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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

FINANCIAL HIGHLIGHTS	2021	2020	Change
	S\$'000	S\$'000	%
Revenue	89,180	114,284	-22.0%
Gross profit	27,073	32,535	-16.8%
Profit for the year	5,920	8,805	-32.8%
Earnings per share attributable to shareholders of the Company (cents)	0.24	0.37	-35.1%

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 audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

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

For the financial year ended 31 December 2021

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
REVENUE	4	89,180	114,284
Cost of sales		<u>(62,107)</u>	<u>(81,749)</u>
Gross profit		27,073	32,535
Other income and gain, net	5	2,084	2,382
Selling and distribution expenses		(11,193)	(12,390)
Administrative expenses		(9,806)	(11,121)
Finance costs	6	<u>(821)</u>	<u>(738)</u>
PROFIT BEFORE TAX	7	7,337	10,668
Income tax	8	<u>(1,417)</u>	<u>(1,863)</u>
PROFIT FOR THE YEAR		<u>5,920</u>	<u>8,805</u>
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>527</u>	<u>(477)</u>
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		<u>527</u>	<u>(477)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>6,447</u>	<u>8,328</u>
Profit for the year attributable to:			
Shareholders of the Company		4,804	7,414
Non-controlling interests		<u>1,116</u>	<u>1,391</u>
		<u>5,920</u>	<u>8,805</u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		5,307	6,959
Non-controlling interests		<u>1,140</u>	<u>1,369</u>
		<u>6,447</u>	<u>8,328</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	10		
Basic and diluted (<i>cents</i>)		<u>0.24</u>	<u>0.37</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	<i>Notes</i>	2021 S\$'000	2020 S\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,800	2,513
Right-of-use assets	<i>12</i>	13,702	13,725
Deposits		352	305
Deferred tax assets		369	362
		<hr/>	<hr/>
Total non-current assets		17,223	16,905
CURRENT ASSETS			
Inventories		32,063	19,647
Contract assets		233	334
Trade receivables	<i>13</i>	8,103	11,514
Prepayments, deposits and other receivables		1,926	1,756
Cash and cash equivalents		40,662	50,316
		<hr/>	<hr/>
Total current assets		82,987	83,567
CURRENT LIABILITIES			
Contract liabilities		8,827	8,284
Trade payables	<i>14</i>	5,727	4,017
Other payables and accruals		13,091	11,286
Borrowings		21	808
Lease liabilities		2,406	1,956
Provision for reinstatement costs		70	110
Income tax payables		1,110	1,982
		<hr/>	<hr/>
Total current liabilities		31,252	28,443
NET CURRENT ASSETS		<hr/> 51,735	<hr/> 55,124
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 68,958	<hr/> 72,029

	<i>Notes</i>	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings		34	55
Provision for reinstatement costs		464	222
Lease liabilities		13,505	13,187
Deferred tax liabilities		25	25
		<hr/>	<hr/>
Total non-current liabilities		14,028	13,489
		<hr/>	<hr/>
NET ASSETS		54,930	58,540
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>15</i>	3,453	3,453
Share premium		14,816	20,352
Reserves		33,806	32,928
		<hr/>	<hr/>
		52,075	56,733
Non-controlling interests		2,855	1,807
		<hr/>	<hr/>
TOTAL EQUITY		54,930	58,540
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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. During the year, the Company and its subsidiaries (collectively referred to as the “**Group**”) were principally engaged in (i) interior design, (ii) furniture sales which include both furniture sales and project sales, and (iii) U.S. furniture sales.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”), which comprise all standards and interpretations approved by the International Accounting Standards Board (“**IASB**”) and the disclosures requirements of the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (“**SGD**” or “**S\$**”) and all values are rounded to the nearest thousand (S\$’000), except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these new standards did not have any material effect on the financial performance or position of the Company. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 16 COVID-19-Related Rent Concessions

On 28 May 2020, the IASB issued *COVID-19-Related Rent Concessions — amendment to IFRS 16 Leases*. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a COVID-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the COVID-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment was intended to apply until 30 June 2021, but as the impact of the COVID-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021.

The Company has applied this practical expedient to all property leases. As a result of applying the practical expedient, rental relief of S\$175,000 (31 December 2020: S\$430,000) (Note 5) was recognised as other income in the profit or loss during the year.

3. SEGMENT INFORMATION

Management has determined operating segments based on the reports reviewed by the executive directors that are used to make strategic decisions, allocate resources, and assess performance. For management purposes, the Group is organised into business units based on their products and services and has four reportable operating segments as follows:

- (a) the “interior design” business, which provides interior design and fitting-out services for homes, offices and commercial projects, supplies and installs custom-made furniture;
- (b) the “furniture sales” business, which includes both furniture sales and project sales, operates furniture retail shops in Singapore and supplies furniture to individuals and corporate customers;
- (c) the “U.S. furniture sales” business, which represent online sales of furniture in the U.S. market; and
- (d) the “corporate” operations comprise the corporate services and investment holding activities of the Group.

The revenue from external parties reported to the executive directors is measured in a manner consistent with that in the 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 financial statements.

Intersegment sales and transfers are transacted at prices mutually agreed by the relevant parties.

Year ended 31 December 2021	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment revenue:					
Segment revenue	10,437	22,794	56,432	–	89,663
Less: Inter-segment sales	(188)	(295)	–	–	(483)
	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>–</u>	<u>89,180</u>
Sales to external customers					
	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>–</u>	<u>89,180</u>
Segment results	<u>2,952</u>	<u>2,998</u>	<u>3,257</u>	<u>(1,870)</u>	<u>7,337</u>
Segment assets	<u>6,936</u>	<u>21,556</u>	<u>53,576</u>	<u>18,142</u>	<u>100,210</u>
Segment liabilities	<u>2,815</u>	<u>14,746</u>	<u>25,898</u>	<u>1,821</u>	<u>45,280</u>
Other segment information:					
Interest income	(16)	(17)	(36)	(39)	(108)
Finance costs**	–	155	666	–	821
Depreciation	45	517	265	37	864
Amortisation of right-of-use assets	6	1,790	1,129	–	2,925
Write-off of property, plant and equipments	–	147	–	–	147
Provision for write-down of inventories to net realisable value, net	3	65	–	–	68
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(42)	(46)	161	–	73
Capital expenditure*	<u>9</u>	<u>1,165</u>	<u>103</u>	<u>13</u>	<u>1,290</u>

Year ended 31 December 2020	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment revenue:					
Segment revenue	11,393	17,594	85,745	–	114,732
Less: Inter-segment sales	<u>(157)</u>	<u>(291)</u>	<u>–</u>	<u>–</u>	<u>(448)</u>
Sales to external customers	<u>11,236</u>	<u>17,303</u>	<u>85,745</u>	<u>–</u>	<u>114,284</u>
Segment results	<u>3,278</u>	<u>1,338</u>	<u>8,851</u>	<u>(2,799)</u>	<u>10,668</u>
Segment assets	<u>8,456</u>	<u>17,661</u>	<u>52,177</u>	<u>22,178</u>	<u>100,472</u>
Segment liabilities	<u>5,433</u>	<u>11,583</u>	<u>22,688</u>	<u>2,228</u>	<u>41,932</u>
Other segment information:					
Interest income	(71)	(37)	(91)	(256)	(455)
Finance costs**	1	116	608	13	738
Depreciation	33	445	196	17	691
Amortisation of right-of-use assets	33	1,423	1,483	961	3,900
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	3	(269)	(335)	–	(601)
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(45)	140	343	–	438
Capital expenditure*	<u>121</u>	<u>531</u>	<u>1,335</u>	<u>186</u>	<u>2,173</u>

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

** Finance costs include the interest for the lease liability.

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

	2021 S\$'000	2020 S\$'000
Singapore	4,754	3,464
U.S.	11,741	12,767
Malaysia and Brunei	7	7
	<u>16,502</u>	<u>16,238</u>

The non-current assets information above is based on the location of the assets and excludes financial assets.

4. 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	Year ended 31 December 2021			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	–	22,499	56,432	78,931
Service income — interior design	<u>10,249</u>	–	–	<u>10,249</u>
Total revenue from contracts with customers	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>89,180</u>
Geographical markets				
Singapore	9,533	22,499	–	32,032
U.S.	–	–	56,432	56,432
Malaysia and Brunei	<u>716</u>	–	–	<u>716</u>
Total revenue from contracts with customers	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>89,180</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	17,477	56,432	73,909
Goods and services transferred over time	<u>10,249</u>	<u>5,022</u>	–	<u>15,271</u>
Total revenue from contracts with customers	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>89,180</u>

Segments	Year ended 31 December 2020			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	–	17,303	85,745	103,048
Service income — interior design	11,236	–	–	11,236
Total revenue from contracts with customers	<u>11,236</u>	<u>17,303</u>	<u>85,745</u>	<u>114,284</u>
Geographical markets				
Singapore	10,095	17,303	–	27,398
U.S.	–	–	85,745	85,745
Malaysia and Brunei	1,141	–	–	1,141
Total revenue from contracts with customers	<u>11,236</u>	<u>17,303</u>	<u>85,745</u>	<u>114,284</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	12,939	85,745	98,684
Goods and services transferred over time	11,236	4,364	–	15,600
Total revenue from contracts with customers	<u>11,236</u>	<u>17,303</u>	<u>85,745</u>	<u>114,284</u>

5. OTHER INCOME AND GAIN, NET

An analysis of the Group's other income and gain, net for each of the reporting period is as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Commission income	7	11
Interest income	108	455
Miscellaneous income	361	320
Waiver of paycheck protection loan	551	–
Insurance claim	242	–
Rental relief	175	430
COVID-19 Government Relief		
— Jobs support scheme	635	1,043
— Foreign worker levy	5	42
— Property tax rebate	–	81
	<hr/>	<hr/>
Other income and gain, net	2,084	2,382
	<hr/> <hr/>	<hr/> <hr/>

Notes:

Rental relief

As part of the Fortitude Budget, the Singapore Government introduced a Rental Relief Framework for landlords and tenants with prescribed criteria for eligibility of the rental relief as a measure to help companies during the period of economic uncertainty.

Jobs Support Scheme

The Jobs Support Scheme (“JSS”) was introduced in Singapore’s Budget 2020 and enhanced subsequently in the four supplementary budgets to provide wage support to employers to help them retain their local employees during the period of economic uncertainty. Under the JSS, the Singapore Government co-funds the first S\$4,600 of gross monthly wages (include employee CPF contributions but exclude employer CPF contributions) paid to each local employee.

6. FINANCE COSTS

An analysis of the Group's finance costs is as follows:

	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Interest on trust receipts loans	–	6
Interest on borrowings	4	5
Interest on lease liabilities	817	727
	<hr/>	<hr/>
	821	738
	<hr/> <hr/>	<hr/> <hr/>

7. PROFIT BEFORE TAX

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

	<i>Notes</i>	2021 S\$'000	2020 S\$'000
Audit fees:			
— Auditors of the Company		200	200
— Other auditors		6	6
Non-audit fees:			
— Auditors of the Company		12	12
— Other auditors		2	2
Cost of inventories sold		56,637	75,895
Cost of services provided		5,470	5,854
Depreciation		864	691
Amortisation of right-of-use assets		2,925	3,900
Expense relating to short-term leases		573	223
Variable lease payments		1,143	1,437
		<hr/>	<hr/>
Employee benefit expense (excluding directors' remuneration):			
Salaries, allowances, benefits in kind and other costs		7,554	7,704
Pension scheme contributions		734	788
		<hr/>	<hr/>
		8,288	8,492
		<hr/>	<hr/>
Gain on disposal of property, plant and equipment, net		(47)	(20)
Write-off of property, plant and equipment		147	–
Provision/(reversal of provision) for write-down of inventories to net realisable value, net		68	(601)
Provision for expected credit losses of trade receivables, net	<i>13</i>	73	438
Foreign exchange differences, net		311	(364)
		<hr/> <hr/>	<hr/> <hr/>

8. INCOME TAX

Income tax in the Consolidated Statements of Profit or Loss and Other Comprehensive Income:

		2021 S\$'000	2020 S\$'000
Current — Singapore:			
Charge for the year		1,413	1,876
(Over)/under-provision in respect of prior years		(245)	17
Current — U.S.:			
Charge for the year		249	318
Under-provision in respect of prior years		–	28
Deferred tax:			
Charge for the year		–	(67)
Over-provision in respect of prior years		–	(309)
		<hr/>	<hr/>
		1,417	1,863
		<hr/> <hr/>	<hr/> <hr/>

9. DIVIDENDS

The Board proposed a final dividend of HK1.00 cent per ordinary share for the year ended 31 December 2021 (2020: special dividend of HK1.60 cents per ordinary share and a final dividend of HK1.28 cents per ordinary share).

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 year attributable to shareholders of the Company of S\$4,804,000 (2020: S\$7,414,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (2020: 2,000,000,000) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2021 and 2020 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

11. PROPERTY, PLANT AND EQUIPMENT

Additions, Disposals and Write-offs

During the year ended 31 December 2021, the Group acquired assets with a cost of S\$1,290,000 (31 December 2020: S\$2,173,000).

Assets with a net book value of S\$18,056 (2020: S\$8,645) were disposed by the Group during the year ended 31 December 2021, resulting in a net gain on disposal of S\$47,000 (2020: S\$20,000).

During the year ended 31 December 2021, the Group write-off assets with a net book value of S\$147,000 (31 December 2020: Nil).

12. RIGHT-OF-USE ASSETS

Additions

During the year ended 31 December 2021, the Group entered into new leases and recognises right-of-use assets and lease liabilities of S\$2.7 million and S\$2.7 million respectively (2020: right-of-use assets of S\$13.8 million and lease liabilities of S\$14.1 million, the difference between the additions to right-of-use assets and to lease liabilities pertains to tenant incentive allowance). The weighted average incremental borrowing rate used was 5.25%.

13. TRADE RECEIVABLES

	Group	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	9,170	12,597
Provision for expected credit losses (<i>Note (c)</i>)	(1,067)	(1,083)
	<u>8,103</u>	<u>11,514</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, based on the invoice date and net of provision for expected credit losses, is as follows:

	Group	
	2021	2020
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	5,289	7,727
1 to 2 months	2,162	3,407
2 to 3 months	625	255
Over 3 months	27	125
	<u>8,103</u>	<u>11,514</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 are as follows:

	Group	
	2021	2020
	S\$'000	S\$'000
As at 1 January	1,083	663
Provision for expected credit losses (<i>Note 7</i>)	73	438
Amount written off as uncollectible	(102)	–
Exchange realignment	13	(18)
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As at 31 December	1,067	1,083
	<hr/> <hr/>	<hr/> <hr/>

The Group applies the simplified approach to providing for expected credit losses prescribed by *IFRS 9 Financial Instruments*, 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 is 97.28% (2020: 89.17%) for those balances that have been past due for more than 3 months.

14. 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, based on the invoice date, is as follows:

	Group	
	2021	2020
	S\$'000	S\$'000
Within 1 month	4,683	3,292
1 to 2 months	561	462
2 to 3 months	175	39
Over 3 months	308	224
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	5,727	4,017
	<hr/> <hr/>	<hr/> <hr/>

15. SHARE CAPITAL

Company

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Authorised:		
10,000,000,000 (31 December 2020: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	2021 <i>S\$'000</i>	2020 <i>S\$'000</i>
Issued and fully paid:		
2,000,000,000 (31 December 2020: 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 2020 to 31 December 2021 is as follows:

	Number of shares in issue	Issued capital <i>S\$'000</i>	Share premium account <i>S\$'000</i>	Total <i>S\$'000</i>
As at 1 January 2020 and 31 December 2020	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	<u>2,000,000,000</u>	<u>3,453</u>	<u>14,816</u>	<u>18,269</u>

* On 29 March 2021, the Board recommended the payment of a final dividend of HK\$1.28 cents per Share (the “**Final Dividend**”) and a special dividend of HK\$1.60 cents per Share (the “**Special Dividend**”) for the year ended 31 December 2020. Shareholders approval for the 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Headquartered in Singapore, our Group is a longstanding furniture seller on third party e-commerce platforms in the United States (the “U.S.”), a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore. For the financial year ended 31 December 2021 (the “**Reporting Year**” or “**FY2021**”), our revenue amounted to approximately S\$89.2 million, representing a decrease of approximately S\$25.1 million or 22.0% from approximately S\$114.3 million for the year ended 31 December 2020 (“**FY2020**”). This decrease was mainly attributable to the decrease in revenue from U.S. furniture sales segment and was partially offset by the increase in revenue from furniture sales segment.

U.S. Furniture Sales

For the year ended 31 December 2021, we mainly sold our products under the brands “Target Marketing Systems”, “TMS”, “Simple Living” and “Lifestorey” to furniture e-commerce platform customers in the U.S.. Our customers include major e-commerce sales platforms in the U.S. who in turn sell products to end-consumers. The revenue generated from the U.S. furniture sales segment amounted to approximately S\$56.4 million (2020: approximately S\$85.7 million), which represented a decrease of approximately 34.2% over 2020 and accounted for approximately 63.3% of the Group’s revenue. This decrease was mainly attributable to COVID-19 related disruption of supply chain, logistics and port operations and also factory shut downs which prevented us from restocking optimally during the course of the year. Highlighted in the annual report for FY2020, circulated on 28 April 2021, under the Chairman’s statement, our Chairman had mentioned the challenges faced by our U.S. division in relation to supply chain disruption caused by COVID-19 restrictions on the operations of factories, container shortages, longer than usual time taken for port loading and unloading and congestion at ports. Particularly, our suppliers in Malaysia were unable to produce our orders in a timely manner due to mandatory factory shut downs. In addition, there was a lack of shipping containers available for shipping our products from Asia to the U.S. and there was a sharp increase in shipping costs.

Furniture Sales

To cater to the spending power and preferences of our customers at different market segments, we offer a wide range of products with different styles and price levels and showcase them in our points of sales branded under “Marquis”, “Lifestorey” and “OM” in Singapore. 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”. We also provide project-based furnishing services (the “**Special Projects**”) for individual and corporate customers in relation to sourcing and installation of furniture items for residential and commercial properties.

The revenue generated from furniture sales segment for the year ended 31 December 2021 amounted to approximately S\$22.5 million (2020: approximately S\$17.3 million). The revenue derived from points of sales in Singapore increased to approximately S\$17.5 million for the year ended 31 December 2021 when compared with the preceding year (2020: approximately S\$12.9 million) as Singapore started to lift its COVID-19 restrictions and more customers sprucing up their homes.

The revenue from Special Projects under our furniture sales segment increased by approximately S\$0.7 million from approximately S\$4.4 million for the financial year ended 31 December 2020 to approximately S\$5.0 million for the financial year ended 31 December 2021. The increase was mainly due to increased delivery for projects as Singapore gradually eased COVID-19 restrictions.

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 international design trends, and leveraging on our team’s design capability, our work has been well received by property developers and homeowners. The revenue generated from interior design and fitting-out services decreased by approximately S\$1.0 million from approximately S\$11.2 million for the year ended 31 December 2020 to approximately S\$10.2 million for the year ended 31 December 2021 as a result of decrease in Brunei projects and homestyling business in Singapore.

PROSPECTS

U.S. Furniture Sales

We anticipate challenges in 2022 as the lingering problem of supply chain disruptions continue to persist, as well as sharp increases in shipping costs which might cast a shadow on our financial performance of this segment. Nevertheless, we plan to restock our current top-selling products and develop new products in order to improve our offering and grow the business in the financial year 2022 (“FY2022”). Keeping in mind the continuing trade war and tension between USA and China, the ongoing crisis in Ukraine, escalating material cost, continuing freight and container challenges, we will continue to manage the business prudently and embark on our growth strategies cautiously in FY2022.

Furniture Sales

While we continue to operate in a volatile business environment, we will continue to focus on curating new brands and new product offerings to offer unique designs and solutions to our customers. We will continue to ride on the strength of the property market especially the upmarket and luxury segment. The Group will continue to reach out to its customers through active digital and physical marketing campaigns and plan for post COVID-19 marketing events to engage its customers.

Interior Design

Our interior design segment continues to be profitable in FY2021 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 FY2022.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately S\$25.1 million or 22.0% from approximately S\$114.3 million for the financial year ended 31 December 2020 to approximately S\$89.2 million for the financial year ended 31 December 2021. This decrease was mainly attributable to the decrease in revenue from U.S. furniture segment, which was partially offset by the increase in revenue from furniture sales segment.

The Group's gross profit margin increased from approximately 28.5% for the year ended 31 December 2020 to approximately 30.4% for the year ended 31 December 2021 mainly due to increase in proportion of the revenue from furniture sales segment which has a higher gross profit margin.

Selling and Distribution Expenses

The Group's selling and distribution expenses decreased by approximately S\$1.2 million or 9.7% from approximately S\$12.4 million for the year ended 31 December 2020 to approximately S\$11.2 million for the year ended 31 December 2021. The decrease in selling and distribution expenses was primarily due to the decrease in amortisation of right-of-use assets and staff remuneration.

Administrative Expenses

The Group's administrative expenses decreased by approximately S\$1.3 million or 11.8% from approximately S\$11.1 million for the year ended 31 December 2020 to approximately S\$9.8 million for the year ended 31 December 2021. This was mainly due to the decrease in legal and professional fee, communication expenses, social security fee and fluctuation in foreign exchange, which was partially offset by the increase in fixed assets written off.

Finance Costs

The Group's finance costs increased by approximately S\$0.1 million from approximately S\$0.7 million for the year ended 31 December 2020 to approximately S\$0.8 million for the year ended 31 December 2021. This was mainly due to the increase in interest on lease liabilities of approximately S\$0.1 million arising from the new long-term lease entered during the year.

Other Income and Gain

The Group's net other income and gain decreased by approximately S\$0.3 million or 12.5% from approximately S\$2.4 million for the year ended 31 December 2020 to approximately S\$2.1 million for the year ended 31 December 2021. The decrease in the net other income and gain was primarily due to the decrease in COVID-19 Government Relief of approximately S\$0.5 million, rental relief of approximately S\$0.3 million and interest income of approximately S\$0.3 million and partially offset by the increase in waiver of paycheck protection loan of approximately S\$0.6 million and insurance claimed of approximately S\$0.2 million.

Income Tax Expense

The Group's income tax expense decreased by approximately S\$0.4 million to approximately S\$1.4 million for the year ended 31 December 2021. The decrease in income tax expense was primarily due to decrease in current income tax charged in Singapore and reversal of over-provision in respect of prior years tax provision.

Profit

The Group's profit for the year decreased by approximately 32.8% from approximately S\$8.8 million for the year ended 31 December 2020 to approximately S\$5.9 million for the year ended 31 December 2021 mainly attributable to the decrease in revenue and profit contribution from U.S. furniture sales segment.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall Financial Position

The Group had total cash and cash equivalents of approximately S\$40.7 million as at 31 December 2021 (2020: approximately S\$50.3 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 31 December 2021, the cash and bank balances other than time deposits of the Group amounted to approximately S\$19.8 million (2020: approximately S\$18.3 million).

The Group recorded total current assets of approximately S\$83.0 million as at 31 December 2021 (2020: approximately S\$83.6 million) and total current liabilities of approximately S\$31.3 million as at 31 December 2021 (2020: approximately S\$28.4 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.7 as at 31 December 2021 (2020: approximately 2.9).

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 31 December 2021, the Board considered that the Group has sufficient working capital for its operations and future development plans.

Gearing Ratio

As at 31 December 2021, the Group's gearing ratio which was calculated by dividing the total debt (borrowings) by total equity and multiplied by 100% was approximately 0.1% (2020: approximately 1.5%). The gearing ratio decreased mainly due to the repayment of trust receipt and waiver of paycheck protection loan during the year.

Contingent Liabilities

As at 31 December 2021, the Group did not have any material contingent liabilities or guarantees (2020: Nil).

Capital Commitment

As at 31 December 2021, the Group did not have any material capital commitment (2020: Nil).

Capital Structure

As at 31 December 2021 and 2020, the capital structure of the Company comprised mainly issued share capital and reserves.

Foreign Currency Risk

The Group's reporting currency is Singapore dollars. For the year ended 31 December 2021, 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 31 December 2021, we had 132 (2020: 136) full-time employees, of whom 93 are based in Singapore, 19 are based in the U.S., 16 are based in Malaysia and 4 are based in Brunei.

For the year ended 31 December 2021, staff costs (including directors emoluments) amounted to approximately S\$10.0 million (2020: approximately S\$10.8 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, sale technique, retail management, customer service and product display so as to increase our employees' sense of belonging to the Group and enhance effectiveness in operation.

CHARGES ON GROUP'S ASSETS

As at 31 December 2021, the Group had aggregate unutilised banking facilities of approximately S\$5.4 million, of which approximately S\$2.5 million were secured by debenture creating a fixed and floating charge over all present and future property and assets of a fellow subsidiary Buylateral Group Pte. Ltd. (2020: approximately S\$5.8 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group does not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS

The Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during the financial year ended 31 December 2021.

FINAL DIVIDEND

The Board recommended the declaration and payment of a final dividend of HK1.00 cent per ordinary share for the year ended 31 December 2021 (31 December 2020: HK1.28 cents) (the “**Final Dividend**”). The Final Dividend is subject to approval by the Company’s shareholders at the forthcoming annual general meeting to be held on 28 June 2022 (the “**AGM**”).

In order to offer better return to Shareholders, the Board recommended the declaration and payment of the Final Dividend of HK1.00 cent per ordinary share out of the share premium account under the reserves of the Company.

The declaration and payment of the Final Dividend out of the share premium account of the Company is conditional upon the satisfaction of the following conditions:

- (a) the passing of an ordinary resolution by the shareholders at the AGM approving the declaration and payment of the Final Dividend out of the share premium account; and
- (b) the Directors being satisfied that there are no reasonable grounds for believing that the Company is, immediately following the payment of the Final Dividend, unable to pay its liabilities as they fall due in the ordinary course of business.

The conditions set out above cannot be waived. If such conditions are not satisfied, the Final Dividend will not be paid.

Subject to the fulfillment of the above conditions, it is expected that the Final Dividend will be paid, pursuant to the articles of association of the Company and in accordance with the Companies Act of the Cayman Islands, on or about 29 July 2022 to the qualifying shareholders whose names appear on the register of members of the Company on 7 July 2022, being the record date for determination of entitlements to the Final Dividend.

Financial Effect of the Payment of the Final Dividend out of the Share Premium Account

The implementation of the payment of the Final Dividend out of the share premium account does not involve any reduction in the authorised or issued share capital of the Company nor does it involve any reduction in the nominal value of the shares or the trading arrangements concerning the shares. Save for the immaterial expenses incurred as a result of the payment of the Final Dividend, the Directors consider that the payment of the Final Dividend out of the share premium account will not have any material adverse effect on the financial position of the Group.

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 Date**”). 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**”) as at 31 December 2021.

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, as well as the revised allocation of the remaining Net Proceeds as disclosed in the Announcement:

	Percentage	Allocation based on the actual Net Proceeds (Note 1) Approximate HK\$'000	Total amount utilised from Listing to 31 December 2020 Approximate HK\$'000	Total amount utilised from 1 January 2021 to 31 December 2021 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	Expected timeline for utilising remaining Net Proceeds (Note 3)
U. S. furniture sales segment:								
procurement of inventory	62.1%	65,351	41,659	23,692	65,351	–	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	3,900	2,272	6,172	2,668	850	On or before 31 December 2023
storage of new products to be procured	3.5%	3,683	946	867	1,813	1,870	500	On or before 31 December 2023
Furniture sales segment:								
paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands “OM” and “Lifestorey”	10.3%	10,839	–	2,632	2,632	8,207	3,207	On or before 31 December 2023
procurement of inventory for our new points of sale	2.9%	3,052	–	3,052	3,052	–	8,100	On or before 31 December 2023
enhancing our brand awareness including brand building campaign	2.5%	2,631	–	469	469	2,162	362	On or before 31 December 2023
expansion of our warehouse in Singapore	2.0%	2,105	–	416	416	1,689	389	On or before 31 December 2023
General working capital of our Group	8.3%	8,734	711	1,126	1,837	6,897	397	On or before 31 December 2023
	<u>100.0%</u>	<u>105,235</u>	<u>47,216</u>	<u>34,526</u>	<u>81,742</u>	<u>23,493</u>	<u>23,493</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**”) and the Company’s 2021 interim report (“**2021 Interim 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 Company announcement of the Company dated 11 September 2020, 2020 Annual Report, 2021 Interim Report and the Announcement.

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

During the year ended 31 December 2021, 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 YEAR

There was no material subsequent event after the end of the Reporting Year and up to the date of this announcement.

CORPORATE GOVERNANCE

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the “**Group**”) to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

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 of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) as the basis of the Company’s corporate governance practices.

The Company has also in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that the Company has complied with the then applicable code provisions as set out in the CG Code during the year ended 31 December 2021 (the “**Reporting Period**”), save for code provision A.2.1 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group’s operations, Mr. Goon Eu Jin Terence’s extensive experience in the industry, 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.

Specific enquiry has been made of all the directors of the Company (the “**Directors**”) and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

ANNUAL GENERAL MEETING

The AGM of the Company will be held on 28 June 2022. A circular containing the information required by the Listing Rules, the Final Dividend, together with the notice convening the AGM, will be published on the Company’s website and The Stock Exchange of Hong Kong Limited’s website and dispatched to the shareholders of the Company in accordance with the requirements of the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 22 June 2022.

For determining the entitlement to the proposed Final Dividend (subject to approval by the shareholders at the AGM), the Register of Members of the Company will be closed from Tuesday, 5 July 2022 to Thursday, 7 July 2022, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed Final Dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 4 July 2022.

AUDIT COMMITTEE

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 Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2021.

SCOPE OF WORK OF THE COMPANY'S AUDITOR ON THE FINANCIAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Company's auditor, Ernst & Young LLP ("EY"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by EY in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by EY on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.designcapital.sg). The annual report of the Company for the year ended 31 December 2021 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, 24 March 2022

As at the date of this announcement, the Board comprises Goon Eu Jin Terence, Wee Ai Quey and Ong Ciu Hwa as executive Directors, Kho Chuan Thye Patrick and Lim Sooi Kheng Patrick as non-executive Directors, and Lim Boon Cheng, Ng Chee Kwong, Colin and Wee Kang Keng as independent non-executive Directors.