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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 2022**

	For the six months ended		
	30 June 2022	30 June 2021	Change
	<i>S\$'000</i>	<i>S\$'000</i>	%
Revenue	<b>44,698</b>	48,051	-7.0%
Gross profit	<b>13,200</b>	13,928	-5.2%
Profit for the period	<b>1,873</b>	3,489	-46.3%
Earnings per share attributable to Shareholders of the Company (cents)	<b>0.08</b>	0.15	-46.7%

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 2022, together with the comparative figures for the corresponding period in 2021, as follows:

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

*For the six months ended 30 June 2022*

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2022</b> <b>(unaudited)</b> <i>S\$'000</i>	<b>2021</b> <b>(unaudited)</b> <i>S\$'000</i>
<b>REVENUE</b>	6	<b>44,698</b>	48,051
Cost of sales		<u><b>(31,498)</b></u>	<u>(34,123)</u>
Gross profit		<b>13,200</b>	13,928
Other income and gain, net		<b>284</b>	1,496
Selling and distribution expenses		<b>(5,805)</b>	(5,719)
Administrative expenses		<b>(4,706)</b>	(4,768)
Finance costs		<u><b>(428)</b></u>	<u>(395)</u>
<b>PROFIT BEFORE TAX</b>	7	<b>2,545</b>	4,542
Income tax	8	<u><b>(672)</b></u>	<u>(1,053)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><u><b>1,873</b></u></u>	<u><u>3,489</u></u>

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
		<b>(unaudited)</b>	(unaudited)
	<i>Notes</i>	<b>S\$'000</b>	<b>S\$'000</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>877</u>	<u>346</u>
<b>OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX</b>		<u>877</u>	<u>346</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<u><u>2,750</u></u>	<u><u>3,835</u></u>
Profit for the period attributable to:			
Shareholders of the Company		<u>1,625</u>	2,975
Non-controlling interests		<u>248</u>	<u>514</u>
		<u><u>1,873</u></u>	<u><u>3,489</u></u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		<u>2,461</u>	3,305
Non-controlling interests		<u>289</u>	<u>530</u>
		<u><u>2,750</u></u>	<u><u>3,835</u></u>
<b>Earnings per share attributable to Shareholders of the Company</b>			
Basic and diluted ( <i>cents</i> )	<i>10</i>	<u><u>0.08</u></u>	<u><u>0.15</u></u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		<b>30 June</b>	31 December
		<b>2022</b>	2021
		<b>(unaudited)</b>	(audited)
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>2,511</b>	2,800
Right-of-use assets	<i>12</i>	<b>13,910</b>	13,702
Deposits		<b>368</b>	352
Deferred tax assets		<b>380</b>	369
		<hr/>	<hr/>
Total non-current assets		<b>17,169</b>	17,223
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories	<i>13</i>	<b>45,494</b>	32,063
Contract assets		<b>228</b>	233
Trade receivables	<i>14</i>	<b>8,618</b>	8,103
Prepayments, deposits and other receivables		<b>2,291</b>	1,926
Cash and cash equivalents	<i>15</i>	<b>28,479</b>	40,662
		<hr/>	<hr/>
Total current assets		<b>85,110</b>	82,987
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Contract liabilities		<b>9,118</b>	8,827
Trade payables	<i>16</i>	<b>4,806</b>	5,727
Other payables and accruals	<i>17</i>	<b>16,316</b>	13,091
Borrowings		<b>14</b>	21
Lease liabilities		<b>2,682</b>	2,406
Provision for reinstatement costs		<b>–</b>	70
Income tax payables		<b>944</b>	1,110
		<hr/>	<hr/>
Total current liabilities		<b>33,880</b>	31,252
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>51,230</b>	51,735
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>68,399</b>	68,958
		<hr/>	<hr/>

		<b>30 June 2022 (unaudited) S\$'000</b>	31 December 2021 (audited) S\$'000
	<i>Notes</i>		
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<b>29</b>	34
Provision for reinstatement costs		<b>537</b>	464
Lease liabilities		<b>13,661</b>	13,505
Deferred tax liabilities		<b>25</b>	25
		<hr/>	<hr/>
Total non-current liabilities		<b>14,252</b>	14,028
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>54,147</b>	54,930
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	18	<b>3,453</b>	3,453
Share premium		<b>11,283</b>	14,816
Reserves		<b>36,267</b>	33,806
		<hr/>	<hr/>
Non-controlling interests		<b>51,003</b>	52,075
		<b>3,144</b>	2,855
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>54,147</b>	54,930
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## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

*For the six months ended 30 June 2022*

### 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 2022 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 2021.

The unaudited interim condensed consolidated financial statements are presented in Singapore dollars (“SGD” or “S\$”) 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 2021, except for the adoption of new standards effective as of 1 January 2022. 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 2022, 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 2021.

#### **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 statements for the year ended 31 December 2021.

There have been no changes in the financial risk management policies of the Group since the financial year ended 31 December 2021.

#### **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 2022	Interior design S\$'000	Furniture sales S\$'000	U.S.		Total S\$'000
			furniture sales S\$'000	Corporate S\$'000	
<b>Segment revenue:</b>					
Segment revenue	3,330	10,775	30,647	–	44,752
Less: Inter-segment sales	(2)	(52)	–	–	(54)
Sales to external customers	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>–</u>	<u>44,698</u>
<b>Segment results</b>	<u>765</u>	<u>1,213</u>	<u>1,507</u>	<u>(940)</u>	<u>2,545</u>
<b>Segment assets</b>	<u>5,950</u>	<u>22,196</u>	<u>59,068</u>	<u>15,065</u>	<u>102,279</u>
<b>Segment liabilities</b>	<u>1,583</u>	<u>15,661</u>	<u>25,895</u>	<u>4,993</u>	<u>48,132</u>
<b>Other segment information:</b>					
Interest income	(7)	(10)	(5)	(34)	(56)
Finance costs**	–	105	323	–	428
Depreciation	19	226	128	21	394
Reversal of provision for write-down of inventories to net realisable value, net	–	(22)	–	–	(22)
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(2)	108	–	–	106
Capital expenditure*	<u>1</u>	<u>55</u>	<u>5</u>	<u>12</u>	<u>73</u>

Six months ended 30 June 2021	Interior design S\$'000	Furniture sales S\$'000	U.S.		Total S\$'000
			furniture sales S\$'000	Corporate S\$'000	
<b>Segment revenue:</b>					
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>
<b>Segment results</b>	<u>1,299</u>	<u>1,556</u>	<u>2,628</u>	<u>(941)</u>	<u>4,542</u>
<b>Other segment information:</b>					
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>

\* 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 2021:

	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
<b>Segment assets</b>	<u>6,936</u>	<u>21,556</u>	<u>53,576</u>	<u>18,142</u>	<u>100,210</u>
<b>Segment liabilities</b>	<u>2,815</u>	<u>14,746</u>	<u>25,898</u>	<u>1,821</u>	<u>45,280</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 2022 S\$'000</b>	31 December 2021 S\$'000
Singapore	<b>5,055</b>	4,754
U.S.	<b>11,360</b>	11,741
Malaysia and Brunei	<u>6</u>	<u>7</u>
	<u><b>16,421</b></u>	<u>16,502</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 2022			
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Total S\$'000
<b>Type of goods or service</b>				
Sale of goods	–	10,723	30,647	41,370
Service income — interior design	3,328	–	–	3,328
Total revenue from contracts with customers	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>
<b>Geographical markets</b>				
Singapore	3,155	10,723	–	13,878
U.S.	–	–	30,647	30,647
Malaysia and Brunei	173	–	–	173
Total revenue from contracts with customers	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	–	8,669	30,647	39,316
Goods and services transferred over time	3,328	2,054	–	5,382
Total revenue from contracts with customers	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>
Six months ended 30 June 2021				
Segments	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Total S\$'000
<b>Type of goods or service</b>				
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>
<b>Geographical markets</b>				
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>
<b>Timing of revenue recognition</b>				
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>

## 7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2022	2021
	S\$'000	S\$'000
Cost of goods sold	29,884	31,429
Cost of services provided	1,614	2,694
Depreciation	394	408
Amortisation of right-of-use assets	1,628	1,378
Expense relating to short-term leases	44	327
Variable lease payments	1,157	566
	<u>          </u>	<u>          </u>
Employee benefit expense (excluding directors' fees):		
Salaries, allowances, benefits in kind and other costs	4,359	5,006
Pension scheme contributions	393	426
	<u>          </u>	<u>          </u>
	4,752	5,432
	<u>          </u>	<u>          </u>
Gain on disposal of property, plant and equipment, net	–	(43)
Reversal of provision for write-down of inventories to net realisable value, net	(22)	(119)
Provision/(reversal of provision) for expected credit losses of trade receivables, net	106	(4)
Foreign exchange differences, net	(279)	(260)
	<u>          </u>	<u>          </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	
	2022	2021
	S\$'000	S\$'000
Current — Singapore:		
Charge for the period	672	658
Under-provision in respect of prior years	–	27
Current — U.S.:		
Charge for the period	142	368
Over-provision in respect of prior years	(142)	–
	<u>          </u>	<u>          </u>
	672	1,053
	<u>          </u>	<u>          </u>

## 9. DIVIDEND

The board of directors of the Company resolved not to declare any interim dividend for the period ended 30 June 2022 (30 June 2021: 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\$1,625,000 (30 June 2021: S\$2,975,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (30 June 2021: 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 2022 and 2021 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 2022, the Group acquired assets with a cost of approximately S\$73,000 (30 June 2021: approximately S\$308,000).

There were no assets disposed by the Group during the six months ended 30 June 2022 (30 June 2021: assets with a net book value of S\$18,000 were disposed by the Group, resulting in a net gain on disposal of S\$43,000).

## 12. RIGHT-OF-USE ASSETS

### Additions

During the six months ended 30 June 2022, the Group entered into new leases and recognised right-of-use assets and lease liabilities of S\$1.6 million and S\$1.6 million respectively (30 June 2021: S\$1.5 million and S\$1.5 million respectively). The weighted average incremental borrowing rate used was 5.25%.

## 13. INVENTORIES

	<b>30 June 2022 S\$'000</b>	31 December 2021 S\$'000
Group		
Merchandised goods	<b>38,420</b>	23,155
Goods in transit	<b>7,074</b>	8,908
	<b><u>45,494</u></b>	<u>32,063</u>

## 14. TRADE RECEIVABLES

	<b>30 June</b>	31 December
Group	<b>2022</b>	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	<b>9,591</b>	9,170
Provision for expected credit losses ( <i>Note (c)</i> )	<b>(973)</b>	(1,067)
	<u><b>8,618</b></u>	<u>8,103</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:

	<b>30 June</b>	31 December
Group	<b>2022</b>	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	<b>6,319</b>	5,289
1 to 2 months	<b>1,812</b>	2,162
2 to 3 months	<b>136</b>	625
Over 3 months	<b>351</b>	27
	<u><b>8,618</b></u>	<u>8,103</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	<b>30 June 2022 S\$'000</b>	31 December 2021 S\$'000
At beginning of year	<b>1,067</b>	1,083
Provision for expected credit losses	<b>106</b>	73
Amount written off as uncollectible	<b>(216)</b>	(102)
Exchange realignment	<b>16</b>	13
	<hr/>	<hr/>
At end of period/year	<b>973</b>	1,067
	<hr/> <hr/>	<hr/> <hr/>

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 2021 and 30 June 2022 are 97.3% and 73.9% respectively for those balances that have been past due for more than 3 months.

## 15. CASH AND CASH EQUIVALENTS

Group	<b>30 June 2022 S\$'000</b>	31 December 2021 S\$'000
Cash and bank balances other than time deposits	<b>14,304</b>	19,828
Time deposits	<b>14,175</b>	20,834
	<hr/>	<hr/>
Cash and cash equivalents	<b>28,479</b>	40,662
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Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of more than 3 months to 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 2022 S\$'000</b>	31 December 2021 S\$'000
Within 1 month	<b>3,776</b>	4,683
1 to 2 months	<b>486</b>	561
2 to 3 months	<b>154</b>	175
Over 3 months	<b>390</b>	308
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	<b>4,806</b>	5,727
	<hr/> <hr/>	<hr/> <hr/>

## 17. OTHER PAYABLES AND ACCRUALS

Group	<b>30 June 2022 S\$'000</b>	31 December 2021 S\$'000
Accruals	<b>9,589</b>	8,458
Estimate of sales returns from customers	<b>2,463</b>	3,644
Other payables	<b>448</b>	448
Dividends payable	<b>3,816</b>	541
	<hr/>	<hr/>
	<b>16,316</b>	13,091
	<hr/> <hr/>	<hr/> <hr/>

## 18. SHARE CAPITAL

	<b>30 June 2022 HK\$'000</b>	31 December 2021 HK\$'000
Authorised:		
10,000,000,000 (31 December 2021: 10,000,000,000) ordinary shares of HK\$0.01 each	<u><b>100,000</b></u>	<u>100,000</u>
	<b>30 June 2022 S\$'000</b>	31 December 2021 S\$'000
Issued and fully paid:		
2,000,000,000 (31 December 2021: 2,000,000,000) ordinary shares of HK\$0.01 each	<u><b>3,453</b></u>	<u>3,453</u>

A summary of movements in the Company's issued capital and share premium account from 1 January 2021 to 30 June 2022 is as follows:

	<b>Number of shares in issue</b>	<b>Issued capital S\$'000</b>	<b>Share premium account S\$'000</b>	<b>Total S\$'000</b>
As at 1 January 2021	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 31 December 2021 and 1 January 2022	2,000,000,000	3,453	14,816	18,269
Final dividend**	<u>–</u>	<u>–</u>	<u>(3,533)</u>	<u>(3,533)</u>
<b>As at 30 June 2022</b>	<u><b>2,000,000,000</b></u>	<u><b>3,453</b></u>	<u><b>11,283</b></u>	<u><b>14,736</b></u>

\* On 29 March 2021, the Board recommended the payment of a final dividend of HK1.28 cents per Share (the “**2020 Final Dividend**”) and a special dividend of HK1.60 cents per Share (the “**Special Dividend**”) for the year ended 31 December 2020. Shareholders approval for the 2020 Final Dividend and a Special Dividend was obtained on 28 June 2021. The Special Dividend was 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.

\*\* On 24 March 2022, the Board recommended the payment of a final dividend of HK1.00 cent per Share (the “**2021 Final Dividend**”) for the year ended 31 December 2021. Shareholders approval for the 2021 Final Dividend was obtained on 28 June 2022. The 2021 Final Dividend was 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.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

Headquartered in Singapore, Design Capital Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**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 2022, our revenue amounted to approximately S\$44.7 million, representing a decrease of approximately S\$3.4 million or 7.0% from approximately S\$48.1 million for the six months ended 30 June 2021. This decrease was mainly attributable to the decrease in revenue from our interior design segment and U.S. furniture sales segment as a result of negative business sentiments and slower consumer demand.

#### **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 FY2021 Annual Report, he had highlighted the continuing challenges faced by our U.S. division in relation to supply chain disruptions which is causing escalation of the material cost and significant increases in freight forwarding rates which have impacted the performance of the U.S. furniture sales segment. In addition, higher inflation, higher interest rates and the prolong war in Ukraine have affected global market sentiments and consumer spending. During the six months ended 30 June 2022, revenue for this segment decreased from approximately S\$32.6 million to approximately S\$30.6 million.

#### **Furniture Sales**

As at the date of this announcement, we operate six points of sale in Singapore, of which two 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. As Singapore lifted its COVID-19 restrictions and opened up the borders, retail sales has increased and revenue from this segment increased by 2.7% from approximately S\$10.4 million for the six months ended 30 June 2021 to approximately S\$10.7 million for the six months ended 30 June 2022, 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 decreased by 33.4% from approximately S\$5.0 million for the six months ended 30 June 2021 to approximately S\$3.3 million for the six months ended 30 June 2022 as a result of a decrease in Singapore and Malaysia projects.

## **PROSPECTS**

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

We anticipate a challenging second half of FY2022 for the U.S. market as the lingering problem of supply chain disruptions continue to persist. During the first half of FY2022, we have significantly restocked our current top-selling products and develop new products in order to improve our offering in the next few months and we are optimistic that the market and demand for our products may improve over the next few months. Having considered that, we are also mindful that abnormally high inflation and higher interest rates coupled with adverse geopolitical environment such as the Ukraine war will impact consumer sentiment and demand, and this in turn may negatively impact our financial performance in the second half of FY2022. We will continue to manage the business prudently and cautiously in the second half of FY2022 to deal with global uncertainties and crises.

### **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 FY2022, tapping on Singapore’s economy recovery in 2021. Our new showroom at Marina Square arising from a decision made in 2021 in the midst of the COVID-19 pandemic, has shown good potential and will contribute to the performance of this business segment.

The Group will continue to improve and curate its product range and brands to differentiate itself from its competitors.

## **Interior Design**

Our interior design segment continues to be profitable in the first half of FY2022 and with the projects currently on hand and our loyal customer base, together with our strengths in design, reputation and positive track record, we anticipate that this business segment will contribute positively to the Group in the second half of FY2022. In addition, 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\$3.4 million or 7.0% from approximately S\$48.1 million for the six months ended 30 June 2021 to approximately S\$44.7 million for the six months ended 30 June 2022. This decrease was mainly attributable to the decrease in revenue from interior design segment and U.S. furniture sales segment, which was partially offset by the increase in revenue from the Group's furniture sales segment.

The Group's gross profit margin increased from approximately 29.0% for the six months ended 30 June 2021 to approximately 29.5% for the six months ended 30 June 2022 mainly due to the increase in revenue from the Group's furniture sales segment.

The Group's profit decreased by approximately 46.3% from approximately S\$3.5 million for the six months ended 30 June 2021 to approximately S\$1.9 million for the six months ended 30 June 2022, mainly due to the decrease in other income and gain of approximately S\$1.2 million arising mostly from Government COVID-19 relief programmes and insurance claims.

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

### **Overall financial position**

As at 30 June 2022, total borrowings of the Group amounted to approximately S\$43,000 which were obligations under finance leases (31 December 2021: approximately S\$55,000 which were obligations under finance leases).

The Group had total cash and cash equivalents of approximately S\$28.5 million as at 30 June 2022 (31 December 2021: approximately S\$40.7 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 30 June 2022, the cash and bank balances other than time deposits of the Group amounted to approximately S\$14.3 million (31 December 2021: approximately S\$19.8 million).

The Group recorded total current assets of approximately S\$85.1 million as at 30 June 2022 (31 December 2021: approximately S\$83.0 million) and total current liabilities of approximately S\$33.9 million as at 30 June 2022 (31 December 2021: approximately S\$31.3 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.5 as at 30 June 2022 (31 December 2021: approximately 2.7).

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 2022, the Board considered that the Group had sufficient working capital for its operations and future development plans.

### **Gearing ratio**

As at 30 June 2022, 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 2021: 0.1%).

### **Contingent liabilities**

As at 30 June 2022, the Group did not have any material contingent liabilities or guarantees (31 December 2021: Nil).

### **Capital commitment**

As at 30 June 2022, the Group did not have any material capital commitment (31 December 2021: Nil).

## **Capital structure**

As at 30 June 2022 and 31 December 2021, 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 2022, 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 2022, the Group had 122 (30 June 2021: 133) full-time employees, of whom 83 are based in Singapore, 17 are based in the U.S., 18 are based in Malaysia and 4 are based in Brunei. For the period ended 30 June 2022, staff costs (excluding directors' fees) amounted to approximately S\$4.8 million (30 June 2021: approximately S\$5.4 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 2022, the Group had aggregate unutilised banking facilities of approximately S\$5.6 million (31 December 2021: S\$5.4 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 2022, 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 2022.

## **INTERIM DIVIDEND**

The Board resolved not to declare any interim dividend for the period ended 30 June 2022 (30 June 2021: 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 with aggregate nominal value of HK\$5.0 million 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**”).

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 has resolved on 16 March 2022 to further re-allocate the use of Net Proceeds. For details, please refer to the announcement of the Company dated 16 March 2022 (the “**Announcement**”).

The following table sets out the breakdown of the allocation based on the actual Net Proceeds, the utilised and remaining amount of the Net Proceeds from the Listing as at 31 December 2021, the revised allocation of the remaining Net Proceeds as disclosed in the Announcement, the utilised amount during the period and the remaining amount of the Net Proceeds from the Listing as at 30 June 2022:

	Percentage	Allocation based on the actual Net Proceeds (Note 1) 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	Revised allocation of the unutilised balance of the Net Proceeds based on the Announcement (Note 2) Approximate HK\$'000	Total amount utilised from 1 January 2022 to 30 June 2022 Approximate HK\$'000	Unutilised balance as at 30 June 2022 Approximate HK\$'000	Expected timeline for utilising remaining Net Proceeds (Note 3)
<b>U. S. furniture sales segment:</b>								
procurement of inventory	62.1%	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%	8,840	6,172	2,668	850	464	386	On or before 31 December 2023
storage of new products to be procured	3.5%	3,683	1,813	1,870	500	500	–	On or before 31 December 2023
<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”	10.3%	10,839	2,632	8,207	3,207	1,585	1,622	On or before 31 December 2023
procurement of inventory for our new points of sale	2.9%	3,052	3,052	–	8,100	8,100	–	On or before 31 December 2023
enhancing our brand awareness including brand building campaign	2.5%	2,631	469	2,162	362	362	–	On or before 31 December 2023
expansion of our warehouse in Singapore	2.0%	2,105	416	1,689	389	311	78	On or before 31 December 2023
<b>General working capital of our Group</b>	8.3%	8,734	1,837	6,897	397	357	40	On or before 31 December 2023
	<u>100.0%</u>	<u>105,235</u>	<u>81,742</u>	<u>23,493</u>	<u>23,493</u>	<u>21,367</u>	<u>2,126</u>	

*Notes:*

1. With reference to 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.
2. As disclosed above, the Board resolved on 16 March 2022 to reallocate the use of the remaining Net Proceeds. For details and reasons of the revised allocation of the remaining Net Proceeds, please refer to the Announcement.
3. The expected timeline for utilising remaining Net Proceeds has been revised twice following Listing. As disclosed in the announcement of the Company dated 11 September 2020, the annual report of the Company for FY2020 (“**2020 Annual Report**”), the Company’s 2021 interim report (“**2021 Interim Report**”) and the annual report of the Company for FY2021 (“**2021 Annual Report**”), the Company has delayed the application of the unutilised Net Proceeds for the furniture sales segment in Singapore and for general working capital of the Group. Further, as disclosed in the Announcement, on 16 March 2022, the Board has further updated the expected timeline for utilising the remaining Net Proceeds for the U.S. furniture sales segment, furniture sales segment in Singapore and for general working capital of the Group. For details, please refer to the announcement of the Company dated 11 September 2020, 2020 Annual Report, 2021 Interim Report, Announcement and 2021 Annual Report.

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

During the period ended 30 June 2022, 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 2022, save for code provision C.2.1 of the CG Code.

Under code provision C.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 2022, 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 this announcement 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 2022 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, 18 August 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.*