

DESIGN STUDIO GROUP LTD

(Incorporated In the Republic of Singapore)
(Company Number: 199401553D)

RESPONSE TO QUERIES RAISED BY SINGAPORE EXCHANGE SECURITIES TRADING LIMITED REGARDING FINANCIAL STATEMENT ANNOUNCEMENT FOR FULL YEAR ENDED 31 DECEMBER 2013

The Board of Directors (the “**Board**”) wishes to respond to the queries raised by Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 14 March 2014 regarding the financial statement announcement for full year ended 31 December 2013.

Question 1: The Company disclosed that “the Group’s revenue for FY2013 increased by 10.9% to S\$178.1 million as compared with the revenue for FY2012. The increase was mainly due to higher revenue contribution from the Residential property projects...” To elaborate on these projects and their impact on the gross profit of the Group.

Response:

FY2013 vs FY2012

	Full Year ended		+/(-) %
	31.12.2013 S\$’000	31.12.2012 S\$’000	
Residential property	71,974	49,949	44.1
Hospitality and commercial	104,011	103,990	0.0
Distribution	2,112	6,692	(68.4)
Total	178,097	160,631	10.9

The Group’s revenue for FY2013 increased by 10.9% to S\$178.1 million as compared with the revenue for FY2012. The increase was mainly due to higher revenue contribution from the Residential property projects, offset by the decrease in Distribution projects completed during the period. During the year, the Group has completed more Residential property projects as compared with FY2012.

The Group’s gross margin for FY2013 as compared with FY2012 was lower, decreased from 19.8% for FY2012 to 17.1% for FY2013, as a result of overall decrease in gross margin from all segments.

Question 2: We refer to paragraph 9 of the Announcement. Please comment whether the current results are in line with the Company’s commentary on prospects or previous quarter outlook in paragraph 10 of its 3Q2013 results announcement dated 5 November 2013.

Response: The Group’s performance for FY2013 is in line with the commentary on paragraph 10 of its 3Q2013 results announcement dated 5 November 2013.

Question 3: The Company disclosed that Design Studio remains well positioned with an order book of S\$243.9 million as at 31 December 2013. Please elaborate on the major projects and to provide a discussion on factors that may affect the order book in the next reporting period and the next 12 months.

Response:

Our order book of S\$243.9 million as at 31 December 2013 includes the following residential projects secured in FY2013: St. Thomas Walk; Tanjong Pagar Residence; Bedok Residences; Sea Esta; The Palette; Jurong Gateway; Woodhaven and Waterbay EC among others. We have also secured the following hospitality and commercial projects in Singapore and Malaysia: Robinson Orchard; Yale NUS College; Menara CIMB; Sommerset Puteri Harbour; Platinum Suite KLCC and Plaza Atrium.

Part of the S\$243.9 million order books is expected to be recognised in the next 12 months, subject to the progress of the projects. Factors that may affect the progress of the projects from the aforesaid order book in the next 12 months includes the property cooling measures implemented by the Singapore and Malaysia government for the Singapore and Malaysia property market respectively; the tightening of supply of foreign labour in Singapore and the associated increased costs; the uncertainty surrounding rising interest rates and a tighter credit environment.

By Order of the Board
Design Studio Group Ltd

Helen Campos
Company Secretary

17 March 2014