

DESIGN STUDIO GROUP LTD.

(Incorporated in the Republic of Singapore)
(Co. Reg. No.: 199401553D)

- (1) **APPLICATION FOR MORATORIUM PURSUANT TO SECTION 211B OF THE COMPANIES ACT (CAP. 50) OF SINGAPORE**
 - (2) **APPLICATION BY SUBSIDIARIES OF THE COMPANY TO BE PLACED UNDER JUDICIAL MANAGEMENT IN MALAYSIA**
 - (3) **REQUEST FOR TRADING SUSPENSION OF THE COMPANY'S SHARES**
-

The board of directors (the "**Board**") of Design Studio Group Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company and five (5) of its Singapore-incorporated subsidiaries, being Design Studio Asia Pte. Ltd., Design Studio (China) Pte. Ltd., DSG Asia Holdings Pte. Ltd., DSG Manufacturing Singapore Pte. Ltd., and DSG Projects Singapore Pte. Ltd. (together, the "**Singapore Applicants**") have on 20 January 2020 made an application to the High Court of the Republic of Singapore (the "**Singapore Court**") to commence a court-supervised process to reorganise their liabilities and to seek a moratorium against enforcement actions and legal proceedings by creditors against the Singapore Applicants pursuant to section 211B of the Companies Act (Cap. 50) of Singapore (the "**Singapore Companies Act**", and the application, the "**Singapore Application**").

The Board further wishes to announce that three (3) of the Company's wholly-owned Malaysia-incorporated subsidiaries, being DS Project Management Sdn Bhd ("**DS Project Management**"), DSG Manufacturing Malaysia Sdn Bhd ("**DSG Manufacturing**") and DSG Projects Malaysia Sdn Bhd ("**DSG Projects**") (together, the "**Malaysia Applicants**") have on 20 January 2020 made the following applications:

- (a) DS Project Management and DSG Manufacturing each made an application to the High Court of Malaya at Johor Bahru; and
- (b) DSG Projects made an application to the High Court of Malaya at Shah Alam,

to be placed under judicial management of a judicial manager pursuant to an order made by the High Court of Malaya at Johor Bahru or High Court of Malaya at Shah Alam (each a "**Malaysia Court**"), as the case may be, under section 405 of the Companies Act 2016 (the "**Malaysia Companies Act**", and the applications, the "**Malaysia Applications**").

The Singapore Application

The Singapore Applicants are seeking in the Singapore Application, among other things, an order ("**Singapore Moratorium**") that for a period of six (6) months from the date of the Singapore Application or until further order:

- (a) no appointment shall be made of a receiver or manager over any property or undertaking of the Singapore Applicants;
- (b) no proceedings (other than proceedings under sections 210, 211B, 211D, 211G, 211H or 212 of the Singapore Companies Act) shall be commenced or continued against the Singapore Applicants, except with the leave of the Singapore Court and subject to such terms as the Singapore Court imposes;
- (c) no execution, distress or other legal process, against any property of the Singapore Applicants shall be commenced, continued or levied, except with the leave of the Singapore Court and subject to such terms as the Singapore Court imposes;

- (d) no step shall be taken to enforce any security over any property of the Singapore Applicants, or to repossess any goods held by any Singapore Applicants under any chattels, leasing agreement, hire-purchase agreement or retention of title agreement shall be taken or continued, except with the leave of the Singapore Court and subject to such terms as the Singapore Court imposes; and
- (e) no enforcement of any right of re-entry or forfeiture under any lease in respect of any premises occupied by the Singapore Applicants shall be commenced or continued (including any enforcement pursuant to sections 18 or 18A of the Conveyancing and Law of Property Act (Cap. 61)), except with the leave of the Singapore Court and subject to such terms as the Singapore Court imposes.

Pursuant to section 211B(8) of the Singapore Companies Act, upon the making of the Singapore Application, the Singapore Moratorium would automatically be in effect for 30 days, commencing from the date of the Singapore Application or until the date the Singapore Court decides the Singapore Application, whichever is the earlier. During the Singapore Moratorium, no order may be made and no resolution may be passed for the winding up of any of the Singapore Applicants.

The Company is taking this step in order to protect the value of its businesses while it reorganises its liabilities and restructures its operations. The Company has engaged AJCapital Advisory as independent financial advisors, and Luke Furler of AJCapital Advisory as Chief Restructuring Officer of the Group to give effect to the restructuring process. Gibson, Dunn & Crutcher LLP are appointed as legal advisors to advise on matters pertaining to the restructuring.

The Malaysia Applications

The Malaysia Applicants are seeking in the Malaysia Applications, among other things, orders that each Malaysia Applicant be placed under the judicial management of a judicial manager pursuant to an order made by the Malaysia Court under section 405 of the Malaysia Companies Act.

Pursuant to section 410 of the Malaysia Companies Act, upon making the Malaysia Application, a moratorium would automatically be in effect until the making of judicial management orders or the dismissal of the Malaysia Applications (the “**Malaysia Moratorium**”).

During the Malaysia Moratorium:

- (a) no resolution shall be passed or order made for the winding up of the company;
- (b) no steps shall be taken to enforce any charge on or security over the Malaysia Applicants' property or to repossess any goods in the Malaysia Applicants' possession under any hire purchase agreement, chattels leasing agreements or retention of title agreement, except with leave of the Malaysian Court and subject to such terms as the Malaysian Court may impose; and
- (c) no other proceedings and no execution or other legal process shall be commenced or continued and no distress may be levied against the Malaysian Applicants or its property except with leave of the Malaysian Court and subject to such terms as the Malaysian Court may impose.

The Company will provide further updates to shareholders on the hearing dates of the Malaysia Applications and the outcome of the hearings.

Rationale for the Singapore Application and Malaysia Applications

The Group recorded losses of S\$35.1 million (unaudited) for the 9 month period ended 30 September 2019 (“**3Q2019**”) and S\$26.4 million (audited) for the financial year ended 31 December 2018.

As disclosed in the Company's 3Q2019 unaudited financial results announcement, the fit-out industry in the countries and sectors where the Group operates have been highly competitive. These conditions have resulted in reductions in the Group's revenue and estimated project margins as a result of higher

than expected project costs, which has had an adverse effect on the Group's business. This has led to liquidity shortages across the Group.

The Company is considering various options to address and improve the Group's financial position. On 29 November 2019, the Company entered into a loan agreement with Depa United Group PJSC ("**Depa**"), the Group's controlling shareholder, for an unsecured loan of up to an aggregate amount of approximately S\$7.4 million (the "**Loan**") to meet the Group's working capital requirements to support its ongoing operations.

To address these challenges, preserve value and maintain a sustainable capital structure, the Group has determined that a transparent and court supervised restructuring process is in the best interest of all stakeholders. In particular, this process will provide room for the Group to continue its business operations in the ordinary course, and to work with key stakeholders and advisors to pursue the restructuring process, which includes discussions with the Group's lenders and customers, and potential asset divestments to increase efficiency and productivity, and manage costs. As part of this restructuring process, the Company will work closely with its advisors, creditors and stakeholders to achieve the best possible outcome for all interested parties.

Request for Trading Suspension

Trading in the Company's shares and securities listed on the SGX-ST has been halted since 20 January 2020. The Company requested for a voluntary trading suspension of its shares listed on the SGX-ST in order to protect the interests of each stakeholder group, and to avoid a situation where trading in such shares may occur in the absence of complete information during the ongoing restructuring process. The Company intends to request for a lifting of the trading suspension as soon as it is appropriate to do so without compromising the interests of any stakeholder group.

The Company will continue to keep its stakeholders updated and will make the appropriate announcements as and when there are any material updates or developments.

Shareholders, noteholders and potential investors of the Company are advised to read this announcement and any further announcements by the Company carefully and should exercise caution when trading in the Company's securities. Stakeholders and potential investors who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisors.

By Order of the Board

Hazel Chia
Company Secretary
20 January 2020