

**DECCA FURNITURE
(EUROPE) ApS**
Østergade 1, 2.
1100 København K
Business Registration No
30204042

**Annual report 01.04.2017
- 31.03.2018**

The Annual General Meeting adopted the annual report on 22.06.2018

Chairman of the General Meeting

Name: Sau Mui Fung

Contents

	<u>Page</u>
Entity details	1
Statement by Management on the annual report	2
Independent auditor's report	3
Management commentary	6
Income statement for 2017/18	7
Balance sheet at 31.03.2018	8
Statement of changes in equity for 2017/18	10
Notes	11
Accounting policies	13

Entity details

Entity

DECCA FURNITURE (EUROPE) ApS

Østergade 1, 2.

1100 København K

Central Business Registration No (CVR): 30204042

Registered in: København

Financial year: 01.04.2017 - 31.03.2018

Board of Directors

Yee Ling Masha Tsang, chairman

Hoo Kuen Liu

Sau Mui Fung

Wai Theng Tin

Chi Hung Tsang

Executive Board

Sau Mui Fung, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

Postboks 1600

0900 Copenhagen C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of DECCA FURNITURE (EUROPE) ApS for the financial year 01.04.2017 - 31.03.2018.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2018 and of the results of its operations for the financial year 01.04.2017 - 31.03.2018.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 22.06.2018

Executive Board

Sau Mui Fung
Chief Executive Officer

Board of Directors

Yee Ling Masha Tsang
chairman

Hoo Kuen Liu

Sau Mui Fung

Wai Theng Tin

Chi Hung Tsang

Independent auditor's report

To the shareholders of DECCA FURNITURE (EUROPE) ApS

Opinion

We have audited the financial statements of DECCA FURNITURE (EUROPE) ApS for the financial year 01.04.2017 - 31.03.2018, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.03.2018 and of the results of its operations and cash flows for the financial year 01.04.2017 - 31.03.2018 in accordance with the Danish Financial statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial statements Act.

Independent auditor's report

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial statements Act. We did not identify any material misstatement of the management commentary.

Violation of legislation on financial reporting and similar

The accounting records for Decca A/S are kept on file outside the Danish borders. The procedures used are in contravention of Danish legislation on the filing of accounting material in general.

Copenhagen, 22.06.2018

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Flemming Larsen
State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Primary activities

The object of the Entity is to import and sell furniture.

Development in activities and finances

The financial year 2017/2018 realised a profit of EUR 209 thousand against a loss of 490 EUR thousand in 2016/17. Equity is negative by EUR 1,241 thousand at 31 March 2018.

Due to the year's financial developments, the Entity has lost more than half of the subscribed capital. For this reason, the Entity falls within the provisions of § 119 Danish Companies Act governing loss of capital. Decca Investment Limited has issued a strong letter of support. Therefore, Management finds it appropriate to present the 2017/18 financial statements on a going concern basis.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Income statement for 2017/18

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR'000</u>
Revenue		4.597.038	3.222
Costs of raw materials and consumables		(2.711.785)	(2.069)
Other external expenses		<u>(829.669)</u>	<u>(868)</u>
Gross profit/loss		1.055.584	285
Staff costs	2	(1.086.669)	(751)
Depreciation, amortisation and impairment losses		<u>(29.444)</u>	<u>(37)</u>
Operating profit/loss		(60.529)	(503)
Other financial income	3	<u>269.267</u>	<u>13</u>
Profit/loss for the year		<u>208.738</u>	<u>(490)</u>
Proposed distribution of profit/loss			
Retained earnings		<u>208.738</u>	<u>(490)</u>
		<u>208.738</u>	<u>(490)</u>

Balance sheet at 31.03.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR'000</u>
Other fixtures and fittings, tools and equipment		44.292	71
Property, plant and equipment	4	44.292	71
Other receivables		46.500	46
Fixed asset investments		46.500	46
Fixed assets		90.792	117
Manufactured goods and goods for resale		143.062	210
Inventories		143.062	210
Trade receivables		212.047	222
Receivables from group enterprises		1.134	4
Other receivables		83.715	79
Receivables		296.896	305
Cash		769.236	1.274
Current assets		1.209.194	1.789
Assets		1.299.986	1.906

Balance sheet at 31.03.2018

	<u>Notes</u>	<u>2017/18 EUR</u>	<u>2016/17 EUR'000</u>
Contributed capital	5	16.875	17
Retained earnings		<u>(1.256.978)</u>	<u>(1.466)</u>
Equity		<u>(1.240.103)</u>	<u>(1.449)</u>
Prepayments received from customers		460.278	519
Trade payables		142.813	61
Payables to group enterprises		1.796.421	2.668
Other payables		<u>140.577</u>	<u>107</u>
Current liabilities other than provisions		<u>2.540.089</u>	<u>3.355</u>
Liabilities other than provisions		<u>2.540.089</u>	<u>3.355</u>
Equity and liabilities		<u>1.299.986</u>	<u>1.906</u>
Going concern	1		
Unrecognised rental and lease commitments	6		
Contingent liabilities	7		
Assets charged and collateral	8		
Related parties with controlling interest	9		
Group relations	10		

Statement of changes in equity for 2017/18

	Contributed capital EUR	Retained earnings EUR	Total EUR
	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
Equity beginning of year	16.875	(1.465.716)	(1.448.841)
Profit/loss for the year	<u>0</u>	<u>208.738</u>	<u>208.738</u>
Equity end of year	<u>16.875</u>	<u>(1.256.978)</u>	<u>(1.240.103)</u>

Notes

1. Going concern

Due to the year's financial developments, the Entity has lost more than half the subscribed capital. For this reason, the Entity falls within the provisions of § 119 Danish Companies Act governing loss of capital. Decca Investment Limited has issued a strong letter of support. Therefore, Management finds it appropriate to present the 2017/18 financial statements on a going concern basis.

	2017/18	2016/17
	EUR	EUR'000
2. Staff costs		
Wages and salaries	1.067.174	731
Pension costs	7.422	9
Other social security costs	12.073	11
	1.086.669	751
Average number of employees	14	11

	2017/18	2016/17
	EUR	EUR'000
3. Other financial income		
Other interest income	184	0
Exchange rate adjustments	269.083	13
	269.267	13

	Other fixtures and fittings, tools and equipment EUR
4. Property, plant and equipment	
Cost beginning of year	178.655
Additions	2.270
Cost end of year	180.925
Depreciation and impairment losses beginning of year	(107.189)
Depreciation for the year	(29.444)
Depreciation and impairment losses end of year	(136.633)
Carrying amount end of year	44.292

Notes

	<u>Number</u>	<u>Par value EUR</u>	<u>Nominal value EUR</u>
5. Contributed capital			
Ordinary shares	16.875	1	16.875
	16.875		16.875

6. Unrecognised rental and lease commitments

At 31 March 2018, the Entity has the following unrecognised rental commitments:

- 1) Showroom in London with an annual rent of GBP 100,160. The rental period is effective from 1 July 2017 to 30 June 2020.
- 2) Office in London with an annual rent of GBP 25,040. The rental period is effective from 1 July 2017 to 30 June 2020.
- 3) Showroom in Paris with an annual rent of EUR 60,000. The rental period is effective from 1 September 2010 to 31 August 2019.

7. Contingent liabilities

The Entity has no contingent liabilities at 31 March 2018.

8. Assets charged and collateral

The Entity has no assets charged or collateral at 31 March 2018.

9. Related parties with controlling interest

Decca Furniture (USA) Inc., High Point, North Carolina, USA, wholly owns the shares of the Entity and thus has control over the Entity.

10. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Decca Investment Ltd., Tortola, the British Virgin Islands.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:

Decca Furniture (USA) Inc., High Point, North Carolina, USA.

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied to these financial statements are consistent with those applied last year.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Accounting policies

Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of property, plant and equipment.

Other financial income

Other financial income comprises interest income and currency translation adjustments.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment 5 years

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Accounting policies

Cost of goods for resale, raw material and consumables consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Cash

Cash comprises cash in hand and bank deposits.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.