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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 2024

	For the six months ended		
	30 June 2024	30 June 2023	Change
	<i>S\$'000</i>	<i>S\$'000</i>	<i>%</i>
Revenue	31,459	46,345	-32.1%
Gross profit	9,180	12,809	-28.3%
Profit for the period	239	733	-67.4%
Earnings per share attributable to Shareholders of the Company (cents)	0.01	0.03	-66.7%

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 2024, together with the comparative figures for the corresponding period in 2023, as follows:

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

For the six months ended 30 June 2024

	<i>Notes</i>	Six months ended 30 June	
		2024	2023
		(unaudited)	(unaudited)
		S\$'000	S\$'000
REVENUE	6	31,459	46,345
Cost of sales		<u>(22,279)</u>	<u>(33,536)</u>
Gross profit		9,180	12,809
Other income and gain, net		930	407
Selling and distribution expenses		(5,919)	(7,232)
Administrative expenses		(3,427)	(4,528)
Finance costs		<u>(380)</u>	<u>(395)</u>
PROFIT BEFORE TAX	7	384	1,061
Income tax	8	<u>(145)</u>	<u>(328)</u>
PROFIT FOR THE PERIOD		<u>239</u>	<u>733</u>

		Six months ended 30 June	
		2024	2023
		(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>872</u>	<u>282</u>
OTHER COMPREHENSIVE INCOME FOR THE PERIOD, NET OF INCOME TAX		<u>872</u>	<u>282</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		<u><u>1,111</u></u>	<u><u>1,015</u></u>
Profit for the period attributable to:			
Shareholders of the Company		253	656
Non-controlling interests		<u>(14)</u>	<u>77</u>
		<u><u>239</u></u>	<u><u>733</u></u>
Total comprehensive income for the period attributable to:			
Shareholders of the Company		1,085	924
Non-controlling interests		<u>26</u>	<u>91</u>
		<u><u>1,111</u></u>	<u><u>1,015</u></u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
Basic and diluted (<i>cents</i>)	10	<u><u>0.01</u></u>	<u><u>0.03</u></u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 (unaudited) S\$'000	31 December 2023 (audited) S\$'000
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	3,401	2,435
Right-of-use assets	<i>12</i>	11,012	11,514
Deposits		507	488
Deferred tax assets		449	436
		<hr/>	<hr/>
Total non-current assets		15,369	14,873
CURRENT ASSETS			
Inventories	<i>13</i>	27,677	33,171
Contract assets		380	408
Trade receivables	<i>14</i>	6,342	8,189
Prepayments, deposits and other receivables		2,197	1,926
Cash and cash equivalents	<i>15</i>	34,943	28,350
		<hr/>	<hr/>
Total current assets		71,539	72,044
CURRENT LIABILITIES			
Contract liabilities		6,199	6,107
Trade payables	<i>16</i>	2,528	2,845
Other payables and accruals	<i>17</i>	7,634	6,185
Borrowings		37	48
Lease liabilities		3,236	3,100
Income tax payables		263	558
		<hr/>	<hr/>
Total current liabilities		19,897	18,843
NET CURRENT ASSETS		<hr/> 51,642 <hr/>	<hr/> 53,201 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 67,011 <hr/>	<hr/> 68,074 <hr/>

		30 June	31 December
		2024	2023
		(unaudited)	(audited)
	<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings		51	80
Provision for reinstatement costs		750	522
Lease liabilities		10,455	10,897
Deferred tax liabilities		25	25
		<hr/>	<hr/>
Total non-current liabilities		11,281	11,524
		<hr/>	<hr/>
NET ASSETS		55,730	56,550
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>18</i>	3,453	3,453
Share premium		8,656	9,977
Reserves		41,667	40,582
		<hr/>	<hr/>
		53,776	54,012
Non-controlling interests		1,954	2,538
		<hr/>	<hr/>
TOTAL EQUITY		55,730	56,550
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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 MATERIAL ACCOUNTING POLICIES

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

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 2023, except for the adoption of new standards effective as of 1 January 2024. 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 2024, 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 2023.

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 2023.

There have been no changes in the financial risk management policies of the Group since the financial year ended 31 December 2023.

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 2024	Interior	Furniture	U.S. furniture	Corporate	Total
	design	sales	sales		
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Segment revenue:					
Segment revenue	1,476	8,048	22,031	–	31,555
Less: Inter-segment sales	–	(96)	–	–	(96)
Sales to external customers	<u>1,476</u>	<u>7,952</u>	<u>22,031</u>	<u>–</u>	<u>31,459</u>
Segment results	<u>17</u>	<u>(182)</u>	<u>839</u>	<u>(290)</u>	<u>384</u>
Segment assets	<u>4,461</u>	<u>23,150</u>	<u>42,872</u>	<u>16,425</u>	<u>86,908</u>
Segment liabilities	<u>3,603</u>	<u>10,158</u>	<u>14,674</u>	<u>2,743</u>	<u>31,178</u>
Other segment information:					
Interest income	(50)	(87)	(93)	(334)	(564)
Finance costs**	1	109	268	2	380
Depreciation	9	279	130	72	490
(Reversal of provision)/provision for write-down of inventories to net realisable value, net	(8)	139	–	–	131
Reversal of provision for expected credit losses of trade receivables, net	(69)	(101)	(3)	–	(173)
Provision for expected credit losses of other receivables, net	–	20	–	–	20
Write-off of property, plant and equipment	–	2	–	–	2
Gain on disposal of property, plant and equipment	–	(82)	–	–	(82)
Capital expenditure*	<u>2</u>	<u>1,377</u>	<u>46</u>	<u>–</u>	<u>1,425</u>

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	<u>(20)</u>	<u>(138)</u>	<u>–</u>	<u>(45)</u>	<u>(203)</u>
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>
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>

* 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 2023:

	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment assets	<u>4,484</u>	<u>23,113</u>	<u>42,207</u>	<u>17,113</u>	<u>86,917</u>
Segment liabilities	<u>2,034</u>	<u>11,597</u>	<u>15,473</u>	<u>1,263</u>	<u>30,367</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 — The operations in this area are principally interior design.

Non-current assets

	30 June 2024 S\$'000	31 December 2023 S\$'000
Singapore	5,634	4,790
U.S.	8,779	9,159
	<u>14,413</u>	<u>13,949</u>

The non-current assets information above is based on the location of the assets, excluding financial assets and deferred tax 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 2024			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	–	7,952	22,031	29,983
Service income — interior design	1,476	–	–	1,476
Total revenue from contracts with customers	1,476	7,952	22,031	31,459
Geographical markets				
Singapore	1,476	7,952	–	9,428
U.S.	–	–	22,031	22,031
Total revenue from contracts with customers	1,476	7,952	22,031	31,459
Timing of revenue recognition				
Goods transferred at a point in time	–	4,717	22,031	26,748
Goods and services transferred over time	1,476	3,235	–	4,711
Total revenue from contracts with customers	1,476	7,952	22,031	31,459

Six months ended 30 June 2023

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	–	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>

7. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2024	2023
	S\$'000	S\$'000
Cost of goods sold	21,496	32,302
Cost of services provided	783	1,234
Depreciation	490	452
Amortisation of right-of-use assets	1,728	1,625
Expense relating to short-term leases	7	5
Variable lease payments	1,337	2,065
	<u>3,334</u>	<u>4,008</u>
Employee benefit expense (excluding directors' fees):		
Salaries, allowances, benefits in kind and other costs	3,334	4,008
Pension scheme contributions	390	426
	<u>3,724</u>	<u>4,434</u>
Write-off of property, plant and equipment	2	2
Gain on disposal of property, plant and equipment	(82)	–
Provision for write-down of inventories to net realisable value, net	131	65
(Reversal of provision)/provision for expected credit losses of		
trade receivables, net	(173)	180
Provision for expected credit losses of other receivables, net	20	–
Foreign exchange differences, net	(339)	(24)
	<u>(339)</u>	<u>(24)</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	
	2024	2023
	S\$'000	S\$'000
Current — Singapore:		
Charge for the period	145	338
Over-provision in respect of prior years	–	(10)
	<u>145</u>	<u>328</u>

9. DIVIDEND

The board of directors of the Company resolved not to declare any interim dividend for the period ended 30 June 2024 (30 June 2023: 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\$253,000 (30 June 2023: S\$656,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (30 June 2023: 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 2024 and 2023 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 2024, the Group acquired assets with a cost of approximately S\$1,425,000 (30 June 2023: approximately S\$687,000).

Assets with net book value of Nil were disposed by the Group for an amount S\$82,000 during the six months ended 30 June 2024 (30 June 2023: Nil), resulting in a net gain on disposal of S\$82,000 (30 June 2023: Nil).

12. RIGHT-OF-USE ASSETS

Additions

During the six months ended 30 June 2024, the Group entered into new leases and recognised right-of-use assets and lease liabilities of approximately S\$1.0 million and approximately S\$1.0 million respectively (30 June 2023: approximately S\$87,000 and approximately S\$87,000 respectively). The weighted average incremental borrowing rates used range from 5.25% to 7.00% (30 June 2023: 5.25% to 7.00%).

13. INVENTORIES

	30 June 2024	31 December 2023
	S\$'000	S\$'000
Group		
Merchandised goods	25,399	29,793
Goods in transit	2,278	3,378
	27,677	33,171

14. TRADE RECEIVABLES

Group	30 June 2024 S\$'000	31 December 2023 S\$'000
Trade receivables	6,606	8,748
Provision for expected credit losses (<i>Note (c)</i>)	(264)	(559)
	<u>6,342</u>	<u>8,189</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:

Group	30 June 2024 S\$'000	31 December 2023 S\$'000
Within 1 month	3,646	5,598
1 to 2 months	1,735	2,501
2 to 3 months	387	79
Over 3 months	574	11
	<u>6,342</u>	<u>8,189</u>

- (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 2024 S\$'000	31 December 2023 S\$'000
At beginning of year	559	463
(Reversal of provision)/provision for expected credit losses	(173)	150
Amount written off as uncollectible	<u>(122)</u>	<u>(54)</u>
At end of period/year	<u>264</u>	<u>559</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 2023 and 30 June 2024 are 98.53% and 31.45% respectively for those balances that have been past due for more than 3 months.

15. CASH AND CASH EQUIVALENTS

Group	30 June 2024 S\$'000	31 December 2023 S\$'000
Cash and bank balances other than time deposits	32,537	15,875
Time deposits	<u>2,406</u>	<u>12,475</u>
Cash and cash equivalents	<u>34,943</u>	<u>28,350</u>

Cash at banks earn interests 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 2024 S\$'000	31 December 2023 S\$'000
Within 1 month	2,032	1,853
1 to 2 months	30	650
2 to 3 months	116	133
Over 3 months	350	209
	2,528	2,845

17. OTHER PAYABLES AND ACCRUALS

Group	30 June 2024 S\$'000	31 December 2023 S\$'000
Accruals	4,102	5,119
Estimate of sales returns from customers	824	621
Other payables	1,387	445
Dividends payable	1,321	–
	7,634	6,185

18. SHARE CAPITAL

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Authorised:		
10,000,000,000 (31 December 2023: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	30 June 2024 S\$'000	31 December 2023 S\$'000
Issued and fully paid:		
2,000,000,000 (31 December 2023: 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 2023 to 30 June 2024 is as follows:

	Number of shares in issue	Issued capital S\$'000	Share premium account S\$'000	Total S\$'000
As at 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 31 December 2023 and 1 January 2024	2,000,000,000	3,453	9,977	13,430
Final dividend**	<u>–</u>	<u>–</u>	<u>(1,321)</u>	<u>(1,321)</u>
As at 30 June 2024	<u>2,000,000,000</u>	<u>3,453</u>	<u>8,656</u>	<u>12,109</u>

* 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 of the Company and in accordance with the Companies Act of the Cayman Islands.

** On 27 March 2024, the Board recommended the payment of a final dividend of HK0.38 cents per Share (the “**2023 Final Dividend**”) for the year ended 31 December 2023. Shareholders approval for the 2023 Final Dividend was obtained on 20 June 2024. The 2023 Final Dividend was paid entirely out of the share premium account pursuant to the Articles of Association of the Company 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 2024, our revenue amounted to approximately S\$31.5 million, representing a decrease of approximately S\$14.9 million or 32.1% from approximately S\$46.3 million for the six months ended 30 June 2023. This decrease was mainly attributable to the decrease in revenue as a result of lower demand for furniture in the U.S. for our market segment arising from higher interest rates, lower disposable income and lower spending on discretionary items such as furniture. Notwithstanding the drop in revenue, the Company was able to manage its cost prudently, enabling it to eke out a small profit. The Company maintains a healthy financial position and cash position to enable it to tide over this challenging period of time.

The Chairman’s statement contained in the FY2023 annual report of the Company (the “**FY2023 Annual Report**”) had also highlighted the above challenges affecting the Group, including the tensions in the Middle East and Europe, and continued high interest rates affecting consumer spending and demand for furniture in the U.S. and Singapore.

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 2024, revenue for this segment decreased from approximately S\$31.0 million for the six months ended 30 June 2023 to approximately S\$22.0 million. The decrease was mainly attributable to lower housing transaction turnover in the U.S. and high interest rates which negatively impacted spending on discretionary items such as furniture.

Furniture Sales

As at the date of this announcement, we operate five points of sale in Singapore, of which two are under the brand “Marquis”, one is under the brand “Fendi Casa Singapore” which opened officially in July 2024 and two are under the brand “Lifestorey”, offering furniture pieces with different styles to cater for the preferences of different customers in the market. The revenue from this segment decreased by 38.1% from approximately S\$12.9 million for the six months ended 30 June 2023 to approximately S\$8.0 million for the six months ended 30 June 2024. The decrease was mainly attributable to a slow down in the high-end residential market segment, elevated interest rates affecting consumer spending and a general business and economic slowdown affecting local consumer sentiments. Despite that, we will continue to focus on our strengths in curating new brands and new products and expand our range of selection to provide our customers with unique designs and solutions. With this core strength, we will work towards achieving better performance in the second half of the 2024 financial year (“FY2024”).

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 40.7% from approximately S\$2.5 million for the six months ended 30 June 2023 to approximately S\$1.5 million for the six months ended 30 June 2024 as a result of the slower project revenue recognition.

PROSPECTS

U.S. Furniture Sales

We anticipate a challenging second half of FY2024 for the U.S. market as high interest rates, coupled with geopolitical tensions in Middle East and Europe will continue to impact consumer discretionary spending. In view of the above, the Group’s financial performance in the second half of FY2024 may be negatively impacted. We will however continue to focus on managing our inventory position at optimal level for this segment in the second half of FY2024. We will also continue to manage the business prudently and cautiously to deal with the global uncertainties and crises.

Furniture Sales

With our new showroom, Fendi Casa, which opened in July 2024, we aim to achieve greater market share in the luxury market in the second half of FY2024. We stay firm on our focus on the luxury market and will continue to expand our range of selection in the second half of FY2024 by creating unique experiences and products that cater specifically to individual tastes and preferences. The Group will continue to reach out to its customers through active digital and physical marketing campaigns and marketing events to engage its customers.

Interior Design

Our interior design segment achieved a profit in the first half of FY2024 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 FY2024.

FINANCIAL REVIEW

Overall financial review

The Group's revenue decreased by approximately S\$14.9 million or 32.1% from approximately S\$46.3 million for the six months ended 30 June 2023 to approximately S\$31.5 million for the six months ended 30 June 2024. This decrease was mainly attributable to the decrease in revenue from furniture sales segment, U.S. furniture sales segment and interior design segment as a result of lower economic growth, trade tensions and geopolitical uncertainty.

The Group's gross profit margin increased from approximately 27.6% for the six months ended 30 June 2023 to approximately 29.2% for the six months ended 30 June 2024 mainly due to the increase in margin from the Group's U.S. furniture sales segment.

The Group's profit decreased by approximately 67.4% from approximately S\$0.7 million for the six months ended 30 June 2023 to approximately S\$0.2 million for the six months ended 30 June 2024, mainly due to the decrease in revenue.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall financial position

As at 30 June 2024, total borrowings of the Group amounted to approximately S\$88,000 which were obligations under finance leases (31 December 2023: approximately S\$128,000).

The Group had total cash and cash equivalents of approximately S\$34.9 million as at 30 June 2024 (31 December 2023: approximately S\$28.4 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 30 June 2024, the cash and bank balances other than time deposits of the Group amounted to approximately S\$32.5 million (31 December 2023: approximately S\$15.9 million).

The Group recorded total current assets of approximately S\$71.5 million as at 30 June 2024 (31 December 2023: approximately S\$72.0 million) and total current liabilities of approximately S\$19.9 million as at 30 June 2024 (31 December 2023: approximately S\$18.8 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.6 as at 30 June 2024 (31 December 2023: approximately 3.8).

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 2024, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Gearing ratio

As at 30 June 2024, the Group's gearing ratio which was calculated by dividing the total borrowings by total equity and multiplied by 100% was approximately 0.2% (31 December 2023: 0.2%).

Contingent liabilities

As at 30 June 2024, the Group did not have any material contingent liabilities or guarantees (31 December 2023: Nil).

Capital commitment

As at 30 June 2024, the Group did not have any material capital commitment (31 December 2023: Nil).

Capital structure

As at 30 June 2024 and 31 December 2023, 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 2024, 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 2024, the Group had 112 (30 June 2023: 130) full-time employees, of whom 76 are based in Singapore, 15 are based in the U.S. and 21 are based in Malaysia. For the period ended 30 June 2024, staff costs (excluding directors' fees) amounted to approximately S\$3.7 million (30 June 2023: approximately S\$4.4 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 mandatory social security schemes in the respective countries. At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the above schemes 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 2024, the Group had aggregate unutilised banking facilities of approximately S\$2.8 million (31 December 2023: S\$2.2 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 30 June 2024, 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 2024.

INTERIM DIVIDEND

The Board resolved not to declare any interim dividend for the period ended 30 June 2024 (30 June 2023: Nil).

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

During the period ended 30 June 2024, 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 C1 to 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 has complied with the applicable code provisions as set out in the CG Code during the six months ended 30 June 2024, 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.

COMPLIANCE WITH THE LISTING RULES

According to Rules 3.10(1) and 3.10A of the Listing Rules, the Board must include at least three independent non-executive Directors and the Company must appoint independent non-executive Directors representing at least one-third of the Board, respectively. In addition, Rule 3.21 of the Listing Rules requires, among others, an audit committee to comprise a minimum of three members and that the committee must be chaired by an independent non-executive director. Rule 3.25 of the Listing Rules provides that the remuneration committee must be chaired by an independent non-executive director and comprise a majority of independent non-executive directors. Rule 3.27A of the Listing Rules provides that the nomination committee must be chaired by the chairman of the Board or an independent non-executive director and comprise a majority of independent non-executive directors.

Mr. Wee Kang Keng resigned as an independent non-executive Director with effect from 3 January 2024 due to his other work commitments. As such, the Board included only two independent non-executive Directors and each of the Audit Committee, Remuneration Committee and Nomination Committee did not meet the composition requirement under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules. Following the appointment of Mr. Hwang Kin Soon Ignatius as an independent non-executive Director, a member of each of the Audit Committee, Remuneration Committee and Nomination Committee with effect from 2 April 2024, the Company has fully complied with the requirements under Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules. For details, please refer to the announcement of the Company dated 2 April 2024.

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 C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

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 2024, the Company, having made specific enquiry of all the Directors, is not aware of any incident of non-compliance of the Model Code and the Company’s code of conduct regarding directors’ securities transactions 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 as non-executive Directors, and Mr. Lim Boon Cheng, Mr. Ng Chee Kwong, Colin and Mr. Hwang Kin Soon Ignatius as 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 2024, if necessary, will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 29 August 2024

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 Hwang Kin Soon Ignatius as independent non-executive Directors.