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**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 2020**

	For the six months ended		Change %
	30 June 2020 S\$'000	30 June 2019 S\$'000	
Revenue	<b>57,652</b>	55,224	4.4%
Gross profit	<b>15,559</b>	17,274	-9.9%
Profit for the period	<b>3,624</b>	3,374	7.4%
Earnings per share attributable to Shareholders of the Company (cents)	<b>0.16</b>	0.15	6.7%

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 2020, together with the comparative figures for the corresponding period in 2019, as follows:

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

*For the six months ended 30 June 2020*

		<b>Six months ended 30 June</b>	
		<b>2020</b>	2019
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>S\$'000</b>	S\$'000
<b>REVENUE</b>	6	<b>57,652</b>	55,224
Cost of sales		<u><b>(42,093)</b></u>	<u>(37,950)</u>
Gross profit		<b>15,559</b>	17,274
Other income and gain, net		<b>1,111</b>	394
Selling and distribution expenses		<b>(6,557)</b>	(6,832)
Administrative expenses		<b>(5,147)</b>	(6,542)
Finance costs		<u><b>(359)</b></u>	<u>(131)</u>
<b>PROFIT BEFORE TAX</b>	7	<b>4,607</b>	4,163
Income tax	8	<u><b>(983)</b></u>	<u>(789)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><u><b>3,624</b></u></u>	<u><u>3,374</u></u>

	<b>Six months ended 30 June</b>	
	<b>2020</b>	2019
	<b>(unaudited)</b>	(unaudited)
<i>Notes</i>	<b>S\$'000</b>	S\$'000
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>894</u>	<u>(210)</u>
<b>OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD, NET OF INCOME TAX</b>	<u><u>894</u></u>	<u><u>(210)</u></u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<u><u>4,518</u></u>	<u><u>3,164</u></u>
Profit for the period attributable to:		
Shareholders of the Company	<u>3,261</u>	2,584
Non-controlling interests	<u>363</u>	<u>790</u>
	<u><u>3,624</u></u>	<u><u>3,374</u></u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	<u>4,114</u>	2,383
Non-controlling interests	<u>404</u>	<u>781</u>
	<u><u>4,518</u></u>	<u><u>3,164</u></u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>		
Basic and diluted (cents)	<u><u>0.16</u></u>	<u><u>0.15</u></u>

10

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2020*

		30 June 2020 (unaudited) S\$'000	31 December 2019 (audited) S\$'000
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	1,104	1,090
Right-of-use assets	12	12,321	4,226
Deposits		602	356
		14,027	5,672
<b>CURRENT ASSETS</b>			
Inventories	13	18,837	26,433
Contract assets		188	470
Trade receivables	14	13,476	14,054
Prepayments, deposits and other receivables		3,059	1,840
Cash and cash equivalents	15	48,575	36,083
		84,135	78,880
<b>CURRENT LIABILITIES</b>			
Contract liabilities		7,510	6,683
Trade payables	16	4,220	5,459
Other payables and accruals	17	10,064	11,384
Borrowings		1,362	31
Lease liabilities		2,261	2,552
Provision for reinstatement costs		195	160
Income tax payables		2,032	1,545
		27,644	27,814
<b>NET CURRENT ASSETS</b>		<b>56,491</b>	51,066
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>70,518</b>	56,738

		<b>30 June 2020 (unaudited) S\$'000</b>	31 December 2019 (audited) S\$'000
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<b>66</b>	78
Provision for reinstatement costs		<b>70</b>	100
Lease liabilities		<b>11,045</b>	1,741
Deferred tax liabilities		<b>25</b>	25
		<hr/>	<hr/>
Total non-current liabilities		<b>11,206</b>	1,944
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>59,312</b>	54,794
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	<i>18</i>	<b>3,453</b>	3,453
Reserves		<b>53,605</b>	49,491
		<hr/>	<hr/>
Non-controlling interests		<b>57,058</b>	52,944
		<b>2,254</b>	1,850
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>59,312</b>	54,794
		<hr/> <hr/>	<hr/> <hr/>

## **NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**

*For the six months ended 30 June 2020*

### **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 Square, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the “**Group**”) were 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**

#### **2.1 Basis of preparation**

The interim condensed consolidated financial statements for the six months ended 30 June 2020 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 2019.

The unaudited condensed consolidated interim financial information is presented in Singapore Dollars (“**SGD**” or “**S\$**”) and all value are rounded to the nearest thousand (“**S\$’000**”), unless otherwise stated.

#### **2.2 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 2019, except for the adoption of new standards effective as of 1 January 2020. 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 2020, 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 this unaudited condensed consolidated interim financial information, 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 2019.

### **4. FINANCIAL RISK MANAGEMENT**

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

The unaudited condensed consolidated interim financial information do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the annual financial statement for the year ended 31 December 2019.

There have been no changes in the financial risk management policies of the Group since the financial year ended 31 December 2019.

### **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 represent online sales of furniture in the U.S. market; and
- (d) the "corporate" operations 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 2020	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
<b>Segment revenue:</b>					
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>
<b>Segment results</b>	<u>1,032</u>	<u>(149)</u>	<u>4,275</u>	<u>(551)</u>	<u>4,607</u>
<b>Segment assets</b>	<u>7,134</u>	<u>15,028</u>	<u>48,724</u>	<u>27,276</u>	<u>98,162</u>
<b>Segment liabilities</b>	<u>4,865</u>	<u>9,953</u>	<u>21,487</u>	<u>2,545</u>	<u>38,850</u>
<b>Other segment information:</b>					
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>
Six months ended 30 June 2019	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
<b>Segment revenue:</b>					
Segment revenue	6,875	9,043	40,001	–	55,919
Less: Inter-segment sales	(97)	(113)	(485)	–	(695)
Sales to external customers	<u>6,778</u>	<u>8,930</u>	<u>39,516</u>	<u>–</u>	<u>55,224</u>
<b>Segment results</b>	<u>2,036</u>	<u>(392)</u>	<u>4,096</u>	<u>(1,577)</u>	<u>4,163</u>
<b>Other segment information:</b>					
Interest income	(35)	(14)	(83)	(88)	(220)
Finance costs**	4	88	33	6	131
Depreciation	12	239	84	–	335
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	19	(52)	–	–	(33)
Provision for expected credit losses of trade receivables, net	1	32	35	–	68
Capital expenditure*	<u>3</u>	<u>124</u>	<u>23</u>	<u>–</u>	<u>150</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 2019:

	Interior design <i>S\$'000</i>	Furniture sales <i>S\$'000</i>	U.S. furniture sales <i>S\$'000</i>	Corporate <i>S\$'000</i>	Total <i>S\$'000</i>
<b>Segment assets</b>	<u>9,350</u>	<u>16,742</u>	<u>39,276</u>	<u>19,184</u>	<u>84,552</u>
<b>Segment liabilities</b>	<u>5,708</u>	<u>10,688</u>	<u>11,430</u>	<u>1,932</u>	<u>29,758</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

	<b>30 June 2020 <i>S\$'000</i></b>	31 December 2019 <i>S\$'000</i>
Singapore	<b>3,453</b>	4,166
U.S.	<b>9,968</b>	1,147
Malaysia and Brunei	<u><b>4</b></u>	<u>3</u>
	<u><b>13,425</b></u>	<u>5,316</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 2020			Total S\$'000
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	
<b>Type of goods or service</b>				
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>
<b>Geographical markets</b>				
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>
<b>Timing of revenue recognition</b>				
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>

Segments	Six months ended 30 June 2019			Total S\$'000
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	
<b>Type of goods or service</b>				
Sale of goods	–	8,930	39,516	48,446
Service income — interior design	6,778	–	–	6,778
Total revenue from contracts with customers	<u>6,778</u>	<u>8,930</u>	<u>39,516</u>	<u>55,224</u>
<b>Geographical markets</b>				
Singapore	6,413	8,930	–	15,343
U.S.	–	–	39,516	39,516
Malaysia and Brunei	365	–	–	365
Total revenue from contracts with customers	<u>6,778</u>	<u>8,930</u>	<u>39,516</u>	<u>55,224</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	–	6,507	39,516	46,023
Goods and services transferred over time	6,778	2,423	–	9,201
Total revenue from contracts with customers	<u>6,778</u>	<u>8,930</u>	<u>39,516</u>	<u>55,224</u>

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2020 S\$'000	2019 S\$'000
Cost of goods sold	39,611	34,482
Cost of services provided	2,482	3,468
Depreciation	296	335
Amortisation for right-of-use assets	2,324	1,639
Expense relating to short-term leases	31	69
Variable lease payments	907	1,472
Employee benefit expense (including directors' remuneration):		
Salaries, allowances and benefits in kind	4,791	4,401
Pension scheme contributions	480	464
	<u>5,271</u>	<u>4,865</u>
Loss on disposal of items of property, plant and equipment, net	8	–
Reversal of provision for write-down of inventories to net realisable value, net	(77)	(33)
Provision for expected credit losses of trade receivables, net	584	68
Foreign exchange differences, net	(806)	23
Listing expenses	–	984
	<u>–</u>	<u>984</u>

## 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	
	2020 S\$'000	2019 S\$'000
Current — Singapore:		
Charge for the period	512	676
Under/(Over) — provision in respect of prior years	19	(24)
Current — U.S.:		
Charge for the period	452	137
	<u>983</u>	<u>789</u>

## 9. DIVIDEND

The board of directors of the Company resolved not to declare any interim dividend for the period ended 30 June 2020 (30 June 2019: 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\$3,261,000 (30 June 2019: S\$2,584,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (30 June 2019: 1,685,083,000) during the period.

No adjustment has been made to the basic earnings per share amounts presented for the period ended 30 June 2020 and 2019 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 2020, the Group acquired assets with a cost of S\$308,000 (30 June 2019: S\$150,000).

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

## 12. RIGHT-OF-USE ASSETS

### Additions

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

## 13. INVENTORIES

Group	30 June 2020 S\$'000	31 December 2019 S\$'000
Merchandised goods	12,908	21,121
Goods in transit	5,929	5,312
	<u>18,837</u>	<u>26,433</u>

## 14. TRADE RECEIVABLES

Group	30 June 2020 S\$'000	31 December 2019 S\$'000
Trade receivables	14,731	14,717
Provision for expected credit losses ( <i>Note (c)</i> )	(1,255)	(663)
	<u>13,476</u>	<u>14,054</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:

Group	30 June 2020 S\$'000	31 December 2019 S\$'000
Within 1 month	8,457	9,293
1 to 2 months	3,680	4,529
2 to 3 months	700	162
Over 3 months	639	70
	<u>13,476</u>	<u>14,054</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 2020 S\$'000	31 December 2019 S\$'000
At beginning of year	663	552
Provision for expected credit losses	584	115
Exchange realignment	8	(4)
	<u>1,255</u>	<u>663</u>
At end of period/year	<u>1,255</u>	<u>663</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 2019 and 30 June 2020 are 89.9% and 65.3% respectively for those balances that have been past due for more than 3 months.

## 15. CASH AND CASH EQUIVALENTS

Group		<b>30 June 2020</b>	31 December 2019
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
Cash and bank balances other than time deposits		<b>35,047</b>	29,462
Time deposits		<b>13,528</b>	6,621
Cash and cash equivalents	(a)	<b>48,575</b>	36,083

- (a) 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		<b>30 June 2020</b>	31 December 2019
		<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month		<b>3,388</b>	4,831
1 to 2 months		<b>496</b>	257
2 to 3 months		<b>75</b>	99
Over 3 months		<b>261</b>	272
		<b>4,220</b>	5,459

## 17. OTHER PAYABLES AND ACCRUALS

Group		<b>30 June 2020</b>	31 December 2019
		<i>S\$'000</i>	<i>S\$'000</i>
Accruals		<b>5,384</b>	6,438
Estimate for sales returns		<b>3,391</b>	2,815
Other payables		<b>596</b>	463
Deferred grant income		<b>460</b>	–
Due to related parties		<b>233</b>	1,668
		<b>10,064</b>	11,384

## 18. SHARE CAPITAL

	30 June 2020 HK\$'000	31 December 2019 HK\$'000
Authorised:		
10,000,000,000 (31 December 2019: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	<b>30 June 2020</b>	<b>31 December 2019</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Issued and fully paid:		
2,000,000,000 (31 December 2019: 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 2019 to 30 June 2020 is as follows:

	Number of shares in issue	Issued capital S\$'000	Share premium account S\$'000	Total S\$'000
As at 1 January 2019	3,800	–#	1,679	1,679
Issue of new shares pursuant to the Capitalisation Issue ( <i>Note (b)</i> )	1,499,996,200	2,590	(2,590)	–
Issue of new shares in connection with the Listing ( <i>Note (c)</i> )	500,000,000	863	25,035	25,898
Expenses incurred in connection with the Listing ( <i>Note (c)</i> )	<u>–</u>	<u>–</u>	<u>(3,772)</u>	<u>(3,772)</u>
<b>As at 31 December 2019 and 30 June 2020</b>	<u><b>2,000,000,000</b></u>	<u><b>3,453</b></u>	<u><b>20,352</b></u>	<u><b>23,805</b></u>

# Less than HK\$500 or S\$500.

Notes:

- (a) On 28 March 2019, the Company increased its authorised share capital from HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each to HK\$100,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.01 each.
- (b) Pursuant to the written resolutions passed by the shareholders of the Company on 28 March 2019, the Directors were authorised to capitalise an aggregate amount of HK\$14,999,962 standing to the credit of the share premium of the Company as a result of the Share Offer and to appropriate such amount as capital to pay up in full at par 1,499,996,200 shares of HK\$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company immediately prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing"), each ranking *pari passu* in all respects with the then existing issued shares (the "Capitalisation Issue"). The Capitalisation Issue had been completed on 25 April 2019.
- (c) On 24 April 2019, 500,000,000 ordinary shares of par value HK\$0.01 each were issued at a price of HK\$0.30 per share in connection with the Listing for a total proceeds of approximately S\$22,126,000, net of listing expenses of S\$3,772,000, of which HK\$5,000,000 (equivalent to approximately S\$863,000) representing the par value were credited to the Company's share capital and the remaining proceeds of HK\$123,042,000 (equivalent to approximately S\$21,263,000) were credited to the share premium account. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 25 April 2019.

## **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 2020, our revenue amounted to approximately S\$57.7 million, representing an increase of approximately S\$2.4 million or 4.4% from approximately S\$55.2 million for the six months ended 30 June 2019. This increase was mainly attributable to the increase in revenue from our U.S. furniture sales segment.

#### **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. During the six months ended 30 June 2020, this segment enjoyed modest growth by riding on the increased demand for products over e-commerce sales channels.

#### **Furniture Sales**

As at the date of this announcement, we operate seven points of sale in Singapore, of which three are under the brand “Marquis”, two are 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. Due to the COVID-19 measures implemented by the Singapore government in the first half of the year, sales was adversely affected as the Group was unable to open its showrooms and deliver its products to its customers.

#### **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 was adversely affected by the temporary stoppage of work at all its job sites as a result of COVID-19 measures implemented by the Singapore government.



## **PROSPECTS**

### **U. S. Furniture Sales**

While our U. S. furniture sales segment has performed credibly for the six months ended 30 June 2020, the ongoing geopolitical and trade tensions between U.S. and China and the ongoing U.S. economic recession will have a dampening impact on our business.

However, in the short term with the increasing usage of e-commerce, we are cautiously optimistic about our growth prospects of our U.S. furniture sales segment in the second half of financial year 2020 (“FY2020”).

### **Furniture Sales**

We anticipate a challenging operating environment for our furniture sales segment in the second half of FY2020 as the COVID-19 pandemic will continue to weigh down on the Singapore economy, already in its worse recession ever. While the COVID-19 pandemic and economic recession will generally put a dampener on consumer spending, the Group 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 home or waiting to collect their keys to their new homes from the developer. The Group will be consolidating its showrooms by reducing one point of sale which has not been performing as well and moving this point of sale operation to another temporary pop-up store at more favourable rental terms.

### **Interior Design**

We are mindful that there will be a slowdown in the property market and there will be less launches of property over the next few quarters. As such, our interior design segment will focus not only on design for new showflats for developers but also on residential projects for high net worth individuals.

In the light of the severe economic recession in the U.S. and Singapore, we will adopt a cautious and prudent approach in implementing our expansion and growth plans.

## **FINANCIAL REVIEW**

### **Overall Financial review**

The Group’s revenue increased by approximately S\$2.4 million or 4.4% from approximately S\$55.2 million for the period ended 30 June 2019 to approximately S\$57.7 million for the period ended 30 June 2020. This increase is mainly attributable to the increase in revenue from U.S. furniture sales segment. On the other hand, the Group’s interior design and furniture sales segments recorded lower sales, in line with the slow-down in the Singapore economy and the implementation of COVID-19 lock-down measures.

The Group's gross profit margin decreased from approximately 31.3% for the period ended 30 June 2019 to approximately 27.0% for the period ended 30 June 2020 mainly due to increase in proportion of the revenue from U.S. furniture sales segment which has a lower gross profit margin.

The Group's profit increased by approximately 7.4% from approximately S\$3.4 million for the period ended 30 June 2019 to approximately S\$3.6 million for the period ended 30 June 2020, mainly attributable to the absence of the non-recurring Listing expenses of approximately S\$1.0 million and an increase in foreign exchange gain of approximately S\$0.8 million and government Job Support Scheme credits of approximately S\$0.5 million.

## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

### **Overall financial position**

As at 30 June 2020, total borrowings of the Group amounted to approximately S\$1.4 million (31 December 2019: approximately S\$109,000) which were obligations under finance leases and bank borrowings.

The Group had total cash and cash equivalents of approximately S\$48.6 million as at 30 June 2020 (31 December 2019: approximately S\$36.1 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 30 June 2020, the cash and bank balances other than time deposits of the Group amounted to approximately S\$35.0 million (31 December 2019: approximately S\$29.5 million).

The Group recorded total current assets of approximately S\$84.1 million as at 30 June 2020 (31 December 2019: approximately S\$78.9 million) and total current liabilities of approximately S\$27.6 million as at 30 June 2020 (31 December 2019: approximately S\$27.8 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.0 as at 30 June 2020 (31 December 2019: approximately 2.8).

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

In view of the Group's financial position as at 30 June 2020, the Board considered that the Group had sufficient working capital for its operations and future development plans.

### **Gearing ratio**

As at 30 June 2020, the Group's gearing ratio which was calculated by dividing the total borrowings by total equity and multiplied by 100% was approximately 2.4% (31 December 2019: 0.2%). The gearing ratio increased mainly due to the proceeds from bank borrowings.

## **Contingent liabilities**

As at 30 June 2020, the Group did not have any material contingent liabilities or guarantees (31 December 2019: Nil).

## **Capital commitment**

As at 30 June 2020, the Group did not have any material capital commitment (31 December 2019: Nil).

## **Capital Structure**

As at 30 June 2020 and 31 December 2019, 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 2020, 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 2020, we had 141 (30 June 2019: 144) full-time employees, of whom 100 are based in Singapore, 24 are based in the U.S., 12 are based in Malaysia and 5 are based in Brunei. For the period ended 30 June 2020, staff costs (including directors' emoluments) amounted to approximately S\$5.3 million (30 June 2019: approximately S\$4.9 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, sale 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 2020, the Group had aggregate unutilised banking facilities of approximately S\$5.1 million, of which approximately S\$2.5 million were secured by debenture creating a fixed and floating charge over all present and future property and assets of a fellow subsidiary Buylateral Group Pte. Ltd. (31 December 2019: S\$6.6 million).

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 30 June 2020, the Group does not have other plans for material investments and capital assets.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS**

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 2020.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the period ended 30 June 2020.

## **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 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 2020:

	Percentage	Original allocation of Net Proceeds as disclosed in the Prospectus <i>Approximate</i> HK\$'000	Revised allocation based on the actual Net Proceeds <i>Approximate</i> HK\$'000	From Listing to 31 December 2019 Amount utilised <i>Approximate</i> HK\$'000	From 1 January 2020 to 30 June 2020 Amount utilised <i>Approximate</i> HK\$'000	Total Amount utilised from Listing to 30 June 2020 <i>Approximate</i> HK\$'000	Balance <i>Approximate</i> HK\$'000
<b>U. S. furniture sales segment:</b>							
procurement of inventory	62.1%	79,700	65,351	22,289	7,409	29,698	35,653
increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition	8.4%	10,800	8,840	1,669	1,155	2,824	6,016
storage of new products to be procured	3.5%	4,400	3,683	506	168	674	3,009
<b>Furniture sales segment:</b>							
paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands "OM" and "Lifestorey" to be opened during the years in 2020 and 2021, respectively*	10.3%	13,200	10,839	-	-	-	10,839
procurement of inventory for our new points of sale*	2.9%	3,800	3,052	-	-	-	3,052
enhancing our brand awareness including brand building campaign*	2.5%	3,100	2,631	-	-	-	2,631
expansion of our warehouse in Singapore*	2.0%	2,600	2,105	-	-	-	2,105
<b>General working capital of our Group</b>	<b>8.3%</b>	<b>10,700</b>	<b>8,734</b>	<b>262</b>	<b>232</b>	<b>494</b>	<b>8,240</b>
	<b>100.0%</b>	<b>128,300</b>	<b>105,235</b>	<b>24,726</b>	<b>8,964</b>	<b>33,690</b>	<b>71,545</b>

*Note:*

\* The Company intends to implement the plans and to utilise the Net Proceeds in line with the plan as set out in the Prospectus, however, in view of the COVID-19 outbreak and uncertainty of Singapore economy, the Group has adopted a cautious and prudent approach in implementing points of sale expansion and growth plans. The Group plans to put more focus on existing point of sales to improve customer experiences, invest in new European furniture brand and develop new marketing strategies in order to optimise existing showroom performance. The Group will closely monitor the market condition and shall utilise the remaining Net Proceeds as and when appropriate.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the period ended 30 June 2020, 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 2020, 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 2020, 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](http://www.hkexnews.hk)) and the Company ([www.designcapital.sg](http://www.designcapital.sg)). The interim report for the six months ended 30 June 2020 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, 21 August 2020

*As at the date of this announcement, the board of directors of the Company 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.*