

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

Design Capital Limited
設計都會有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1545)

**ANNOUNCEMENT OF INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

	For the six months ended		
	30 June 2021	30 June 2020	Change
	<i>S\$'000</i>	<i>S\$'000</i>	%
Revenue	48,051	57,652	-16.7%
Gross profit	13,928	15,559	-10.5%
Profit for the period	3,489	3,624	-3.7%
Earnings per share attributable to Shareholders of the Company (cents)	0.15	0.16	-6.3%

The board of directors (the “**Board**” or “**Directors**” and each a “**Director**”) of Design Capital Limited (the “**Company**”, “**we**”, “**us**” or “**our**”) is pleased to announce the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 30 June 2021, together with the comparative figures for the corresponding period in 2020, as follows:

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME**

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(unaudited)	(unaudited)
	<i>Notes</i>	S\$'000	S\$'000
REVENUE	6	48,051	57,652
Cost of sales		<u>(34,123)</u>	<u>(42,093)</u>
Gross profit		13,928	15,559
Other income and gain, net		1,496	1,111
Selling and distribution expenses		(5,719)	(6,557)
Administrative expenses		(4,768)	(5,147)
Finance costs		<u>(395)</u>	<u>(359)</u>
PROFIT BEFORE TAX	7	4,542	4,607
Income tax	8	<u>(1,053)</u>	<u>(983)</u>
PROFIT FOR THE PERIOD		<u>3,489</u>	<u>3,624</u>

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
<i>Notes</i>	S\$'000	S\$'000
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>346</u>	<u>894</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u><u>346</u></u>	<u><u>894</u></u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>3,835</u></u>	<u><u>4,518</u></u>
Profit for the period attributable to:		
Shareholders of the Company	<u>2,975</u>	3,261
Non-controlling interests	<u>514</u>	<u>363</u>
	<u><u>3,489</u></u>	<u><u>3,624</u></u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	<u>3,305</u>	4,114
Non-controlling interests	<u>530</u>	<u>404</u>
	<u><u>3,835</u></u>	<u><u>4,518</u></u>
Earnings per share attributable to Shareholders of the Company		
Basic and diluted (<i>cents</i>)	<i>10</i>	
	<u><u>0.15</u></u>	<u><u>0.16</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 (unaudited) S\$'000	31 December 2020 (audited) S\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,409	2,513
Right-of-use assets	<i>12</i>	14,021	13,725
Deposits		308	305
Deferred tax assets		367	362
		17,105	16,905
TOTAL non-current assets			
		17,105	16,905
CURRENT ASSETS			
Inventories	<i>13</i>	20,400	19,647
Contract assets		192	334
Trade receivables	<i>14</i>	9,440	11,514
Prepayments, deposits and other receivables		2,229	1,756
Cash and cash equivalents	<i>15</i>	55,037	50,316
		87,298	83,567
TOTAL current assets			
		87,298	83,567
CURRENT LIABILITIES			
Contract liabilities		9,577	8,284
Trade payables	<i>16</i>	3,585	4,017
Other payables and accruals	<i>17</i>	20,807	11,286
Borrowings		24	808
Lease liabilities		2,318	1,956
Provision for reinstatement costs		80	110
Income tax payables		1,683	1,982
		38,074	28,443
TOTAL current liabilities			
		38,074	28,443
NET CURRENT ASSETS		49,224	55,124
TOTAL ASSETS LESS CURRENT LIABILITIES		66,329	72,029

		30 June	31 December
		2021	2020
		(unaudited)	(audited)
	<i>Notes</i>	S\$'000	S\$'000
NON-CURRENT LIABILITIES			
Borrowings		43	55
Provision for reinstatement costs		254	222
Lease liabilities		13,611	13,187
Deferred tax liabilities		25	25
		<hr/>	<hr/>
Total non-current liabilities		13,933	13,489
		<hr/>	<hr/>
NET ASSETS		52,396	58,540
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	18	3,453	3,453
Share premium		14,816	20,352
Reserves		31,804	32,928
		<hr/>	<hr/>
		50,073	56,733
Non-controlling interests		2,323	1,807
		<hr/>	<hr/>
TOTAL EQUITY		52,396	58,540
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 March 2018. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Group is principally engaged in (i) interior design, (ii) furniture sales which include both furniture sales and project sales, and (iii) U.S. furniture sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2020.

The unaudited interim condensed consolidated financial statements are presented in Singapore dollars ("SGD" or "\$") and all values are rounded to the nearest thousand ("S\$'000"), unless otherwise stated.

New standards, interpretations and amendments adopted by the Group

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of new standards effective as of 1 January 2021. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The amendments and interpretations apply for the first time in 2021, but do not have an impact on the interim condensed consolidated financial statements of the Group.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the interim condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In preparing these unaudited interim condensed consolidated financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2020.

4. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risk, foreign currency risk, liquidity risk and capital risk.

The unaudited interim condensed consolidated financial statements do not include all the financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual consolidated financial statement for the year ended 31 December 2020.

There have been no changes in the financial risk management policies of the Group since the financial year ended 31 December 2020.

5. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions, allocate resources, and assess performance. For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the "interior design" business, which provides interior design and fitting-out services for homes, offices and commercial projects, supplies and installs custom-made furniture;
- (b) the "furniture sales" business, which includes both furniture sales and project sales, operates furniture retail shops in Singapore and supplies furniture to individuals and corporate customers;
- (c) the "U.S. furniture sales" business, which represents online sales of furniture in the U.S. market; and
- (d) the "corporate" operations, which comprise the corporate services and investment holding activities of the Group.

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the interim condensed consolidated statements of profit or loss and other comprehensive income.

Segment performance is evaluated based on reportable segment profit, which is measured consistently with the Group's profit before tax.

Segment assets and liabilities are measured in a manner consistent with those of the interim condensed consolidated financial statements.

Intersegment sales and transfers are transacted at prices mutually agreed by the relevant parties.

Six months ended 30 June 2021	Interior design S\$'000	Furniture sales S\$'000	U.S.	Corporate S\$'000	Total S\$'000
			furniture sales S\$'000		
Segment revenue:					
Segment revenue	5,059	10,572	32,612	–	48,243
Less: Inter-segment sales	(63)	(129)	–	–	(192)
Sales to external customers	<u>4,996</u>	<u>10,443</u>	<u>32,612</u>	<u>–</u>	<u>48,051</u>
Segment results	<u>1,299</u>	<u>1,556</u>	<u>2,628</u>	<u>(941)</u>	<u>4,542</u>
Segment assets	<u>6,408</u>	<u>19,270</u>	<u>50,057</u>	<u>28,668</u>	<u>104,403</u>
Segment liabilities	<u>4,059</u>	<u>13,216</u>	<u>23,067</u>	<u>11,665</u>	<u>52,007</u>
Other segment information:					
Interest income	(10)	(8)	(24)	(29)	(71)
Finance costs**	–	60	335	–	395
Depreciation	25	234	131	18	408
Reversal of provision for write-down of inventories to net realisable value, net	–	(119)	–	–	(119)
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(34)	(6)	36	–	(4)
Capital expenditure*	<u>13</u>	<u>224</u>	<u>66</u>	<u>5</u>	<u>308</u>

Six months ended 30 June 2020	Interior design S\$'000	Furniture sales S\$'000	U.S.	Corporate S\$'000	Total S\$'000
			furniture sales S\$'000		
Segment revenue:					
Segment revenue	4,871	7,126	45,807	–	57,804
Less: Inter-segment sales	(24)	(128)	–	–	(152)
Sales to external customers	<u>4,847</u>	<u>6,998</u>	<u>45,807</u>	<u>–</u>	<u>57,652</u>
Segment results	<u>1,032</u>	<u>(149)</u>	<u>4,275</u>	<u>(551)</u>	<u>4,607</u>
Other segment information:					
Interest income	(52)	(31)	(67)	(178)	(328)
Finance costs**	1	62	288	8	359
Depreciation	10	215	71	–	296
Reversal of provision for write-down of inventories to net realisable value, net	–	(77)	–	–	(77)
Provision for expected credit losses of trade receivables, net	287	140	157	–	584
Capital expenditure*	<u>19</u>	<u>98</u>	<u>37</u>	<u>154</u>	<u>308</u>

* Capital expenditure consists of additions of property, plant and equipment.

** Finance costs include the interest for the lease liability.

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2020:

	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment assets	<u>8,456</u>	<u>17,661</u>	<u>52,177</u>	<u>22,178</u>	<u>100,472</u>
Segment liabilities	<u>5,433</u>	<u>11,583</u>	<u>22,688</u>	<u>2,228</u>	<u>41,932</u>

Geographical information

The Group's operating segments operate in three main geographical areas:

- (i) Singapore — The operations in this area are principally interior design and furniture sales which include both furniture sales and project sales.
- (ii) U.S. — The operations in this area are principally U.S. furniture sales.
- (iii) Malaysia and Brunei — The operations in these areas are principally interior design.

Non-current assets

	30 June 2021 S\$'000	31 December 2020 S\$'000
Singapore	4,099	3,464
U.S.	12,323	12,767
Malaysia and Brunei	<u>8</u>	<u>7</u>
	<u>16,430</u>	<u>16,238</u>

The non-current assets information above is based on the location of the assets and excludes financial assets.

6. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, net of goods and services tax; and the value of services rendered, net of goods and services tax.

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

Segments	Six months ended 30 June 2021			Total S\$'000
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	
Type of goods or service				
Sale of goods	–	10,443	32,612	43,055
Service income — interior design	4,996	–	–	4,996
Total revenue from contracts with customers	<u>4,996</u>	<u>10,443</u>	<u>32,612</u>	<u>48,051</u>
Geographical markets				
Singapore	4,766	10,443	–	15,209
U.S.	–	–	32,612	32,612
Malaysia and Brunei	230	–	–	230
Total revenue from contracts with customers	<u>4,996</u>	<u>10,443</u>	<u>32,612</u>	<u>48,051</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	8,458	32,612	41,070
Goods and services transferred over time	4,996	1,985	–	6,981
Total revenue from contracts with customers	<u>4,996</u>	<u>10,443</u>	<u>32,612</u>	<u>48,051</u>
	Six months ended 30 June 2020			
Segments	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Total S\$'000
Type of goods or service				
Sale of goods	–	6,998	45,807	52,805
Service income — interior design	4,847	–	–	4,847
Total revenue from contracts with customers	<u>4,847</u>	<u>6,998</u>	<u>45,807</u>	<u>57,652</u>
Geographical markets				
Singapore	4,458	6,998	–	11,456
U.S.	–	–	45,807	45,807
Malaysia and Brunei	389	–	–	389
Total revenue from contracts with customers	<u>4,847</u>	<u>6,998</u>	<u>45,807</u>	<u>57,652</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	5,666	45,807	51,473
Goods and services transferred over time	4,847	1,332	–	6,179
Total revenue from contracts with customers	<u>4,847</u>	<u>6,998</u>	<u>45,807</u>	<u>57,652</u>

7. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Cost of goods sold	31,429	39,611
Cost of services provided	2,694	2,482
Depreciation	408	296
Amortisation for right-of-use assets	1,378	2,324
Expense relating to short-term leases	327	31
Variable lease payments	566	907
	<hr/>	<hr/>
Employee benefit expense (excluding directors' fees):		
Salaries, allowances, benefits in kind and other costs	5,006	4,835
Pension scheme contributions	426	436
	<hr/>	<hr/>
	5,432	5,271
	<hr/>	<hr/>
(Gain)/loss on disposal of items of property, plant and equipment, net	(43)	8
Reversal of provision for write-down of inventories to net realisable value, net	(119)	(77)
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(4)	584
Foreign exchange differences, net	(260)	(806)
	<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX

The major components of income tax expense in the interim condensed consolidated statement of profit or loss are:

	Six months ended 30 June	
	2021	2020
	S\$'000	S\$'000
Current — Singapore:		
Charge for the period	658	512
Under — provision in respect of prior years	27	19
Current — U.S.:		
Charge for the period	368	452
	<hr/>	<hr/>
	1,053	983
	<hr/> <hr/>	<hr/> <hr/>

9. DIVIDEND

The board of directors of the Company resolved not to declare any interim dividend for the period ended 30 June 2021 (30 June 2020: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the period attributable to Shareholders of the Company of S\$2,975,000 (30 June 2020: S\$3,261,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (30 June 2020: 2,000,000,000) during the period.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2021 and 2020 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these period.

11. PROPERTY, PLANT AND EQUIPMENT

Additions and disposals

During the six months ended 30 June 2021, the Group acquired assets with a cost of S\$308,000 (30 June 2020: S\$308,000).

Assets with a net book value of S\$18,000 were disposed by the Group during the six months ended 30 June 2021 (30 June 2020: S\$9,000), resulting in a net gain on disposal of S\$43,000 (net loss: 30 June 2020: S\$8,000).

12. RIGHT-OF-USE ASSETS

Additions

During the six months ended 30 June 2021, the Group entered into new leases and recognised right-of-use assets and lease liabilities of S\$1.5 million and S\$1.5 million respectively (30 June 2020: S\$10.4 million and S\$10.8 million respectively). The weighted average incremental borrowing rate used was 5.25%.

13. INVENTORIES

	30 June 2021 S\$'000	31 December 2020 S\$'000
Group		
Merchandised goods	14,517	12,806
Goods in transit	5,883	6,841
	<u>20,400</u>	<u>19,647</u>

14. TRADE RECEIVABLES

	30 June	31 December
Group	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	10,528	12,597
Provision for expected credit losses (<i>Note (c)</i>)	(1,088)	(1,083)
	<u>9,440</u>	<u>11,514</u>

Notes:

- (a) For the U.S. furniture sales segment, the credit terms granted to customers generally range from 30 to 60 days.

For the project sales under the furniture sales segment and the interior design segment, invoices are payable on presentation. Upfront deposits will be collected prior to the delivery of furniture or the commencement of work for both furniture sales and interior design segments.

For furniture sales under the furniture sales segment, the sales term is cash on delivery.

The Group seeks to maintain strict control over all its outstanding receivables and has a credit control in place to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances, and these balances are non-interest-bearing.

- (b) An ageing analysis of the trade receivables as at the end of each of the period/year, based on the invoice date and net of provision for expected credit losses, is as follows:

	30 June	31 December
Group	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	6,468	7,727
1 to 2 months	2,151	3,407
2 to 3 months	628	255
Over 3 months	193	125
	<u>9,440</u>	<u>11,514</u>

As part of the Group's credit risk management, the Group uses debtors' ageing by due date to assess the expected credit losses of its trade receivables because these trade receivables are due from a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms.

- (c) The movements in the Group's provision for expected credit losses of trade receivables during the period/year are as follows:

Group	30 June 2021 S\$'000	31 December 2020 S\$'000
At beginning of year	1,083	663
(Reversal)/provision for expected credit losses	(4)	438
Exchange realignment	9	(18)
	<hr/>	<hr/>
At end of period/year	<u>1,088</u>	<u>1,083</u>

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The loss allowance provision as at 31 December 2020 and 30 June 2021 are 89.2% and 87.6% respectively for those balances that have been past due for more than 3 months.

15. CASH AND CASH EQUIVALENTS

Group	30 June 2021 S\$'000	31 December 2020 S\$'000
Cash and bank balances other than time deposits	40,962	18,293
Time deposits	14,075	32,023
	<hr/>	<hr/>
Cash and cash equivalents	<u>55,037</u>	<u>50,316</u>

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 3 months and 12 months, depending on the immediate cash requirements of the Group, and earn interests at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

16. TRADE PAYABLES

The Group's trade payables are unsecured, non-interest bearing, and are normally settled on average terms of 30 to 60 days.

An ageing analysis of the trade payables as at the end of each of the reporting period/year, based on the invoice date, is as follows:

Group	30 June 2021 <i>S\$'000</i>	31 December 2020 <i>S\$'000</i>
Within 1 month	2,682	3,292
1 to 2 months	424	462
2 to 3 months	232	39
Over 3 months	247	224
	<hr/>	<hr/>
	3,585	4,017
	<hr/> <hr/>	<hr/> <hr/>

17. OTHER PAYABLES AND ACCRUALS

Group	30 June 2021 <i>S\$'000</i>	31 December 2020 <i>S\$'000</i>
Accruals	7,482	6,088
Estimate of sales returns from customers	2,540	2,783
Other payables	258	474
Dividends payable	10,431	1,636
Deferred government grant income*	96	305
	<hr/>	<hr/>
	20,807	11,286
	<hr/> <hr/>	<hr/> <hr/>

* Deferred government grant income relates to Jobs Support Scheme.

18. SHARE CAPITAL

	30 June 2021 HK\$'000	31 December 2020 HK\$'000
Authorised:		
10,000,000,000 (31 December 2020: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	30 June 2021 S\$'000	31 December 2020 S\$'000
Issued and fully paid:		
2,000,000,000 (31 December 2020: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>3,453</u>	<u>3,453</u>

A summary of movements in the Company's issued capital and share premium account from 1 January 2020 to 30 June 2021 is as follows:

	Number of shares in issue	Issued capital S\$'000	Share premium account S\$'000	Total S\$'000
As at 1 January 2020 and 31 December 2020	2,000,000,000	3,453	20,352	23,805
Special dividend*	<u>–</u>	<u>–</u>	<u>(5,536)</u>	<u>(5,536)</u>
As at 30 June 2021	<u>2,000,000,000</u>	<u>3,453</u>	<u>14,816</u>	<u>18,269</u>

* As per Company's announcement dated 29 March 2021 regarding the Board recommendation of the payment of a final dividend of HK\$1.28 cents per Share (the "Final Dividend") and a special dividend of HK\$1.60 cents per Share (the "Special Dividend") for the year ended 31 December 2020, the Special Dividend will be paid entirely out of the Share Premium Account pursuant to the Articles of Association and in accordance with the Companies Act of the Cayman Islands. Shareholders approval for the Final Dividend and a Special Dividend was obtained on 28 June 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Headquartered in Singapore, our Group is a longstanding furniture seller on third party e-commerce platforms in the United States (the “U.S.”), a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore. For the six months ended 30 June 2021, our revenue amounted to approximately S\$48.1 million, representing a decrease of approximately S\$9.6 million or 16.7% from approximately S\$57.7 million for the six months ended 30 June 2020. This decrease was mainly attributable to the decrease in revenue from our U.S. furniture sales segment as a result of supply chain disruptions. Although sales decreased by approximately 16.7%, net profit before tax decreased by approximately 1.4% from approximately S\$4.6 million for the six months ended 30 June 2020 to approximately S\$4.5 million for the six months ended 30 June 2021, as a result of greater contribution from the furniture sales and interior design segments.

U.S. Furniture Sales

We have been sourcing quality furniture pieces which are trendy and easy-to-assemble for marketing and selling under our brands “Target Marketing Systems”, “TMS”, “Simple Living” and “Lifestorey” in the U.S. since 2005. These products are sold at affordable prices in the U.S.. Our customers include major e-commerce sales platforms in the U.S. who in turn sell products to end consumers. In our Chairman’s statement contained in our FY2020 Annual Report, he had mentioned challenges faced by our U.S. division in relation to supply chain disruption caused by COVID-19 restrictions on the operations of factories, container shortages, longer than usual time taken for port loading and unloading and congestion at ports. As such, our suppliers in Malaysia were unable to produce our orders in a timely manner due to mandatory factory shut downs, there was a lack of containers available for shipping our products from Asia to the U.S. and there was a sharp increase in shipping costs. During the six months ended 30 June 2021, revenues for this segment decreased from S\$45.8 million to S\$32.6 million as we were unable to restock our inventory in an optimal manner.

Furniture Sales

As at the date of this announcement, we operate five points of sale in Singapore, of which two are under the brand “Marquis”, one is under the brand “OM” and two are under the brand “Lifestorey”, offering furniture pieces with different styles to cater for the preferences of different customers in the market. As Singapore has started to lift its COVID-19 restrictions and more customers are sprucing up their homes, revenue from this segment increased by 49.2% from approximately S\$7.0 million for the six months ended 30 June 2020 to approximately S\$10.4 million for the six months ended 30 June 2021, hence contributing positively to the Group’s profitability.

Interior Design

We started in 1981 as an interior design solutions provider which is currently marketed under the brand “SuMisura”. We have developed strong interior design and furniture sourcing capabilities. By focusing on design solutions and home furnishing ideas, and leveraging on our designer team’s acute sense of aesthetics, our work has been well received by property developers and homeowners. Revenue recognition in this segment increased by 3.1% from approximately S\$4.8 million for the six months ended 30 June 2020 to approximately S\$5.0 million for the six months ended 30 June 2021 as work sites resumed operations after COVID-19 restrictions measures were relaxed.

PROSPECTS

U.S. Furniture Sales

We anticipate a challenging second half of FY2021 for the U.S. market as the lingering problem of supply chain disruptions continue to persist. While we are optimistic that the market and demand for our products will remain over the next few months, uncertainty of restocking, stock availability and delivery of products to customers, as well as sharp increases in shipping cost will cast a shadow on our financial performance in the second half of FY2021. While supply chain disruption problem is expected to affect all industries, it can be particularly impactful for industries which require large volumetric shipping capacity such as furniture.

Furniture Sales

With the gradual reopening of Singapore, furniture sales are steadily recovering, and our furniture sales segment enjoyed modest growth in the first half of FY2021, tapping on Singapore’s economy recovery in 2021. While the overall economy has recovered generally, many retail businesses, as a consequence of the COVID-19 impacts, have downsized or pivoted their operations to be less reliant on retail space by leveraging e-commerce and as a result, rental of certain shopping malls have also fallen in tandem with the general drop in footfall to shopping spaces over the last few months. As such, the Group has taken this opportunity to implement its use of Net Proceeds plans to open a new showroom at Marina Square in Singapore and is also currently exploring other new showroom opportunities.

Notwithstanding the above, we will continue to be mindful of the challenging operating environment for our furniture sales segment in the second half of FY2021. Recognising the support from our existing customers during the COVID-19 pandemic, we will continue to reach out to those customers with existing homes who may decide to reallocate their holiday budgets to upgrade their furniture with the intention of spending more time at home; and also to new home owners who are currently renovating their homes or waiting to collect their keys to their new homes from the developers.

Interior Design

Our interior design segment continues to deliver steady performance. Bearing in mind that there may be less launches of property over the next few quarters, our interior design team will focus not only on designs for new showflats for developers but also on residential projects for high net worth individuals.

FINANCIAL REVIEW

Overall financial review

The Group's revenue decreased by approximately S\$9.6 million or 16.7% from approximately S\$57.7 million for the six months ended 30 June 2020 to approximately S\$48.1 million for the six months ended 30 June 2021. This decrease was mainly attributable to the decrease in revenue from U.S. furniture sales segment, which was partially offset by the increase in revenue from the Group's interior design and furniture sales segments.

The Group's gross profit margin increased from approximately 27.0% for the six months ended 30 June 2020 to approximately 29.0% for the six months ended 30 June 2021 mainly due to the increases in revenue from the Group's interior design and furniture sales segments.

The Group's profit decreased by approximately 3.7% from approximately S\$3.6 million for the six months ended 30 June 2020 to approximately S\$3.5 million for the six months ended 30 June 2021, mainly attributable to a decrease in foreign exchange gain of approximately S\$0.5 million, lower interest income by approximately S\$0.3 million and reduction of profit from the U.S. furniture sales segment of approximately S\$1.7 million, which was partially offset by the waiver of paycheck protection loan of S\$0.5 million, an increase of advertising cost of approximately S\$0.2 million and increase of profit from the furniture segment of approximately S\$1.7 million.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall financial position

As at 30 June 2021, total borrowings of the Group amounted to approximately S\$67,000 which were obligations under finance leases (31 December 2020: approximately S\$863,000 which were obligations under finance leases and bank borrowings).

The Group had total cash and cash equivalents of approximately S\$55.0 million as at 30 June 2021 (31 December 2020: approximately S\$50.3 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 30 June 2021, the cash and bank balances other than time deposits of the Group amounted to approximately S\$41.0 million (31 December 2020: approximately S\$18.3 million).

The Group recorded total current assets of approximately S\$87.3 million as at 30 June 2021 (31 December 2020: approximately S\$83.6 million) and total current liabilities of approximately S\$38.1 million as at 30 June 2021 (31 December 2020: approximately S\$28.4 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.3 as at 30 June 2021 (31 December 2020: approximately 2.9).

The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances as well as borrowings.

In view of the Group's financial position as at 30 June 2021, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Gearing ratio

As at 30 June 2021, the Group's gearing ratio which was calculated by dividing the total borrowings by total equity and multiplied by 100% was approximately 0.1% (31 December 2020: 1.5%). The gearing ratio decreased mainly due to waiver of paycheck protection loan and repayment of borrowings.

Contingent liabilities

As at 30 June 2021, the Group did not have any material contingent liabilities or guarantees (31 December 2020: Nil).

Capital commitment

As at 30 June 2021, the Group did not have any material capital commitment (31 December 2020: Nil).

Capital structure

As at 30 June 2021 and 31 December 2020, the capital structure of the Company comprised mainly issued share capital and reserves.

Foreign currency risk

The Group's reporting currency is Singapore dollars. As at 30 June 2021, the Group's cash and cash equivalents were mostly denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. The Group's sales are mainly in U.S. dollars and Singapore dollars. However, most of the purchases are settled in U.S. dollars. The Group is therefore susceptible to currency exchange rate fluctuation of U.S. dollars and Hong Kong dollars against Singapore dollars.

The Group has not entered into any agreements to hedge the exchange rate exposure relating to any foreign currencies and there is no assurance that the Group will be able to enter into such agreements on commercially viable terms in the future.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had 133 (30 June 2020: 141) full-time employees, of whom 95 are based in Singapore, 19 are based in the U.S., 14 are based in Malaysia and 5 are based in Brunei. For the period ended 30 June 2021, staff costs (excluding directors' fees) amounted to approximately S\$5.4 million (30 June 2020: approximately S\$5.3 million).

The Group remunerates its employees with competitive salaries, allowances and performance-based bonus based on their individual performance, contribution to the Group performance and relevant work experience. Apart from those, the Group participates in the national pension scheme in Singapore under which the Group makes contributions to the Central Provident Fund scheme. At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

The Group also provides internal training programme to our employees from time to time. The training programme includes industry trend in furnishing and interior design, product knowledge, sales technique, retail management, customer service and product display so as to increase our employees' sense of belonging to the Group and enhance effectiveness in operation.

CHARGES ON GROUP'S ASSETS

As at 30 June 2021, the Group had aggregate unutilised banking facilities of approximately S\$5.2 million (31 December 2020: S\$5.8 million), of which approximately S\$2.5 million was secured by a debenture, creating a fixed and floating charge over all present and future property and assets of a subsidiary, Buylateral Group Pte. Ltd..

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2021, the Group did not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS

Save as otherwise provided in this announcement, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during the period ended 30 June 2021.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period ended 30 June 2021 (30 June 2020: Nil).

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 25 April 2019 (the “**Listing**”). The Company had allotted and issued 500,000,000 ordinary shares at a price of HK\$0.30 per share and raised HK\$150.0 million (equivalent to approximately S\$25.9 million) in total gross proceeds. The net proceeds from the Listing amounted to HK\$105.2 million (equivalent to approximately S\$18.2 million) after deduction of related Listing expenses (the “**Net Proceeds**”).

With reference to the prospectus of the Company dated 11 April 2019 (the “**Prospectus**”) and in light of the difference between the actual amount of the Net Proceeds and estimated amount of the Net Proceeds as stated in the Prospectus (which was disclosed based on an offer price of HK\$0.345 per share, being the mid-point of the then indicative offer price range of HK\$0.30 to HK\$0.39 per share, net of the estimated Listing expenses), the Group has adjusted the intended use of the actual amount of the Net Proceeds in the same manner and in the same proportion as disclosed in the Prospectus.

The following table sets out the breakdown of the original allocation of the Net Proceeds as disclosed in the Prospectus, the revised allocation based on the actual Net Proceeds (after the adjustment as mentioned above), the utilised and remaining amount of the Net Proceeds from the Listing as at 30 June 2021:

	Percentage	Original allocation of Net Proceeds as disclosed in the Prospectus <i>Approximate HK\$'000</i>	Revised allocation based on the actual Net Proceeds <i>Approximate HK\$'000</i>	Total amount utilised from Listing to 31 December 2020 <i>Approximate HK\$'000</i>	Total amount utilised from 1 January 2021 to 30 June 2021 <i>Approximate HK\$'000</i>	Total amount utilised from Listing to 30 June 2021 <i>Approximate HK\$'000</i>	Unutilised balance as at 30 June 2021 <i>Approximate HK\$'000</i>	Expected timeline for utilising remaining Net Proceeds <i>(Note 1)</i>
U. S. furniture sales segment:								
procurement of inventory	62.1%	79,700	65,351	41,659	9,294	50,953	14,398	On or before 31 December 2021 <i>(Note 4)</i>
increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition	8.4%	10,800	8,840	3,900	1,176	5,076	3,764	On or before 31 December 2021 <i>(Note 4)</i>
storage of new products to be procured	3.5%	4,400	3,683	946	211	1,157	2,526	On or before 31 December 2021 <i>(Note 4)</i>
Furniture sales segment:								
paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands "OM" and "Lifestorey"	10.3%	13,200	10,839	–	–	–	10,839	On or before 31 December 2022 <i>(Note 2)</i>
procurement of inventory for our new points of sale	2.9%	3,800	3,052	–	2,646	2,646	406	On or before 31 December 2021 <i>(Note 2)</i>
enhancing our brand awareness including brand building campaign	2.5%	3,100	2,631	–	–	–	2,631	On or before 31 December 2023 <i>(Note 2)</i>
expansion of our warehouse in Singapore	2.0%	2,600	2,105	–	182	182	1,923	On or before 31 December 2022 <i>(Note 2)</i>
General working capital of our Group	8.3%	10,700	8,734	711	734	1,445	7,289	On or before 31 December 2023 <i>(Note 3)</i>
	<u>100.0%</u>	<u>128,300</u>	<u>105,235</u>	<u>47,216</u>	<u>14,243</u>	<u>61,459</u>	<u>43,776</u>	

Notes:

1. The expected timeline for utilising remaining Net Proceeds has been revised since Listing. Reference is made to the announcement of the Company dated 11 September 2020 and FY2020 annual report.
2. As mentioned in our previous announcement dated 11 September 2020 and FY2020 annual report, the Group will review its strategic options cautiously in light of the current economic and COVID-19 pandemic challenges. Despite an improvement in the general economy in Singapore in 2021, rentals from certain shopping malls and possible point of sale locations are falling in tandem with the general drop in footfall to shopping spaces. As such the Group has seized the opportunity to implement its plans to open a new showroom for “Lifestorey” and “Marquis” at Marina Square in Singapore and is currently exploring other expansion opportunities.
3. In view of the global recession that has rocked the global economies as a result of COVID-19, the Group is prudent in conserving cash flow and will be using its general working capital cautiously towards building its human resources, back-end office and IT infrastructure to support the growth of its post-COVID-19 business in line with what has been disclosed in the Prospectus. Barring any unforeseen circumstances, the Group intends to utilise the general working capital of our Group on or before 31 December 2023.
4. With multiple national lock downs due to COVID-19 in Malaysia, some of our suppliers were forced to reduce or shut their operations in order to comply with the measures. This has caused significant slow down of our order production, and together with the container shortages, unusually long time taken for port loading and unloading, congestion at ports and also lack of containers available for shipping of our products from Asia to the U.S., significant delays in our current order shipments have resulted. Hence some shipments may be delayed to next year, resulting in an extension of expected time frame in the Use of Proceeds for the U.S. Furniture sales segment to 2022. Currently, we are still monitoring the situation and will further update in our FY2021 annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

During the period ended 30 June 2021, there were no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There was no material subsequent event after the end of the reporting period and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company has adopted the principles and code provisions of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices.

The Board is of the view that the Company had complied with the applicable code provisions set out in the CG Code during the six months ended 30 June 2021, save for code provision A.2.1 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group's operations, Mr. Goon Eu Jin Terence's extensive experience in the industry and familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to have Mr. Goon Eu Jin Terence taking up both roles and this will not impair the balance of power and authority of the Board, which currently comprises a majority of non-executive Directors and independent non-executive Directors who will bring independent judgement. Besides, all major decisions are made in consultation with members of the Board and relevant Board committees to safeguard sufficient balance of powers and authorities.

The Company will continue to review regularly its corporate governance policies and compliance with the CG Code to ensure operations are in line with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

As at 30 June 2021, the Company, having made specific enquiry of all the Directors, is not aware of any incident of non-compliance of the Model Code by the Directors.

REVIEW OF INTERIM RESULTS

The Audit Committee consists of five members, namely Mr. Kho Chuan Thye Patrick and Mr. Lim Sooi Kheng Patrick, non-executive Directors, and Mr. Lim Boon Cheng, Mr. Ng Chee Kwong, Colin and Mr. Wee Kang Keng, independent non-executive Directors. Mr. Lim Boon Cheng is the chairman of the Audit Committee.

The unaudited financial information in this announcement has not been audited or reviewed by the auditor of the Company, but has been reviewed by the Audit Committee of the Company.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.designcapital.sg). The interim report for the six months ended 30 June 2021 will be dispatched to shareholders of the Company and available on the same websites in due course.

By order of the Board

Goon Eu Jin Terence

Chairman and Executive Director

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises Goon Eu Jin Terence, Wee Ai Quey and Ong Ciu Hwa as executive Directors, Kho Chuan Thye Patrick and Lim Sooi Kheng Patrick as non-executive Directors, and Lim Boon Cheng, Ng Chee Kwong, Colin and Wee Kang Keng as independent non-executive Directors.