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 2019

FINANCIAL HIGHLIGHTS

	2019	2018	Change
	S$'000	*S$'000*	*%*
Revenue	**115,305**	109,744	5.1%
Gross profit	**35,187**	33,881	3.9%
Profit for the year	**8,044**	6,918	16.3%
Earnings per share attributable to shareholders of the Company (cents)	**0.33**	0.38	–13.2%

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 2019, together with the comparative figures for the year ended 31 December 2018, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the financial year ended 31 December 2019

	Notes	**2019** **S$'000**	2018 S$'000
REVENUE	*4*	**115,305**	109,744
Cost of sales		**(80,118)**	(75,863)
Gross profit		**35,187**	33,881
Other income and gain, net	*5*	**921**	553
Selling and distribution expenses		**(14,795)**	(13,139)
Administrative expenses		**(11,792)**	(11,787)
Finance costs	*6*	**(227)**	(4)
PROFIT BEFORE TAX	*7*	**9,294**	9,504
Income tax	*8*	**(1,250)**	(2,586)
PROFIT FOR THE YEAR		**8,044**	6,918
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(235)**	712
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF INCOME TAX		**(235)**	712
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**7,809**	7,630
Profit for the year attributable to:			
Shareholders of the Company		**6,077**	5,656
Non-controlling interests		**1,967**	1,262
		8,044	6,918
Total comprehensive income for the year attributable to:			
Shareholders of the Company		**5,853**	6,336
Non-controlling interests		**1,956**	1,294
		7,809	7,630
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	*10*		
Basic and diluted (cents)		**0.33**	0.38

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Notes	**2019** **S$'000**	2018 *S$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*11*	**1,090**	1,629
Right-of-use assets		**4,226**	–
Deposits		**356**	686
Total non-current assets		**5,672**	2,315
CURRENT ASSETS			
Inventories		**26,433**	30,891
Contract assets		**470**	34
Trade receivables	*12*	**14,054**	15,143
Prepayments, deposits and other receivables		**1,840**	1,899
Cash and cash equivalents		**36,083**	15,469
Total current assets		**78,880**	63,436
CURRENT LIABILITIES			
Contract liabilities		**6,683**	6,054
Trade payables	*13*	**5,459**	8,305
Other payables and accruals		**11,384**	18,506
Borrowings		**31**	54
Lease liabilities		**2,552**	–
Provision for reinstatement costs		**160**	–
Income tax payables		**1,545**	4,669
Total current liabilities		**27,814**	37,588
NET CURRENT ASSETS		**51,066**	25,848
TOTAL ASSETS LESS CURRENT LIABILITIES		**56,738**	28,163

	Notes	2019 S$'000	2018 S$'000
NON-CURRENT LIABILITIES			
Borrowings		**78**	132
Provision for reinstatement costs		**100**	222
Lease liabilities		**1,741**	–
Deferred tax liabilities		**25**	25
Total non-current liabilities		**1,944**	379
NET ASSETS		**54,794**	27,784
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*14*	**3,453**	–*
Reserves		**49,491**	24,965
		52,944	24,965
Non-controlling interests		**1,850**	2,819
TOTAL EQUITY		**54,794**	27,784

* Less than S$500.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the financial year ended 31 December 2019

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 reporting 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

Pursuant to the reorganisation of the Company in connection with the listing of the shares of the Company on the Stock Exchange (the "**Reorganisation**"), as more fully explained in the section headed "History, Development and Reorganisation — Reorganisation" in the Prospectus, the Company became the holding company of the companies now comprising the Group on 16 April 2018. The companies now comprising the Group were under the common control of Nobel Design Holdings Pte Ltd. Accordingly, for the purpose of this report, the financial statements have been presented by applying the principles of merger accounting.

The consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group for the year ended 31 December 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of Nobel Design Holdings Pte Ltd, where this is a shorter period. The consolidated statements of financial position of the Group as at 31 December 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or businesses using the existing book values from Nobel Design Holdings Pte Ltd's perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interests in subsidiaries held by parties other than Nobel Design Holdings Pte Ltd and changes therein, prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

Nobel Design Holdings Pte Ltd continues to be considered a related company as the Company and Nobel Design Holdings Pte Ltd have common substantial shareholders and directors. All intra-group transactions and balances have been eliminated on consolidation.

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 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 Group applied IFRS 16 *Leases* for the first time. The nature and effect of the changes as a result of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model.

The Group has lease contracts for premises for their points of sale, warehouses and office spaces. Before the adoption of IFRS 16, the Group classified each of its leases (as lessee) at the inception date as an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise it was classified as an operating lease. Finance leases were capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest (recognised as finance costs) and reduction of the lease liability. In an operating lease, the leased property was not capitalised and the lease payments were recognised as rent expense in profit or loss on a straight-line basis over the lease term.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

- *Leases previously accounted for as operating leases*

  The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. Right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The modified retrospective approach has been adopted.

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics.

- Applied the short-term leases exemptions to leases with lease term that ends within 12 months at the date of initial application.

- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- Used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of S$5,071,000 were recognised and presented separately in the statement of financial position.

- Additional lease liabilities of S$5,071,000 were recognised.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as of 31 December 2018 as follows:

	S$'000
Operating lease commitments as at 31 December 2018	5,423
Weighted average incremental borrowing rate as at 1 January 2019	5.25%
Discounted operating lease commitments at 1 January 2019	5,180
Less:	
Commitments relating to short-term leases	(109)
Lease liabilities as at 1 January 2019	**5,071**

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately.

- The assumptions an entity makes about the examination of tax treatments by taxation authorities.

- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty needs to be followed.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Company's and the subsidiaries' tax filings in different jurisdictions include deductions related to transfer pricing and the taxation authorities may challenge those tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The interpretation did not have an impact on the consolidated financial statements of the Group.

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 2019	Interior design S$'000	Furniture sales S$'000	U.S. furniture sales S$'000	Corporate S$'000	Total S$'000
Segment revenue:					
Segment revenue	**15,791**	**20,146**	**80,830**	**–**	**116,767**
Less: Inter-segment sales	**(451)**	**(492)**	**(519)**	**–**	**(1,462)**
Sales to external customers	**15,340**	**19,654**	**80,311**	**–**	**115,305**
Segment results	**5,273**	**943**	**6,227**	**(3,149)**	**9,294**
Segment assets	**9,350**	**16,742**	**39,276**	**19,184**	**84,552**
Segment liabilities	**5,708**	**10,688**	**11,430**	**1,932**	**29,758**
Other segment information:					
Interest income	**(79)**	**(44)**	**(121)**	**(263)**	**(507)**
Finance costs**	**2**	**101**	**49**	**75**	**227**
Depreciation	**23**	**479**	**208**	**–**	**710**
Amortisation for right-of-use assets	**26**	**1,198**	**859**	**1,479**	**3,562**
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	**30**	**(90)**	**696**	**–**	**636**
(Reversal of provision)/provision for expected credit losses of trade receivables, net	**(6)**	**(3)**	**124**	**–**	**115**
Capital expenditure*	**4**	**144**	**26**	**–**	**174**

Year ended 31 December 2018	Interior design S$'000	Furniture sales S$'000	U.S. furniture sales S$'000	Corporate S$'000	Total S$'000
Segment revenue:					
Segment revenue	11,223	23,034	76,495	–	110,752
Less: Inter-segment sales	(314)	(694)	–	–	(1,008)
Sales to external customers	10,909	22,340	76,495	–	109,744
Segment results	2,904	759	8,771	(2,930)	9,504
Segment assets	7,314	12,559	44,372	1,506	65,751
Segment liabilities	3,425	2,890	23,528	8,124	37,967
Other segment information:					
Interest income	(40)	(46)	(212)	–	(298)
Finance costs	–	4	–	–	4
Depreciation	27	345	150	–	522
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	–	299	(319)	–	(20)
Provision/(reversal of provision) for expected credit losses of trade receivables, net	139	22	(126)	–	35
Capital expenditure*	53	1,027	269	–	1,349

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

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

Geographical information

The Group's operating segments operate in three main geographical areas:

(i) Singapore — The operations in this area are principally interior design and furniture sales which include both furniture sales and project sales.

(ii) U.S. — The operations in this area are principally U.S. furniture sales.

(iii) Malaysia and Brunei — The operations in these areas are principally interior design.

Non-current assets

	2019	2018
	S$'000	*S$'000*
Singapore	**4,166**	1,137
U.S.	**1,147**	487
Malaysia and Brunei	**3**	5
	5,316	1,629

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:

	Year ended 31 December 2019			
Segments	**Interior design**	**Furniture sales**	**U.S. furniture sales**	**Total**
	S$'000	***S$'000***	***S$'000***	***S$'000***
Type of goods or service				
Sale of goods	**–**	**19,654**	**80,311**	**99,965**
Service income – interior design	**15,340**	**–**	**–**	**15,340**
Total revenue from contracts with customers	**15,340**	**19,654**	**80,311**	**115,305**
Geographical markets				
Singapore	**14,716**	**19,654**	**–**	**34,370**
U.S.	**–**	**–**	**80,311**	**80,311**
Malaysia and Brunei	**624**	**–**	**–**	**624**
Total revenue from contracts with customers	**15,340**	**19,654**	**80,311**	**115,305**
Timing of revenue recognition				
Goods transferred at a point in time	**–**	**13,921**	**80,311**	**94,232**
Goods and services transferred over time	**15,340**	**5,733**	**–**	**21,073**
Total revenue from contracts with customers	**15,340**	**19,654**	**80,311**	**115,305**

	Year ended 31 December 2018			
Segments	Interior design *S$'000*	Furniture sales *S$'000*	U.S. furniture sales *S$'000*	Total *S$'000*
Type of goods or service				
Sale of goods	–	22,340	76,495	98,835
Service income – interior design	10,909	–	–	10,909
Total revenue from contracts with customers	10,909	22,340	76,495	109,744
Geographical markets				
Singapore	10,021	22,340	–	32,361
U.S.	–	–	76,495	76,495
Malaysia and Brunei	888	–	–	888
Total revenue from contracts with customers	10,909	22,340	76,495	109,744
Timing of revenue recognition				
Goods transferred at a point in time	–	16,062	76,495	92,557
Goods and services transferred over time	10,909	6,278	–	17,187
Total revenue from contracts with customers	10,909	22,340	76,495	109,744

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:

	2019 *S$'000*	2018 *S$'000*
Other income		
Commission income	**115**	9
Interest income	**507**	298
Miscellaneous income	**299**	246
Other income and gain, net	**921**	553

6. FINANCE COSTS

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

	2019	2018
	S$'000	*S$'000*
Interest on borrowings	**8**	4
Interest on right of use leases	**219**	–
	227	4

7. PROFIT BEFORE TAX

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

	2019	2018
	S$'000	*S$'000*
Audit fees:		
— Auditors of the Company	**200**	200
— Other auditors	**6**	5
Non-audit fees:		
— Auditors of the Company	**12**	–
— Other auditors	**2**	2
Cost of goods sold	**72,760**	70,260
Cost of services provided	**7,358**	5,603
Depreciation	**710**	522
Amortisation for right-of-use assets	**3,562**	–
Expense relating to short-term leases	**79**	104
Variable lease payments	**2,597**	2,004
Fixed lease payments	**–**	3,508
Employee benefit expense (excluding directors' remuneration):		
Salaries, allowances and benefits in kind	**7,822**	7,022
Pension scheme contributions	**895**	811
	8,717	7,833
Loss on disposal of items of property, plant and equipment, net	**–**	5
Write-off of items of property, plant and equipment	**–**	10
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	**636**	(20)
Provision for expected credit losses of trade receivables, net	**115**	35
Foreign exchange differences, net	**(77)**	61
Listing expenses	**984**	2,881

8. INCOME TAX

Income tax in the consolidated statements of profit or loss and other comprehensive income:

	2019	2018
	S$'000	*S$'000*
Current — Singapore:		
Charge for the year	**1,342**	2,084
(Over)/under-provision in respect of prior years	**(260)**	8
Current — U.S.:		
Charge for the year	**415**	402
(Over)/under-provision in respect of prior years	**(247)**	92
	1,250	2,586

9. DIVIDENDS

The Board proposed a final dividend of HK0.88 cents per ordinary share for the year ended 31 December 2019 (31 December 2018: Nil).

10. EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to shareholders of the Company of S$6,077,000 (2018: S$5,656,000), and the weighted average number of ordinary shares in issue of 1,843,835,616 (2018: 1,500,000,000) during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 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 and Disposals

During the year ended 31 December 2019, the Group acquired assets with a cost of S$174,000 (31 December 2018: S$1,349,000).

Assets with a net book value of S$20,000 were disposed by the Group during the year ended 31 December 2018, resulting in a net loss on disposal of S$5,000.

12. TRADE RECEIVABLES

	Group 2019	2018
	S$'000	*S$'000*
Trade receivables	**14,717**	15,695
Provision for expected credit losses *(Note (c))*	**(663)**	(552)
	14,054	15,143

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 segment.

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 2019	2018
	S$'000	*S$'000*
Within 1 month	**9,293**	7,838
1 to 2 months	**4,529**	6,616
2 to 3 months	**162**	520
Over 3 months	**70**	169
	14,054	15,143

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	
	2019	2018
	S$'000	*S$'000*
As at 1 January	**552**	533
Provision for expected credit losses	**115**	35
Amount written off as uncollectible	**–**	(22)
Exchange realignment	**(4)**	6
As at 31 December	**663**	552

13. 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	
	2019	2018
	S$'000	*S$'000*
Within 1 month	**4,831**	7,046
1 to 2 months	**257**	893
2 to 3 months	**99**	201
Over 3 months	**272**	165
	5,459	8,305

14. SHARE CAPITAL

Company

	31 December 2019	31 December 2018
	HK$'000	*HK$'000*
Authorised:		
10,000,000,000 (31 December 2018: 38,000,000) ordinary shares of HK$0.01 each	**100,000**	380

	31 December 2019	31 December 2018
	S$'000	*S$'000*
Issued and fully paid:		
2,000,000,000 (31 December 2018: 3,800) ordinary shares of HK$0.01 each	**3,453**	–*

A summary of movements in the Company's issued capital and share premium account from its date of incorporation of 29 March 2018 to 31 December 2019 is as follows:

	Number of shares in issue	**Issued capital**	**Share premium account**	**Total**
		S$'000	*S$'000*	*S$'000*
Issue of new shares upon incorporation on 29 March 2018 *(Note (a))*	10	–#	–	–#
Issue of new shares for acquisition of subsidiaries pursuant to the Reorganisation *(Note (b))*	3,790	–#	1,679	1,679
As at 31 December 2018	3,800	–#	1,679	1,679
Issue of new shares pursuant to the Capitalisation Issue *(Note (d))*	1,499,996,200	2,590	(2,590)	–
Issue of new shares in connection with the Listing *(Note (e))*	500,000,000	863	25,035	25,898
Expenses incurred in connection with the Listing *(Note (e))*	–	–	(3,772)	(3,772)
As at 31 December 2019	**2,000,000,000**	**3,453**	**20,352**	**23,805**

Less than HK$500 or S$500.

Notes:

(a) The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each, of which 10 shares were allotted and issued at par value on the same date.

(b) On 16 April 2018, pursuant to a sale and purchase agreement entered into between the Group and Nobel Design Holdings Pte Ltd on 16 April 2018 as part of the Reorganisation, the Company issued a total of 3,790 ordinary shares of HK$0.01 each to Nobel Design Holdings Pte Ltd as consideration for the acquisition of all the equity interests in the operating subsidiaries of the Group held by Nobel Design Holdings Pte Ltd, as further detailed in the section headed "History, Development and Reorganisation — Reorganisation" in the Company's prospectus dated 11 April 2019 (the "**Prospectus**"). For accounting purposes, the value of the shares issued was determined to be S$1,679,000, which was based on the original carrying amount of the investments in those subsidiaries in the separate financial statements of Nobel Design Holdings Pte Ltd, after taking into account the capital distribution of S$4,200,000 by Buylateral Group Pte. Ltd. approved on 16 April 2018.

(c) On 28 March 2019, the Company increased its authorised share capital from HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each to HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

(d) Pursuant to the written resolutions passed by the shareholders of the Company on 28 March 2019, the Directors were authorised to capitalise an aggregate amount of HK$14,999,962 standing to the credit of the share premium of the Company as a result of the Share Offer and to appropriate such amount as capital to pay up in full at par 1,499,996,200 shares of HK$0.01 each for allotment and issue to the persons whose names appear on the register of members of the Company immediately prior to the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Listing**"), each ranking *pari passu* in all respects with the then existing issued shares (the "**Capitalisation Issue**"). The Capitalisation Issue had been completed on 25 April 2019.

(e) On 24 April 2019, 500,000,000 ordinary shares of par value HK$0.01 each were issued at a price of HK$0.30 per share in connection with the Listing for a total proceeds of approximately S$22,126,000, net of listing expenses of S$3,772,000, of which HK$5,000,000 (equivalent to approximately S$863,000) representing the par value were credited to the Company's share capital and the remaining proceeds of HK$123,042,000 (equivalent to approximately S$21,263,000) were credited to the share premium account. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 25 April 2019.

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 2019 (the "**Reporting Year**" or "**FY2019**"), our revenue amounted to approximately S$115.3 million, representing an increase of approximately S$5.6 million or 5.1% from approximately S$109.7 million for the year ended 31 December 2018. This increase was mainly attributable to the increase in revenue from our U.S. furniture sales and interior design segments.

U.S. Furniture Sales

For the year ended 31 December 2019, 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. Our five largest customers during the Reporting Year for our U.S. furniture sales segment comprise companies based in the U.S. and listed on the New York Stock Exchange or NASDAQ. The revenue generated from the U.S. furniture sales segment amounted to approximately S$80.3 million (2018: approximately S$76.5 million), which represented an increase of approximately 5.0% over 2018 and accounted for approximately 69.7% of the Group's revenue.

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 sales branded under "Marquis", "Lifestorey" and "OM" in Singapore. As at the date of this announcement, we operate seven points of sale in Singapore, of which three 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 2019 amounted to approximately S$19.7 million (2018: approximately S$22.3 million). The revenue derived from points of sales in Singapore decreased to approximately S$13.9 million for the year ended 31 December 2019 when compared with the preceding year (2018: approximately S$16.1 million).

The revenue from Special Projects under our furniture sales segment decreased by approximately S$0.6 million from approximately S$6.3 million for the financial year ended 31 December 2018 to approximately S$5.7 million for the financial year ended 31 December 2019. The decrease was mainly due to requests by customers to delay the deliveries for certain projects.

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$4.4 million from approximately S$10.9 million for the year ended 31 December 2018 to approximately S$15.3 million for the year ended 31 December 2019.

PROSPECTS

U.S. Furniture Sales

The slowing U.S. economy in 2019, together with continuing effects of the ongoing trade war between USA and China leads us to be cautious about the growth prospects and financial performance of our U.S. furniture sales segment in the financial year 2020 ("**FY2020**").

We are actively reviewing our product pricing and sourcing strategies, as a result of tariffs imposed on goods manufactured in China which has led to product cost and selling price increases. We maintain an asset light strategy and do not own any manufacturing facility in China or elsewhere and while we have started increasing our sourcing activities from other non-tariff manufacturers, it will also take time for us to meaningfully implement these changes on a large scale as manufacturers from non-tariff countries have also been facing capacity constraints and have been gradually increasing the product prices. Consequently, margin management will continue to remain challenging and uncertain in 2020.

The recent COVID-19 outbreak has a potentially disruptive impact on suppliers and supply chain in China and other manufacturing bases in Asia. The spread of COVID-19 to other countries in the world including the U.S. will affect U.S. economic growth, employment, business sentiments and consumer spending. These factors will affect demand for our products and our sales and gross margin may be negatively impacted in 2020.

As part of our expansion plans in the U.S., our subsidiary Target Marketing System Inc., (the "**TMS**") has signed a new 10 year lease at Bloomingdale, Illinois, U.S. consisting of 154,000 square feet (the "**sq ft**") of space. Our previous lease at Carol Stream, Illinois, U.S., consisting of 95,074 sq ft of space will expire on end June 2020. While in the long term, the new lease will enable us to reduce our reliance on third party logistic services and have better control on our logistics cost, in the short term, initial moving costs, finance costs and depreciation expense incurred concurrently on the Bloomingdale and Carol Stream leases, coupled with disruption to our business operations are likely to have an impact on our financial performance in the first half of 2020.

Furniture Sales

While de-escalating trade war between China and the U.S. appeared promising for Singapore economy in early FY2020, the COVID-19 outbreak has put a serious dent on hopes of a recovery on the Singapore economy as business and consumer sentiments have turned cautious. We anticipate a challenging operating environment for our furniture sales segment for the year FY2020. While the sales of consumer durables tends to be affected in periods of economic uncertainty as consumers are able to put off their purchases, the Group will continue to reach out to its customers through active digital marketing campaigns and sharpen its price points to meet customer needs.

Interior Design

Our interior design segment has benefited from the increase in the number of new property launches in FY2019, with the projects currently on hand, we anticipate that this business segment will contribute positively to the Group in FY2020.

In conclusion, in light of a slowdown and uncertainty in the Singapore and global economy, we will adopt a cautious and prudent approach in implementing our expansion and growth plans for all our segments.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately S$5.6 million or 5.1% from approximately S$109.7 million for the financial year ended 31 December 2018 to approximately S$115.3 million for the financial year ended 31 December 2019. This increase was mainly attributable to the increase in revenue from U.S. furniture sales and interior design segments. On the other hand, the Group's furniture sales segment recorded lower sales, in line with the slow-down in the Singapore economy and residential property market segment and lower number of housing completions.

The Group's gross profit margin remained relatively stable at approximately 30.9% and 30.5% for the year ended 31 December 2018 and 2019 respectively.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately S$1.7 million or 12.6% from approximately S$13.1 million for the year ended 31 December 2018 to approximately S$14.8 million for the year ended 31 December 2019. The increase in selling and distribution expenses was primarily due to the increase in advertising expenses, staff remuneration and third party rental expenses incurred by U.S. furniture sales segment which is in line with our expansion plans in the U.S..

Administrative Expenses

The Group's administrative expenses remained stable at approximately S$11.8 million for the year ended 31 December 2018 and 2019, respectively. This is mainly due to the decrease of non-recurring Listing expenses of approximately S$1.9 million in FY2019 which was offset by the increase in staff cost and provision for write-down of inventories to net realisable value.

Finance Costs

The Group's finance costs increased by approximately S$223,000 from approximately S$4,000 for the year ended 31 December 2018 to S$227,000 for the year ended 31 December 2019. The increase is mainly due to the interest on right of use leases of S$219,000 arising from the adoption of IFRS 16.

Other Income and Gain

The Group's net other income and gain increased by approximately S$0.4 million or 66.5% from approximately S$0.6 million for the year ended 31 December 2018 to approximately S$0.9 million for the year ended 31 December 2019. The increase in the net other income and gain was primarily due to the increase in commission income of approximately S$0.1 million and interest income of approximately S$0.2 million.

Income Tax Expense

The Group's income tax expense decreased by approximately S$1.3 million or 51.7% from approximately S$2.6 million for the year ended 31 December 2018 to approximately S$1.3 million for the year ended 31 December 2019. The decrease in income tax expense was primarily due to a decrease in current income tax charged for the year in Singapore of approximately S$0.7 million, and adjustment for the previous year over provision of S$0.5 million and partially offset by the expenses which are not deductible for tax purpose.

Profit

The Group's profit for the Reporting Year increased by approximately 16.3% from approximately S$6.9 million for the year ended 31 December 2018 to approximately S$8.0 million for the year ended 31 December 2019 mainly attributable to the increase of gross profit of approximately S$1.3 million, decrease in income tax expense of S$1.3 million and partially offset by the increase in selling and distribution expenses.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall Financial Position

The Group had total cash and cash equivalents of approximately S$36.1 million as at 31 December 2019 (2018: approximately S$15.5 million), most of which were denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. As at 31 December 2019, the cash and bank balances other than time deposits of the Group amounted to approximately S$29.5 million (2018: approximately S$7.8 million).

The Group recorded total current assets of approximately S$78.9 million as at 31 December 2019 (2018: approximately S$63.4 million) and total current liabilities of approximately S$27.8 million as at 31 December 2019 (2018: approximately S$37.6 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.8 as at 31 December 2019 (2018: approximately 1.7).

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 2019, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Gearing Ratio

As at 31 December 2019, 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% (2018: 0.7%). The gearing ratio decreased mainly due to the proceeds from the Listing.

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities or guarantees (2018: Nil).

Capital Commitment

As at 31 December 2019, the Group did not have any material capital commitment (2018: Nil).

Capital Structure

As at 31 December 2019 and 2018, 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 2019, the Group's cash and cash equivalents were mostly denominated in Hong Kong dollars, Singapore dollars and U.S. dollars. The Group's sales are mainly in U.S. dollars and Singapore dollars. However, most of the purchases are settled in U.S. dollars. The Group is therefore susceptible to currency exchange rate fluctuation of U.S. dollars and Hong Kong dollars against Singapore dollars.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2019, we had 144 (2018: 142) full-time employees, of whom 106 are based in Singapore, 23 are based in the U.S., 10 are based in Malaysia and 5 are based in Brunei.

For the year ended 31 December 2019, staff costs (including directors emoluments) amounted to approximately S$10.6 million (2018: approximately S$8.7 million).

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

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

CHARGES ON GROUP'S ASSETS

As at 31 December 2019, the Group had aggregate unutilised banking facilities of approximately S$6.6 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. (2018: S$6.2 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, 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 2019.

FINAL DIVIDEND

The Board proposed a final dividend of HK0.88 cents per ordinary share for the year ended 31 December 2019 (31 December 2018: Nil). The final dividend is subject to the approval by the Company's shareholders at the forthcoming annual general meeting to be held on 26 June 2020. The proposed final dividend is expected to be paid to the Company's shareholders on 22 July 2020.

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 on 25 April 2019 (the "**Listing Date**"). The Company had allotted and issued 500,000,000 ordinary shares at a price of HK$0.30 per share and raised HK$150.0 million (equivalent to approximately S$25.9 million) in total gross proceeds. The net proceeds from the Listing amounted to HK$105.2 million (equivalent to approximately S$18.2 million) after deduction of related Listing expenses (the "**Net Proceeds**") as at 31 December 2019.

With reference to the prospectus of the Company dated 11 April 2019 (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.

The following table sets out the breakdown of the original allocation of the Net Proceeds as disclosed in the Prospectus, the revised allocation based on the actual Net Proceeds (after the adjustment as mentioned above), the utilised and remaining amount of the Net Proceeds from the Listing as at 31 December 2019:

	Percentage	**Original allocation of Net Proceeds as disclosed in the Prospectus**	**Revised allocation based on the actual Net Proceeds**	**Amount utilised**	**Balance**
		Approximate	*Approximate*	*Approximate*	*Approximate*
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
U.S. furniture sales segment:					
procurement of inventory	62.1%	79,700	65,351	22,289	43,062
increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition	8.4%	10,800	8,840	1,669	7,171
storage of new products to be procured	3.5%	4,400	3,683	506	3,177
Furniture sales segment:					
paying the rental expenses, overhead expenses and capital expenditure for opening two new points of sale in Singapore under the brands "OM" and "Lifestorey" to be opened during the years in 2020 and 2021, respectively*	10.3%	13,200	10,839	–	10,839
procurement of inventory for our new points of sale*	2.9%	3,800	3,052	–	3,052
enhancing our brand awareness including brand building campaign*	2.5%	3,100	2,631	–	2,631
expansion of our warehouse in Singapore*	2.0%	2,600	2,105	–	2,105
General working capital of our Group	8.3%	10,700	8,734	262	8,472
	100.0%	128,300	105,235	24,726	80,509

Note:

* In view of the COVID-19 outbreak and uncertainty of Singapore economy, the Group has adopted a cautious and prudent approach in implementing points of sale expansion and growth plans. The Group plans to put more focus on existing point of sales to improve customer experiences, invest in new European furniture brand and develop new marketing strategies in order to optimise existing showroom performance.

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

During the period from the Listing Date to 31 December 2019, 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 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 Listing Rules as the basis of the Company's corporate governance practices.

The Board is of the view that the Company had complied with the applicable code provisions set out in the CG Code during the period from the Listing Date to 31 December 2019, save for code provision A.2.1 of the CG Code.

Under code provision A.2.1 of the CG Code, the roles of chairman and chief executive officer should be separated and should not be performed by the same individual. However, having considered the nature and extent of the Group's operations, Mr. Goon Eu Jin Terence's extensive experience in the industry and familiarity with the operations of the Group, the Board believes that it is in the best interest of the Group to have Mr. Goon Eu Jin Terence taking up both roles and this will not impair the balance of power and authority of the Board, which currently comprises a majority of non-executive Directors and independent non-executive Directors who will bring independent judgement. Besides, all major decisions are made in consultation with members of the Board and relevant Board committees to safeguard sufficient balance of powers and authorities.

The Company will continue to review regularly its corporate governance policies and compliance with the CG Code to ensure operations are in line with the good corporate governance practices as set out in the CG Code and aligned with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules.

The Company has also established written guidelines no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company.

Having made specific enquiries, all the Directors confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2019.

ANNUAL GENERAL MEETING

The annual general meeting ("**AGM**") of the Company will be held on 26 June 2020. A 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 23 June 2020 to 26 June 2020, both dates inclusive, during which period no transfer of its shares will be registered. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 22 June 2020.

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 Monday, 6 July 2020 to Wednesday, 8 July 2020, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Friday, 3 July 2020.

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 2019.

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 2019 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 2019 will be dispatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 16 March 2020

As at the date of this announcement, the board of directors of the Company 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.