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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 2023

	For the six months ended		
	30 June 2023	30 June 2022	Change
	<i>S\$'000</i>	<i>S\$'000</i>	<i>%</i>
Revenue	46,345	44,698	3.7%
Gross profit	12,809	13,200	-3.0%
Profit for the period	733	1,873	-60.9%
Earnings per share attributable to Shareholders of the Company (cents)	0.03	0.08	-62.5%

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 2023, together with the comparative figures for the corresponding period in 2022, as follows:

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

For the six months ended 30 June 2023

	<i>Notes</i>	Six months ended 30 June	
		2023 (unaudited) <i>S\$'000</i>	2022 (unaudited) <i>S\$'000</i>
REVENUE	6	46,345	44,698
Cost of sales		<u>(33,536)</u>	<u>(31,498)</u>
Gross profit		12,809	13,200
Other income and gain, net		407	284
Selling and distribution expenses		(7,232)	(5,805)
Administrative expenses		(4,528)	(4,706)
Finance costs		<u>(395)</u>	<u>(428)</u>
PROFIT BEFORE TAX	7	1,061	2,545
Income tax	8	<u>(328)</u>	<u>(672)</u>
PROFIT FOR THE PERIOD		<u><u>733</u></u>	<u><u>1,873</u></u>

	Six months ended 30 June	
	2023	2022
	(unaudited)	(unaudited)
<i>Notes</i>	S\$'000	S\$'000
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>282</u>	<u>877</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX	<u>282</u>	<u>877</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	<u><u>1,015</u></u>	<u><u>2,750</u></u>
Profit for the period attributable to:		
Shareholders of the Company	<u>656</u>	1,625
Non-controlling interests	<u>77</u>	<u>248</u>
	<u><u>733</u></u>	<u><u>1,873</u></u>
Total comprehensive income for the period attributable to:		
Shareholders of the Company	<u>924</u>	2,461
Non-controlling interests	<u>91</u>	<u>289</u>
	<u><u>1,015</u></u>	<u><u>2,750</u></u>
Earnings per share attributable to Shareholders of the Company		
Basic and diluted (<i>cents</i>)	<u><u>10</u></u>	<u><u>0.03</u></u>
		<u><u>0.08</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		30 June 2023 (unaudited) S\$'000	31 December 2022 (audited) S\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,450	2,204
Right-of-use assets	<i>12</i>	11,925	13,378
Deposits		350	363
Deferred tax assets		449	444
		15,174	16,389
CURRENT ASSETS			
Inventories	<i>13</i>	37,824	43,471
Contract assets		791	113
Trade receivables	<i>14</i>	10,256	10,179
Prepayments, deposits and other receivables		2,447	2,627
Cash and cash equivalents	<i>15</i>	24,292	20,874
		75,610	77,264
CURRENT LIABILITIES			
Contract liabilities		8,754	8,385
Trade payables	<i>16</i>	3,231	3,516
Other payables and accruals	<i>17</i>	8,100	8,836
Borrowings		16	16
Lease liabilities		2,974	3,127
Income tax payables		769	1,315
		23,844	25,195
NET CURRENT ASSETS		51,766	52,069
TOTAL ASSETS LESS CURRENT LIABILITIES		66,940	68,458

		30 June	31 December
		2023	2022
		(unaudited)	(audited)
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings		31	39
Provision for reinstatement costs		544	534
Lease liabilities		11,495	12,724
Deferred tax liabilities		25	25
		<hr/>	<hr/>
Total non-current liabilities		12,095	13,322
		<hr/>	<hr/>
NET ASSETS		54,845	55,136
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>18</i>	3,453	3,453
Share premium		9,977	11,283
Reserves		39,170	38,246
		<hr/>	<hr/>
		52,600	52,982
Non-controlling interests		2,245	2,154
		<hr/>	<hr/>
TOTAL EQUITY		54,845	55,136
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

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 2023 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 2022.

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 2022, except for the adoption of new standards effective as of 1 January 2023. 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 2023, 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 2022.

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 2022.

There have been no changes in the financial risk management policies of the Group since the financial year ended 31 December 2022.

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 2023	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment revenue:					
Segment revenue	2,510	12,994	30,999	45	46,548
Less: Inter-segment sales	(20)	(138)	–	(45)	(203)
Sales to external customers	<u>2,490</u>	<u>12,856</u>	<u>30,999</u>	<u>–</u>	<u>46,345</u>
Segment results	<u>315</u>	<u>1,613</u>	<u>41</u>	<u>(908)</u>	<u>1,061</u>
Segment assets	<u>5,517</u>	<u>22,599</u>	<u>53,719</u>	<u>8,949</u>	<u>90,784</u>
Segment liabilities	<u>3,693</u>	<u>12,256</u>	<u>17,253</u>	<u>2,737</u>	<u>35,939</u>
Other segment information:					
Interest income	(31)	(108)	(39)	(110)	(288)
Finance costs**	1	101	292	1	395
Depreciation	22	257	138	35	452
Provision for write-down of inventories to net realisable value, net	–	65	–	–	65
Provision/(reversal of provision) for expected credit losses of trade receivables, net	96	88	(4)	–	180
Write-off of property, plant and equipment	–	2	–	–	2
Capital expenditure*	<u>19</u>	<u>179</u>	<u>484</u>	<u>5</u>	<u>687</u>

Six months ended 30 June 2022	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment revenue:					
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>
Segment results	<u>765</u>	<u>1,213</u>	<u>1,507</u>	<u>(940)</u>	<u>2,545</u>
Other segment information:					
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>

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

** Finance costs include the interest on lease liabilities.

The following table presents assets and liabilities information for the Group's operating segments as at 31 December 2022:

	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment assets	<u>3,689</u>	<u>24,677</u>	<u>56,971</u>	<u>8,316</u>	<u>93,653</u>
Segment liabilities	<u>1,975</u>	<u>15,585</u>	<u>19,387</u>	<u>1,570</u>	<u>38,517</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.

* In September 2022, Nobel Design Sdn Bhd, a 52% owned subsidiary of Design Capital Pte Ltd was disposed of.

Non-current assets

	30 June 2023 S\$'000	31 December 2022 S\$'000
Singapore	4,159	5,253
U.S.	10,216	10,329
	<u>14,375</u>	<u>15,582</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 2023			Total S\$'000
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	
Type of goods or service				
Sale of goods	–	12,856	30,999	43,855
Service income — interior design	2,490	–	–	2,490
Total revenue from contracts with customers	<u>2,490</u>	<u>12,856</u>	<u>30,999</u>	<u>46,345</u>
Geographical markets				
Singapore	2,490	12,856	–	15,346
U.S.	–	–	30,999	30,999
Total revenue from contracts with customers	<u>2,490</u>	<u>12,856</u>	<u>30,999</u>	<u>46,345</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	7,083	30,999	38,082
Goods and services transferred over time	2,490	5,773	–	8,263
Total revenue from contracts with customers	<u>2,490</u>	<u>12,856</u>	<u>30,999</u>	<u>46,345</u>

Six months ended 30 June 2022

Segments	Interior design <i>S\$'000</i>	Furniture sales <i>S\$'000</i>	U.S. furniture sales <i>S\$'000</i>	Total <i>S\$'000</i>
Type of goods or service				
Sale of goods	–	10,723	30,647	41,370
Service income — interior design	3,328	–	–	3,328
	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>
Geographical markets				
Singapore	3,155	10,723	–	13,878
U.S.	–	–	30,647	30,647
Malaysia and Brunei	173	–	–	173
	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>
Timing of revenue recognition				
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
	<u>3,328</u>	<u>10,723</u>	<u>30,647</u>	<u>44,698</u>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2023	2022
	S\$'000	S\$'000
Cost of goods sold	32,302	29,884
Cost of services provided	1,234	1,614
Depreciation	452	394
Amortisation of right-of-use assets	1,625	1,628
Expense relating to short-term leases	5	44
Variable lease payments	2,065	1,157
	<u> </u>	<u> </u>
Employee benefit expense (excluding directors' fees):		
Salaries, allowances, benefits in kind and other costs	4,008	4,359
Pension scheme contributions	426	393
	<u> </u>	<u> </u>
	4,434	4,752
	<u> </u>	<u> </u>
Write-off of property, plant and equipment	2	–
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	65	(22)
Provision for expected credit losses of trade receivables, net	180	106
Foreign exchange differences, net	(24)	(279)
	<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	
	2023	2022
	S\$'000	S\$'000
Current — Singapore:		
Charge for the period	338	672
Over-provision in respect of prior years	(10)	–
Current — U.S.:		
Charge for the period	–	142
Over-provision in respect of prior years	–	(142)
	<u> </u>	<u> </u>
	328	672
	<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 2023 (30 June 2022: 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\$656,000 (30 June 2022: S\$1,625,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (30 June 2022: 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 2023 and 2022 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 2023, the Group acquired assets with a cost of approximately S\$687,000 (30 June 2022: approximately S\$73,000).

There were no assets disposed by the Group during the six months ended 30 June 2023 (30 June 2022: Nil).

12. RIGHT-OF-USE ASSETS

Additions

During the six months ended 30 June 2023, the Group entered into new leases and recognised right-of-use assets and lease liabilities of approximately S\$87,000 and approximately S\$87,000 respectively (30 June 2022: approximately S\$1.6 million and approximately S\$1.6 million respectively). The weighted average incremental borrowing rates used range from 5.25% to 7.00% (30 June 2022: 5.25%).

13. INVENTORIES

	30 June	31 December
Group	2023	2022
	S\$'000	S\$'000
Merchandised goods	33,647	38,210
Goods in transit	4,177	5,261
	<u>37,824</u>	<u>43,471</u>

14. TRADE RECEIVABLES

	30 June	31 December
Group	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	10,870	10,642
Provision for expected credit losses (<i>Note (c)</i>)	(614)	(463)
	<u>10,256</u>	<u>10,179</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 reporting period/year, based on the invoice date and net of provision for expected credit losses, is as follows:

	30 June	31 December
Group	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	7,559	6,054
1 to 2 months	2,419	3,423
2 to 3 months	43	701
Over 3 months	235	1
	<u>10,256</u>	<u>10,179</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 reporting period/year are as follows:

Group	30 June 2023 S\$'000	31 December 2022 S\$'000
At beginning of year	463	1,067
Provision for expected credit losses	180	134
Amount written off as uncollectible	(29)	(719)
Amount written off due to disposal of a subsidiary	–	(30)
Exchange realignment	–	11
	<u>–</u>	<u>11</u>
At end of period/year	<u>614</u>	<u>463</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 2022 and 30 June 2023 are 99.52% and 71.91% respectively for those balances that have been past due for more than 3 months.

15. CASH AND CASH EQUIVALENTS

Group	30 June 2023 S\$'000	31 December 2022 S\$'000
Cash and bank balances other than time deposits	14,668	12,971
Time deposits	9,624	7,903
	<u>–</u>	<u>7,903</u>
Cash and cash equivalents	<u>24,292</u>	<u>20,874</u>

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	30 June 2023 S\$'000	31 December 2022 S\$'000
Within 1 month	2,720	2,861
1 to 2 months	279	350
2 to 3 months	39	144
Over 3 months	193	161
	3,231	3,516

17. OTHER PAYABLES AND ACCRUALS

Group	30 June 2023 S\$'000	31 December 2022 S\$'000
Accruals	4,870	6,175
Estimate of sales returns from customers	1,278	2,231
Other payables	646	430
Dividends payable	1,306	–
	8,100	8,836

18. SHARE CAPITAL

	30 June 2023 HK\$'000	31 December 2022 HK\$'000
Authorised:		
10,000,000,000 (31 December 2022: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	30 June 2023 S\$'000	31 December 2022 S\$'000
Issued and fully paid:		
2,000,000,000 (31 December 2022: 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 2022 to 30 June 2023 is as follows:

	Number of shares in issue	Issued capital S\$'000	Share premium account S\$'000	Total S\$'000
As at 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>
As at 31 December 2022 and 1 January 2023	2,000,000,000	3,453	11,283	14,736
Final dividend**	<u>–</u>	<u>–</u>	<u>(1,306)</u>	<u>(1,306)</u>
As at 30 June 2023	<u>2,000,000,000</u>	<u>3,453</u>	<u>9,977</u>	<u>13,430</u>

* 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.

** On 28 March 2023, the Board recommended the payment of a final dividend of HK0.38 cents per Share (the “**2022 Final Dividend**”) for the year ended 31 December 2022. Shareholders approval for the 2022 Final Dividend was obtained on 21 June 2023. The 2022 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 2023, our revenue amounted to approximately S\$46.3 million, representing an increase of approximately S\$1.6 million or 3.7% from approximately S\$44.7 million for the six months ended 30 June 2022. This increase was mainly attributable to the increase in revenue from furniture sales segment and U.S. furniture sales segment, which was partially offset by the decrease in revenue from the Group’s interior design segment.

The Chairman’s statement contained in the FY2022 annual report of the Company (the “**Annual Report**”) highlighted the following challenges faced by our U.S. division: ultra high interest rates affecting disposable income and consumer spending on furniture; unusually high post-Covid build-up in our inventory position which would require the Group to reduce its inventory position this year through discounts and promotions, resulting in compressed margins and decreased profitability for the first half of FY2023. Profit before tax dropped from approximately S\$2.5 million for the six months ended 30 June 2022 to approximately S\$1.1 million for the six months ended 30 June 2023 as a result of the decrease in margin from the Group’s U.S. furniture sales segment and an increase in selling and distribution expenses.

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 2023, revenue for this segment increased from approximately S\$30.6 million for the six months ended 30 June 2022 to approximately S\$31.0 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. With our ability to provide our customers with unique designs and solutions that set us apart from the other competitors, the revenue from this segment increased by 19.9% from approximately S\$10.7 million for the six months ended 30 June 2022 to approximately S\$12.9 million for the six months ended 30 June 2023, hence contributing positively to the Group’s profitability. The mass market segment under the brand “OM” continues to be negatively affected by slow consumer demand and intense competition from e-commerce retailers. However, the brands “Lifestorey” and “Marquis” have continued to perform well as a result of our successful curation of imported European furniture brands.

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 25.2% from approximately S\$3.3 million for the six months ended 30 June 2022 to approximately S\$2.5 million for the six months ended 30 June 2023 as a result of a decrease in Singapore and Malaysia projects and disposal of a subsidiary, Nobel Design Sdn Bhd.

PROSPECTS

U.S. Furniture Sales

We anticipate a challenging second half of FY2023 for the U.S. market as rising inflation, higher interest rates, higher recessionary risk, coupled with geopolitical tensions between China and USA will impact consumer sentiment and demand. In addition, we will also continue to focus on reducing our inventory position for this segment in the second half of FY2023 and this may negatively impact the Group’s gross margins and financial performance in the second half of FY2023. We will continue to manage the business prudently and cautiously in FY2023 to deal with global uncertainties and crises.

Furniture Sales

While we are mindful of the global economic slowdown, we will continue to focus on curating new brands and new product offerings to provide our customers with unique designs and solutions that set us apart from the competitors. We will assess the performance of our mass market segment and take action to consolidate our presence in this market where necessary. We will continue to focus on the luxury market and expand our range selection in the second half of FY2023. We are currently in talks with a prominent fashion furniture brand and if negotiations are successful, we will expand our showroom footprint in FY2024 in order to achieve greater market share in the luxury market.

Interior Design

Our interior design segment continues to be profitable in the first half of FY2023 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 FY2023. 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 increased by approximately S\$1.6 million or 3.7% from approximately S\$44.7 million for the six months ended 30 June 2022 to approximately S\$46.3 million for the six months ended 30 June 2023. This increase was mainly attributable to the increase in revenue from furniture sales segment and U.S. furniture sales segment, which was partially offset by the decrease in revenue from the Group's interior design segment.

The Group's gross profit margin decreased from approximately 29.5% for the six months ended 30 June 2022 to approximately 27.6% for the six months ended 30 June 2023 mainly due to the decrease in margin from the Group's U.S. furniture sales segment.

The Group's profit decreased by approximately 60.9% from approximately S\$1.9 million for the six months ended 30 June 2022 to approximately S\$0.7 million for the six months ended 30 June 2023, mainly due to the decrease in margin from the Group's U.S. furniture sales segment and an increase in selling and distribution expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall financial position

As at 30 June 2023, total borrowings of the Group amounted to approximately S\$47,000 which were obligations under finance leases (31 December 2022: approximately S\$55,000).

The Group had total cash and cash equivalents of approximately S\$24.3 million as at 30 June 2023 (31 December 2022: approximately S\$20.9 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 30 June 2023, the cash and bank balances other than time deposits of the Group amounted to approximately S\$14.7 million (31 December 2022: approximately S\$13.0 million).

The Group recorded total current assets of approximately S\$75.6 million as at 30 June 2023 (31 December 2022: approximately S\$77.3 million) and total current liabilities of approximately S\$23.8 million as at 30 June 2023 (31 December 2022: approximately S\$25.2 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.2 as at 30 June 2023 (31 December 2022: approximately 3.1).

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

In view of the Group's financial position as at 30 June 2023, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Gearing ratio

As at 30 June 2023, 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 2022: 0.1%).

Contingent liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities or guarantees (31 December 2022: Nil).

Capital commitment

As at 30 June 2023, the Group did not have any material capital commitment (31 December 2022: Nil).

Capital structure

As at 30 June 2023 and 31 December 2022, 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 2023, 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 and Euros. The Group is therefore susceptible to currency exchange rate fluctuation of U.S. dollars, Euros 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 2023, the Group had 130 (30 June 2022: 122) full-time employees, of whom 96 are based in Singapore, 14 are based in the U.S., 20 are based in Malaysia and nil in Brunei as Nobel Design Sdn Bhd was disposed of in September 2022. For the period ended 30 June 2023, staff costs (excluding directors' fees) amounted to approximately S\$4.4 million (30 June 2022: approximately S\$4.8 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 2023, the Group had aggregate unutilised banking facilities of approximately S\$4.8 million (31 December 2022: 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 2023, 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 2023.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period ended 30 June 2023 (30 June 2022: 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**”) and all the Net Proceeds have been fully utilised by the Group as at 31 December 2022. For details, please refer to the Annual Report.

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

During the period ended 30 June 2023, 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 as amended (the “**CG Code**”) contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices. Amendments to the CG Code apply to corporate governance reports for financial year commencing on or after 1 January 2022.

The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code during the six months ended 30 June 2023, save for code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of the chairman and the 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 2023, 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) and the Company (www.designcapital.sg). The interim report for the six months ended 30 June 2023 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, 23 August 2023

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.