

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2023**

FINANCIAL HIGHLIGHTS	2023	2022	Change
	<i>S\$'000</i>	<i>S\$'000</i>	<i>%</i>
Revenue	89,506	96,525	-7.3%
Gross profit	27,611	28,864	-4.3%
Profit for the year	3,882	5,161	-24.8%
Earnings per share attributable to shareholders of the Company (<i>cents</i>)	0.14	0.23	-39.1%

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 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

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

For the financial year ended 31 December 2023

	<i>Notes</i>	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
REVENUE	4	89,506	96,525
Cost of sales		<u>(61,895)</u>	<u>(67,661)</u>
Gross profit		27,611	28,864
Other income and gain, net	5	1,151	622
Selling and distribution expenses		<u>(13,797)</u>	<u>(12,509)</u>
Administrative expenses		<u>(9,513)</u>	<u>(9,582)</u>
Finance costs	6	<u>(756)</u>	<u>(870)</u>
PROFIT BEFORE TAX	7	4,696	6,525
Income tax	8	<u>(814)</u>	<u>(1,364)</u>
PROFIT FOR THE YEAR		<u>3,882</u>	<u>5,161</u>
OTHER COMPREHENSIVE LOSS			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		<u>(582)</u>	<u>(107)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF INCOME TAX		<u>(582)</u>	<u>(107)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>3,300</u>	<u>5,054</u>
Profit for the year attributable to:			
Shareholders of the Company		2,892	4,543
Non-controlling interests		<u>990</u>	<u>618</u>
		<u>3,882</u>	<u>5,161</u>
Total comprehensive income for the year attributable to:			
Shareholders of the Company		2,336	4,440
Non-controlling interests		<u>964</u>	<u>614</u>
		<u>3,300</u>	<u>5,054</u>
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY			
	10		
Basic and diluted (<i>cents</i>)		<u>0.14</u>	<u>0.23</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	<i>Notes</i>	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment	<i>11</i>	2,435	2,204
Right-of-use assets	<i>12</i>	11,514	13,378
Deposits		488	363
Deferred tax assets		436	444
		<hr/>	<hr/>
Total non-current assets		14,873	16,389
CURRENT ASSETS			
Inventories		33,171	43,471
Contract assets		408	113
Trade receivables	<i>13</i>	8,189	10,179
Prepayments, deposits and other receivables		1,926	2,627
Cash and cash equivalents		28,350	20,874
		<hr/>	<hr/>
Total current assets		72,044	77,264
CURRENT LIABILITIES			
Contract liabilities		6,107	8,385
Trade payables	<i>14</i>	2,845	3,516
Other payables and accruals		6,185	8,836
Borrowings		48	16
Lease liabilities		3,100	3,127
Income tax payables		558	1,315
		<hr/>	<hr/>
Total current liabilities		18,843	25,195
NET CURRENT ASSETS			
		<hr/>	<hr/>
		53,201	52,069
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/>	<hr/>
		68,074	68,458

	<i>Notes</i>	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
NON-CURRENT LIABILITIES			
Borrowings		80	39
Provision for reinstatement costs		522	534
Lease liabilities		10,897	12,724
Deferred tax liabilities		25	25
		<hr/>	<hr/>
Total non-current liabilities		11,524	13,322
		<hr/>	<hr/>
NET ASSETS		56,550	55,136
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	<i>15</i>	3,453	3,453
Share premium		9,977	11,283
Reserves		40,582	38,246
		<hr/>	<hr/>
		54,012	52,982
Non-controlling interests		2,538	2,154
		<hr/>	<hr/>
TOTAL EQUITY		56,550	55,136
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2023

1. CORPORATE INFORMATION

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

The Company is an investment holding company. 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 MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group 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 that, 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 2023. The adoption of these new standards did not have any material effect on the financial performance or position of the Group. 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 2023

	Interior design S\$’000	Furniture sales S\$’000	U.S. furniture sales S\$’000	Corporate S\$’000	Total S\$’000
Segment revenue:					
Segment revenue	8,605	24,760	56,401	45	89,811
Less: Inter-segment sales	(20)	(240)	–	(45)	(305)
	<u>8,585</u>	<u>24,520</u>	<u>56,401</u>	<u>–</u>	<u>89,506</u>
Sales to external customers					
	<u>8,585</u>	<u>24,520</u>	<u>56,401</u>	<u>–</u>	<u>89,506</u>
Segment results	<u>2,925</u>	<u>2,987</u>	<u>847</u>	<u>(2,063)</u>	<u>4,696</u>
Segment assets	<u>4,484</u>	<u>23,113</u>	<u>42,207</u>	<u>17,113</u>	<u>86,917</u>
Segment liabilities	<u>2,034</u>	<u>11,597</u>	<u>15,473</u>	<u>1,263</u>	<u>30,367</u>
Other segment information:					
Interest income	(79)	(221)	(85)	(353)	(738)
Finance costs**	2	179	572	3	756
Depreciation	46	491	269	115	921
Amortisation of right-of-use assets	5	2,104	1,128	3	3,240
Gain on disposal of property, plant and equipment, net	–	–	(141)	–	(141)
Write-off of property, plant and equipment	–	61	–	–	61
Provision for write-down of inventories to net realisable value, net	–	58	550	–	608
Provision/(reversal of provision) for expected credit losses of trade receivables, net	60	124	(34)	–	150
Provision for expected credit losses of other receivables, net	–	10	–	–	10
Capital expenditure*	<u>35</u>	<u>247</u>	<u>526</u>	<u>555</u>	<u>1,363</u>

Year ended 31 December 2022

	Interior design S\$'000	Furniture sales S\$'000	U.S. furniture sales S\$'000	Corporate S\$'000	Total S\$'000
Segment revenue:					
Segment revenue	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>
Segment results	<u>1,794</u>	<u>4,586</u>	<u>2,562</u>	<u>(2,417)</u>	<u>6,525</u>
Segment assets	<u>3,689</u>	<u>24,677</u>	<u>56,971</u>	<u>8,316</u>	<u>93,653</u>
Segment liabilities	<u>1,975</u>	<u>15,585</u>	<u>19,387</u>	<u>1,570</u>	<u>38,517</u>
Other segment information:					
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>

* 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 — The operations in this area are principally interior design.

Non-current assets

	2023 S\$'000	2022 S\$'000
Singapore	4,790	5,253
U.S.	9,159	10,329
	<u>13,949</u>	<u>15,582</u>

The non-current assets information above is based on the location of the assets, excluding financial assets and deferred tax 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:

	Year ended 31 December 2023			Total S\$'000
	Interior design S\$'000	Furniture sales** S\$'000	U.S. furniture sales S\$'000	
Segments				
Type of goods or service				
Sale of goods	–	24,520	56,401	80,921
Service income — interior design	8,585	–	–	8,585
Total revenue from contracts with customers	<u>8,585</u>	<u>24,520</u>	<u>56,401</u>	<u>89,506</u>
Geographical markets				
Singapore	8,578	24,520	–	33,098
U.S.	–	–	56,401	56,401
Malaysia	7	–	–	7
Total revenue from contracts with customers	<u>8,585</u>	<u>24,520</u>	<u>56,401</u>	<u>89,506</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	14,926	56,401	71,327
Goods and services transferred over time	8,585	9,594	–	18,179
Total revenue from contracts with customers	<u>8,585</u>	<u>24,520</u>	<u>56,401</u>	<u>89,506</u>

Year ended 31 December 2022

Segments	Year ended 31 December 2022			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	–	25,817	63,802	89,619
Service income — interior design	6,906	–	–	6,906
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>
Geographical markets				
Singapore	6,455	25,817	–	32,272
U.S.	–	–	63,802	63,802
Malaysia and Brunei*	451	–	–	451
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>
Timing of revenue recognition				
Goods transferred at a point in time	–	20,308	63,802	84,110
Goods and services transferred over time	6,906	5,509	–	12,415
Total revenue from contracts with customers	<u>6,906</u>	<u>25,817</u>	<u>63,802</u>	<u>96,525</u>

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

** Furniture sales business includes both furniture sales and project sales, operates furniture retail shops in Singapore and supplies furniture to individuals and corporate customers; which were recognised at a point in time and over time respectively.

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:

	2023 S\$'000	2022 S\$'000
Commission income	28	6
Interest income	738	189
Gain on disposal of property, plant and equipment, net	141	–
Miscellaneous income	<u>244</u>	<u>427</u>
Other income and gain, net	<u>1,151</u>	<u>622</u>

6. FINANCE COSTS

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

	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Interest on borrowings	6	4
Interest on lease liabilities	750	866
	<u>756</u>	<u>870</u>

7. PROFIT BEFORE TAX

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

	2023	2022
<i>Notes</i>	<i>S\$'000</i>	<i>S\$'000</i>
Audit fees:		
— Auditors of the Company	230	220
— Other auditors	4	6
Non-audit fees:		
— Auditors of the Company	5	12
Cost of inventories sold	57,907	64,205
Cost of services provided	3,988	3,456
Depreciation	921	814
Amortisation of right-of-use assets	3,240	3,258
Expense relating to short-term leases	10	76
Variable lease payments	3,552	2,559
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances, benefits in kind and other costs	6,834	7,124
Pension scheme contributions	760	692
	<u>7,594</u>	<u>7,816</u>
Gain on disposal of property, plant and equipment, net	(141)	–
Loss on disposal of subsidiaries	–	16
Write-off of property, plant and equipment	61	–
Provision for write-down of inventories to net realisable value, net	608	48
Provision for expected credit losses of trade receivables, net	150	134
Provision for expected credit losses of other receivables, net	10	–
Foreign exchange differences, net	358	290
	<u>358</u>	<u>290</u>

8. INCOME TAX

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

	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
Current — Singapore:		
Charge for the year	842	1,406
(Over)/under-provision in respect of prior years	(142)	12
Current — U.S.:		
Charge for the year	–	139
Under/(over)-provision in respect of prior years	114	(113)
Deferred tax:		
Charge for the year	–	(80)
	<u>814</u>	<u>1,364</u>

9. DIVIDENDS

The Board proposed a final dividend of HK0.38 cents per ordinary share for the year ended 31 December 2023 (2022: HK0.38 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\$2,892,000 (2022: S\$4,543,000), and the weighted average number of ordinary shares in issue of 2,000,000,000 (2022: 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 2023 and 2022 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 2023, the Group acquired assets with a cost of S\$1,363,000 (31 December 2022: S\$228,000), of which S\$100,000 was purchased under hire purchase.

Assets with a net book value of S\$127,000 were disposed by the Group during the year ended 31 December 2023, resulting in a net gain on disposal of S\$141,000 (31 December 2022: Nil).

During the year ended 31 December 2023, the Group write-off assets with a net book value of S\$61,000 (31 December 2022: Nil).

12. RIGHT-OF-USE ASSETS

Additions

During the year ended 31 December 2023, the Group entered into new leases and recognises right-of-use assets and lease liabilities of S\$1.6 million and S\$1.6 million respectively (2022: S\$3.0 million and S\$3.0 million respectively). The incremental borrowing rate used was 5.25% to 7.00% (2022: 5.25% to 7.00%).

13. TRADE RECEIVABLES

	Group	
	2023	2022
	S\$'000	S\$'000
Trade receivables	8,748	10,642
Provision for expected credit losses (<i>Note (c)</i>)	(559)	(463)
	8,189	10,179

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	
	2023	2022
	S\$'000	S\$'000
Within 1 month	5,598	6,054
1 to 2 months	2,501	3,423
2 to 3 months	79	701
Over 3 months	11	1
	<u>8,189</u>	<u>10,179</u>

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

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

	Group	
	2023	2022
	S\$'000	S\$'000
As at 1 January	463	1,067
Provision for expected credit losses (<i>Note 7</i>)	150	134
Amount written off as uncollectible	(54)	(719)
Amount written off due to disposal of a subsidiary	–	(30)
Exchange realignment	–	11
	<u>559</u>	<u>463</u>
As at 31 December	<u>559</u>	<u>463</u>

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 2023 is 98.53% (2022: 99.52%) 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	
	2023 <i>S\$'000</i>	2022 <i>S\$'000</i>
Within 1 month	1,853	2,861
1 to 2 months	650	350
2 to 3 months	133	144
Over 3 months	209	161
	<u>2,845</u>	<u>3,516</u>

15. SHARE CAPITAL

Company

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Authorised:		
10,000,000,000 (31 December 2022: 10,000,000,000) ordinary shares of HK\$0.01 each	<u>100,000</u>	<u>100,000</u>
	2023	2022
	<i>S\$'000</i>	<i>S\$'000</i>
Issued and fully paid:		
2,000,000,000 (31 December 2022: 2,000,000,000) ordinary shares of HK\$0.01 each	<u>3,453</u>	<u>3,453</u>

A summary of movements in the Company's issued capital and share premium account from 1 January 2022 to 31 December 2023 is as follows:

	Number of shares in issue	Issued capital S\$'000	Share premium account S\$'000	Total S\$'000
As at 1 January 2022	2,000,000,000	3,453	14,816	18,269
Final dividend*	—	—	(3,533)	(3,533)
As at 31 December 2022 and 1 January 2023	2,000,000,000	3,453	11,283	14,736
Final dividend**	—	—	(1,306)	(1,306)
As at 31 December 2023	<u>2,000,000,000</u>	<u>3,453</u>	<u>9,977</u>	<u>13,430</u>

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

** On 28 March 2023, the Board recommended the payment of a final dividend of HK0.38 cents per Share (the “**2022 Final Dividend**”) for the year ended 31 December 2022. Shareholders approval for the 2022 Final Dividend was obtained on 21 June 2023. The 2022 Final Dividend was paid entirely out of the Share Premium Account pursuant to the Articles of Association of the Company 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 2023 (the “**Reporting Year**” or “**FY2023**”), our revenue amounted to approximately S\$89.5 million, representing a decrease of approximately 7.3% from approximately S\$96.5 million for the year ended 31 December 2022 (“**FY2022**”). This decrease was mainly attributable to the decrease in revenue from U.S. and Singapore furniture sales segments, which was partially offset by the increase in revenue from interior design segment. The Group managed to meet its FY2023 strategic objectives of reducing its inventories from approximately S\$43.5 million in FY2022 to approximately S\$33.2 million in FY2023 and increasing its cash balance from approximately S\$20.9 million in FY2022 to approximately S\$28.4 million in FY2023. Notwithstanding the effort to reduce the inventories, the Group’s gross profit margin increased from 29.9% for the year ended 31 December 2022 to 30.8% for the year ended 31 December 2023.

U.S. Furniture Sales

For the year ended 31 December 2023, 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 (2022: approximately S\$63.8 million), which represented a decrease of approximately 11.6% over 2022 and accounted for approximately 63.0% of the Group’s revenue. We believe the decrease was mainly attributable to changing consumer spending pattern after the COVID-19 pandemic and also the effect of high interest rate which caused consumer debt servicing to rise sharply and consequently less discretionary spending.

Furniture Sales

To cater to the 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 five points of sale in Singapore, of which two are under the brand “Marquis”, one is 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 2023 amounted to approximately S\$24.5 million (2022: approximately S\$25.8 million). The decrease was mainly due to the decrease in revenue from our mass market segment under the “OM” brand. The brand is currently not contributing positively to the Group’s performance and we are planning to exit from this market segment in the near future. We will continue to focus on the luxury market and expand our range selection in the financial year ended 31 December 2024 (“**FY2024**”). The revenue derived from points of sale in Singapore decreased to approximately S\$14.9 million for the year ended 31 December 2023 (2022: approximately S\$20.3 million).

The revenue from Special Projects under our furniture sales segment increased by approximately S\$4.1 million from approximately S\$5.5 million for the financial year ended 31 December 2022 to approximately S\$9.6 million for the financial year ended 31 December 2023. The increase was mainly due to some big projects which our Special Projects team had secured and completed successfully.

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 increased by approximately S\$1.7 million from approximately S\$6.9 million for the year ended 31 December 2022 to approximately S\$8.6 million for the year ended 31 December 2023 as a result of an increase in the number of projects awarded to us in Singapore and also overseas consultancy projects.

PROSPECTS

U.S. Furniture Sales

We are mindful that a possible global economic slowdown particularly in USA and Singapore, rising inflation and higher interest rates coupled with global geopolitical tensions in Europe and Middle East will impact consumer sentiment and demand, and this in turn may negatively impact our financial performance in FY2024. We will continue to manage the business prudently and cautiously in FY2024 to deal with global uncertainties and crises.

Furniture Sales

While we continue to operate in an open environment with a threat of a global slowdown, we will continue to focus on curating new brands and new product offerings to provide our customers with unique designs and solutions that set us apart from the competition. We recognise that our mass market segment under the brand “OM” has been negatively affected by slow consumer demand and intense competition from e-commerce retailers, therefore we are taking necessary action to exit from this market segment. 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 FY2023 and with the projects currently on hand and our loyal customer base, together with our strengths in design, reputation and positive track record, we anticipate that this business segment will contribute positively to the Group in FY2024.

FINANCIAL REVIEW

Revenue

The Group’s revenue decreased by approximately 7.3% from approximately S\$96.5 million for the financial year ended 31 December 2022 to approximately S\$89.5 million for the financial year ended 31 December 2023. This decrease was mainly attributable to the decrease in revenue from U.S. and Singapore furniture sales segments, which was partially offset by the increase in revenue from interior design segment.

The Group's gross profit margin increased from approximately 29.9% for the year ended 31 December 2022 to approximately 30.8% for the year ended 31 December 2023 mainly due to the increase in proportion of revenue from interior design segment which has a higher gross profit margin.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately S\$1.3 million or 10.3% from approximately S\$12.5 million for the year ended 31 December 2022 to approximately S\$13.8 million for the year ended 31 December 2023. The increase in selling and distribution expenses was primarily due to the increase in warehouse rental, which was partially offset by the decrease in sales commission and advertising expenses.

Administrative Expenses

The Group's administrative expenses decreased by approximately S\$0.1 million or 0.7% from approximately S\$9.6 million for the year ended 31 December 2022 to approximately S\$9.5 million for the year ended 31 December 2023. This was mainly due to the decrease in staff cost, which was partially offset by the increase in provision for write-down of inventories to net realisable value and depreciation.

Finance Costs

The Group's finance costs decreased by approximately 13.1% from approximately S\$0.9 million for the year ended 31 December 2022 to approximately S\$0.8 million for the year ended 31 December 2023. This was mainly due to the decrease in interest on lease liabilities of approximately S\$0.1 million.

Other Income and Gain

The Group's net other income and gain increased by approximately S\$0.5 million or 85.0% from approximately S\$0.6 million for the year ended 31 December 2022 to approximately S\$1.2 million for the year ended 31 December 2023. The increase in the net other income and gain was primarily due to the increase in interest income of approximately S\$0.5 million.

Income Tax Expense

The Group's income tax expense decreased by approximately S\$0.6 million as compared to the year ended 31 December 2022. 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 and the utilisation of the Group tax relief by the Singapore companies.

Profit

The Group's profit for the year decreased by approximately 24.8% from approximately S\$5.2 million for the year ended 31 December 2022 to approximately S\$3.9 million for the year ended 31 December 2023. This is mainly attributable to the decrease in revenue and the increase in selling and distribution expenses, such as warehouse rental, which was partially offset by the increase in other income and gain and decrease in income tax.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall Financial Position

The Group had total cash and cash equivalents of approximately S\$28.4 million as at 31 December 2023 (2022: approximately S\$20.9 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 31 December 2023, the cash and bank balances other than time deposits of the Group amounted to approximately S\$15.9 million (2022: approximately S\$13.0 million).

The Group recorded total current assets of approximately S\$72.0 million as at 31 December 2023 (2022: approximately S\$77.3 million) and total current liabilities of approximately S\$18.8 million as at 31 December 2023 (2022: approximately S\$25.2 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 3.8 as at 31 December 2023 (2022: approximately 3.1).

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

In view of the Group's financial position as at 31 December 2023, the Board considered that the Group has sufficient working capital for its operations and future development plans.

Gearing Ratio

As at 31 December 2023, the Group's gearing ratio which was calculated by dividing the total debt (borrowings) by total equity and multiplied by 100% was approximately 0.2% (2022: approximately 0.1%).

Contingent Liabilities

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

Capital Commitment

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

Capital Structure

As at 31 December 2023 and 2022, the capital structure of the Company comprised mainly issued share capital and reserves.

Foreign Currency Risk

The Group's reporting currency is Singapore dollars. For the year ended 31 December 2023, the Group's cash and cash equivalents were mostly denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. The Group's sales are mainly in U.S. dollars and Singapore dollars. However, most of the purchases are settled in U.S. dollars and Euros. The Group is therefore susceptible to currency exchange rate fluctuation of U.S. dollars, Euros and Hong Kong dollars against Singapore dollars.

The Group has not entered into any agreements to hedge the exchange rate exposure relating to any foreign currencies and there is no assurance that the Group will be able to enter into such agreements on commercially viable terms in the future.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, we had 123 (2022: 126) full-time employees, of whom 88 are based in Singapore, 15 are based in the U.S. and 20 are based in Malaysia.

For the year ended 31 December 2023, staff costs (including directors emoluments) amounted to approximately S\$8.7 million (2022: approximately S\$9.3 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 2023, the Group had aggregate unutilised banking facilities of approximately S\$2.2 million after taking into account of the S\$2.5 million trade line which was cancelled in November 2023. (2022: 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.).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, 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 2023.

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 2023 (31 December 2022: HK0.38 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 20 June 2024 (the “**AGM**”).

In order to offer better returns 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 26 July 2024 to the qualifying shareholders whose names appear on the register of members of the Company on 28 June 2024, 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 as at 31 December 2022. For details, please refer to the 2022 Annual Report.

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

During the year ended 31 December 2023, there were no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries.

EVENTS AFTER THE END OF THE REPORTING YEAR

Mr. Wee Kang Keng has resigned as an independent non-executive Director with effect from 3 January 2024 due to his other work commitments. As a result of Mr. Wee Kang Keng’s resignation, the Company is not in compliance with Rules 3.10(1), 3.10A, 3.21, 3.25 and 3.27A of the Listing Rules. The Board is finalising the appointment of a suitable candidate to fill the vacancy as soon as practicable, and in any event, within three months from the effective date of resignation of the relevant Director pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules. For details, please refer to the Company’s announcement dated 3 January 2024.

Saved as the above, 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 C1 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 C1 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 2023 (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.

NON-COMPLIANCE WITH THE LISTING RULES AND TERMS OF REFERENCE OF COMMITTEES AFTER THE REPORTING PERIOD

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

Following the resignation of Mr. Wee Kang Keng as an independent non-executive Director with effect from 3 January 2024, the Board included only two independent non-executive Directors, resulting in (i) the current number of independent non-executive Directors falling below the minimum numbers as required under Rule 3.10(1); (ii) non-compliance with Rule 3.21 of the Listing Rules in respect of the composition of the Audit Committee; (iii) non-compliance with Rule 3.25 of the Listing Rules in respect of the composition of the Remuneration Committee; (iv) non-compliance with Rule 3.27A of the Listing Rules in respect of the composition of the Nomination Committee; (v) non-compliance with the requirements under article 2 of the terms of reference of the Audit Committee in respect of its composition; (vi) non-compliance with the requirements under article 2 of the terms of reference of the Remuneration Committee in respect of its composition and (vii) non-compliance with the requirements under article 2 of the terms of reference of the Nomination Committee in respect of its composition. The Board is finalising the appointment of a suitable candidate to fill the vacancy as soon as practicable, and in any event, within three months from the effective date of resignation of the relevant Director pursuant to Rules 3.11, 3.23 and 3.27 of the Listing Rules. For details, please refer to the announcements of the Company dated 3 January 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules.

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 20 June 2024. 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, if necessary, 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 Monday, 17 June 2024 to Thursday, 20 June 2024, 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 Friday, 14 June 2024.

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 Thursday, 27 June 2024 to Friday, 28 June 2024, 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 Wednesday, 26 June 2024.

AUDIT COMMITTEE

During the financial year ended 31 December 2023, 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. Mr. Wee Kang Keng resigned on 3 January 2024. The remaining composition of the Audit Committee remained unchanged. As at the date of this Announcement, the Audit Committee consists of four members.

The Audit Committee has reviewed the annual results of the Company for the year ended 31 December 2023.

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 2023 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 2023, if necessary, will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 27 March 2024

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