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 FY2020 FINANCIAL STATEMENTS ANNOUNCEMENT ON 28 APRIL 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

In relation to the Company's response to query 1 in the 25 May 2021 announcement, we note that the Company impaired $7 million of trade receivables and retention in 2H2020. The Company explained that impairments were "due to reductions in estimated project margins, predominantly as a result of higher than expected project costs, including cost increases due to prolonged project execution periods, defects and potential liquidated damage claims." Please explain the Group's policy on how revenue and trade receivables are recognised and how specifically higher project costs or reduction in estimated project margins will affect impairment of trade receivables and retention. Otherwise, to explain the significant impairment of $7 million of trade receivables and retention in 2H2020.

Company's Response

The company is recognizing revenue based on budgeted/forecasted cost related percentage of completion (POC). The formula applied is POC % = cost incurred to date / total budgeted or respectively forecasted cost. Revenue recognized = POC x total budgeted revenue. Changes in the budgeted/forecasted costs, as well as budgeted/forecasted revenue (= final contract value) will lead to changes to current, retrospective and future POC and revenue. Revenue is generally booked against contract assets as intermediate position.

Subsequent to revenue recognition, the company books receivables against contract assets based on certificates received from clients. On various occasions, at a later stage the company receives a further negative certification, amending earlier positive ones. In cases negative certifications are disputed, the company does not issue credit notes, but leaves the receivable position and books a provision accordingly.

SGX Query 2

In relation to the Company's response to query 6 in the 25 May 2021 announcement, as requested in the original question, please provide the Board's assessment on the recoverability of the

(a) non-current and
(b) current trade and other receivables

and the bases relied on in forming its views.

Company's Response

The review process and evaluation is the same for current and non-current trade and other receivables.

The Group assesses its credit exposure on a continuous basis, the process is reviews in monthly update meetings between the Group Management, respective BU Management and Project Directors in charge. If required, the Group provides for impairment losses where significant increase in credit risk has been identified for specific receivables. In assessing the credit risk, the Group is considering 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 3

In relation to the Company's response to query 7 in the 25 May 2021 announcement, as requested in the original question, please provide the Board's opinion on the reasonableness of the methodologies used to determine the value of the loss allowances and the bases for forming its views.

Company's Response

The Group Management assesses the Group's credit exposure on a continuous basis, the process includes monthly update meetings between the Group Management, respective BU Management and Project Directors in charge on a project by project base and subsequent information of the Board.

In this context, the impairment loss provisions related to contract assets were made due to re-considerations of expected margins on completion for a number of projects. Causes are miscalculations at tender stage, rising extended project execution periods leading to rising costs for prelims, liquidated damage claims by clients and difficulties to obtain certificates for variation orders.

SGX Query 4

In relation to the Company's response to query 10 in the 25 May 2021 announcement, please provide an update and make the corresponding SGXNet announcement on the outcome of the hearing to sanction the proposed scheme by the Singapore Courts.

Company's Response

The Singapore Courts have adjourned the sanctioning hearing related to the proposed creditor scheme to 23 July 2021.

GX Query 5

In relation to the Company's response to query 11 in the 25 May 2021 announcement, please provide details of the nature of the underlying transactions for the IPTs mentioned.

Company's Response

The underlying transactions for the IPTs mentioned are related to the temporary provision of working capital, interest charges and charges incurred for the provision of corporate guarantees.

Name of interested person	**Aggregate value of all interested person transactions during the period under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
Depa United Group PJSC	S$1,116,675	-
Depa Interiors LLC	-	S$12,292

By Order of the Board

Steven James Salo
Executive Director and Interim Chief Executive Officer

28 June 2021