

TARGET

Intelligence Report

VOLUME XXI No. 109

S A T U R D A Y

May 25, 2019

DESIGN CAPITAL LTD:

**IT SOUGHT INTEREST-FREE CASH FROM INVESTORS BECAUSE,
ON THE MORROW, IF ITS COFFERS BECAME A SHADE DEPLETED,
IT COULD, ALWAYS, COME BACK FOR A SECOND HELPING OF CASH**

This Singapore-based company has a 38-year history and today, with regard to its three Financial Years, ended December 31, 2018, it is dependent to the extent of about 66 percent of its total sales on the consumer market of The United States of America.

The 2018-Year's sales of its sourced furniture, sold in the U.S., increased by 8.73 percent, Year-On-Year, and the Net Profit Attributable to Shareholders, in respect of the 2018-Year, fell by nearly 20 percent, Year-On-Year.

And, today, Management has the chutzpah to make the claim of *'a rapid growth of our U.S. furniture sales business ...'*.

Design Capital Ltd () (Code: 1545, Main Board, The Stock Exchange of Hongkong Ltd) states, in its Share Offer Prospectus, dated April 11, 2019, that it is *'a longstanding furniture seller on third party e-commerce platforms in the U.S., a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore.'*

It pitched its story in a 473-Page Share Offer Prospectus in the hope of obtaining an injection of interest-free cash from international investors to the tune of about \$HK128.30 million on the assumption that the Offer Price Per Share were to be struck at 34.50 cents, being the midpoint of the Indicative Offer Price Per Share, ranging between 30 cents and 39 cents.

It missed that figure of \$HK128.30 million, as history has pointed out, by about \$HK20.40 million – because the Offer Price Per Share was struck at 30 cents, not 34.50 cents.

The Initial Public Offer (IPO) Of Design Capital Ltd

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Design Capital Ltd put 500 million, one-cent Shares on its auction block.

A Public Offer tranche of 50 million Shares was made available to investors of the Hongkong Special Administrative Region (HKSAR) of the People's Republic of China (PRC).

A Placing Shares tranche of 450 million Shares was reserved, via Share Placements, for Institutional Investors, Professional Investors and/or select, Well-Heeled Investors as well as the corporate entities, under the control of this class of Investor.

On Wednesday, April 24, 2019, at 10:38 a.m., it was announced that the Offer Price Per Share had been struck at 30 cents – the lowest acceptable level of the Indicative Offer Price Per Share – and that the net proceeds were anticipated to come in at \$HK107.90 million.

At Pages Seven and Eight of this Announcement, one was told how the net proceeds were expected to be utilised:

- Approximately, \$HK67.00 million, that is about 62.10 percent, *'will be used for procurement of products in order to increase the Group's inventory for existing products and strengthen the Group's product portfolio by introducing more new products'*;
- Approximately, \$HK9.00 million, that is about 8.40 percent, *'will be used for increase (sic) the Group's sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition'*;

- Approximately, \$HK3.80 million, that is about 3.50 percent, *‘will be used for storage of new products to be procured’*;
- Approximately, \$HK11.10 million, that is about 10.30 percent, *‘will be used for paying part of the rental expenses, overhead expenses (including expenses for recruiting not less than 20 additional staff) and capital expenditure for opening two new points of sales in Singapore under the brands, “OM” and “Lifestorey”, respectively’*;
- Approximately, \$HK3.10 million, that is about 2.90 percent, *‘will be used for the procurement of inventory for the Group’s new points of sales’*;
- Approximately, \$HK2.70 million, that is about 2.50 percent, *‘will be used for enhancing the Group’s brand awareness’*;
- Approximately, \$HK2.20 million, that is about 2.00 percent, *‘will be used for expansion of the Group’s warehouse in Singapore’*; and,
- Approximately, \$HK9.00 million, that is about 8.3 percent, *‘will be used for general working capital’*.

A Business ‘OVERVIEW’ Of Design Capital Ltd

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