DESIGN STUDIO GROUP LTD.
(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199401553D)

RESPONSE TO QUERIES FROM SGX-ST IN RELATION TO COMPANY'S UNAUDITED 1H2021 FINANCIAL STATEMENTS ANNOUNCEMENT ON 26 AUGUST 2021 (the "COMPANY ANNOUNCEMENT")

The Board of Directors of Design Studio Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") refers to the below queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and wishes to provide its response as follows:

SGX Query 1

We note that the Company is required to make certain disclosures in its financial statements, including but not limited to disclosure of segment information, pursuant to the SFRS(I) 1-34 accounting standards and Financial Reporting Guidance 3 published by the Institute of Singapore Chartered Accountants.

a. Please explain why the Company has not disclosed its segment information as required under the SFRS (I) accounting standards and Financial Reporting Guidance 3.

Company's Response

The company has used the same template as in the comparable H1/2020. The company understands that the segment information is only required for announcement of financial results for each full financial year.

b. Please disclose the updated financial statements for 1H2021 in accordance with the SFRS(I) accounting standards and Financial Reporting Guidance 3.

Company's Response

The company has used the same template as in the comparable H1/2020. The company understands that the segment information is only required for announcement of financial results for each full financial year. If exceptionally segment information are also required for the announcement of half year financial results, the company will update its announcement.

SGX Query 2

Please disclose reasons for significant decrease in other income by 96.2% from S$0.95 million in 1H2020 to S$0.03 million in 1H2021.

Company's Response

Main reason for the significant decrease in other income is due to the expiry of the Support Scheme, the DSG group benefitted from in Singapore in FY2020 in the amount of $0.83 million, and wage credit scheme in 2020 of $0.11 million respectively.

SGX Query 3

In relation to the impairment loss on financial assets and contract assets amounting to S$8.72 million in 1H2021, please disclose:

a. breakdown and underlying transactions and reasons resulting in the increase of impairment loss on financial and contract assets from S$1.1 million in 1H2020 to S$8.72 million in 1H2021;

Company's Response

The impairment losses are referring to project Peninsula Hotel Yangon. The project was stopped by the client due to the political situation in Myanmar and subsequent impact on the economy.

The breakdown is as follows:-

Description	**$m**
Impairment Loss on contract assets	8.07
Impairment Loss on retention receivables	0.65
Total	8.72

b. how the impairment amounts were determined and whether the Board is satisfied with the reasonableness of the methodologies user to determine the amount of impairment.

Company's Response

The company has provided for 100% of the contract assets and retention receivables related to project Peninsula Hotel Yangon. In view on the situation in the country, the Board is satisfied with the provisions.

c. details of the project and reasons for suspension of the project in Myanmar by the client;

Company's Response

The project was stopped and terminated due to the political and economic situation in Myanmar.

d. the value of the contract, the amount of work done for the project in Myanmar, the payments received to-date from the customer for the project and the status of the remaining project following the suspension by the client;

Company's Response

The combined contract value (offshore and onshore) is USD 33.5 million. (USD 28.5 million and USD 5.0 million respectively). Combined value of work completed is USD 2.1 million. (USD 1.8 million and USD 0.3 million respectively). Combined payments received for measured and certified work done to-date is USD 1.6 million. (USD 1.3 million and USD 0.3 million). The Project has been terminated and will not be completed.

e. the liquidated damages and amounts that each party will be paid arising from the suspension of the project.

Company's Response

There are no liquidated damage claims on either side.

SGX Query 4

In relation to the reversal of impairment loss on financial assets amounting to S$6.46 million in 1H2021, please elaborate on what are these financial assets that were previously impaired and explain what are the factors that resulted in the reversal of impairment loss on financial assets amounting to S$6.46 million in 1H2021.

Company's Response

The reversal of impairment loss on financial assets amounting mainly pertain to contract assets and mainly to the reversal of impairment of $4.6 million for the Peninsular Yangon project under Singapore BU which is previously impaired in the month of May 2021. The reasons for the reversal of impairment loss are due to the BOD has ominously agreed on the reclassification due to the continuous reviews and re-valuations of all balance positions in the context of the ongoing restructuring exercise.

SGX Query 5

Please provide the breakdown of other expenses amounting to S$7.51 million in 1H2021. Please elaborate on the material amounts and provide a breakdown of the creditor scheme related costs which the Company attributed as contributing to the increase in other expenses.

Company's Response

The costs directly related to the creditor scheme are S$ 1.3m for H1/2021. This includes CRO Team (S$ 0.5m), retained Legal Adviser and related court registered law firms in Singapore and Malaysia (together S$ 0.8m). The costs are included below in the positions professional and legal fees and consultancy fees.

The breakdown of other expenses amounting to S$7.51 million in 1H2021 are as follow:

Description	**$ m**
Professional & legal fees	1.58
Project preliminaries	1.30
Consultancy fees	1.23
Other expenses admin/projects	3.40
Total other expenses	**7.51**

SGX Query 6

Please disclose the breakdown and nature of the non-current trade and other receivables amounting to S$1.53 million for 1H2021. Please disclose the Board's assessment of the recoverability of the non-current trade and other receivables.

Company's Response

Non-current trade and other receivables amounting to $1.53 million are relating to retention receivables.

The Group assesses its credit exposure on a continuous basis. The Group provides impairment loss where significant increase in credit risk has been identified for specific receivable from time to time. In assessing the credit risk, the Group has considered factors such as the probability of insolvency or significant financial difficulties of the debtor, default or significant delay in payments and outcome of negotiations with customers.

The Group's objective is to seek minimising losses incurred due to increase in credit risk exposure. The Group trades only with recognised and creditworthy customers. In addition, receivables are monitored on an ongoing basis to minimise the Group's exposure to bad debts.

SGX Query 7

Please disclose:

a. the breakdown of prepayments amounting to S$0.61 million as at 30 June 2021 and identify the nature of each of the material prepayments.

Company's Response

The breakdown of prepayments amounting to S$0.61 million as at 30 June 2021 are as follows

Description	$m
Prepayment - Suppliers (Advances)	0.28
Prepayment –Others	0.33

The prepayment are mainly pertain to supplier advances, insurance or other (e.g. insurance or other expenses).

b. the terms of the prepayments;

Company's Response

Prepayments to suppliers are standard components of supply- and supply- and install contracts with vendors and subcontractors for the supply and install of customized goods to projects, and ranging between 10 and 50% of the contract value. Down payments are recovered by deduction from payments for certified supply or works done.

Other prepayments are related to services payable annually in advance, such as certain insurances, web hosting and maintenance and subscriptions.

c. the identities of the suppliers and whether they are related parties to the Group;

Company's Response

The suppliers are third parties subcontractors and they are not related to the Group.

d. the products supplied and how long have these suppliers been supplying to the Group; and

Company's Response

The products supplied are mainly M&E supply and install supplier, furniture and decorative material vendors and OEM manufacturer. These suppliers are supplying to the Group for about 2 – 5 years.

e. whether the Group has made any impairment of the prepayments to these suppliers.

Company's Response

The Group has not made any impairment of the prepayments to these suppliers.

SGX Query 8

Please identify the asset, explain and provide details for the impairment loss of goodwill of S$2.28 million as at 30 June 2021 disclosed on page 5 of the 1H2021 financial statement.

Company's Response

The impairment loss on goodwill of S$ 2.7m was recognized in FY2019. There is no impairment loss on goodwill in FY2020 and 1H2021.

Under SFRS36 – Impairment of asset, the Company need to test goodwill acquired in a business combination for impairment annually, based on attached file, there indicative of impairment loss on goodwill hence with approval by CFO the Group have taken up the impairment loss on goodwill.

	53		**Impairment of goodwill - DSG Asia Holding**				
2019	CY		Impairment of goodwill			2,728,436.23	
			Goodwill				2,728,436.23
						2,728,436.23	2,728,436.23

At point of acquisition of DSG Asia Holding, DSG recognized goodwill of S$2.7m.

To account for step acquisition and eliminate investment in DDS Asia Holdings Group					
Retained earnings			2,292,374.64		
Goodwill			2,728,436.23		
Share capital			5,000,000.00		
Pre-acquisition Retained earnings		A	16,802,615.09		
Pre-acquisition Translation reserves				111,051.32	
RE - Gain on equity interest		B		2,339,435.70	
Cost of investment				24,331,564.30	
Translation reserves				41,374.64	
			26,823,425.96	26,823,425.96	Final

SGX Query 9

Please disclose the nature of and the reasons for the increase in trade payables to third parties from S$19.91 million as at 31 December 2020 to S$22.24 million as at 30 June 2021 when revenues of the Company had fallen by 89% from S$12.13 million in 1H2020 to S$1.34 million in 1H2021.

Company's Response

The increase in trade payables relates predominantly to project Peninsula Yangon. The project was stopped and terminated by the client. The related liability positions are subject to final account claim to be filed with the client.

SGX Query 10

The Company disclosed on page 13 that lower revenues were recorded in 1H2021 due to the ceasing of operations of manufacturing activities. Please disclose the status of the manufacturing capacity of the Group and reasons why these operations have ceased. Please also disclose the Board's plans for these plants noting that sales had plunged by 89% due to these plants ceasing operations in 1H2021.

Company's Response

The company has ceased own manufacturing operations. In order to reduce fixed costs and gain a higher level of flexibility, it has decided to appoint OEM manufacturers on a project by project base.

SGX Query 11

In relation to the court proceedings for the New Creditor Scheme mentioned on page 15, please disclose the reasons given by the judge in dismissing the application, when the Company is expected to submit the appeal to the High Court and the timelines involved in the Appeal Proceedings.

Company's Response

The court rejection of the application was due to the classification of one creditor. The company is preparing an appeal, which will be filed within the next six weeks. The following appeal proceedings are expected to take about two months.

SGX Query 12

In relation to the table setting out the aggregate value of interested person transactions of the Company on page 16, please disclose nature of relationship of the interested persons as required under Listing Rule 907.

Company's Response

Name of interested person	Nature of relationship	Aggregate value of all IPT for the financial period ended 30 June 2021 (excluding transaction less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all IPT for the financial period ended 30 June 2021 conducted under shareholders' mandate pursuant to Rule 920 (including transactions less than $100,000) S$'000
Depa United Group PJSC	Related Party of Company shareholders – Depa Interiors LLC	S$170,687	-
Depa Interiors LLC	Company's largest shareholders	-	-

By Order of the Board

Steven James Salo
Executive Director and Interim Chief Executive Officer

Date: 16 September 2021