

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)

CHANGE IN USE OF NET PROCEEDS

Reference is made to (i) the interim report of Design Capital Limited (the “**Company**”, and, together with its subsidiaries, the “**Group**”) for the six months ended 30 June 2021 (the “**2021 Interim Report**”), (ii) the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), (iii) the announcement of the Company dated 11 September 2020 (the “**Announcement**”) and (iv) the prospectus of the Company dated 11 April 2019 (the “**Prospectus**”). Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2021 Interim Report.

CHANGE IN USE OF NET PROCEEDS

Regarding the information disclosed under the sections headed “Use of Net Proceeds from Listing” in the 2020 Annual Report and the 2021 Interim Report, the board (the “**Board**”) of directors of the Company (the “**Directors**”) hereby announces that it has resolved to change the use of the Net Proceeds as follows:

	Percentage	Original allocation of Net Proceeds as disclosed in the Prospectus Approximate HK\$'000	Revised allocation based on the actual Net Proceeds Approximate HK\$'000	Total amount utilised from Listing to 31 December 2021 Approximate HK\$'000	Unutilised balance as at 31 December 2021 Approximate HK\$'000	Proposed changes and its movement balance as at announcement date Approximate HK\$'000	Proposed application of the unutilised balance as at announcement date Approximate HK\$'000	Expected time line for utilising remaining Net Proceeds
U.S. furniture sales segment:								
procurement of inventory	62.1%	79,700	65,351	65,351	—	9,688	9,688	On or before 31 December 2023
increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition	8.4%	10,800	8,840	6,172	2,668	(1,818)	850	On or before 31 December 2023

	Percentage	Original allocation of Net Proceeds as disclosed in the Prospectus Approximate HK\$'000	Revised allocation based on the actual Net Proceeds Approximate HK\$'000	Total amount utilised from Listing to 31 December 2021 Approximate HK\$'000	Unutilised balance as at 31 December 2021 Approximate HK\$'000	Proposed changes and its movement balance as at announcement date Approximate HK\$'000	Proposed application of the unutilised balance as at announcement date Approximate HK\$'000	Expected time line for utilising remaining Net Proceeds
storage of new products to be procured	3.5%	4,400	3,683	1,813	1,870	(1,370)	500	On or before 31 December 2023
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	2,632	8,207	(5,000)	3,207	On or before 31 December 2023
procurement of inventory for our new points of sale	2.9%	3,800	3,052	3,052	—	8,100	8,100	On or before 31 December 2023
enhancing our brand awareness including brand building Campaign	2.5%	3,100	2,631	469	2,162	(1,800)	362	On or before 31 December 2023
expansion of our warehouse in Singapore	2.0%	2,600	2,105	416	1,689	(1,300)	389	On or before 31 December 2023
General working capital of our Group	8.3%	10,700	8,734	1,837	6,897	(6,500)	397	On or before 31 December 2023
Total	100.0%	128,300	105,235	81,742	23,493	—	23,493	

It is expected that the remaining Net Proceeds will be fully utilised by December 2023. Save for the aforesaid changes, there is no other change in the use of the Net Proceeds.

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

Since 2020, the global economy has been deteriorating mainly due to the outbreak of COVID-19 and the business of the Group has been adversely affected as a result. It is thus prudent and of significance for the Board to re-strategise and review the Group's expansion plans and allocation of cash resources to ensure optimal effectiveness in achieving growth and maintaining the financial stability of the Group. After due consideration, the Board resolved to reallocate the remaining Net Proceeds from Listing in a manner as set out in the table above.

As disclosed in the Company's announcement dated 24 February 2022, the Group is expected to record a decrease in revenue for the year ended 31 December 2021 ("FY2021") as compared to that for the year ended 31 December 2020, which was primarily attributable to the decrease in revenue from the U.S. furniture sales segment. Notwithstanding the expected decrease in revenue from the U.S. furniture sales segment for FY2021, the Group intends to continue developing new products in this segment to take advantage of market opportunities. In order to do so, the Group needs funds to continue to procure inventory in U.S. furniture sales segment. Having considered that:

- (i) less major marketing and promotional activities are expected to be carried out for this segment, due to the fact that the Group has previously invested and build up a strong brandname in the market place and that the Group anticipates allocating resources to the expansion of new products to seize market opportunities and to widen its product range;
- (ii) there will be less need for funds on the procurement of storage for new products, due to the fact that the Group's new warehouse has been able to house the new products as a result of better racking solutions and larger capacity; and
- (iii) taking into account of the current liquidity and cash flow of the Group, it is more efficient to re-allocate part of the remaining Net Proceeds for general working capital of HK\$6.897 million to a more specific purpose,

the Board is of the view that it is in the best interest of the Company and its Shareholders to re-allocate HK\$9.688 million of the remaining Net Proceeds to procure inventory in U.S. furniture sales segment, which was originally assigned (i) to increase its sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition in the U.S. furniture sales segment; (ii) to procure storage of new products; and (iii) as general working capital.

In respect of the Group's furniture sales segment, as the Company has managed to find new brands and new product range for this segment, the Board saw the need to increase the allocation of the remaining Net Proceeds to the procurement of inventory for new points of sale. On the other hand, the Board has considered that:

- (i) the Group no longer requires the original amount of funds to carry out brand-building campaign for this segment, as it has previously sufficiently invested in brand building and also managed to save costs on this area due to the more efficient use of digital marketing;
- (ii) it is expected that rentals and other expenses for opening new points of sales in Singapore will decrease, as the Group has managed to negotiate better terms of rental from landlord as a result of the negative impact on the rents of commercial space brought by COVID-19; and

(iii) with better space optimisation and storage solution, there will be less fund needed for expansion of warehouse in Singapore,

the Board is of the view that it is in the best interest of the Company and its Shareholders to re-allocate HK\$8.1 million of the remaining Net Proceeds to the procurement of inventory for new points of sale, which was originally assigned to (i) carry out brand building campaign; and (ii) pay rentals and other expenses for opening new points of sales in Singapore; and (iii) expansion of warehouse.

The Board is of the view that the use of the remaining Net Proceeds shall be appropriately adjusted to better adapt and cope with the current and future market conditions and economic environment. The Board considers that the reallocation and change in use of remaining Net Proceeds will enable the Group to restock its current top selling products and develop new products for U.S. furniture sales segment, in order to boost its market share in this segment in 2022. The Board is also of the view that the reallocation would allow the Group to utilise its financial resources in a more beneficial and effective manner and to meet its current business needs to cope with the current economic conditions.

As at the date of this announcement, the Board confirms that there is no material change in the nature of business of the Group as set out in the Prospectus. The Board considers that the change is fair and reasonable and in the best interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operation of the Group.

The Board will closely monitor the volatile and dynamic market conditions, perform strategic reviews on its U.S. furniture sales segment and other segment, evaluate all strategic options to address any issue brought by the pandemic. The remaining Net Proceeds will be utilized cautiously as and when appropriate and the Board will assess the plan for the use of the remaining Net Proceeds on a continuous basis and may revise such plan where necessary to cope with the changing market conditions and strive for better business performance of the Group.

By Order of the Board
Design Capital Limited
Goon Eu Jin Terence
Chairman and Executive Director

Hong Kong, 16 March 2022

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.