

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

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**RESPONSE TO QUERIES FROM SGX-ST IN RELATION TO COMPANY'S UNAUDITED 1H2020 FINANCIAL STATEMENTS ANNOUNCEMENT ON 28 APRIL 2021 (the "COMPANY ANNOUNCEMENT")**

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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**

Please explain the nature of the impairment loss of financial assets and contract assets amounting to \$1.1 million and why there is further impairment of \$1.1 million in 1H2020 after an impairment of \$15.7 million in FY2019. Please disclose what were the factors that gave rise to the additional impairment of \$1.1 million in 1H2020.

**Company's Response**

The impairment losses of \$1.1 million in 1H2020 were mainly attributed to Malaysia BU. The breakdown of the impairment loss of \$1.1 million are as follows:

Impairment against trade receivables & retention	\$0.42 million
Impairment against other receivables	\$0.54 million
Impairment against contract assets	<u>\$0.14 million</u>
Total impairment loss	<u>\$1.10 million</u>

The additional impairment losses are due to unexpected arising projects costs, liquidated damages and prolonged preliminaries due to delays in projects execution.

**SGX Query 2**

The Company explained on page 13 that impairment loss on financial assets and contract assets was "due to advance payment from customers, lower contract revenue due to the lower number of projects and higher impairment loss on contract assets". Please provide a breakdown of the \$1.1 million impairment losses and elaborate on how the \$1.1 million in impairment arose from advance payment from customers and lower contract revenues.

**Company's Response**

As shown in Query 1, the breakdown of the S\$1.1 million are as follows:-

Impairment against trade receivables & retention	\$0.42 million
Impairment against other receivables	\$0.54 million
Impairment against contract assets	<u>\$0.14 million</u>
Total impairment loss	<u>\$1.10 million</u>

The impairment loss is only due to financial- and contract assets. It is not related to advance payments from customers and lower contract revenue.

### SGX Query 3

Please provide a breakdown of the other expenses amounting to \$6.3 million for 1H2020 and how these compare to the amount of \$9 million for the prior corresponding period of 1H2019. Please also provide an elaboration on significant items.

### Company's Response

The breakdown of the other expenses amounting to S\$6.3 million for 1H2020 vs 1H2019 are as follows:-

S\$'000	1H2020	1H2019	Variance	Remarks
Preliminaries expenses (cost of sales)	2,129	1,212	917	Increase mainly due to new project under International BU
Other cost of sales expenses	805	3,916	(3,111)	Lower other cost of sales expenses due to lower revenue in 1HFY2020 as compare to 1HFY2019
Rental expenses	39	88	(49)	Decrease due to capitalisation of leases under SFRS(1) 16
Travelling expenses	35	355	(320)	
Audit fee	185	200	(15)	
Consultancy Fee	747	346	401	Increase mainly due to higher professional fees for restructuring of the Company
Professional & Legal Fee	875	258	618	Increase mainly due to higher professional fees for restructuring of the Company
Exhibitions	-	116	(116)	
Recruitment	6	205	(199)	Reduced of headcount hence lower recruitment expenses
Director Fees	116	146	(30)	
Foreign exchange losses	219	28	191	Higher unrealised foreign exchange losses due from revaluation of financial assets.
Entertainment	19	147	(128)	
Insurance	107	257	(151)	
IT Expenses	400	241	159	Increase mainly due to IT expenses charged by related party started in 2QFY2019.
All other expenses	635	1,133	(498)	
<b>Total</b>	<b>6,316</b>	<b>8,647</b>	<b>(2,331)</b>	

As compared to 1H2019, the preliminaries expenses has increased due to new projects under International BU, consulting and professional fees increased due to costs involved for restructuring of the company, offset by the decrease of other cost of sales expenses, rental costs, travelling expenses recruitment and all other expenses.

By Order of the Board

Steven James Salo  
Executive Director and Interim Chief Executive Officer

14 May 2021