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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 2022**

<b>FINANCIAL HIGHLIGHTS</b>	<b>2022</b>	<b>2021</b>	<b>Change</b>
	<i>S\$'000</i>	<i>S\$'000</i>	<i>%</i>
Revenue	<b>96,525</b>	89,180	8.2%
Gross profit	<b>28,864</b>	27,073	6.6%
Profit for the year	<b>5,161</b>	5,920	-12.8%
Earnings per share attributable to shareholders of the Company (cents)	<b>0.23</b>	0.24	-4.2%

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 2022, together with the comparative figures for the year ended 31 December 2021, as follows:

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

*For the financial year ended 31 December 2022*

	<i>Notes</i>	<b>2022</b> <i>S\$'000</i>	2021 <i>S\$'000</i>
<b>REVENUE</b>	4	<b>96,525</b>	89,180
Cost of sales		<u>(67,661)</u>	<u>(62,107)</u>
Gross profit		<b>28,864</b>	27,073
Other income and gain, net	5	<b>622</b>	2,084
Selling and distribution expenses		<b>(12,509)</b>	(11,193)
Administrative expenses		<b>(9,582)</b>	(9,806)
Finance costs	6	<u><b>(870)</b></u>	<u>(821)</u>
<b>PROFIT BEFORE TAX</b>	7	<b>6,525</b>	7,337
Income tax	8	<u><b>(1,364)</b></u>	<u>(1,417)</u>
<b>PROFIT FOR THE YEAR</b>		<u><b>5,161</b></u>	<u>5,920</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME</b>			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u><b>(107)</b></u>	<u>527</u>
<b>OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX</b>		<u><b>(107)</b></u>	<u>527</u>
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<u><b>5,054</b></u>	<u>6,447</u>
Profit for the year attributable to:			
Shareholders of the Company		<b>4,543</b>	4,804
Non-controlling interests		<u><b>618</b></u>	<u>1,116</u>
		<u><b>5,161</b></u>	<u>5,920</u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		<b>4,440</b>	5,307
Non-controlling interests		<u><b>614</b></u>	<u>1,140</u>
		<u><b>5,054</b></u>	<u>6,447</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY</b>			
	10		
Basic and diluted ( <i>cents</i> )		<u><b>0.23</b></u>	<u>0.24</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	<i>Notes</i>	<b>2022</b> <b>S\$'000</b>	2021 S\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	<i>11</i>	<b>2,204</b>	2,800
Right-of-use assets	<i>12</i>	<b>13,378</b>	13,702
Deposits		<b>363</b>	352
Deferred tax assets		<b>444</b>	369
		<hr/>	<hr/>
Total non-current assets		<b>16,389</b>	17,223
<b>CURRENT ASSETS</b>			
Inventories		<b>43,471</b>	32,063
Contract assets		<b>113</b>	233
Trade receivables	<i>13</i>	<b>10,179</b>	8,103
Prepayments, deposits and other receivables		<b>2,627</b>	1,926
Cash and cash equivalents		<b>20,874</b>	40,662
		<hr/>	<hr/>
Total current assets		<b>77,264</b>	82,987
<b>CURRENT LIABILITIES</b>			
Contract liabilities		<b>8,385</b>	8,827
Trade payables	<i>14</i>	<b>3,516</b>	5,727
Other payables and accruals		<b>8,836</b>	13,091
Borrowings		<b>16</b>	21
Lease liabilities		<b>3,127</b>	2,406
Provision for reinstatement costs		<b>–</b>	70
Income tax payables		<b>1,315</b>	1,110
		<hr/>	<hr/>
Total current liabilities		<b>25,195</b>	31,252
<b>NET CURRENT ASSETS</b>		<hr/> <b>52,069</b>	<hr/> 51,735
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> <b>68,458</b>	<hr/> 68,958

	<i>Notes</i>	<b>2022</b> <i>S\$'000</i>	2021 <i>S\$'000</i>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings		<b>39</b>	34
Provision for reinstatement costs		<b>534</b>	464
Lease liabilities		<b>12,724</b>	13,505
Deferred tax liabilities		<b>25</b>	25
		<hr/>	<hr/>
Total non-current liabilities		<b>13,322</b>	14,028
		<hr/>	<hr/>
<b>NET ASSETS</b>		<b>55,136</b>	54,930
		<hr/> <hr/>	<hr/> <hr/>
<b>EQUITY</b>			
<b>Equity attributable to shareholders of the Company</b>			
Issued capital	<i>15</i>	<b>3,453</b>	3,453
Share premium		<b>11,283</b>	14,816
Reserves		<b>38,246</b>	33,806
		<hr/>	<hr/>
		<b>52,982</b>	52,075
Non-controlling interests		<b>2,154</b>	2,855
		<hr/>	<hr/>
<b>TOTAL EQUITY</b>		<b>55,136</b>	54,930
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the financial year ended 31 December 2022*

## 1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands on 29 March 2018. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. 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 2022. 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.

## 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 2022**

	<b>Interior design S\$’000</b>	<b>Furniture sales S\$’000</b>	<b>U.S. furniture sales S\$’000</b>	<b>Corporate S\$’000</b>	<b>Total S\$’000</b>
<b>Segment revenue:</b>					
Segment revenue	6,947	26,004	63,802	–	96,753
Less: Inter-segment sales	(41)	(187)	–	–	(228)
	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>–</u>	<u>96,525</u>
Sales to external customers					
	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>–</u>	<u>96,525</u>
<b>Segment results</b>	<u>1,794</u>	<u>4,586</u>	<u>2,562</u>	<u>(2,417)</u>	<u>6,525</u>
<b>Segment assets</b>	<u>3,689</u>	<u>24,677</u>	<u>56,971</u>	<u>8,316</u>	<u>93,653</u>
<b>Segment liabilities</b>	<u>1,975</u>	<u>15,585</u>	<u>19,387</u>	<u>1,570</u>	<u>38,517</u>
<b>Other segment information:</b>					
Interest income	(31)	(61)	(7)	(90)	(189)
Finance costs**	–	231	639	–	870
Depreciation	39	463	259	53	814
Amortisation of right-of-use assets	–	2,100	1,158	–	3,258
Loss on disposal of subsidiaries	–	–	–	16	16
(Reversal of provision)/provision for write-down of inventories to net realisable value, net	(2)	(162)	212	–	48
Provision for expected credit losses of trade receivables, net	31	62	41	–	134
Capital expenditure*	<u>14</u>	<u>134</u>	<u>56</u>	<u>24</u>	<u>228</u>

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
<b>Segment revenue:</b>					
Segment revenue	10,437	22,794	56,432	–	89,663
Less: Inter-segment sales	<u>(188)</u>	<u>(295)</u>	<u>–</u>	<u>–</u>	<u>(483)</u>
Sales to external customers	<u>10,249</u>	<u>22,499</u>	<u>56,432</u>	<u>–</u>	<u>89,180</u>
<b>Segment results</b>	<u>2,952</u>	<u>2,998</u>	<u>3,257</u>	<u>(1,870)</u>	<u>7,337</u>
<b>Segment assets</b>	<u>6,936</u>	<u>21,556</u>	<u>53,576</u>	<u>18,142</u>	<u>100,210</u>
<b>Segment liabilities</b>	<u>2,815</u>	<u>14,746</u>	<u>25,898</u>	<u>1,821</u>	<u>45,280</u>
<b>Other segment information:</b>					
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 equipment	–	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>

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

\*\* Finance costs include the interest on lease liabilities.

### 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*

	2022 S\$'000	2021 S\$'000
Singapore	5,253	4,754
U.S.	10,329	11,741
Malaysia and Brunei	—	7
	<u>15,582</u>	<u>16,502</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 2022			Total S\$'000
	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	
<b>Type of goods or service</b>				
Sale of goods	—	25,817	63,802	89,619
Service income — interior design	<u>6,906</u>	<u>—</u>	<u>—</u>	<u>6,906</u>
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>
<b>Geographical markets</b>				
Singapore	6,455	25,817	—	32,272
U.S.	—	—	63,802	63,802
Malaysia and Brunei	<u>451</u>	<u>—</u>	<u>—</u>	<u>451</u>
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>
<b>Timing of revenue recognition</b>				
Goods transferred at a point in time	—	20,308	63,802	84,110
Goods and services transferred over time	<u>6,906</u>	<u>5,509</u>	<u>—</u>	<u>12,415</u>
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>



Year ended 31 December 2021

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

	2022 S\$'000	2021 S\$'000
Commission income	6	7
Interest income	189	108
Miscellaneous income	427	361
Waiver of paycheck protection loan	–	551
Insurance claim	–	242
Rental relief	–	175
COVID-19 Government Relief		
— Jobs support scheme	–	635
— Foreign worker levy	–	5
	<u>622</u>	<u>2,084</u>
Other income and gain, net	<u>622</u>	<u>2,084</u>

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:

	2022 S\$'000	2021 S\$'000
Interest on borrowings	4	4
Interest on lease liabilities	866	817
	<u>870</u>	<u>821</u>

## 7. PROFIT BEFORE TAX

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

	<i>Notes</i>	<b>2022</b> <b>S\$'000</b>	2021 S\$'000
Audit fees:			
— Auditors of the Company		220	200
— Other auditors		6	6
Non-audit fees:			
— Auditors of the Company		12	12
— Other auditors		—	2
Cost of inventories sold		64,205	56,637
Cost of services provided		3,456	5,470
Depreciation		814	864
Amortisation of right-of-use assets		3,258	2,925
Expense relating to short-term leases		76	573
Variable lease payments		2,559	1,143
		<u>7,124</u>	<u>7,554</u>
Employee benefit expense (excluding directors' remuneration):			
Salaries, allowances, benefits in kind and other costs		7,124	7,554
Pension scheme contributions		692	734
		<u>7,816</u>	<u>8,288</u>
Gain on disposal of property, plant and equipment, net		—	(47)
Loss on disposal of subsidiaries		16	—
Write-off of property, plant and equipment		—	147
Provision for write-down of inventories to net realisable value, net		48	68
Provision for expected credit losses of trade receivables, net	<i>13</i>	134	73
Foreign exchange differences, net		(290)	311
		<u>(290)</u>	<u>311</u>

## 8. INCOME TAX

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

		<b>2022</b> <b>S\$'000</b>	2021 S\$'000
Current — Singapore:			
Charge for the year		1,406	1,413
Under/(over)-provision in respect of prior years		12	(245)
Current — U.S.:			
Charge for the year		139	249
Over-provision in respect of prior years		(113)	—
Deferred tax:			
Charge for the year		(80)	—
		<u>1,364</u>	<u>1,417</u>

## **9. DIVIDENDS**

The Board proposed a final dividend of HK0.38 cents per ordinary share for the year ended 31 December 2022 (2021: final dividend of HK1.00 cent 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\$4,543,000 (2021: S\$4,804,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (2021: 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 2022 and 2021 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 2022, the Group acquired assets with a cost of S\$228,000 (31 December 2021: S\$1,290,000).

In the previous financial year, there were assets with a net book value of S\$18,056 that were disposed by the Group, resulting in a net gain on disposal of S\$47,000.

There were no assets written-off by the Group during the year ended 31 December 2022 (31 December 2021: S\$147,000).

## **12. RIGHT-OF-USE ASSETS**

### **Additions**

During the year ended 31 December 2022, the Group entered into new leases and recognises right-of-use assets and lease liabilities of S\$3.0 million and S\$3.0 million respectively (2021: S\$2.7 million and S\$2.7 million respectively). The weighted average incremental borrowing rate used was 5.25% and 7.00%.

### 13. TRADE RECEIVABLES

	<b>Group</b>	
	<b>2022</b>	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Trade receivables	<b>10,642</b>	9,170
Provision for expected credit losses ( <i>Note (c)</i> )	<b>(463)</b>	(1,067)
	<u><b>10,179</b></u>	<u>8,103</u>

*Notes:*

- (a) For the U.S. furniture sales segment, the credit terms granted to customers generally range from 30 to 60 days.

For the project sales under the furniture sales segment and the interior design segment, invoices are payable on presentation. Upfront deposits will be collected prior to the delivery of furniture or the commencement of work for both furniture sales and interior design segments.

For furniture sales under the furniture sales segment, the sales term is cash on delivery.

The Group seeks to maintain strict control over all its outstanding receivables and has a credit control in place to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances, and these balances are non-interest-bearing.

- (b) An ageing analysis of the trade receivables as at the end of each of the reporting period, based on the invoice date and net of provision for expected credit losses, is as follows:

	<b>Group</b>	
	<b>2022</b>	2021
	<i>S\$'000</i>	<i>S\$'000</i>
Within 1 month	<b>6,054</b>	5,289
1 to 2 months	<b>3,423</b>	2,162
2 to 3 months	<b>701</b>	625
Over 3 months	<b>1</b>	27
	<u><b>10,179</b></u>	<u>8,103</u>

As part of the Group's credit risk management, the Group uses debtors' ageing by due date to assess the expected credit losses of its trade receivables because these trade receivables are due from a large number of customers which share common risk characteristics that are representative of the customers' ability to pay all amounts due in accordance with the contractual terms.

- (c) The movements in the Group's provision for expected credit losses of trade receivables during the reporting period are as follows:

	<b>Group</b>	
	<b>2022</b>	2021
	<b>S\$'000</b>	S\$'000
As at 1 January	<b>1,067</b>	1,083
Provision for expected credit losses ( <i>Note 7</i> )	<b>134</b>	73
Amount written off as uncollectible	<b>(719)</b>	(102)
Amount written off due to disposal of a subsidiary	<b>(30)</b>	–
Exchange realignment	<b>11</b>	13
	<u>          </u>	<u>          </u>
As at 31 December	<b><u>463</u></b>	<b><u>1,067</u></b>

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 2022 is 99.52% (2021: 97.28%) 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:

	<b>Group</b>	
	<b>2022</b>	2021
	<b>S\$'000</b>	S\$'000
Within 1 month	<b>2,861</b>	4,683
1 to 2 months	<b>350</b>	561
2 to 3 months	<b>144</b>	175
Over 3 months	<b>161</b>	308
	<u>          </u>	<u>          </u>
	<b><u>3,516</u></b>	<b><u>5,727</u></b>

## 15. SHARE CAPITAL

### Company

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Authorised:		
10,000,000,000 (31 December 2021: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	2022 <i>S\$'000</i>	2021 <i>S\$'000</i>
Issued and fully paid:		
2,000,000,000 (31 December 2021: 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 2021 to 31 December 2022 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 2021	2,000,000,000	3,453	20,352	23,805
Special dividend*	<u>–</u>	<u>–</u>	<u>(5,536)</u>	<u>(5,536)</u>
As at 31 December 2021 and 1 January 2022	2,000,000,000	3,453	14,816	18,269
Final dividend**	<u>–</u>	<u>–</u>	<u>(3,533)</u>	<u>(3,533)</u>
<b>As at 31 December 2022</b>	<u><b>2,000,000,000</b></u>	<u><b>3,453</b></u>	<u><b>11,283</b></u>	<u><b>14,736</b></u>

\* On 29 March 2021, the Board recommended the payment of a final dividend of HK1.28 cents per Share (the “**2020 Final Dividend**”) and a special dividend of HK1.60 cents per Share (the “**Special Dividend**”) for the year ended 31 December 2020. Shareholders approval for the 2020 Final Dividend and a Special Dividend was obtained on 28 June 2021. The Special Dividend was paid entirely out of the Share Premium Account pursuant to the Articles of Association and in accordance with the Companies Act of the Cayman Islands.

\*\* On 24 March 2022, the Board recommended the payment of a final dividend of HK1.00 cent per Share (the “**2021 Final Dividend**”) for the year ended 31 December 2021. Shareholders approval for the 2021 Final Dividend was obtained on 28 June 2022. The 2021 Final Dividend was paid entirely out of the Share Premium Account pursuant to the Articles of Association and in accordance with the Companies Act of the Cayman Islands.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Headquartered in Singapore, Design Capital Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) is a longstanding furniture seller on third party e-commerce platforms in the United States (the “**U.S.**”), a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore. For the financial year ended 31 December 2022 (the “**Reporting Year**” or “**FY2022**”), our revenue amounted to approximately S\$96.5 million, representing an increase of approximately S\$7.3 million or 8.2% from approximately S\$89.2 million for the year ended 31 December 2021 (“**FY2021**”). This increase was mainly attributable to the increase in revenue from U.S. and Singapore furniture sales segments, which was partially offset by the decrease in revenue from interior design segment.

#### U.S. Furniture Sales

For the year ended 31 December 2022, 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\$63.8 million (2021: approximately S\$56.4 million), which represented an increase of approximately 13.1% over 2021 and accounted for approximately 66.1% of the Group’s revenue. The increase was mainly attributable to aggressive marketing and pricing efforts and stock availability.

#### Furniture Sales

To cater to the spending powers 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 sale 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 2022 amounted to approximately S\$25.8 million (2021: approximately S\$22.5 million). Relaxation of COVID-19 measures in Singapore, reopening of borders and the easing of global travel restrictions has benefitted our points of sale. The revenue derived from points of sale in Singapore increased to approximately S\$20.3 million for the year ended 31 December 2022 (2021: approximately S\$17.5 million).

The revenue from Special Projects under our furniture sales segment increased by approximately S\$0.5 million from approximately S\$5.0 million for the financial year ended 31 December 2021 to approximately S\$5.5 million for the financial year ended 31 December 2022. The increase was mainly due to increased delivery for projects as Singapore eased its COVID-19 measures and reopening of borders.

### **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\$3.3 million from approximately S\$10.2 million for the year ended 31 December 2021 to approximately S\$6.9 million for the year ended 31 December 2022 as a result of lower number of project launches in Singapore.

### **PROSPECTS**

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

We are mindful that the global economic slowdown particularly in USA and Singapore, rising inflation and higher interest rates coupled with geopolitical tensions between China and USA will impact consumer sentiment and demand, and this in turn may negatively impact our financial performance in FY2023. We will continue to manage the business prudently and cautiously in FY2023 to deal with global uncertainties and crises.

## **Furniture Sales**

While we continue to operate in an open environment with a real threat of a global recession, we will continue to focus on curating new brands and new product offerings to provide our customers with unique designs and solutions that set us apart from the competition. Tapping on the successful experience gained from our new showroom at Marina Square, we will source and seize opportunities to expand another point of sale in order to achieve greater market share. 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 continues to be profitable in FY2022 and with the projects currently on hand and our loyal customer base, together with our strengths in design, reputation and positive track record, we anticipate that this business segment will contribute positively to the Group in FY2023.

## **FINANCIAL REVIEW**

### **Revenue**

The Group's revenue increased by approximately S\$7.3 million or 8.2% from approximately S\$89.2 million for the financial year ended 31 December 2021 to approximately S\$96.5 million for the financial year ended 31 December 2022. This increase was mainly attributable to the increase in revenue from U.S. and Singapore furniture sales segments, which was partially offset by the decrease in revenue from interior design segment.

The Group's gross profit margin decreased from approximately 30.4% for the year ended 31 December 2021 to approximately 29.9% for the year ended 31 December 2022 mainly due to the increase in proportion of revenue from U.S. furniture sales segment which has a lower gross profit margin.

### **Selling and Distribution Expenses**

The Group's selling and distribution expenses increased by approximately S\$1.3 million or 11.8% from approximately S\$11.2 million for the year ended 31 December 2021 to approximately S\$12.5 million for the year ended 31 December 2022. The increase in selling and distribution expenses was primarily due to the increase in warehouse rental, sales commission and amortisation of right-of-use assets, which was partially offset by the decrease in staff cost and advertising.

## **Administrative Expenses**

The Group's administrative expenses decreased by approximately S\$0.2 million or 2.3% from approximately S\$9.8 million for the year ended 31 December 2021 to approximately S\$9.6 million for the year ended 31 December 2022. This was mainly due to the decrease in staff cost, which was partially offset by the increase in foreign exchange differences.

## **Finance Costs**

The Group's finance costs increased by approximately 6.0% from approximately S\$0.8 million for the year ended 31 December 2021 to approximately S\$0.9 million for the year ended 31 December 2022. 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\$1.5 million or 70.2% from approximately S\$2.1 million for the year ended 31 December 2021 to approximately S\$0.6 million for the year ended 31 December 2022. The decrease in the net other income and gain was primarily due to the decrease in COVID-19 Government Relief of approximately S\$0.6 million, rental relief of approximately S\$0.2 million, insurance claimed of approximately S\$0.2 million and waiver of paycheck protection loan of approximately S\$0.6 million, which was partially offset by the increase in interest income of approximately S\$0.1 million.

## **Income Tax Expense**

The Group's income tax expense decreased by approximately S\$0.1 million as compared to the year ended 31 December 2021. The decrease in income tax expense was primarily due to the decrease in current income tax charged in U.S. due to lower profit from U.S. furniture sales segment.

## **Profit**

The Group's profit for the year decreased by approximately 12.8% from approximately S\$5.9 million for the year ended 31 December 2021 to approximately S\$5.2 million for the year ended 31 December 2022 mainly attributable to the increase in selling and distribution expenses, such as warehouse rental, sales commission and amortisation of right-of-use assets and decrease in other income and gain amounting to S\$1.6 million, comprising of COVID-19 Government Relief, rental relief, waiver of paycheck protection loan and insurance claim.

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

### **Overall Financial Position**

The Group had total cash and cash equivalents of approximately S\$20.9 million as at 31 December 2022 (2021: approximately S\$40.7 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 31 December 2022, the cash and bank balances other than time deposits of the Group amounted to approximately S\$13.0 million (2021: approximately S\$19.8 million).

The Group recorded total current assets of approximately S\$77.3 million as at 31 December 2022 (2021: approximately S\$83.0 million) and total current liabilities of approximately S\$25.2 million as at 31 December 2022 (2021: approximately S\$31.3 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.1 as at 31 December 2022 (2021: approximately 2.7).

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

In view of the Group's financial position as at 31 December 2022, the Board considered that the Group has sufficient working capital for its operations and future development plans.

### **Gearing Ratio**

As at 31 December 2022, 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% (2021: approximately 0.1%).

### **Contingent Liabilities**

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

### **Capital Commitment**

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

## **Capital Structure**

As at 31 December 2022 and 2021, the capital structure of the Company comprised mainly issued share capital and reserves.

## **Foreign Currency Risk**

The Group's reporting currency is Singapore dollars. For the year ended 31 December 2022, the Group's cash and cash equivalents were mostly denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. The Group's sales are mainly in U.S. dollars and Singapore dollars. However, most of the purchases are settled in U.S. dollars and Euro dollars. The Group is therefore susceptible to currency exchange rate fluctuation of U.S. dollars, Euro 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 2022, we had 126 (2021: 132) full-time employees, of whom 91 are based in Singapore, 16 are based in the U.S. and 19 are based in Malaysia.

For the year ended 31 December 2022, staff costs (including directors emoluments) amounted to approximately S\$9.3 million (2021: approximately S\$10.0 million).

The Group remunerates its employees with competitive salaries, allowances and performance-based bonus based on their individual performance, contribution to the Group performance and relevant work experience. Apart from those, the Group participates in the national pension scheme in Singapore under which the Group makes contributions to the Central Provident Fund scheme. At the end of the reporting period, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years.

The Group also provides internal training programme to our employees from time to time. The training programme includes industry trend in furnishing and interior design, product knowledge, sales technique, retail management, customer service and product display so as to increase our employees' sense of belonging to the Group and enhance effectiveness in operation.

## **CHARGES ON GROUP'S ASSETS**

As at 31 December 2022, 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. (2021: approximately S\$5.4 million).

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

As at 31 December 2022, 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 2022.

## **FINAL DIVIDEND**

The Board recommended the declaration and payment of a final dividend of HK0.38 cents per ordinary share for the year ended 31 December 2022 (31 December 2021: HK1.00 cent) (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 21 June 2023 (the “**AGM**”).

In order to offer better return to Shareholders, the Board recommended the declaration and payment of a Final Dividend of HK0.38 cents 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 21 July 2023 to the qualifying shareholders whose names appear on the register of members of the Company on 30 June 2023, 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**”), and all the Net Proceeds have been fully utilised by the Group.

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

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

	Percentage	Allocation based on the actual Net Proceeds (Note 1) Approximate HK\$'000	Total amount utilised from Listing to 31 December 2021 Approximate HK\$'000	Unutilised balance as at 31 December 2021 Approximate HK\$'000	Revised allocation of the unutilised balance of the Net Proceeds based on the Announcement (Note 2) Approximate HK\$'000	Total amount utilised from 1 January 2022 to 31 December 2022 Approximate HK\$'000	Unutilised balance as at 31 December 2022 Approximate HK\$'000
<b>U. S. furniture sales segment:</b>							
procurement of inventory	62.1%	65,351	65,351	–	9,688	9,688	–
increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition	8.4%	8,840	6,172	2,668	850	850	–
storage of new products to be procured	3.5%	3,683	1,813	1,870	500	500	–
<b>Furniture sales segment:</b>							
paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands “OM” and “Lifestorey”	10.3%	10,839	2,632	8,207	3,207	3,207	–
procurement of inventory for our new points of sale	2.9%	3,052	3,052	–	8,100	8,100	–
enhancing our brand awareness including brand building campaign	2.5%	2,631	469	2,162	362	362	–
expansion of our warehouse in Singapore	2.0%	2,105	416	1,689	389	389	–
<b>General working capital of our Group</b>	<b>8.3%</b>	<b>8,734</b>	<b>1,837</b>	<b>6,897</b>	<b>397</b>	<b>397</b>	<b>–</b>
	<b>100.0%</b>	<b>105,235</b>	<b>81,742</b>	<b>23,493</b>	<b>23,493</b>	<b>23,493</b>	<b>–</b>



*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.

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

During the year ended 31 December 2022, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

## **EVENTS AFTER THE END OF THE REPORTING 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 to 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 to 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 2022 (the “**Reporting Period**”), save for code provision C.2.1 of the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group’s operations, Mr. Goon Eu Jin Terence’s extensive experience in the industry, 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 21 June 2023. 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 Friday, 16 June 2023 to Wednesday, 21 June 2023, 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, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, 15 June 2023.

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 Wednesday, 28 June 2023 to Friday, 30 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 27 June 2023.

## **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 2022.

## **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 2022 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](http://www.hkexnews.hk)) and the Company ([www.designcapital.sg](http://www.designcapital.sg)). The annual report of the Company for the year ended 31 December 2022 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, 28 March 2023

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