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

PROVISION OF UNSECURED LOAN BY DEPA

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1. INTRODUCTION

The board of directors (the "**Board**") of Design Studio Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") would like to announce that DSG Asia Holdings Pte. Ltd. (the "**Borrower**"), a wholly owned subsidiary of the Company, has entered into a loan agreement (the "**Loan Agreement**") with Depa United Group PJSC (the "**Lender**"), a wholly owned subsidiary of Depa plc ("**Depa**", and together with its subsidiaries other than the Group, the "**Depa Group**") pursuant to which the Lender has agreed to extend a loan of up to S$8,300,000 to the Borrower (the "**Loan**").

Depa is the controlling shareholder of the Company and directly and indirectly owns approximately 89.6% of the issued shares of the Company. Accordingly, the Lender is an interested person in relation to the Company under the meaning of Chapter 9 of the Mainboard Rules.

2. THE LOAN

2.1. Key Terms of the Loan

The Loan is unsecured and provided by the Lender to the Borrower primarily for working capital purposes for its ongoing projects and to ensure the successful completion of the currently envisaged creditors' schemes of arrangement. The drawdown of the Loan is permissible in tranches with the drawdown of each tranche requiring certain milestones to have been met by the Group, with one of the milestones being the court sanctioning of the Group's creditors' schemes of arrangement.

Interest will accrue on the Loan at the rate of 6.0% per annum, shall be automatically capitalised and added to the outstanding principal amount of the Loan, and shall be repaid on the maturity date. The Loan will mature 24 months from the date of the Loan Agreement, or upon the occurrence of an event of default.

2.2. Rationale for the Loan

As previously disclosed by the Company, the fit-out industry in the countries and sectors where the Group operates have been highly competitive in recent years, which has adversely affected the Group's business, leading to liquidity shortages across the Group. In addition, the outbreak of the COVID-19 pandemic since the start of 2020 has had a particularly adverse effect on the construction industry, ancillary industries and the Group's clients in the hospitality and retail sectors. In order to address these challenges, preserve value and maintain a sustainable capital structure, the Group is undertaking a court supervised restructuring process to reorganise its liabilities and restructure its operations.

At the request of the Company, Depa has agreed to provide the Loan to support the Group's working capital requirements and the ongoing restructuring exercise. The Loan is necessary for the Group to continue its operations and implement the restructuring exercise. Given the current financial condition of the Group, the Company reasonably believes that no external bank financing would be available to the Group on terms comparable to the Loan (*e.g.*, unsecured, no super priority under Section 67 of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018), and interest payable upon maturity only).

The terms and conditions of the Loan were negotiated and agreed upon by the parties on an arm's length basis.

3. INTERESTED PERSON TRANSACTION

Depa is the controlling shareholder of the Company and directly and indirectly owns approximately 89.6% of the issued shares of the Company. The Lender is a subsidiary of Depa, and is therefore an interested person under the meaning of Chapter 9 of the Mainboard Rules. Accordingly, the Loan constitutes an "interested person transaction" within the meaning of Chapter 9 of the Mainboard Rules.

Under Rule 909 of the Mainboard Rules, in the case of borrowings from an interested person, the value of the transaction is the interest payable on such borrowings. Assuming the Loan is fully drawn down on the Effective Date and repaid on the maturity date, the aggregate interest payable on maturity of the Loan is S$996,000, which represents less than 3% of the Group's latest audited net tangible assets ("**NTA**") of S$62,540,000 as at 31 December 2018. Accordingly, the Loan is not subject to the prior approval of the independent shareholders of the Company. However, the Company is disclosing the Loan in compliance with its continuing obligations and the corporate disclosure policy under the Mainboard Rules.

Save for the Loan, no other interested person transactions with the Depa Group have been entered into in the financial year ending 31 December 2021 and up to the date of this announcement. As at the date of this announcement, the current total for the financial year ending 31 December 2021 ("**FY2021**") of all transactions with the Depa Group is approximately S$73,500 and the current total of all interested person transactions in FY2021 is approximately S$73,500, comprising interest accrued on shareholder loans previously extended by the Depa Group and IT services provided by the Depa Group.

The Board and the Audit Committee of the Company are of the view that the granting of the Loan by Depa is on normal commercial terms and in the best interest of the Company, and is not prejudicial to the interests of the Company and its minority shareholders as it will, inter alia, improve the cash flow situation of the Company.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Saved as disclosed in this announcement, none of the other Directors or substantial shareholders of the Company has any interest, direct or indirect (other than through their respective shareholdings in the Company) in the Loan.

By Order of the Board

Steven James Salo
Executive Director and Interim Chief Executive Officer

25 January 2021