Company will address substantial and relevant questions relating to the resolution to be tabled for approval for the EGM either (i) 24 hours before the EGM on SGXNET and the Company’s website at the URL https://www.ds-group.com/ir_announcements.php or (ii) address such questions at the EGM, in accordance with the COVID-19 Order Guidance.
- (c) The Company will, within one month after the date of the EGM, publish the minutes of the EGM on SGXNET and the Company’s website, and the minutes will include the responses to the questions referred to above.
- (d) Please note that Shareholders will not be able to ask questions at the EGM “live” during the webcast and the audio feed, as the “live” webcast and “live” audio feed will not provide for participants to speak during the webcast due to the large number of Shareholders who may attend the EGM, and therefore it is important for Shareholders to pre-register their participation in order to be able to submit their questions in advance of the EGM.

9.4 Voting by proxy only

Shareholders will not be able to vote online on the resolution to be tabled for approval at the EGM. Instead, if Shareholders (whether individual or corporate) wish to exercise their voting rights at the EGM, they must each submit an instrument of proxy to appoint the Chairman of the EGM as their proxy to attend, speak and vote on their respective behalves at the EGM:

- (a) Shareholders (whether individual or corporate) appointing the Chairman of the EGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the instrument of proxy, failing which the appointment will be treated as invalid.
- (b) The instrument of proxy, together with the letter or power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must:
 - (i) if sent personally or by post, be lodged at the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (ii) if by email, be received by the Company’s Share Registrar at srs.teamd@boardroomlimited.com,

in either case, by 2:30 p.m. on 17 August 2021 (being 48 hours before the time fixed for the EGM), and in default the instrument of proxy shall not be treated as valid.

LETTER TO SHAREHOLDERS

- (c) Investors who wish to vote should approach their relevant intermediaries as soon as possible to specify their voting instructions. SRS Investors who wish to exercise their votes by appointing the Chairman of the EGM as proxy should approach their respective relevant intermediaries (including their respective SRS Operators) to submit their voting instructions by 2:30 p.m. on 10 August 2021 in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf by 2:30 p.m. on 17 August 2021.

9.5 Depositor

A Depositor will not be regarded as a member of the Company entitled to participate in the EGM and vote thereat unless he is shown to have Shares entered against his name in the Depository Register as certified by CDP to the Company at least 72 hours before the EGM.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular, and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

11. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 8 Sungei Kadut Crescent, Singapore 728682 during normal business hours from the date of this Circular up to the date of the EGM:

11.1.1 the Share Purchase Agreement; and

11.1.2 the Annual Reports of the Company for FY2017 and FY2018.

Yours faithfully

For and on behalf of the Board of Directors of
Design Studio Group Ltd

Steven James Salo
Executive Director and Chief Executive Officer

**SCHEDULE 1 – UNAUDITED CONSOLIDATED MANAGEMENT ACCOUNTS OF THE DS
CHINA GROUP FOR FY2019 AND FY2020**

Income Statement

(\$'000)	FY2020⁽¹⁾	FY2019
Revenue	11,723	16,653
Cost of sales	<u>(15,389)</u>	<u>(16,922)</u>
Gross profit	(3,667)	(269)
Other Income	<u>26,222</u>	<u>4</u>
	22,555	(265)
Items of Expenses		
Marketing and distribution expenses	(133)	(320)
General and administrative expenses	(3,155)	(1,554)
Impairment loss on financial assets, contact assets & property, plant and equipment	(7,256)	(6,618)
Profit (Loss) from Operations	<u>12,010</u>	<u>(8,757)</u>
Finance expenses	(22)	(47)
Finance income	1	4
Profit/(Loss) before tax	<u>11,989</u>	<u>(8,800)</u>
Income tax (expense)/credit	<u>-</u>	<u>(426)</u>
Net profit/(loss) for the year	<u>11,989</u>	<u>(9,226)</u>

Note:

- (1) After waiver of the Relevant DSG Debts of approximately S\$26.1 million owing by the DS China Group to the Group, and approximately S\$2.2 million owing by the Group to the DS China Group, and impairments to the financial assets, contact assets, inventories and PPE of the DS China Group. For illustrative purposes and assuming that the debt waivers and impairments were not recorded in FY2020, the DS China Group would have recorded losses of approximately S\$11.9 million in FY2020.

**SCHEDULE 1 – UNAUDITED CONSOLIDATED MANAGEMENT ACCOUNTS OF THE DS
CHINA GROUP FOR FY2019 AND FY2020**

Balance Sheet

(\$'000)	As at 31 December 2020		As at 31 December 2019
	Before the Relevant DSG Debts	After waiver of the Relevant DSG Debts ⁽¹⁾	
Non-Current Assets			
Property, plant and equipment	1,580	1,580	6,713
Total Non-current Assets	<u>1,580</u>	<u>1,580</u>	<u>6,713</u>
Current assets			
Inventories	-	-	4,093
Contract Assets	712	712	990
Trade and other receivables	833	833	2,148
Prepayments	378	378	249
Amount owing from group companies	2,195	-	5,086
Cash and short-term deposits	345	345	463
Total Current Assets	<u>4,463</u>	<u>2,268</u>	<u>13,029</u>
Current liabilities			
Trade payables and other payables	1,765	1,765	3,245
Contract liabilities	364	364	609
Lease liabilities	204	204	561
Amount owing to group companies	26,065	-	26,064
Total Current Liabilities	<u>28,398</u>	<u>2,333</u>	<u>30,479</u>
Net current assets	(23,935)	(64)	(17,450)
Non-current liabilities			
Lease liabilities (non-current portion)	-	-	194
Total Non-Current Liabilities	<u>-</u>	<u>-</u>	<u>194</u>
Net Assets	(22,355)	1,515	(10,931)
Equity attributable to equity holders of the Company			
Share capital	265	265	265
Revenue reserves	(22,816)	1,054	(10,935)
Translation reserves	197	197	(261)
	<u>(22,355)</u>	<u>1,515</u>	<u>(10,931)</u>
Non-controlling Interest	-	-	-
Total Equity	<u>(22,355)</u>	<u>1,515</u>	<u>(10,931)</u>

Note:

- (1) After waiver of the Relevant DSG Debts of approximately S\$26.1 million owing by the DS China Group to the Group, and approximately S\$2.2 million owing by the Group to the DS China Group, and impairments to the financial assets, contract assets, inventories and PPE of the DS China Group. For illustrative purposes and assuming that the debt waivers and impairments were not recorded in FY2020, the DS China Group would have an adjusted net asset value of S\$9.1 million in FY2020.

NOTICE OF EXTRAORDINARY GENERAL MEETING

DESIGN STUDIO GROUP LTD
(Incorporated in the Republic of Singapore)
(Company Registration No. 199401553D)

NOTICE OF EXTRAORDINARY GENERAL MEETING

This Notice has been made available on SGXNET and the Company's website and may be accessed at the URL https://www.ds-group.com/ir_announcements.php. A printed copy of this Notice will NOT be despatched to members.

All capitalised terms used in this Notice which are not defined herein shall, unless the context otherwise requires, have the same meaning ascribed to them in the circular to shareholders of the Company dated 4 August 2021.

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting (the "**EGM**") of Design Studio Group Ltd (the "**Company**") will be held by way of electronic means on 19 August 2021 at 2:30 p.m. for the purpose of considering and, if thought fit, passing, with or without amendments, the resolution set out below.

ORDINARY RESOLUTION

THE DISPOSAL OF DESIGN STUDIO (CHINA) PTE LTD, DESIGN STUDIO (HUIZHOU) HOME FURNISHING CO., LTD. AND DESIGN STUDIO FURNITURE (SHANGHAI) CO., LTD.

RESOLVED THAT:

- (a) approval be and is hereby given for the disposal by the Company of all of the shares in the capital of Design Studio China Pte. Ltd. to DSGCN Holdings Limited upon the terms and conditions of the share purchase agreement dated 15 January 2021 (the "**Share Purchase Agreement**") entered into by the Company and DSGCN Holdings Ltd. (the "**Disposal**");
- (b) the directors of the Company (the "**Directors**") and each of them be and are hereby authorised to complete and to do all acts and things (including, without limitation, executing all such documents as may be required) as they or he may consider necessary, desirable or expedient for the purposes of or in connection with and to give effect to this Ordinary Resolution (including any amendment to the Share Purchase Agreement, execution of any other agreements or documents and procurement of third party consents); and
- (c) any and all actions of the Company, or of any of the Directors, taken in connection with the actions contemplated by the foregoing resolution prior to the EGM be and are hereby ratified, confirmed, approved and adopted in all respects as fully as if such action(s) had been presented to for approval and approved by the shareholders at the EGM.

BY ORDER OF THE BOARD OF DIRECTORS

Design Studio Group Ltd

Steven James Salo
Executive Director and Chief Executive Officer
4 August 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Important Notice from the Company on COVID-19

As the COVID-19 situation continues to evolve, the Company is closely monitoring the situation, including any precautionary measures which may be required or recommended by government agencies to minimise the risk of community spread of COVID-19. **Members should note that the Company may be required (including at short notice) to make further changes to its EGM arrangements as the situation evolves, and members are advised to keep abreast of any such changes as may be announced by the Company as may be made from time to time on SGXNET.**

1. No attendance at EGM

Alternative arrangements have been put in place to allow members to participate at the EGM by watching the EGM proceedings through a “live” webcast through their mobile phones, tablets or computers or listening to the EGM proceedings via “live” audio feed via telephone. Members who pre-register to watch the “live” webcast or listen to the “live” audio feed may also submit questions related to the resolution to be tabled for approval at the EGM, and members who wish to exercise their voting rights may do so by voting by proxy at the EGM. Please see the paragraphs below for these alternative arrangements.

2. Registration to attend the EGM remotely

A member who wishes to watch the “live” webcast or listen to the “live” audio feed must pre-register by 2:30 p.m. on 16 August 2021 (“**Registration Cut-Off Date**”) (being 72 hours before the time fixed for the EGM), at the URL <https://events.studio/app/#/signin>. Members will be required to provide their full name, NRIC/Passport No./Company Registration No. and address for verification purposes.

Upon successful registration, authenticated members will receive an email confirmation by 2:30 p.m. on 17 August 2021 with their user log-in details, access password and the link to access the “live” webcast and/or telephone number for “live” audio feed of the EGM proceedings.

A member who does not receive any email by 2:30 p.m. on 17 August 2021, but who has registered by the Registration Cut-Off Date, should contact the Company’s Share Registrar at the following email address: srs.teamd@boardroomlimited.com.

3. Prior submission of questions

A member who pre-registers to watch the “live” webcast or listen to the “live” audio feed may also submit questions related to the resolution to be tabled for approval for the EGM. To do so, all questions must be submitted by 2:30 p.m. on 16 August 2021 (being 72 hours before the time fixed for the EGM):

- (a) via the pre-registration website at the URL <https://events.studio/app/#/signin>;
- (b) in hard copy by sending personally or by post and lodging the same at the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
- (c) by email to the Company’s Share Registrar at srs.teamd@boardroomlimited.com.

The Company will address substantial and relevant questions relating to the resolution to be tabled for approval for the EGM either 24 hours before the EGM on SGXNET and the Company’s website at the URL https://www.ds-group.com/ir_announcements.php or during the EGM, in accordance with COVID-19 Order Guidance.

4. Voting by proxy only

A member will not be able to vote online on the resolution to be tabled for approval at the EGM. If a member (whether individual or corporate) wishes to exercise their voting rights at the EGM, he/she/it must submit an instrument of proxy to appoint the Chairman of the EGM as their proxy to attend, speak and vote on their behalf at the EGM. A member (whether individual or corporate) appointing the Chairman of the EGM as proxy must give specific instructions as to their manner of voting, or abstentions from voting, in the instrument of proxy, failing which the appointment will be treated as invalid.

The instrument of proxy, together with the letter or power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must:

- (a) if sent personally or by post, be lodged at the Company’s Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
- (b) if by email, be received by the Company’s Share Registrar at srs.teamd@boardroomlimited.com,

NOTICE OF EXTRAORDINARY GENERAL MEETING

in either case, by 2:30 p.m. on 17 August 2021 (being 48 hours before the time fixed for the EGM), and in default the instrument of proxy shall not be treated as valid.

Investors who wish to vote should approach their relevant intermediaries as soon as possible to specify their voting instructions. SRS Investors who wish to exercise their votes by appointing the Chairman of the EGM as proxy should approach their respective relevant intermediaries (including their respective SRS Operators) to submit their voting instructions by 2:30 p.m. on 10 August 2021 in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the EGM to vote on their behalf by 2:30 p.m. on 17 August 2021.

The Chairman of the EGM, as proxy, need not be a member of the Company.

The instrument appointing the Chairman of the EGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the EGM as proxy is executed by a corporation, it must be executed either under its seal, executed as a deed in accordance with the Companies Act (Chapter 50) of Singapore or under the hand of an attorney or an officer duly authorised, or in some other manner approved by the Directors. Where the instrument appointing the Chairman of the EGM as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

Please refer to Section 9 of the Circular for more details on how members may attend and participate in the EGM.

The Company apologises for any inconvenience caused and seeks the understanding and cooperation of all members to minimise the risk of community spread of COVID-19. The Company, Group, officers and employees shall have no liability whatsoever to members, their proxies, corporate representatives or any other attendees arising out of or in connection with any of them being infected or suspected of being infected with COVID-19 or suffering any losses arising out of or in connection with attendance at the EGM of the Company and/or the Company taking precautionary measures at the Company's discretion in response to the COVID-19 situation.

PERSONAL DATA PRIVACY

By submitting a proxy form appointing the Chairman of the EGM as proxy to attend and vote at the EGM and/or any adjournment thereof, and/or by registering to attend the EGM as detailed in Section 9 of the Circular, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

DESIGN STUDIO GROUP LTD

(Incorporated in the Republic of Singapore)
(Company Registration No. 199401553D)

PROXY FORM

Extraordinary General Meeting (“EGM”)

IMPORTANT:

1. Alternative arrangements relating to, among others, attendance, submission of questions in advance, voting by proxy at the Extraordinary General Meeting are set out in Section 9 of the Company’s circular dated 4 August which has been uploaded together with the Notice of Extraordinary General Meeting dated 4 August 2021 on the SGXNET on the same day.
2. A member will not be able to attend the Extraordinary General Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its votes, he/she/it must submit a proxy form to appoint the Chairman of the Extraordinary General Meeting to vote on his/her/its behalf. A member (whether individual or corporate) appointing the Chairman of the Meeting as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid.
3. If a SRS investor wishes to appoint the Chairman of the Extraordinary General Meeting as proxy, he/she/it should approach his/her respective SRS Operators to submit his/her votes by 2:30 p.m. on 10 August 2021, being seven (7) working days before the date of the Extraordinary General Meeting.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Extraordinary General Meeting dated 4 August 2021.

*I/We _____ (Name),
_____ (NRIC/Passport/Company Registration No.),
of _____ (Address),
being a member/members* of Design Studio Group Ltd (the “**Company**”), hereby appoint:

The Chairman of the EGM

as my/our proxy to attend, speak and vote for me/us on my/our behalf at the EGM, to be convened and held by way of electronic means on 19 August 2021 at 2:30 p.m. and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the EGM as your proxy to cast all your votes “For” or “Against” a resolution, please indicate with an “X” in the “For” or “Against” box provided in respect of that resolution. Alternatively, please indicate the number of votes “For” or “Against” in the “For” or “Against” box in respect of that resolution. If you wish the Chairman of the EGM as your proxy to abstain from voting on a resolution, please indicate with an “X” in the “Abstain” box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the EGM as your proxy is directed to abstain from voting in the “Abstain” box in respect of that resolution. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the EGM as your proxy for that resolution will be treated as invalid.**)

Resolution	For	Against	Abstain
ORDINARY RESOLUTION 1: To approve the Disposal of Design Studio (China) Pte Ltd and its subsidiaries, Design Studio (Huizhou) Home Furnishing Co., Ltd. and Design Studio Furniture (Shanghai) Co., Ltd.			

*Delete where applicable

Total Number of Shares held:	
-------------------------------------	--

Signature(s) of Member(s) or Common Seal

Date

All capitalised terms in this proxy form which are not defined herein shall have the meanings ascribed to them in the circular dated 4 August 2021 issued by the Company.

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. If the member has shares entered against his/her/its name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his/her/its name in the Register of Members (maintained by or on behalf of the Company), he/she/it should insert that number of shares. If the member has shares entered against his/her/its name in the Depository Register and shares registered in his/her/its name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. Due to the current COVID-19 situation in Singapore, members will not be allowed to attend the Extraordinary General Meeting in person. The Extraordinary General Meeting is being convened, and will be held, by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Extraordinary General Meeting if such member wishes to exercise his/her/its voting rights at the Extraordinary General Meeting. This form of proxy may be accessed at the Company's website at the URL https://www.ds-group.com/ir_announcements.php, and will also be made available on the SGX-ST website at the URL <https://www.sgx.com/securities/company-announcements>.
For CPFIS Members or SRS Investors, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPFIS Members or SRS Investors who wish to appoint the Chairman of the EGM as proxy should approach their respective approved CPF agent banks or SRS Approved Banks to submit their votes by 10 August 2021 at 2:30 p.m., being at least seven (7) working days before the Extraordinary General Meeting.
3. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the EGM as proxy must be submitted to the Company in the following manner:
 - (i) if sent personally or by post, be lodged at the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
 - (ii) if by email, be received by the Company's Share Registrar at srs.teamd@boardroomlimited.com.

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Please
affix
postage
stamp

Design Studio Group Limited
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

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in either case, by 2:30 p.m. on 17 August 2021 (being 48 hours before the time fixed for the EGM), and in default the instrument of proxy shall not be treated as valid.

A member who wishes to submit an instrument of proxy must first download (where necessary), complete and sign the proxy form, before submitting it personally or by post to the address provided above, or before scanning and sending it by email to the email address provided above. In the alternative, a member may download, complete and authorise the proxy form by way of the affixation of an electronic signature, before sending it by email to the email address provided above.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms personally or by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. Where the instrument appointing the Chairman of the EGM as proxy is sent personally or by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the EGM as proxy is submitted electronically, it must be authorised in the following manner:
 - (i) by way of the affixation of an electronic signature by the appointor or of his attorney duly authorised in writing or, as the case may be, an officer or duly authorised attorney of a corporation; or
 - (ii) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

Where an instrument appointing the Chairman of the EGM as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the EGM as proxy is sent personally or by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the EGM as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.

7. The Company shall be entitled to reject the instrument appointing the Chairman of the EGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the EGM as proxy (including any related attachment). In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the EGM as proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

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