DESIGN CAPITAL LIMITED
設計都會有限公司

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY
STOCK CODE 1545

ANNUAL REPORT 2018

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

EXECUTIVE DIRECTORS
Mr. Goon Eu Jin Terence (阮友仁先生)
(Chairman and chief executive officer)
Ms. Wee Ai Quey
Ms. Ong Ciu Hwa (王秋華女士)

NON-EXECUTIVE DIRECTORS
Mr. Kho Chuan Thye Patrick (高泉泰先生)
Mr. Lim Sooi Kheng Patrick (林瑞慶先生)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr. Lim Boon Cheng (林文正先生)
Mr. Ng Chee Kwong, Colin (吳志光先生)
Mr. Wee Kang Keng

AUDIT COMMITTEE
Mr. Lim Boon Cheng (林文正先生) *(Chairman)*
Mr. Ng Chee Kwong, Colin (吳志光先生)
Mr. Wee Kang Keng
Mr. Lim Sooi Kheng Patrick (林瑞慶先生)
Mr. Kho Chuan Thye Patrick (高泉泰先生)

REMUNERATION COMMITTEE
Mr. Ng Chee Kwong, Colin (吳志光先生) *(Chairman)*
Mr. Lim Boon Cheng (林文正先生)
Mr. Wee Kang Keng
Mr. Lim Sooi Kheng Patrick (林瑞慶先生)
Mr. Goon Eu Jin Terence (阮友仁先生)

NOMINATION COMMITTEE
Mr. Goon Eu Jin Terence (阮友仁先生) *(Chairman)*
Mr. Lim Boon Cheng (林文正先生)
Mr. Ng Chee Kwong, Colin (吳志光先生)
Mr. Wee Kang Keng
Mr. Kho Chuan Thye Patrick (高泉泰先生)

COMPANY SECRETARY
Ms. Cheung Chit San (張婕珊女士), *ACS, ACIS*

AUTHORISED REPRESENTATIVES
Mr. Goon Eu Jin Terence (阮友仁先生)
Ms. Cheung Chit San (張婕珊女士)

AUDITOR
Ernst & Young LLP, Singapore

COMPLIANCE ADVISOR
Southwest Securities (HK) Capital Limited

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HONG KONG LEGAL ADVISERS
Stephenson Harwood
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95 Queensway
Hong Kong

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE
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Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
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183 Queen's Road East
Hong Kong

PRINCIPAL BANKERS
Oversea-Chinese Banking Corporation Ltd
United Overseas Bank Ltd
Malayan Banking Bhd

STOCK CODE
1545

COMPANY'S WEBSITE
www.designcapital.sg

CHAIRMAN'S STATEMENT

To our Shareholders

On behalf of the board of directors (the "**Board**"), I am pleased to present our first annual report for Design Capital Limited (the "**Company**", "**we**" or "**our**") for the year ended 31 December 2018 after our listing of shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 25 April 2019 (the "**Listing**") by way of share offer (the "**Share Offer**"). This marks an important milestone for the Company and its subsidiaries (the "**Group**" or "**our Group**").

Headquartered in Singapore, our Group is a longstanding furniture seller on third party e-commerce platforms in United Status of America (the "**U.S.**"), a mid to high-end furniture retailer in Singapore and an integrated home design solutions provider mainly in Singapore. In the U.S., we operate under the brands "SIMPLE LIVING", "LIFESTOREY", "TARGET MARKETING SYSTEMS" and "TMS". In Singapore we operate our furniture retail businesses under the brands "MARQUIS", "LIFESTOREY" and "OM". Our design solutions business is operated under the brand "SUMISURA".

FINANCIAL RESULTS

For the year ended 31 December 2018, the total revenue of the Company was S$109.7 million, an increase of S$8.8 million from the year ended 31 December 2017. This increase is largely attributable to an increase in the revenue from our U.S. furniture sales segment. The profitability of the Company for the year ended 31 December 2018 was affected by the expenses associated with the Listing on the Stock Exchange.

The net proceeds from the Listing will go towards the implementation of the Group's business strategies as stated in the prospectus of the Company dated 11 April 2019 (the "**Prospectus**").

THE FUTURE

We expect the anticipated growth of the online furniture market in the U.S. to provide impetus to the growth of the Company. We shall leverage the experience we have gained over the last 38 years and build upon our success in the U.S., Singapore, Malaysia and Brunei.

APPRECIATION

I would like to take this opportunity to express my appreciation to my management team which has been with me through times of prosperity and adversity. We shall continue to forge ahead together. I am grateful for the support of my colleagues, my fellow directors, shareholders and business partners.

Goon Eu Jin Terence
Chairman

25 April 2019

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Company and its subsidiaries (the "**Group**") to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of the Company's corporate governance practices.

The ordinary shares of the Company (the "**Shares**") were listed on the Main Board of the Stock Exchange on 25 April 2019 (the "**Listing Date**"). Therefore, the code provisions as set out in the CG Code were not applicable to the Company for the year ended 31 December 2018 which is prior to the Listing Date. The Board is of the view that the Company has complied with the applicable code provisions as set out in the CG Code as at the Listing Date, save for code provision A.2.1 of the CG Code, details of which are explained in the relevant paragraphs of this report.

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.

As at the Listing Date, the Company is not aware of any incident of non-compliance of the Model Code by the directors of the Company (the "**Directors**").

The Company will establish 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 inside information of the Company.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises eight Directors, consisting of three executive Directors, two non-executive Directors and three independent non-executive Directors. The details of the Board composition are as follows:

Executive Directors
Mr. Goon Eu Jin Terence (Chairman and Chief Executive Officer)
Ms. Wee Ai Quey (Chief Operation Officer)
Ms. Ong Ciu Hwa (Finance Director)

Non-executive Directors
Mr. Kho Chuan Thye Patrick
Mr. Lim Sooi Kheng Patrick

Independent Non-executive Directors
Mr. Lim Boon Cheng
Mr. Ng Chee Kwong, Colin
Mr. Wee Kang Keng

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and Senior management" on pages 19 to 22 of this annual report. None of the members of the Board is related to one another.

Board Meetings and Directors' Attendance Records

Code provision A.1.1 of the CG Code provides that the Board should meet regularly and Board meetings should be held at least four times a year at approximately quarterly intervals. A meeting of the Board was held on the Listing Date to approve this annual report.

Going forward, regular Board meetings will be scheduled to be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors. Notice of at least 14 days will be given to all Directors for all regular Board meetings and an agenda and accompanying board papers will be sent to the Directors at least 3 days before the meeting.

Apart from regular Board meetings, the Chairman will also hold at least one meeting with independent non-executive Directors without the presence of other Directors in each year.

Chairman and Chief Executive Officer

The Chairman and Chief Executive Officer of the Company are held by Mr. Goon Eu Jin Terence.

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, 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 judgment. 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.

Independent Non-executive Directors

In compliance with the Listing Rules, the Company has appointed three independent non-executive Directors representing more than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

As at the Listing Date (also the date of this annual report), all the independent non-executive Directors are independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 of the CG Code states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is engaged on a service contract (for executive Director) or a letter of appointment (for non-executive Director and independent non-executive Director), for a term of three years commencing from the Listing Date and is subject to retirement by rotation and re-election pursuant to the provisions of the Company's Articles of Association.

In accordance with the Company's Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment and subsequently, necessary briefing and professional development to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction may be supplemented by visits to the Company's operation and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

Prior to the Listing Date, all Directors had attended a training session conducted by our Hong Kong legal advisers on the duties and responsibilities of being a director. They had also been given the relevant guideline materials, the relevant laws and regulations applicable to the Directors and duty of disclosure of interests.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee. These committees assist the Board in discharging its duties and overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2.

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 terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Audit Committee are to assist the Board by providing an independent view on the effectiveness of the financial reporting process, internal control and risk management system of the Group, to oversee the audit process, to develop and review the Group's policies and to perform other duties and responsibilities as assigned by the Board. The Audit Committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expenses of the Company.

One meeting had been held by the Audit Committee after it was established on 28 March 2019.

Remuneration Committee

The Remuneration Committee consists of five members, namely Mr. Goon Eu Jin Terence, executive Director, and Mr. Lim Sooi Kheng Patrick, non-executive Director, and Mr. Lim Boon Cheng, Mr. Ng Chee Kwong, Colin and Mr. Wee Kang Keng, independent non-executive Directors. Mr. Ng Chee Kwong, Colin is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Remuneration Committee are to make recommendations to the Board on the remuneration policies relating to the Directors and senior management, review performance-based remuneration, and ensure that none of the Directors or any of their associates determine their own remuneration.

One meeting had been held by the Remuneration Committee meeting after it was established on 28 March 2019.

Nomination Committee

The Nomination Committee consists of five members, namely Mr. Goon Eu Jin Terence, executive Director, and Mr. Kho Chuan Thye Patrick, non-executive Director, and Mr. Lim Boon Cheng, Mr. Ng Chee Kwong, Colin, and Mr. Wee Kang Keng, independent Non-executive Directors. Mr. Goon Eu Jin Terence is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The primary duties of the Nomination Committee are to review the structure, size and composition (including the skills, knowledge and experience) of the Board annually, make recommendations to the Board of any changes that may better complement the Group's corporate strategy, identify individuals suitably qualified as potential board members, make recommendations to the Board on the appointment or reappointment of Directors and succession planning of Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy.

One meeting had been held by the Nomination Committee after it was established on 28 March 2019.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the objective and approach to achieve and maintain diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance its operating results and quality of its performance.

The particulars of the Board Diversity Policy of the Company are set out as follows:

o With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development.

o When determining the composition of the Board, board diversity will be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of services ("**Diversity Perspectives**").

o All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

o Selection of candidates will be based on a range of Diversity Perspectives and the ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition under Diversity Perspectives, and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that are or may be required, and recommend any such revisions to the Board for their consideration and approval.

Nomination Policy

(1) The Company has adopted a Nomination Policy which sets out the key selection criteria and principles of the Nomination Committee in making recommendations to the Board on the appointment of Directors of the Company and succession planning for Directors.

(2) The Nomination Policy sets out the factors for assessing the suitability of a proposed candidate to the Board or re-appointment of any existing member(s) of the Board including but not limited to the following:

   (a) Reputation for integrity;

   (b) Accomplishment, experience and reputation;

   (c) Commitment in respect of sufficient time, interest and attention to the Company's business;

   (d) Diversity in all aspects, including but not limited to gender, age, cultural/educational and professional background, skills, knowledge and experience;

   (e) The ability to assist and support management and make significant contributions to the Company's success;

   (f) Compliance with the criteria of independence as prescribed under Rule 3.13 of the Listing Rules for the appointment of an independent non-executive director; and

   (g) Any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

(3) The Nomination Committee may nominate candidates or invite nominations of candidates from Board members (if any), and shall undertake adequate due diligence in respect of the proposed candidate(s) and make recommendations for the Board's consideration and approval.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

Since the Shares were only listed on the Main Board of the Stock Exchange on 25 April 2019, the Board will review the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Employee Written Guidelines, and the Company's compliance with the CG Code and will disclose in the next Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee is responsible for formulating and implementing risk management policies to address various potential risks the Group may face in relation to its operations, including operational risks, credit risks and market risks. The risk management measures for some of the more particular risks include:

(1) The Directors regularly monitor the economic, policy, social and market conditions in countries where the Group have business presence including the U.S., Singapore, Malaysia and Brunei and adjust the pricing and promotion strategies of the Group;

(2) To minimize operational risks, the Group has adopted a stringent quality control policy under which the quality control team will perform inspection for products, visit suppliers' factories to conduct surprise checks on the quality and manufacture process, to communicate with suppliers and to monitor the performance of the shipping agents regularly to prevent the risk of delay in delivery of products or supply of defective products; and

(3) The Directors recognise the importance in improving the credit policy under which the credit terms and procedures in recovering trade receivables have been established.

The Group has also established a set of internal control measures to facilitate the effective operation of the business of the Group.

In preparation for the Listing, the Group had engaged an internal control consultant to review the internal control systems and procedures of the Group in assessing the adequacy of the internal controls of the Group. In the course of its reviews, the internal control consultant conducted interviews with the designated responsible personnel and examined relevant documents to identify the deficiencies in the Group's internal control procedures and develop recommendations for the improvement. The Group has implemented the measures to improve its internal control systems with reference to those recommendations.

The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors have acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2018.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 35 to 36.

AUDITORS' REMUNERATION

The remuneration paid to the Company's external auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2018 amounted to approximately S$205,000 and approximately S$2,000 respectively.

An analysis of the remuneration paid to the external auditors of the Company, Ernst & Young LLP, Singapore, and other external auditors in respect of audit services and non-audit services for the year ended 31 December 2018 is set out below:

Service Category	**Fees Paid/Payable**
	S$'000
Audit Services	
Ernst & Young LLP, Singapore	200
Other external auditors	5
Non-audit services – other external auditors	2
	207

COMPANY SECRETARY

Ms. Cheung Chit San has been appointed as the company secretary of the Company. Ms. Cheung is currently a Manager of the corporate services division of Tricor Services Limited, a global professional services provider specialising in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Ong Ciu Hwa, executive Director, has been designated as the primary contact person at the Company who would work and communicate with Ms. Cheung on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2018, Ms. Cheung has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting

Under Article 58 of the Articles of Association, any one or more shareholders holding at the date of the deposit of the requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company may at all times have the right, by a written requisition to the Board or the company secretary of the Company, to require the convening of an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within 2 months after the deposit of such requisition. If, within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

The Board is not aware of any provisions allowing the shareholders of the Company to put forward proposals at general meetings of the Company under the Articles of Association and the Companies Law of the Cayman Islands Law. Shareholders who wish to put forward proposals at general meetings may refer to the preceding paragraph to make a written requisition to require the convening of an extraordinary general meeting of the Company.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
(For the attention of the Company Secretary)

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The amended and restated Memorandum and Articles of Association adopted by the Company on 28 March 2019 and with effect from the Listing Date is available on the Company's website and the Stock Exchange's website.

The Company has in place a Shareholders' Communication Policy to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company considers stable and sustainable returns to the shareholders of the Company as its goal. Pursuant to Code provision E.1.5 of the CG Code, the Company has adopted a dividend policy as set forth below:

1. In deciding whether to propose a dividend and in recommending or declaring dividends, the Board shall have absolute discretion to recommend any dividends taking into account, inter alia:

    o the results of actual and future operations and earnings of the Group;

    o the Group's development plan;

    o the Group's capital requirements and surplus, cash flows and general financial condition;

    o applicable laws and regulations; and

    o any other factors that the Board deems appropriate.

2. The Directors may recommend distribution to the shareholders based on the distributable net profit attributable to the equity shareholders of the Company in any financial year, whether as interim and/or final dividends.

3. Declaration of the dividend by the Company is also subject to any restrictions under the Laws of the Cayman Islands, the Memorandum and Articles of Association of the Company (as amended from time to time) and any applicable laws, rules and regulations (including but not limited to the Listing Rules from time to time).

4. Dividends shall be paid in Hong Kong dollars.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 December 2018 is as follows:

- Total revenue was approximately S$109.7 million (2017: approximately S$100.9 million), representing an increase of approximately 8.7% over 2017.

- Gross profit was approximately S$33.9 million (2017: approximately S$32.2 million), representing approximately an increase of approximately 5.2% over 2017.

- Profit for the year attributable to shareholders of the Company was approximately S$5.7 million (2017: approximately S$7.0 million).

- The Group had total cash and cash equivalents of approximately S$15.5 million as at 31 December 2018 (2017: approximately S$20.9 million).

- The board does not recommend the payment of a final dividend for the year ended 31 December 2018 (2017: approximately S$10.4 million).

BUSINESS REVIEW

During the year, the Group engaged in furniture sales through e-commerce sales platforms in the U.S., furniture sales through points of sales in Singapore and provision of interior design services in Singapore.

Segment information

During the year, the revenue of the Group was principally generated from: (1) furniture sales in the U.S.; (2) furniture sales in Singapore targeting customers of mid to high income group; and (3) provision of interior design services in Singapore, Malaysia and Brunei. Financial information in respect of these operation is presented in Note 5 to the consolidated financial statement.

(1) U.S. furniture sales

For the year ended 31 December 2018, 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 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$76.5 million (2017: approximately S$67.3 million), which represented an increase of approximately 13.7% over 2017 and accounted for approximately 69.7% of the Group's revenue.

During the year, the sales of dining room furniture comprised more than 50% of our revenue of U.S. furniture sales segment; sales of kitchen furniture comprised approximately 20% of our revenue of this segment; and sales of home office furniture comprised less than 10% of our revenue of this segment. There was an increase in the revenue of our dining room furniture and kitchen furniture from approximately S$50.1 million for the year ended 31 December 2017 to approximately S$57.8 million for the year ended 31 December 2018, representing an increase of approximately 15.4%. The growth rate for our U.S. furniture sales segment is higher than that of the estimated growth rate of approximately 13.2% of the overall furniture online sales industry in the U.S. in 2018, primarily due to the increase in the marketing effort for sales to our five largest customers, certain of which had recorded higher turnover growth in e-commerce sales than that of the overall market during the year ended 31 December 2018, and the launch of new products.

(2) 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.

Our points of sales branded under "Marquis" offer a selection of luxurious designer furniture under various imported third-party brands which are mainly sourced from Europe, targeting the high-end market customers with strong personal taste. Our points of sales branded under "Lifestorey" on the other hand, offer modern contemporary furniture imported from Europe, Malaysia and the PRC, targeting customers of younger age and mid-income group. Our points of sales branded under "OM" offer versatile furniture with a sophisticated style which are mainly imported from Europe, the U.S. and some Asian countries (including the PRC) at a relatively affordable price range, targeting customers of mid-income group. As at 31 December 2018, we operated 6 (2017: 5) points of sales in Singapore, of which two are under the brand "Marquis", two are under the brand "OM" and two are under the brand "Lifestorey".

The revenue generated from furniture sales segment for the year ended 31 December 2018 amounted to approximately S$22.3 million (2017: approximately S$22.7 million). For the year ended 31 December 2018, our brands "Marquis", "OM" and "Lifestorey" attributed to approximately 38.3%, 21.4% and 12.2% of our revenue under furniture sales segment, respectively (2017: approximately 34.4%, 24.7% and 12.1%). 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 which constituted approximately 28.1% (2017: approximately 28.8%) of our revenue under this segment for the year ended 31 December 2018.

The revenue derived from points of sales in Singapore remained relatively stable at approximately S$16.1 million for the year ended 31 December 2018 when compared with the preceding year (2017: approximately S$16.1 million). During the year ended 31 December 2018, the revenue from Special Projects under our furniture sales segment was approximately S$6.3 million), which was approximately S$0.3 million lower than the revenue compared to the preceding year (2017: approximately S$6.5 million). As the nature of Special Projects is project-based and the progress payment depends on the work progress of each Special Project which varies and certain projects with relatively higher contract sum was undertaken in the year ended 31 December 2017, resulting in a slightly higher segment revenue compared with 2018.

(3) Interior design

We provide interior design, fitting-out and design consultancy services for showflats and sales galleries of property development projects and individual residential units mainly in Singapore under the brand "Sumisura", and for some projects in Malaysia and Brunei. The revenue generated from interior design and fitting-out services remained relatively stable at approximately S$10.9 million for the year ended 31 December 2018 as compared to the preceding year (2017: approximately S$11.0 million).

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately S$8.8 million or 8.7% from approximately S$100.9 million for the year ended 31 December 2017 to approximately S$109.7 million for the year ended 31 December 2018. The rapid growth of our U.S. furniture sales business has resulted in this steady increase of the total revenue.

The Group's gross profit margin decreased from approximately 31.9% for the year ended 31 December 2017 to approximately 30.9% for the year ended 31 December 2018 mainly due to increase in proportion of the revenue from U.S. furniture sales segment which has a lower gross profit margin as part of our overall revenue.

Selling and distribution expenses

The Group's selling and distribution expenses remained stable at approximately S$13.2 million and S$13.1 million for the years ended 31 December 2017 and 31 December 2018, respectively.

Administrative expenses

The Group's administrative expenses increased by approximately S$2.4 million or 25.7% from approximately S$9.4 million for the year ended 31 December 2017 to approximately S$11.8 million for the year ended 31 December 2018. The increase in our administrative expenses was primarily due to the incurrence of non-recurring Listing expenses of approximately S$2.9 million for the year ended 31 December 2018, and the increase in staff cost of approximately S$0.3 million due to an increase in the number and remuneration of employees.

Finance costs

The Group's finance costs remained stable at approximately S$38,000 and S$4,000 for the years ended 31 December 2017 and 2018, respectively.

Other income and gain

The Group's net other income and gain remained stable at approximately S$0.6 million for the years ended 31 December 2017 and 2018.

Income tax expense

The Group's income tax expense increased by approximately S$0.9 million or 54.8% from approximately S$1.7 million for the year ended 31 December 2017 to approximately S$2.6 million for the year ended 31 December 2018. The increase in our income tax expense was primarily due to an increase in current income tax charged for the year in Singapore of approximately S$0.9 million, which was primarily due to increase in profits derived from Singapore and incurrence of the Listing expenses which are not deductible for tax during the year ended 31 December 2018.

Profit

The Group's profit for the year (excluding Listing expenses) increased by approximately S$1.3 million or 14.7% from approximately S$8.5 million for the year ended 31 December 2017 to approximately S$9.8 million for the year ended 31 December 2018.

The Group's profit for the year decreased by approximately 19.0% from approximately S$8.5 million for the year ended 31 December 2017 to approximately S$6.9 million for the year ended 31 December 2018 mainly attributable to the incurrence of non-recurring Listing expenses of approximately S$2.9 million. The Group's net profit margin decreased from approximately 8.5% for the year ended 31 December 2017 to approximately 6.3% for the year ended 31 December 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Overall financial position

As at 31 December 2018, total debt of the Group amounted to approximately S$186,000 (2017: approximately S$53,000) which were obligations under finance leases. Details on the average interest rate and maturity profile of the Group's financial liabilities is set out in Note 22 to the consolidated financial statements.

The Group had total cash and cash equivalents of approximately S$15.5 million as at 31 December 2018 (2017: approximately S$20.9 million), most of which were denominated in Singapore dollars and U.S. dollars. As at 31 December 2018, the cash and bank balances other than time deposits of the Group amounted to approximately S$7.8 million (2017: approximately S$10.0 million).

The Group recorded total current assets of approximately S$63.4 million as at 31 December 2018 (2017: approximately S$53.2 million) and total current liabilities of approximately S$37.6 million as at 31 December 2018 (2017: approximately S$29.5 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.7 as at 31 December 2018 (2017: approximately 1.8).

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 29 March 2018. As at 31 December 2018, the authorised share capital of the Company was HK$380,000 divided into 38,000,000 shares of HK$0.01 each.

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

Gearing ratio

As at 31 December 2018, the Group's gearing ratio which was calculated by dividing the total debt (being sum of bank borrowings and obligations under finance lease) by total equity and multiplied by 100% was approximately 0.7% (2017: 0.2%). The gearing ratio increased primarily because there was an increase in obligations under finance leases which was due to the purchase of some motor vehicles under hire purchase agreements in 2018.

Contingent liabilities

As at 31 December 2017 and 2018, the Group did not have any material contingent liabilities or guarantees.

Apart from intra-group liabilities, as at 31 December 2018, our Group did not have any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptable credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees, material covenants, or other material contingent liabilities (2017: Nil).

Capital commitment

As at 31 December 2018, the Group did not have any material capital commitments (2017: Nil).

Capital Structure

The shares of the Company were listed on Main Board of the Stock Exchange on 25 April 2019. There has been no change in the capital structure of the Company since then. As at 31 December 2018, the capital structure of the Company comprised mainly issued share capital and reserves.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following is the key risk and uncertainty identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market Risks

As we are in the retail business, we are exposed to market risks relating to changes in the economic, policy and social conditions in countries where we have business presence including the U.S., Singapore, Malaysia and Brunei. Any downturn to the economy locally or globally can adversely affect the demand for our products. Our Directors regularly monitor the market conditions and adjust our pricing and promotion strategies.

Operational risks

As our products are mostly sourced from other countries, we are under the risk of delay in delivery of products or supply of defective products which may affect our sales. We adopted a stringent quality control policy under which our quality control team will perform inspection for products upon delivery to our warehouses or third party order fulfilment centres. We will visit our suppliers' factories from time to time to conduct surprise checks on the quality and manufacture process of our products. In view of this, we maintain regular communication with our suppliers in order to keep us updated as to any possibility of delay in delivery and we also monitor the performance of the shipping agents we engage. We also regularly monitor our sales data and inventory level and in general, we maintain an inventory level which our Directors expect to be sufficient for our operation for at least three months and we will adjust the inventory level if necessary.

Credit risks

Our credit risks during the year ended 31 December 2018 mainly originated from trade receivables from our U.S. customers. Our Directors recognise the importance in improving our credit policy under which we have established credit terms and procedures in recovering trade receivables.

Foreign currency risk

Our reporting currency is Singapore dollars. Our sales are mainly in U.S. dollars and Singapore dollars. However, most of our purchases are settled in U.S. dollars. We are therefore susceptible to currency exchange rate fluctuation of U.S. dollars against Singapore dollars.

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, we had 142 (2017: 130) full-time employees, of whom 106 are based in Singapore, 21 are based in the U.S., 10 are based in Malaysia and five are based in Brunei.

For the year ended 31 December 2018, staff costs (including directors emoluments) amounted to approximately S$8.7 million (2017: 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 2018, the Group had aggregate unutilised banking facilities of approximately S$6.2 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. and a floating charge over bank accounts and deposits of Buylateral Group Pte. Ltd. (2017: S$6.4 million).

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group does not have other plans for material investments and capital assets.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITION AND DISPOSALS

Save for the corporate reorganisation arrangement undergone by the Group in the preparation for the Listing, the Group did not have any significant investments, material acquisitions or disposal of assets, subsidiaries, associates or joint ventures during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Goon Eu Jin Terence (阮友仁先生) ("Mr. Goon"), aged 54, was appointed as our Director, chairman and chief executive officer on 29 March 2018 and re-designated as our executive Director on 13 April 2018. He is the chairman of our Nomination Committee and the member of the Remuneration Committee. Mr. Goon is primarily in charge of the Group's overall corporate strategy, business development and operation of the Group, including our operation in the U.S. Mr. Goon has over 20 years of experience in the interior design and furniture industry. Mr. Goon joined the Group in 1 September 1994 as a general manager (directorate level) and became a director in May 1995. He assumed the role of Group's chief executive officer and managing director of Nobel Design Holdings Pte Ltd (the former holding company of the operating subsidiaries of the Group) from March 2010 to August 2017.

Mr. Goon was awarded the degree of bachelor of accountancy from the National University of Singapore in June 1989.

Mr. Goon was also an executive director of Nobel Design Holdings Pte Ltd (then SGX: 547) a lifestyle furnishing company, from its listing on the Stock Exchange Dealing and Automation Quotation System ("**SESDAQ**") (now known as Catalist) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 25 November 1996 until its delisting from the Main Board of SGX-ST on 29 August 2017. Mr. Goon remains as a director of Nobel Design Holdings Pte Ltd after its delisting from the SGX-ST.

Ms. Wee Ai Quey ("Ms. Wee"), aged 61, was appointed as our Director and chief operation officer on 29 March 2018, and re-designated as our executive Director on 13 April 2018. Ms. Wee is primarily in charge of the Group's marketing and operation. Ms. Wee has over 35 years of experience in the interior design and furniture industry. She joined the Group since 13 December 1982 as a director of Nobel Design Holdings Pte Ltd (the former holding company of the operating subsidiaries of the Group).

Ms. Wee graduated with an Industrial Technician Certificate in Furniture Design & Production from the Baharuddin Vocational Institute in Singapore in 1976, and subsequently obtained a Technician Certificate in Architectural Draughtsmanship from Singapore Polytechnic in 1980.

Ms. Wee was also an executive director of Nobel Design Holdings Pte Ltd (then SGX: 547) a lifestyle furnishing company, from its listing on the SESDAQ (now known as Catalist) of the SGX-ST on 25 November 1996 until its delisting from the Main Board of SGX-ST on 29 August 2017. Ms. Wee remains as a director of Nobel Design Holdings Pte Ltd after its delisting from the SGX-ST.

Ms. Ong Ciu Hwa (王秋華女士) ("Ms. Ong"), aged 47, was appointed as our Director on 29 March 2018 and re-designated as our executive Director on 13 April 2018. Ms. Ong is also our finance director. Ms. Ong is primarily in charge of the Group's financial reporting and accounting functions, and taxation, banking, and administration matters. Ms. Ong has over 10 years of experience in accounting and finance. Ms. Ong joined the Group in 8 July 2004 as finance manager.

Ms. Ong assumed the role of an executive director of Nobel Design Holdings Pte Ltd (the former holding company of the operating subsidiaries of the Group, then SGX: 547), a lifestyle furnishing company, from July 2011 until its delisting from the Main Board of SGX-ST on 29 August 2017. Ms. Ong ceased to be a director of Nobel Design Holdings Pte Ltd on 31 August 2017. Ms. Ong has been re-designated as group finance director of Nobel Design Holdings Pte Ltd since September 2017.

Ms. Ong was awarded a national vocational qualification in accounting Level IV by the Association of Accounting Technicians in June 1993 and was admitted as a graduate of the Association of Chartered Certified Accountants ("**ACCA**") by ACCA and the Institute of Certified Public Accountants of Singapore (now known as the Institute of Singapore Chartered Accountants) in January 1997. Ms. Ong was admitted as a member of ACCA in June 1997 and was admitted as a fellow of ACCA in June 2002. She was qualified as a chartered accountant of Singapore and was admitted as a member of the Institute of Singapore Chartered Accountants in July 2013.

NON-EXECUTIVE DIRECTORS

Mr. Kho Chuan Thye Patrick (高泉泰先生) ("Mr. Kho"), aged 51, was appointed as a Director on 29 March 2018 and re-designated as a non-executive Director of our Company on 13 April 2018. He is a member of each of our Audit Committee and Nomination Committee. Mr. Kho is responsible for supervising the corporate development and strategic planning of the Group. Mr. Kho has over 22 years of experience in the property and hospitality industries.

Mr. Kho joined Lian Keng Enterprises Pte. Ltd as a director since March 1996. Lian Keng Enterprises Pte. Ltd and its group of companies principally engage in property development and investment. Before then, he served in the Air Force of the Republic of Singapore from September 1984 to April 1996, where the highest rank he attained was that of a Major.

Mr. Kho was admitted as a chartered financial analyst in April 1999. He obtained the degree of bachelor of arts and master of arts from the University of Cambridge in the United Kingdom in June 1988 and March 1992, respectively.

Mr. Kho was a director of Nobel Design Holdings Pte Ltd (the former holding company of the operating subsidiaries of the Group, then SGX: 547), a lifestyle furnishing company, from 1 April 2012 to 21 June 2012. He was again appointed as a director of Nobel Design Holdings Pte Ltd on 31 August 2017 after its delisting from the Main Board of the SGX-ST on 29 August 2017.

Mr. Kho had been a non-executive director of Lionhub Group Limited (ASX: LHB), a real estate development and investment company from September 2014 to March 2019. Besides, he has acted as a non-executive director of Land & Homes Group Limited (ASX: LHM), an Australian focused property investment and development company since January 2016. Both companies are listed on the Australian Stock Exchange. He is a member of each of our Audit Committee and Remuneration Committee.

Mr. Lim Sooi Kheng Patrick (林瑞慶先生) ("Mr. Patrick Lim"), aged 52, was appointed as a Director on 29 March 2018 and re-designated as a non-executive Director of our Company on 13 April 2018. Mr. Patrick Lim is responsible for supervising the corporate development and strategic planning of the Group. Mr. Patrick Lim has over 20 years of experience in auditing, accounting and finance management.

Mr. Patrick Lim joined Lian Huat Management Services Pte Ltd as a group financial controller for Lian Keng Enterprises Pte Ltd and its subsidiaries ("**Lian Huat Group**") since September 2014. Lian Huat Group principally engages in property development and investment. Between February 2001 and May 2014, Mr. Patrick Lim was a senior manager at Boardroom Business Solutions Pte. Ltd., a company that principally engages in accounting, finance and payroll services. Mr. Patrick Lim began his career at Ernst & Young LLP, Singapore, an international accounting firm, from October 1992 to October 1997 where his last position was assistant manager.

Mr. Patrick Lim was appointed as a director of Nobel Design Holdings Pte Ltd (the former holding company of the operating subsidiaries of the Group) on 3 October 2017 after its delisting from the Main Board of the SGX-ST on 29 August 2017.

Mr. Patrick Lim graduated from Curtin University of Technology in Australia in August 1992 with the degree of bachelor of business, majoring in accounting. He was admitted as a certified practising accountant of the Australian Society of Certified Practising Accountants in October 1998.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lim Boon Cheng (林文正先生) ("Mr. BC Lim"), aged 63, was appointed as an independent non-executive Director of our Company on 28 March 2019. He is the chairman of our Audit Committee and a member of each of our Remuneration Committee and Nomination Committee. Mr. BC Lim is responsible for overseeing the management of the Group independently. Mr. BC Lim has over 20 years of experience in accounting and management.

Mr. BC Lim has been the owner of Fitzroy Corporate Advisory, a sole-proprietorship registered since April 2017 offering business and management consultancy services. Since April 2013, he has also held the position of independent director of Advanced Holdings Ltd (SGX: BLZ), a company listed on the Main Board of the SGX-ST that provides engineering services and equipment.

Further, he has served as a director on the board of AIB MT Fund Asia Pte Ltd, a company offering structuring and management of investment services, since January 2008. Mr. BC Lim was the partner of LTC & Associates (converted to LLP in June 2008 and later changed its name to RT LLP) between December 2000 and March 2012. He worked as an audit manager at Deloitte & Touche in Singapore, from April 1990 to September 1991.

In addition to the above, Mr. BC Lim has also served on the boards of various other companies, such as a director of One Consulting Group Pte Ltd, a company providing business and management consultancy services, from February 2001 to October 2014, and as a director of One E-Risk Services Pte Ltd, a company providing corporate governance risk management and internal audit services, from June 2007 to October 2014.

Mr. BC Lim obtained a master of business administration degree from the University of Ulster in Northern Ireland in July 1988. He was certified as a chartered accountant by the Institute of Chartered Accountants in Ireland in March 1982. He was certified as a member and was admitted as a fellow by the Institute of Certified Public Accountants of Singapore in July 1992 and July 2004, respectively.

Mr. Ng Chee Kwong, Colin (吳志光) ("Mr. Ng"), aged 52, was appointed as an independent non-executive Director of our Company on 28 March 2019. He is the chairman of our Remuneration Committee and a member of each of our Audit Committee and Nomination Committee. Mr. Ng is responsible for overseeing the management of the Group independently. Mr. Ng has over 23 years of experience in finance and fund management.

Prior to joining the Group, Mr. Ng worked at the UOB Asset Management Ltd ("**UOB**") between May 1994 and January 2009, where his last position was senior director. Mr. Ng was the senior portfolio manager at the Manulife Asset Management (HK) Limited in January 2009 to November 2009 and was head of asian equities at Baring Asset Management (Asia) Limited between December 2009 and August 2012. He has been the executive director of UOB since August 2012.

Mr. Ng obtained the degree of bachelor of accountancy from the National University of Singapore in July 1990 and the degree of master of applied finance from the Macquarie University in Australia in June 2000.

Mr. Wee Kang Keng ("Mr. Wee"), aged 53, was appointed as an independent non-executive Director of our Company on 28 March 2019. He is a member of each of our Audit Committee, Remuneration Committee and Nomination Committee. Mr. Wee is responsible for overseeing the management of the Group independently.

Mr. Wee is a director and chief executive officer of GW Financial Advisory Services Limited, a company specialising in mergers and acquisitions, valuation and financial advisory works, since October 2015. Mr. Wee joined Deloitte & Touche Financial Advisory Services Limited in March 2008 and was admitted as a partner of Deloitte China from June 2010 until May 2015. Mr. Wee started his career in finance in April 1990 with UBS AG until April 1998.

Professionally, Mr. Wee is a full member of the Treasury Markets Association. In terms of public service, Mr. Wee was awarded the long service and good conduct medal for his over 20 years of national service with the Singapore Armed Forces. Mr. Wee graduated from the National University of Singapore in July 1990 with a Bachelor's degree in Mechanical Engineering.

SENIOR MANAGEMENT

Ms. Sharon Wu Pui See (吳佩詩女士) ("Ms. Wu"), aged 50, is an executive director and general manager of Marquis HQO Pte. Ltd. ("**Marquis HQO**") and is primarily responsible for overseeing project sales and management and implementing marketing strategies for the Special Projects division. She has over 15 years of experience in sales and marketing. Ms. Wu joined the Group on 19 March 2001 as a marketing manager of Marquis Furniture Gallery Pte Ltd. ("**Marquis Furniture Gallery**"). She was later promoted to general manager and executive director of Marquis HQO on 20 March 2008.

Ms. Wu obtained the degree of bachelor of commerce and management from Lincoln University, New Zealand in April 1995.

Ms. Lim Chieh Yin (林潔瑩女士) ("Ms. Lim"), aged 38, is a director of Numero Uno Creative Group Pte. Ltd. and is primarily responsible for business development and interior design.

She has over 12 years of experience in interior design and property development. Ms. Lim joined the Group on 8 April 2009 as a design director in Numero Uno Creative Group Pte. Ltd.. Prior to joining the Group, she served as the head of marketing in The I.D. Dept Pte Ltd from March 2006 to March 2009, a company principally engages in interior design consultancy services.

Ms. Lim obtained the degree of bachelor of arts from National University of Singapore in August 2002.

SENIOR MANAGEMENT

Ms. Foo Kim Soon (符金春女士) ("Ms. Foo"), aged 53, is a director of Marquis HNC Pte. Ltd. ("**Marquis HNC**") and is primarily responsible for business development and new product sourcing for the Special Projects division, a position she has held since 1 April 2016. She has over 20 years of experience in sales, marketing and business development in the furniture industry. Ms. Foo first joined the Group on 1 March 1999 as a senior marketing manager of Marquis Furniture Gallery. Ms. Foo re-joined the Group in March 2011 as a director of Marquis HQO, and she subsequently was transferred from Marquis HQO to Marquis HNC where she was a director since 1 April 2016.

Prior to joining the Group, Ms. Foo was a property executive at Riverview Development Pte Ltd from February 1986 to April 1987. She worked with Varimerx S.E. Asia Pte. Ltd. for over 11 years from April 1987 to February 1999, where her last position was assistant general manager of furniture and lightings division.

Ms. Foo was awarded the technician diploma in building maintenance and management from Ngee Ann Polytechnic of Singapore in August 1985. In May 1993, she obtained a graduate diploma in marketing management from the Singapore Institute of Management.

COMPANY SECRETARY

Ms. Cheung Chit San (張婕珊女士) ("Ms. Cheung"), was appointed as the company secretary of our Company on 26 March 2019. Ms. Cheung is also one of our authorised representatives.

Ms. Cheung has over 10 years of experience in the corporate secretarial field. She is currently a Manager of the corporate services division of Tricor Services Limited ("**Tricor**"), a global professional services provider specialising in integrated business, corporate and investor services. She joined Tricor in August 2014.

Ms. Cheung graduated from the City University of Hong Kong in November 2005 with a degree of Bachelor of Business Administration in China Business. She obtained a degree of Master of Science in Professional Accounting and Corporate Governance from the City University of Hong Kong in November 2008. Ms. Cheung is a Chartered Secretary and she was admitted as an associate of both The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom in November 2009. She was also awarded the Chartered Governance Professional qualification of The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries in September 2018.

REPORT OF THE DIRECTORS

The Board is pleased to present to the shareholders of the Company (the "**Shareholders**") its report together with the audited financial statements of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and the Group 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 which is headquartered in Singapore. Details of the principal activities of its subsidiaries are set out in Note 1 to the consolidated financial statements.

BUSINESS REVIEW

Fair review of the business of the Group and further discussion and analysis of the business review as required by Schedule 5 to Hong Kong Companies Ordinance (Cap. 622 of the laws of Hong Kong), including future development in the Group's business, can be found in the "Chairman's Statement" and "Management Discussion and Analysis" section of this annual report. The above sections form part of this "Report of the Directors".

No important events affecting the Group have occurred since the end of the financial year and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

Details of principal risks and uncertainties are set out in the section headed "Management Discussion and Analysis" of this annual report on page 17.

SEGMENT INFORMATION

An analysis of the Group's operation for the year by business activities is set out in note 5 to the consolidated financial statements and the paragraphs headed "Business Review" under the section of "Management Discussion and Analysis" of this annual report.

RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2018 and the state of the Group's affairs as at 31 December 2018 are set out in the consolidated financial statements on pages 37 to 89 of this annual report.

The Board does not recommend the payment of any final dividend for the year ended 31 December 2018.

THREE-YEAR FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for three financial years, as extracted from the Prospectus and the audited consolidated financial statements, is set out on page 90 of this annual report. The summary does not form part of the audited consolidated financial statements.

INVESTMENT PROPERTY

The Group did not further invest in investment property during the year.

USE OF NET PROCEEDS FROM LISTING

The Company was successfully listed on the Main Board of the Stock Exchange by way of initial public offering on 25 April 2019. The Company issued 500,000,000 new Shares at HK$0.30 (equivalent to approximately HK$150 million) per Share for net proceeds of approximately HK$107.9 million, after deducting the underwriting commission and other related expenses payable by the Company in connection with the Share Offer.

As of the date of this Annual Report, due to the proximity in time between completion of the initial public offering and the year-end date, the proceeds had not been utilized. The Company intends to apply such proceeds in accordance with the purposes as disclosed in the Prospectus as follows:

% of total estimated net proceeds	Intended use
	For our U.S. furniture sales segment:
62.1%	• procurement of inventory
8.4%	• increase our sales and marketing efforts to further enhance brand loyalty, reputation and brand recognition
3.5%	• storage of new products to be procured
	For our furniture sales segment:
10.3%	• 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
2.9%	• procurement of inventory for our new points of sale
2.5%	• enhancing our brand awareness including brand building campaign
2.0%	• expansion of our warehouse in Singapore
8.3%	General working capital of our Group

The Company will use the proceeds in line with the table setting forth the detailed breakdown of the plans of use of proceeds (excluding the general working capital) as disclosed on page 292 of the Prospectus.

PROPERTY, PLANT AND EQUIPMENT

The Group acquired property, plant and equipment at cost of approximately S$1.3 million during the year. Details of the movements in property, plant and equipment of the Group during the year are set out in Note 15 to the consolidated financial statements.

SHARES ISSUED DURING THE YEAR

Details of the Shares issued during the year are set out in Note 25 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in Note 25 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 34 and Note 26 to the consolidated financial statements and in the consolidated statement of changes in equity on pages 39 to 40 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company did not have reserves available for cash distribution and/or distribution, as computed in accordance with the Companies Law of the Cayman Islands.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles of Association, or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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

During the year ended 31 December 2018, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2018, the Group's largest customer accounted for approximately 27.0% of the Group's revenue and the Group's five largest customers in aggregate accounted for approximately 67.3%.

For the year ended 31 December 2018, the aggregate amount of purchases attributable to the Group's five largest suppliers represented approximately 33.1% of the Group's total value of purchases. The Group's largest supplier accounted for approximately 12.1% of the Group's total value of purchases.

None of the Directors, their associates or any shareholders, which to the knowledge of the Directors own more than 5% of the Company's issued share capital, had any interests in the share capital of the five largest customers and suppliers of the Group.

RELATIONSHIP WITH KEY STAKEHOLDERS

The success of the Group depends on the support from key stakeholders which comprise customers, suppliers and employees.

Customers

Our customers primarily include furniture e-commerce sales platforms in the U.S., retail customers who purchase our products at our points of sales for our furniture sales segment in Singapore, and property developers and individual homeowners for our interior design segment. The Group has been devoted to providing good customer services with the purpose of maintaining a stable relationship, increasing sales and improving profitability.

Suppliers

In relation to our U.S. furniture sales and furniture sales segment, our major suppliers include companies which principally engage in manufacturing, trading and export of furniture. In relation to our interior design segment, our major suppliers are subcontractors providing fitting-out services and material suppliers. To achieve positive business growth, the Group maintains close relationship with its major suppliers to ensure stability of supply.

Employees

For the relationship between the Group and its employees, please refer to the paragraph headed "Employees and Remuneration Policy" as set out in the "Management Discussion and Analysis" on page 18 of this annual report.

DIRECTORS

The directors of the Company (the "**Directors**") during the year and up to the date of this report were:

Executive directors:

Mr. Goon Eu Jin Terence (appointed on 29 March 2018)
Ms. Wee Ai Quey (appointed on 29 March 2018)
Ms. Ong Ciu Hwa (appointed on 29 March 2018)

Non-executive directors:

Mr. Kho Chuan Thye Patrick (appointed on 29 March 2018)
Mr. Lim Sooi Kheng Patrick (appointed on 29 March 2018)

Independent non-executive directors:

Mr. Lim Boon Cheng (appointed on 28 March 2019)
Mr. Ng Chee Kwong, Colin (appointed on 28 March 2019)
Mr. Wee Kang Keng (appointed on 28 March 2019)

The biographical details of the Directors and senior management are set on pages 19 to 23 of this annual report. Details of the emoluments of the Directors and the five highest paid individuals are set out in Notes 10 and 11 to the consolidated financial statements, respectively.

The Company has received, from each of the independent non-executive Directors, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other and is subject to termination provisions therein and in the Articles.

Pursuant to the letters of appointment between the Company and the non-executive Directors and independent non-executive Directors, they have been appointed for a term of three years commencing from the Listing Date which may be terminated by either party by giving three months' written notice.

None of the Directors has any service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 December 2018.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in this Report, there was no contract of significance entered into between the Company or its holding company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries for the year ended 31 December 2018.

For the year ended 31 December 2018, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling shareholders or any of its subsidiaries.

INDEMNITY OF DIRECTORS

Pursuant to the Articles of Association of the Company, subject to the applicable laws and regulations, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts, except such (if any) as they shall incur of sustain through their own fraud or dishonesty. Such permitted indemnity provision has been in force since the date of incorporation throughout the year ended 31 December 2018. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

REMUNERATION POLICY

The remuneration policy of the employees of the Group is set up by the Remuneration Committee and is based on merit, qualifications and competence of employees. The remuneration policies of the Directors are decided by the Remuneration Committee having regard to the Group's operating results, individual performance and comparable market statistics.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 25 April 2019 (being the Listing Date), the interests and short positions of the directors and chief executive of the Company in the shares of the Company, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("**SFO**")) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have taken under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Appendix 10 to the Listing Rules, were as follows:

Name of director	Nature of interests	Number of Shares held	Position	Approximate percentage of the total issued Shares *(Note 4)*
Mr. Goon Eu Jin Terence	Interest in a controlled corporation *(Note 1)*	900,000,000	Long	45%
Ms. Wee Ai Quey	Interest in a controlled corporation *(Note 1)*	900,000,000	Long	45%
Mr. Kho Chuan Thye Patrick	Beneficial owner and Interest in a controlled corporation *(Notes 2 and 3)*	600,000,000	Long	30%

Notes:

1. Nobel Design International Limited beneficially owned 900,000,000 Shares on the Listing Date. It is an investment holding company incorporated in British Virgin Islands and is held as to 67% by Mr. Goon Eu Jin Terence and 33% by Ms. Wee Ai Quey. By virtue of the SFO, both Mr. Goon Eu Jin Terence and Ms. Wee Ai Quey are deemed to be interested in the Shares held by Nobel Design International Limited.

2. Mr. Kho Chuan Thye Patrick , a non-executive Director, directly holds 300,000,000 Shares, representing 15% of the total issued Shares.

3. Southern Cross Holdings Pte Ltd beneficially owned 300,000,000 shares on the Listing Date. It is an investment holding company incorporated in Singapore and is held as to 100% by Lian Huat Group Pte. Ltd., a wholly-owned subsidiary of Lian Keng Enterprises Pte. Ltd., which is held as to 49% by Mr. Kho Chuan Thye Patrick and 49% by Mr. Kho Choon Keng. By virtue of the SFO, Mr. Kho Chuan Thye Patrick is deemed to be interested in the Shares held by Southern Cross Holdings Pte Ltd.

4. The calculation is based on the total issued 2,000,000,000 Shares on the Listing Date.

Save as disclosed above, as at 31 December 2018, none of the Directors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or pursuant to the Model Code and which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 25 April 2019 (being the Listing Date), other than the interests of a Director or chief executive of the Company as disclosed under the heading "Directors' and Chief Executive's Interests in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations" above, the following persons (not being a Director or the chief executive officer of the Company) have an interest or a short position in the Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which would be required to be recorded in the register to be kept by the Company under Section 336 of the SFO:

Name of shareholder	**Capacity**	**Position**	**Number of Shares held**	**Approximate percentage of the total issued Shares** *(Note 3)*
Nobel Design International Limited *(Note 1)*	Beneficial interest	Long	900,000,000	45%
Southern Cross Holdings Pte Ltd *(Note 2)*	Beneficial interest	Long	300,000,000	15%
Lian Huat Group Pte. Ltd. *(Note 2)*	Interest in a controlled corporation	Long	300,000,000	15%
Lian Keng Enterprises Pte. Ltd. *(Note 2)*	Interest in a controlled corporation	Long	300,000,000	15%
Mr. Kho Choon Keng *(Note 2)*	Interest in a controlled corporation	Long	300,000,000	15%

Notes:

(1) Nobel Design International Limited is an investment holding company incorporated in the British Virgin Islands and is held as to 67% by Mr. Goon Eu Jin Terence and 33% by Ms. Wee Ai Quey. By virtue of the SFO, both Mr. Goon Eu Jin Terence and Ms. Wee Ai Quey are deemed to be interested in the Shares held by Nobel Design International Limited.

(2) Southern Cross Holdings Pte Ltd is an investment holding company incorporated in Singapore and is held as to 100% by Lian Huat Group Pte. Ltd., a wholly-owned subsidiary of Lian Keng Enterprises Pte. Ltd., which is held as to 49% by Mr. Kho Chuan Thye Patrick and 49% by Mr. Kho Choon Keng. By virtue of the SFO, Mr. Kho Chuan Thye Patrick and Mr. Kho Choon Keng are deemed to be interested in the Shares held by Southern Cross Holdings Pte Ltd.

(3) The calculation is based on the total issued 2,000,000,000 Shares on the Listing Date.

Save as disclosed above, as at the Listing Date, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTOR'S RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Share Option Scheme" below, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouses or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

On 28 March 2019, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board can grant options for the subscription of the Shares to the directors and employees of the Group and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of Shares that can be issued according to the Share Option Scheme was 200,000,000 Shares, which is equivalent to 10% of the issued capital of the Company as at the date of this report. Unless otherwise approved by the shareholders of the Company in general meeting, the number of Shares that may be issued upon exercise of the options granted to a Participant shall not exceed 1% within any 12-month period. Prior shareholders' approval is required if any grant of options to the substantial shareholders (as defined in the Listing Rules) of the Company or the independent non-executive Directors or any of their respective associates (as defined in the Listing Rules), would result in the Share issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled or outstanding) to such person in the 12-month period up to and including the date of such grant:

(a) representing in aggregate over 0.1% of our Shares in issue on the date of such grant; and

(b) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant, in excess of HK$5 million.

There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board; however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the Shares on the daily quotation sheets of the Stock Exchange on the date of grant which must be a business day; (b) the average closing price of the Shares on the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant; and (c) nominal value of the Share on the date of grant. Each grantee shall pay a consideration of HK$1.00 for the grant of the option. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the adoption of the Share Option Scheme, no options have been granted up to the date of this report.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year or subsisted at the end of the year.

COMPETING INTERESTS

Since the date of Listing and up to the date of this report, none of the Directors, the Controlling Shareholders or their respective associates (as defined in the Listing Rules) had any interests (other than their interests in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

RELATED PARTY TRANSACTIONS

Certain related party transactions which are significant are disclosed in Note 30 to the consolidated financial statements. Such related party transactions do not constitute connected transactions which are subject to the disclosure, annual review and reporting requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

As the Company was not listed on the Stock Exchange in 2018, the relevant provisions under Chapter 14A of the Listing Rules regarding connected transaction were not applicable to the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Board believes that it is essential for the Group to be as environmentally responsible as possible in the execution of the interior design projects. The fitting-out services provided by the Group's subcontractors in Singapore, Malaysia and Brunei are subject to certain laws and regulations related to environmental protection.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Environmental, Social and Governance Report of the Company prepared in accordance with Appendix 27 to the Listing Rules will be published within three months after the publication of this annual report on the websites of the Company and the Stock Exchange.

COMPLIANCE WITH LAWS AND REGULATIONS

During the year, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report and based on publicly available information and the best knowledge of the Directors, the Company has sufficient public float as required under Rule 8.08 of the Listing Rules.

EVENT AFTER THE REPORTING PERIOD

Details of significant events occurring after the reporting period are set out in Note 33 to the consolidated financial statements.

AUDITORS

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by Ernst & Young LLP, Singapore and there has been no change of auditors of the Company the preceding three years.

On behalf of the Board

Goon Eu Jin Terence
Chairman

Hong Kong, 25 April 2019

EY 安永

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INDEPENDENT AUDITOR'S REPORT

To the shareholders of Design Capital Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Design Capital Limited (the "Company") and its subsidiaries (the "Group") set out on pages 37 to 89, which comprise the consolidated statement of financial position as at 31 December 2018, and the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") approved by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

1. REVENUE RECOGNITION FOR INTERIOR DESIGN CONTRACTS

The Group enters into interior design contracts with customers for which the Group recognizes revenue over time. The revenue for the interior design contracts is recognised using the input method as work progresses. Management estimates the total revenue and budgeted costs at the commencement of the contracts and regularly assess the progress of interior design works as well as the financial impact of scope changes, claims, disputes and liquidation damages. The management's estimate of revenue and budgeted costs requires significant judgement and estimates which has a significant impact on the amount and timing of revenue recognised. For this reason, we identified revenue recognition from interior design contracts as key audit matter. The relevant disclosure is disclosed in Note 4 to the consolidated financial statements.

During our audit, we understood, evaluated and validated on a sample basis, the internal controls relating to the contract budgeting and management process. In our testing of the revenue recognition, we selected a sample of interior design contracts and discussed with management and the respective project teams about the progress of the projects. In addition, we assessed management's estimates of the impact to revenue and budgeted costs arising from scope changes made to the original contracts, claims, disputes and liquidation damages with reference to supporting documents including variation orders. We also tested, on a sample basis, the costs incurred on interior design works during the financial year. Additionally, we tested the mathematical accuracy of the revenue and profit by recalculating the budgeted costs and the total actual costs incurred, and the revenue recognised.

2. PROVISION FOR SALES RETURNS FROM CUSTOMERS

When the Group recognizes revenue from the sale of its furniture, an estimate of sales returns is recorded at the same time in arriving at the reported net furniture sales revenue. Management consider historical trends as well as other factors which could significantly influence the estimation of sales returns, such as product quality, fluctuations in consumer demand, changes in customer base and return rights of the respective products. Due to the degree of estimation and subjectivity applied by management in determining the provision for sales return, we considered this a key audit matter. Provision for customer sales return is disclosed in Note 4(c) to the consolidated financial statements.

We reviewed the basis and processes used by management in estimating sales return. We understood, evaluated and validated, on a sample basis, the internal controls relating to the estimation of sales returns. Our audit procedures included, amongst others, obtaining the schedules for provision for sales returns prepared by management and testing mathematical accuracy of the schedules. We also analyzed the methodology and inputs used by management in the estimation process. In addition, we compared the actual sales return to prior year estimate of the provision to assess management's ability to accurately estimate the provision. We also considered the appropriateness of the Group's disclosures on provision for sales returns.

3. IMPAIRMENT OF TRADE RECEIVABLES

The Group has trade receivables of $15,695,000 as of 31 December 2018. The Group determines expected credit losses for trade receivables by making debtor-specific assessment for credit-impaired debtors and using provision matrix method for the remaining group of debtors. In determining the estimated credit loss allowance for the Group's trade receivables as at year end, management has considered various factors such as the age of the outstanding balances, historical payment and credit loss patterns as well as the forecast of future macro-economic conditions over the expected life of the Group's trade receivables, which require significant management judgement. Accordingly, we determined that this is a key audit matter. Trade receivables is disclosed in Note 17 to the consolidated financial statements.

As part of our audit procedures, we assessed the Group's processes and key controls relating to the monitoring of trade receivables, including the process in determining whether a specific debtor is credit-impaired. We also considered the ageing of the receivables to identify collection risks. We evaluated management's assumptions and inputs used in the computation of historical credit loss rates and reviewed data and information that management has used to make forward-looking adjustments. We requested trade receivable confirmations, and reviewed for collectability by way of obtaining evidence of subsequent receipts from the selected trade receivables. We had discussions with management on their assessment of the recoverability of long outstanding trade receivables, analysed trend of collections and assessed management's assumptions used to determine expected credit losses for such trade receivables notably through consideration of their specific profiles and risks.

4. NET REALISABLE VALUE FOR SLOW MOVING INVENTORIES

The Group sells furniture and related accessories which is subject to changing consumer demands and fashion trends. Significant judgement is involved in estimating the write-down of inventory. Judgement is required to assess the appropriate level of write-down for items which may be ultimately destroyed or sold below cost as a result of a reduction in consumer demand. Such judgements include management's expectations for future sales and market condition. Inventories is disclosed in Note 16 to the consolidated financial statements.

Our procedures in relation to assessment of net realizable value of inventories include, amongst others, evaluating the accuracy of aging analysis of the inventories by checking, on a sample basis, to the invoices and other relevant supporting documents to assess the judgment of the management for estimating the allowance for obsolete and slow-moving inventories based on the aging analysis. We also reviewed the basis for the inventory write-down, the consistency of write-down in line with the Group's policy and the rationale for the recording of specific allowance for inventory obsolescence. In addition, we compared the actual selling prices of the inventories subsequent to year end, on a sample basis, to their carrying amounts to check whether the inventories are stated at the lower of cost and net realizable value. We also observed the stocktake process at selected locations near period end and observed the process for identification of damaged inventories.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs approved by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee 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.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The partner in charge of the audit resulting in this independent auditor's report is Low Bek Teng.

Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

25 April 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2018

	Notes	2018 S$'000	2017 S$'000
REVENUE	6(a)	109,744	100,929
Cost of sales		(75,863)	(68,732)
Gross profit		33,881	32,197
Other income and gain, net	7	553	637
Selling and distribution expenses		(13,139)	(13,203)
Administrative expenses		(11,787)	(9,378)
Finance costs	8	(4)	(38)
PROFIT BEFORE TAX	9	9,504	10,215
Income tax	12	(2,586)	(1,671)
PROFIT FOR THE YEAR		6,918	8,544
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		712	(1,542)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF INCOME TAX		712	(1,542)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		7,630	7,002
Profit for the year attributable to:			
Shareholders of the Company		5,656	7,057
Non-controlling interests		1,262	1,487
		6,918	8,544
Total comprehensive income for the year attributable to:			
Shareholders of the Company		6,336	5,733
Non-controlling interests		1,294	1,269
		7,630	7,002
EARNINGS PER SHARE ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY	14		
Basic and diluted (S$)		0.38	0.47

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2018

	Notes	2018 *S$'000*	2017 *S$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*15*	1,629	825
Deposits	*18*	686	82
Total non-current assets		2,315	907
CURRENT ASSETS			
Inventories	*16*	30,891	21,266
Contract assets	*6(b)*	34	110
Trade receivables	*17*	15,143	9,268
Prepayments, deposits and other receivables	*18*	1,899	1,675
Cash and cash equivalents	*19*	15,469	20,891
Total current assets		63,436	53,210
CURRENT LIABILITIES			
Contract liabilities	*6(b)*	6,054	5,327
Trade payables	*20*	8,305	5,304
Other payables and accruals	*21*	18,506	13,720
Obligations under finance leases	*22*	54	26
Income tax payables		4,669	5,101
Total current liabilities		37,588	29,478
NET CURRENT ASSETS		25,848	23,732
TOTAL ASSETS LESS CURRENT LIABILITIES		28,163	24,639
NON-CURRENT LIABILITIES			
Obligations under finance leases	*22*	132	27
Provision for reinstatement costs	*23*	222	233
Deferred tax liabilities	*24*	25	25
Total non-current liabilities		379	285
NET ASSETS		27,784	24,354
EQUITY			
Equity attributable to shareholders of the Company			
Issued capital	*25*	—#	—
Reserves	*26*	24,965	22,637
		24,965	22,637
Non-controlling interests		2,819	1,717
TOTAL EQUITY		27,784	24,354

Less than S$500.

Goon Eu Jin Terence
Director

Wee Ai Quey
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to shareholders of the Company								
	Issued capital *S$'000*	Share premium account *S$'000*	Capital reserve *S$'000* *(note 26(ii))*	Merger reserve *S$'000* *(note 26(iii))*	Exchange fluctuation reserve *S$'000*	Retained profits *S$'000*	Total *S$'000*	Non-controlling interests *S$'000*	Total equity *S$'000*
At 1 January 2017	—	—	3,161	1,655	1,214	16,611	22,641	5,096	27,737
Profit for the year	—	—	—	—	—	7,057	7,057	1,487	8,544
Other comprehensive loss for the year:									
Exchange differences on translation of foreign operations	—	—	—	—	(1,324)	—	(1,324)	(218)	(1,542)
Total comprehensive income/(loss) for the year	—	—	—	—	(1,324)	7,057	5,733	1,269	7,002
Conversion of redeemable convertible preference shares of a subsidiary by Nobel Design Holdings Pte Ltd *(note 26(ii))*	—	—	(2,500)	2,500	—	—	—	—	—
Acquisition of non-controlling interests of a subsidiary by Nobel Design Holdings Pte Ltd	—	—	1,603	1,532	—	—	3,135	(3,135)	—
Dividends declared by subsidiaries to their then shareholders	—	—	—	—	—	(8,872)	(8,872)	(1,513)	(10,385)
At 31 December 2017	—	—*	2,264*	5,687*	(110)*	14,796*	22,637	1,717	24,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to shareholders of the Company								
	Issued capital *S$'000*	**Share premium account** *S$'000*	**Capital reserve** *S$'000* *(note 26(ii))*	**Merger reserve** *S$'000* *(note 26(iii))*	**Exchange fluctuation reserve** *S$'000*	**Retained profits** *S$'000*	**Total** *S$'000*	**Non-controlling interests** *S$'000*	**Total equity** *S$'000*
At 1 January 2018	–	–	2,264	5,687	(110)	14,796	22,637	1,717	24,354
Profit for the year	–	–	–	–	–	5,656	5,656	1,262	6,918
Other comprehensive income for the year:									
Exchange differences on translation of foreign operations	–	–	–	–	680	–	680	32	712
Total comprehensive income for the year	–	–	–	–	680	5,656	6,336	1,294	7,630
Issue of new shares for acquisition of subsidiaries pursuant to the Reorganisation (as defined in note 1)	–#	1,679	–	(1,679)	–	–	–	–	–
Capital distribution by a subsidiary to its then shareholders *(note 13(b))*	–	–	–	(4,008)	–	–	(4,008)	(192)	(4,200)
At 31 December 2018	–#	1,679*	2,264*	–*	570*	20,452*	24,965	2,819	27,784

* These reserves accounts comprise the consolidated reserves of S$24,965,000 (2017: S$22,637,000) in the consolidated statements of financial position as at 31 December 2018.

Less than S$500.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 *S$'000*	2017 *S$'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,504	10,215
Adjustments for:			
Interest income	*7*	(298)	(193)
Finance costs	*8*	4	38
Depreciation	*9*	522	603
Loss/(gain) on disposal of items of property, plant and equipment, net	*9*	5	(8)
Write-off of items of property, plant and equipment	*9*	10	17
(Reversal of provision)/provision for write-down of inventories to net realisable value, net	*9*	(20)	349
Provision for expected credit losses of trade receivables, net	*9*	35	89
		9,762	11,110
Increase in inventories		(8,739)	(3,043)
Decrease in contract assets		76	206
Increase in trade receivables		(5,670)	(241)
Increase in prepayments, deposits and other receivables		(797)	(329)
Increase/(decrease) in contract liabilities		727	(244)
Increase in trade payables		2,892	21
Increase in other payables and accruals		4,109	930
Cash generated from operations		2,360	8,410
Income taxes paid		(3,095)	(784)
Net cash flows (used in)/generated from operating activities		(735)	7,626
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		287	147
Purchase of items of property, plant and equipment	*28(a)*	(1,116)	(166)
Proceeds from disposal of items of property, plant and equipment		15	8
Decrease in time deposits with maturity of more than three months when acquired		8,274	6,421
Increase in time deposits with maturity of more than three months when acquired		(5,093)	(8,998)
Net cash flows from/(used in) investing activities		2,367	(2,588)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Notes	2018 *S$'000*	2017 *S$'000*
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in pledged deposits	*28(b)*	—	734
New trust receipt loans	*28(b)*	345	12,005
Repayment of trust receipt loans	*28(b)*	(345)	(12,375)
Capital element of finance leases rental payments	*28(b)*	(40)	(34)
Interest element of finance leases rental payments	*8*	(4)	(2)
Other interest paid	*8*	—	(36)
Dividends paid to the then shareholders of subsidiaries		(4,050)	(3,134)
Net cash flows used in financing activities		(4,094)	(2,842)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(2,462)	2,196
Cash and cash equivalents at beginning of year		10,049	8,550
Effect of foreign exchange rate changes, net		222	(697)
CASH AND CASH EQUIVALENTS AT END OF YEAR		7,809	10,049
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances other than time deposits	*19*	7,809	10,049
Time deposits	*19*	7,660	10,842
Cash and cash equivalents as stated in the consolidated statements of financial position		15,469	20,891
Less: Time deposits with maturity of more than three months when acquired		(7,660)	(10,842)
Cash and cash equivalents as stated in the consolidated statements of cash flows		7,809	10,049

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 Square, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands.

Subsequent to the reporting period, the Company made an offer to the public for subscription of its new shares and undertook a placing of its new shares (collectively, the "Share Offer") in connection with the listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Dealing of the Company's shares on the Stock Exchange commenced on 25 April 2019.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in (i) interior design, (ii) furniture sales which include both furniture sales and project sales, and (iii) U.S. furniture sales.

As at the date of this report, in the opinion of the directors of the Company, Nobel Design International Limited, a company incorporated in the British Virgin Islands ("BVI"), is the immediate holding company and the ultimate holding company of the Company.

The Company and its subsidiaries now comprising the Group underwent a reorganisation (the "Reorganisation"), which involved the acquisition of all operating subsidiaries of the Group by a subsidiary of the Company, as further detailed in the section headed "History, Development and Reorganisation – Reorganisation" in the prospectus of the Company dated 11 April 2019 (the "Prospectus"). Apart from the Reorganisation, the Company has not actively engaged in any business or operation since its incorporation.

The Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies having substantially similar characteristics to a private company incorporated in Hong Kong, the particulars of which as at 31 December 2018 are set out below:

Company name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Design Capital (BVI) Limited*	BVI/Singapore	S$1	100	Investment holding
Design Capital Pte. Ltd.	Singapore	S$1	100	Investment holding
Numero Uno Creative Group Private Limited	Singapore	S$100,000	60	Interior design
Nobel Design Sdn Bhd	Brunei	B$500,000	52	Interior design
Nobel Reka Cipta Sdn Bhd	Malaysia	RM100,000	100	Interior design

1. CORPORATE INFORMATION (continued)

Company name	Place of incorporation and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company %	Principal activities
Marquis Furniture Gallery Pte Ltd	Singapore	S$430,000	100	Furniture sales and interior design
Momentum Creations Pte Ltd	Singapore	S$163,000	84.2	Furniture sales
Marquis HQO Pte Ltd	Singapore	S$200,000	90	Furniture project sales
Marquis HNC Pte. Ltd.	Singapore	S$150,000	90	Furniture project sales
Buylateral Group Pte. Ltd. ("Buylateral Singapore")	Singapore	S$3,403,436	95.4	U.S. furniture sales
Buylateral.com (M) Sdn Bhd	Malaysia	RM2	95.4	Procurement of furniture
Target Marketing Systems, Inc.	United States of America ("U.S.")	US$1,000	95.4	U.S. furniture sales

* Except for this entity which is directly held by the Company, all other subsidiaries are indirectly held by the Company.

2.1 BASIS OF PRESENTATION

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 has 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 years ended 31 December 2018 and 2017 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 2017 and 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.

All intra-group transactions and balances have been eliminated on consolidation.

2.2 BASIS OF PREPARATION

The financial statements has 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. All IFRSs effective for the accounting period commencing from 1 January 2018, have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2018.

These financial statements have been prepared under the historical cost convention and are presented in Singapore dollars ("S$") with all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee). As explained in note 2.1 above, the acquisition of subsidiaries under common control has been accounted for using the principles of merger accounting.

The merger method of accounting involves incorporating the financial statements items of the combined entities or business in which the common control combination occurs as if they had been combined from the date when the combining entities or business first came under the control of the controlling party. The net assets of the combining entities or business are combined using the existing book values from the controlling party's perspective. The consolidated statements of profit or loss and other comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or business first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The acquisition of subsidiaries other than those under common control is accounted for using the acquisition method.

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2.2 BASIS OF PREPARATION (continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, which have been issued but are not yet effective, in the financial statements:

Amendments to IFRS 3	*Definition of Business*[5]
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 16	*Leases*[1]
IFRS 17	*Insurance Contracts*[3]
Amendments to IAS 1 and IAS 8	*Definition of Material*[2]
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*[1]
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
IFRIC 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015–2017 Cycle	*Amendments to the following four IFRSs:*
	IFRS 3 Business Combinations[1]
	IFRS 11 Joint Arrangements[1]
	IAS 12 Income Tax[1]
	IAS 23 Borrowing Costs[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption
5 Effective for business combinations for which the acquisition date is on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period

Other than explained below regarding the impact of IFRS 16, the adoption of the above new and revised standards and interpretation is not expected to have a significant financial effect on the financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRS 16 replaces 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 recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in IAS 40 *Investment Property*. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

IFRS 16 requires lessees to make more extensive disclosures than under IAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt IFRS 16 from 1 January 2019. The Group plans to adopt the transitional provisions in IFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits as at 1 January 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases under IAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the consolidated statement of financial position immediately before the date of initial application.

The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application. During 2018, the Group has performed a detailed assessment on the impact of adoption of IFRS 16. The Group has estimated that right-of-use assets and lease liabilities of S$5,071,000 will be recognised as at 1 January 2019.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The results of a subsidiary are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a holding company of the Group; or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or a joint venture of the other entity (or of a holding company, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a holding company of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to a holding company of the Group.

Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that property, plant and equipment may be impaired. If any indication exists, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value-in-use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

	Useful lives
Leasehold improvements	3–5 years or over the lease terms of the relevant retail stores, whichever is the shorter
Furniture and office equipment	3–5 years
Equipment	3–5 years
Motor vehicles	5 years

The carrying value of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, as appropriate.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the period the asset is derecognised.

Leases

The Group leases motor vehicles and equipment under finance leases and points of sale, warehouses, and office space under operating leases from non-related parties.

(a) Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

(a) Lessee – Finance leases (continued)

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

(b) Lessee – Operating leases

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

Financial assets

Initial recognition and measurement

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. The Group's financial assets are all classified, at initial recognition, as subsequently measured at amortised cost. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payments of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

Subsequent measurement

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial assets (continued)

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment

The Group recognises a provision for expected credit losses for all debt instruments not held at fair value through profit or loss. Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

Expected credit losses are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, expected credit losses are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month expected credit loss). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime expected credit loss).

For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime expected credit losses at each reporting date. The Group makes allowance for expected credit losses based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Initial recognition and measurement

Financial liabilities of the Group are all classified, at initial recognition, as loans and borrowings. All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

Subsequent measurement

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest amortisation is included in finance costs in profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of presentation in the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions and net of bank overdrafts (if any).

For the purpose of the statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method, and comprises all costs of purchase and other costs incurred in bringing the inventories to their present location and condition.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably. Provisions are not recognised for future operating losses.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance expense.

Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

Government grant relating to an asset is presented in the statements of financial position by deducting the grant in arriving at the carrying amount of the asset.

Government grant relating to income is recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate. Government grants relating to income are included in other income.

Borrowing costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the acquisition or construction of qualifying assets. Borrowing costs that are directly attributable to acquisition and construction of a qualifying asset is capitalised as part of the cost of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress until the asset is ready for its intended use or sale.

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) Defined contribution plans

The Group participates in the national pension scheme in Singapore under which the Group makes contributions to the Central Provident Fund scheme. Contributions are made based on a percentage of the employee's salaries and are recognised as an expense in the period in which the related service is performed.

(b) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing based on a formula that takes into consideration the profit attributable to the Company's shareholders after certain adjustments. The Group recognises a provision when contractually obliged to pay or when there is a past practice that has created a constructive obligation to pay.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when or as the control of the asset is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the asset may be transferred over time or at a point in time. Control of the asset is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates and enhances an asset that the customer controls as the Group performs; or
- do not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

(a) Sale of goods – Trading income

Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customers which generally coincides with delivery and acceptance of the goods sold.

(b) Rendering of service – Revenue on interior design contracts

Revenue from interior design contracts is recognised over time, using an input method to measure progress towards complete satisfaction of the service.

The progress towards complete satisfaction of the performance obligation is measured based on the Group's efforts or inputs to the satisfaction of the performance obligation, by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract.

(c) Interest income

Interest income is recognised using the effective interest method.

Contract balances

(a) Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

(b) Trade receivables

A trade receivable represents the Group's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contract balances (continued)

(c) Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

The financial statements is presented in S$, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

The assets and liabilities of foreign operations are translated into S$ at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in the exchange fluctuation reserve as other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Dividends

Final dividends are recognised as a liability when they have been approved by the shareholders of relevant entities comprising the Group in a general meeting.

Interim dividends are recognised immediately as a liability when they are proposed and declared by directors of relevant entities comprising the Group, as the memorandum and articles of association of these entities grant their directors the authority to declare interim dividends.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Key sources of estimation uncertainty (continued)

(a) Revenue of interior design contracts

For the interior design contracts with customers where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring the promised interior design service to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the renovation contracts. The measure of progress is based on the costs incurred to date as a proportion of total contract costs expected to be incurred up to the completion of the renovation contracts.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the measure of progress and the contract revenue respectively. In making these estimates, management has relied on past experience and the work of specialists.

If the total contract values on uncompleted contracts at the end of each of the reporting period had been higher/lower by 10% from management's estimates, the Group's revenue and gross profit before income tax would have been higher/lower by S$1,082,000 and S$1,212,000 for the years ended 31 December 2017 and 2018, respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by 10% from management's estimates, the Group's profit before income tax would have been lower/higher by S$669,000 and S$714,000 for the years ended 31 December 2017 and 2018, respectively.

(b) Provision for expected credit losses of trade receivables and contract assets

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected credit loss provisions for all trade receivables and contract assets. The details of the estimation of the lifetime expected loss provisions as at 31 December 2017 and 2018 are set out in note 32(a) to the financial statements.

If the net present values of estimated cash flows had been higher/lower by 10% from management's estimates for all past due trade receivables, the provision for expected credit losses of the Group would have been higher/lower by S$387,000 and S$332,000 as at 31 December 2017 and 2018, respectively.

(c) Estimate of customer sales returns

The Group's gross furniture sales are subject to sales returns deductions in arriving at reported net furniture sales. When the Group recognises revenue from the sale of its furniture, an estimate of sales returns is recorded which reduces furniture sales.

The estimate of sales returns reflects historical experience of sales to customers and is reviewed regularly to ensure that it reflects potential furniture returns. Based on past experience, only the Group's sales of furniture under the U.S. furniture sales segment incurred more than insignificant amount of sales returns. In this regard, the Group recorded a returns provision ranging from 2% to 6% of gross sales under U.S. furniture sales segment. The management reviews the return provision annually and adjust the reserve amounts if actual sales returns differ materially from the reserve percentage.

If the sales return amounts had been higher/lower by 10% from management's estimates, the Group's profit before tax would have been lower/higher by S$474,000 and S$509,000 for the years ended 31 December 2017 and 2018, respectively.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the financial statements:

(a) Revenue from contracts with customers

The Group applied the following judgements that significantly affect the determination of the amount and timing of revenue from contracts with customers:

- Identifying performance obligations in a bundled sale of furniture and interior design services

  The Group provides interior design services that are either sold separately or bundled together with the sale of furniture to a customer. The interior design services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer.

  The Group determined that both the sale of furniture and interior design services are not capable of being distinct. The Group determined that the promises to transfer the furniture and to provide interior design service are not distinct within the context of the contract. The furniture and interior design service are inputs to a combined item in the contract. The Group is providing a significant integration service because the presence of the furniture and interior design together in this contract result in additional or combined functionality and the furniture or the interior design service modify or customise the other. Consequently, the Group considered the sale of furniture and the interior design service as a single performance obligation.

- Determining the timing of satisfaction of interior design services

  The Group concluded that revenue for interior design services is to be recognised over time because the customer simultaneously receives and consumes the benefits provided by the Group. The fact that another entity would not need to re-perform the interior design that the Group has provided to date demonstrates that the customer simultaneously receives and consumes the benefits of the Group's performance as it performs.

  The Group determined that the input method is the best method in measuring progress of the interior design services because there is a direct relationship between the Group's effort and the transfer of service to the customer. The Group recognises revenue on the basis of cost incurred relative to the total budgeted cost to complete the service.

(b) Net realisable value for slow-moving inventories

The management carries out an inventory review on a product-by-product basis at the end of each reporting period taking into account the age of inventory. Aged inventories with slow turnaround are written down to lower of cost and net realisable value. The management estimates the net realisable value for such inventories based primarily on the latest invoice prices and current market conditions. Management has written down approximately S$605,000 and S$308,000 of its slow-moving inventories as at 31 December 2017 and 2018, respectively. The carrying amount of inventories was S$21,266,000 and S$30,891,000 as at 31 December 2017 and 2018, respectively. Inventories are disclosed in note 16 to the financial statements.

5. 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 three 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 instals 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.

5. SEGMENT INFORMATION (continued)

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: Intersegment 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

5. SEGMENT INFORMATION (continued)

Year ended 31 December 2017	Interior design *S$'000*	Furniture sales *S$'000*	U.S. furniture sales *S$'000*	Corporate *S$'000*	Total *S$'000*
Segment revenue:					
Segment revenue	11,379	24,494	67,288	–	103,161
Less: Intersegment sales	(412)	(1,820)	–	–	(2,232)
Sales to external customers	10,967	22,674	67,288	–	100,929
Segment results	2,706	796	6,713	–	10,215
Segment assets	5,733	15,112	33,272	–	54,117
Segment liabilities	4,253	10,323	15,187	–	29,763
Other segment information:					
Interest income	(23)	(56)	(114)	–	(193)
Finance costs	–	21	17	–	38
Depreciation	42	403	158	–	603
Provision/(reversal of provision) for write-down of inventories to net realisable value, net	2	(3)	350	–	349
(Reversal of provision)/provision for expected credit losses of trade receivables, net	(14)	22	81	–	89
Capital expenditure *	16	188	32	–	236

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

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

	2018 *S$'000*	2017 *S$'000*
Singapore	1,137	456
U.S.	487	361
Malaysia and Brunei	5	8
	1,629	825

The non-current assets information above is based on the location of the assets and excludes financial assets.

5. SEGMENT INFORMATION (continued)

Information about major customers

During the year, the Group had transactions with three (2017: three) external customers which individually contributed over 10% of the Group's total revenue, details of which are set out below:

	2018 *S$'000*	2017 *S$'000*
Customer A	26,042	25,013
Customer B	11,784	13,873
Customer C	29,597	20,236

6. 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.

(a) Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	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

6. REVENUE (continued)

(a) Disaggregated revenue information (continued)

	Year ended 31 December 2017			
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	–	22,674	67,288	89,962
Service income – interior design	10,967	–	–	10,967
Total revenue from contracts with customers	10,967	22,674	67,288	100,929
Geographical markets				
Singapore	9,629	22,674	–	32,303
U.S.	–	–	67,288	67,288
Malaysia and Brunei	1,338	–	–	1,338
Total revenue from contracts with customers	10,967	22,674	67,288	100,929
Timing of revenue recognition				
Goods transferred at a point in time	–	16,140	67,288	83,428
Goods and services transferred over time	10,967	6,534	–	17,501
Total revenue from contracts with customers	10,967	22,674	67,288	100,929

(b) Contract balances

An analysis of contract balances as at the end of each of the reporting period is as follows:

	2018 *S$'000*	2017 *S$'000*
Contract assets *(note (i))*	34	110
Trade receivables *(note 17)*	15,143	9,268
Contract liabilities *(note (ii))*	(6,054)	(5,327)

6. REVENUE (continued)

(b) Contract balances (continued)

Notes:

(i) Contract assets are the Group's rights to consideration for work performed on renovation contracts which will become unconditioned upon successful completion of the renovation services. Contract assets are transferred to trade receivables when the rights to consideration become unconditional.

(ii) Contract liabilities are the Group's obligations to transfer goods or services to customers for which the Group has received consideration from customers, including progress billings received from customers for renovation services in progress and upfront deposits collected from customers prior to the commencement of renovation work or delivery of goods. Contract liabilities are recognised as revenue when the Group performs under the contract.

Set out below is the amount of revenue recognised from amounts included in contract liabilities at the beginning of the reporting period:

	2018 *S$'000*	2017 *S$'000*
Revenue recognised that was included in contract liabilities at the beginning of the year	4,977	4,663

None of the Group's revenue recognised during each of the reporting period related to performance obligations satisfied in previous years.

(c) Unsatisfied performance obligations

For interior design services, the Group recognises revenue according to the accounting policies as set out in note 3 to the financial statements. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts.

Sale of goods were made in a short period of time and the performance obligation was satisfied in one year or less at the end of the reporting period.

7. OTHER INCOME AND GAIN, NET

An analysis of the Group's other income and gain, net is as follows:

	2018 *S$'000*	2017 *S$'000*
Other income		
Commission income	9	28
Interest income	298	193
Miscellaneous income	246	408
	553	629
Gain, net		
Gain on disposal of items of property, plant and equipment, net	–	8
Other income and gain, net	553	637

8. FINANCE COSTS

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

	2018	2017
	S$'000	*S$'000*
Interest on trust receipts loans	–	36
Interest on finance leases	4	2
	4	38

9. PROFIT BEFORE TAX

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

	Notes	2018	2017
		S$'000	*S$'000*
Cost of goods sold		70,260	63,143
Cost of services provided		5,603	5,589
Depreciation	*15*	522	603
Minimum lease payment under operating leases		5,616	6,022
Auditor's remuneration		200	75
Employee benefit expense (excluding directors' remuneration) *(note 10)*:			
Salaries, allowances and benefits in kind		7,022	6,977
Pension scheme contributions		811	798
		7,833	7,775
Loss/(gain) on disposal of items of property, plant and equipment, net		5	(8)
Write-off of items of property, plant and equipment	*15*	10	17
(Reversal of provision)/provision for write-down of inventories to net realisable value, net		(20)	349
Provision for expected credit losses of trade receivables, net	*17(d)*	35	89
Foreign exchange differences, net		61	488
Listing expenses		2,881	–

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' remuneration for the year, disclosed pursuant to The Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

Certain of the Company's directors are directors and/or employees of the subsidiaries now comprising the Group during the year. The remuneration of these directors as recorded in the financial statements of the subsidiaries during the year is set out below:

	Year ended 31 December	
	2018	2017
	S$'000	*S$'000*
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	168	168
Performance related bonuses *	714	784
Pension scheme contributions	8	11
	890	963

* Certain executive directors of the Company are entitled to bonus payments which are determined as a percentage of the consolidated profit for the year of Nobel Design Holdings Pte Ltd.

(a) Independent non-executive directors

No fee was paid to independent non-executive directors during the year (2017: Nil) as Mr. Lim Boon Cheng, Mr. Ng Chee Kwong, Colin and Mr. Wee Kang Keng were appointed as independent non-executive directors of the Company subsequent to the reporting period on 28 March 2019.

10. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

(b) Executive directors

Upon incorporation of the Company in the Cayman Islands on 29 March 2018, Mr. Goon Eu Jin Terence was appointed as an executive director and the chief executive of the Company, Ms. Wee Ai Quey and Ms. Ong Ciu Hwa were appointed as executive directors of the Company, and Mr. Lim Sooi Kheng Patrick and Mr. Kho Chuan Thye Patrick were appointed as non-executive directors of the Company.

An analysis of these directors' remuneration, on a named basis, is as follows:

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Pension scheme contributions	Total
	S$'000	*S$'000*	*S$'000*	*S$'000*	*S$'000*
Year ended 31 December 2018					
Executive directors					
Goon Eu Jin Terence	–	–	–	–	–
Wee Ai Quey	–	168	714	8	890
Ong Ciu Hwa	–	–	–	–	–
	–	168	714	8	890
Year ended 31 December 2017					
Executive directors					
Goon Eu Jin Terence	–	–	–	–	–
Wee Ai Quey	–	168	784	11	963
Ong Ciu Hwa	–	–	–	–	–
	–	168	784	11	963

During the year, no remuneration was paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group or as compensation for loss of office.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group during the year included one (2017: one) director, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining 4 highest paid employees who are neither a director nor the chief executive are as follows:

	2018 *S$'000*	2017 *S$'000*
Salaries, allowances and benefits in kind	578	561
Performance related bonuses	448	406
Pension scheme contributions	48	59
	1,074	1,026

The number of the non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2018	2017
Nil to HK$1,000,000	1	1
HK$1,000,001 to HK$1,500,000	2	2
HK$2,000,001 to HK$2,500,000	1	1
	4	4

During the year, no remuneration was paid by the Group to any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

12. INCOME TAX

(a) Applicable income tax rates

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

A summary of applicable income tax rates of the jurisdictions in which the Group has operations during the year is as follows:

	2018	2017
	%	*%*
Singapore	17	17
U.S. – Federal tax	21	34
U.S. – State tax	7	5.25–7
Brunei	18.5	18.5
Malaysia	24	24

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

	2018	2017
	S$'000	*S$'000*
Current – Singapore:		
Charge for the year	2,084	1,166
Under/(over)-provision in respect of prior years	8	(206)
Current – U.S.		
Charge for the year	402	745
Underprovision in respect of prior years	92	65
Current – Others:		
Charge for the year	–	2
	2,586	1,772
Deferred tax *(note 24)*	–	(101)
	2,586	1,671

12. INCOME TAX (continued)

(b) Income tax in the consolidated statements of profit or loss and other comprehensive income: (continued)

A reconciliation of the tax expense applicable to profit before tax at the applicable statutory tax rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates, are as follows:

	2018 *S$'000*	2017 *S$'000*
Profit before tax	9,504	10,215
Tax expense at the statutory tax rates of the respective jurisdictions	2,455	1,979
Effects of partial tax exemptions, reliefs and rebates*	(215)	(197)
Adjustment in respect of current tax of previous periods	100	(141)
Income not subject to tax	(34)	(26)
Expenses not deductible for tax	185	116
Deferred tax assets not recognised	91	1
Tax losses utilised from previous periods	(4)	(64)
Others	8	3
Tax expense at the effective tax rate of 16.4% and 27.2% for the years ended 31 December 2017 and 2018, respectively	2,586	1,671

* Pertains to impact of partial exemption, tax rebates and enhanced capital allowance deduction granted by the Inland Revenue Authority of Singapore to Singapore subsidiaries.

13. DIVIDENDS AND CAPITAL DISTRIBUTION

(a) Dividends

The directors do not recommend the payment of final dividend for the year ended 31 December 2018 (2017: Nil).

(b) Capital distribution by a subsidiary

As a part of the Reorganisation, Buylateral Group Pte. Ltd., a subsidiary of the Company, approved a capital distribution of S$4,200,000 on 16 April 2018 to its then shareholders on a pro-rata basis, of which S$4,008,000 and S$192,000 were attributable to Nobel Design Holdings Pte Ltd and the non-controlling shareholder of Buylateral Group Pte. Ltd., respectively. The capital reduction exercise became effective on 6 June 2018. As at 31 December 2018, the amounts have not been paid and are included in other payables and accruals (note 21).

14. 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$5,656,000 (2017: S$7,057,000), and the weighted average number of ordinary shares in issue of 1,500,000,000 (2017: 1,500,000,000) during the year, as if the changes in the issued number of ordinary shares of the Company as disclosed in notes 25(a), 25 (b) and 33(a) to the financial statements, had been completed on 1 January 2017.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2018 and 2017 in respect of a dilution as the Company had no potentially dilutive ordinary shares in issue during each of these years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *S$'000*	Furniture and office equipment *S$'000*	Equipment *S$'000* *(note)*	Motor vehicles *S$'000* *(note)*	Total *S$'000*
31 December 2018					
At 1 January 2018:					
Cost	1,478	1,007	531	673	3,689
Accumulated depreciation	(1,214)	(783)	(398)	(469)	(2,864)
Net carrying amount	264	224	133	204	825
Net carrying amount:					
At 1 January 2018	264	224	133	204	825
Additions	934	61	48	306	1,349
Depreciation provided during the year	(266)	(92)	(72)	(92)	(522)
Disposals	–	–	(1)	(19)	(20)
Write-off	(10)	–	–	–	(10)
Exchange realignment	–	3	2	2	7
At 31 December 2018	922	196	110	401	1,629
At 31 December 2018:					
Cost	2,030	1,055	582	745	4,412
Accumulated depreciation	(1,108)	(859)	(472)	(344)	(2,783)
Net carrying amount	922	196	110	401	1,629

15. PROPERTY, PLANT AND EQUIPMENT (continued)

	Leasehold improvements *S$'000*	Furniture and office equipment *S$'000*	Equipment *S$'000* *(note)*	Motor vehicles *S$'000* *(note)*	Total *S$'000*
31 December 2017					
At 1 January 2017:					
Cost	1,916	1,024	646	728	4,314
Accumulated depreciation	(1,468)	(712)	(420)	(468)	(3,068)
Net carrying amount	448	312	226	260	1,246
Net carrying amount:					
At 1 January 2017	448	312	226	260	1,246
Additions	171	54	–	11	236
Depreciation provided during the year	(339)	(129)	(74)	(61)	(603)
Write-off	(10)	(2)	(5)	–	(17)
Exchange realignment	(6)	(11)	(14)	(6)	(37)
At 31 December 2017	264	224	133	204	825
At 31 December 2017:					
Cost	1,478	1,007	531	673	3,689
Accumulated depreciation	(1,214)	(783)	(398)	(469)	(2,864)
Net carrying amount	264	224	133	204	825

Note: The carrying amounts of the Group's property, plant and equipment held under finance leases as at the end of the reporting period are as follows:

	2018 *S$'000*	2017 *S$'000*
Motor vehicles	297	93
	297	93

16. INVENTORIES

	2018	2017
	S$'000	*S$'000*
Merchandised goods	21,822	16,551
Goods in transit	9,069	4,715
	30,891	21,266

17. TRADE RECEIVABLES

	2018	2017
	S$'000	*S$'000*
Trade receivables	15,695	9,801
Provision for expected credit losses *(note (d))*	(552)	(533)
	15,143	9,268

Notes:

(a) Included in the trade receivables of the Group as at 31 December 2017 and 2018 were amounts due from related parties of S$21,000 and Nil, respectively, arising from transactions carried out in the ordinary course of business of the Group. These balances are unsecured, interest-free and are repayable on credit terms similar to those offered to the major customers of the Group.

(b) 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.

17. TRADE RECEIVABLES (continued)

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

	2018	2017
	S$'000	*S$'000*
Within 1 month	7,838	6,873
1 to 2 months	6,616	2,173
2 to 3 months	520	129
Over 3 months	169	93
	15,143	9,268

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.

An ageing analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2018	2017
	S$'000	*S$'000*
Neither due nor impaired	11,820	5,399
Due but not impaired:		
Less than 1 month	1,556	3,063
1 to 2 months	1,165	646
2 to 3 months	434	67
More than 3 months	168	93
	15,143	9,268

Receivables that were neither due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for expected credit losses is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

17. TRADE RECEIVABLES (continued)

(d) The movements in the Group's provision for expected credit losses of trade receivables during the year are as follows:

	2018 *S$'000*	2017 *S$'000*
At beginning of year	533	492
Provision for expected credit losses *(note 9)*	35	89
Amount written off as uncollectible	(22)	(27)
Exchange realignment	6	(21)
At end of year	552	533

The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, 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 2017 and 2018 is determined using rates ranging from 0.17% and Nil, respectively for those balances that have not yet been past due, to 84.3% and 75.2%, respectively for those balances that have been past due for more than 3 months.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Notes	2018 *S$'000*	2017 *S$'000*
Prepayments		1,510	530
Deposits	*(a)*	971	486
Other receivables	*(b)*	104	184
Due from related party	*(c)*	—	557
		2,585	1,757
Portion classified as current assets		(1,899)	(1,675)
Non-current portion	*(a)*	686	82

Notes:

(a) Deposits

The deposits includes rental, utilities and securities deposits for the leases of points of sale and warehouses and office spaces. The deposits with lease terms of more than 12 months have been classified as non-current.

(b) Other receivables

The other receivables are neither past due nor impaired.

(c) Due from related party

	2018 *S$'000*	2017 *S$'000*
Due from Nobel Design Holdings Pte Ltd	–	557

The amount due from related party is unsecured, interest-free and repayable on demand.

19. PLEDGED DEPOSITS, AND CASH AND CASH EQUIVALENTS

	2018 *S$'000*	2017 *S$'000*
Cash and bank balances other than time deposits	7,809	10,049
Time deposits	7,660	10,842
Total cash and bank balances*	15,469	20,891
Cash and cash equivalents	15,469	20,891

* Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between 3 months and 12 months, depending on the immediate cash requirements of the Group, and earn interests at the respective time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

20. 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 the reporting period, based on the invoice date, is as follows:

	2018 *S$'000*	2017 *S$'000*
Within 1 month	7,046	4,149
1 to 2 months	893	651
2 to 3 months	201	228
Over 3 months	165	276
	8,305	5,304

21. OTHER PAYABLES AND ACCRUALS

	2018 *S$'000*	2017 *S$'000*
Accruals	7,924	5,635
Other payables	1,777	759
Due to related parties *(note)*	8,805	7,326
	18,506	13,720

Note: An analysis of the amounts due to related parties is as follows:

	2018 *S$'000*	2017 *S$'000*
Due to Nobel Design Holdings Pte Ltd	1,406	75
Dividends payable to Nobel Design Holdings Pte Ltd	3,053	6,268
Dividends payable to non-controlling equity holders of subsidiaries	146	983
Capital distribution of a subsidiary payable to Nobel Design Holdings Pte Ltd	4,008	—
Capital distribution of a subsidiary payable to the non-controlling shareholder of a subsidiary	192	—
	8,805	7,326

The amounts due to related parties are unsecured, interest-free and repayable on demand. Subsequent to the reporting period, the amounts due to related parties of the Group as at 31 December 2018 have been settled.

22. OBLIGATIONS UNDER FINANCE LEASES

The Group leases certain motor vehicles and equipment from non-related parties under finance leases. The lease agreements do not have renewal clauses but provide the Group with options to purchase the leased assets at nominal values at the end of the lease term.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2018	2017
	S$'000	*S$'000*
Minimum lease payments due:		
Within one year	62	29
In the second year	47	21
In the third to fifth years, inclusive	79	8
After five years	27	–
	215	58
Future finance charges	(29)	(5)
Total net finance lease payables	186	53
Portion classified as current liabilities	(54)	(26)
Non-current portion	132	27

The present values of finance lease liabilities are analysed as follows:

	2018	2017
	S$'000	*S$'000*
Within one year	54	26
In the second year	41	20
In the third to fifth years, inclusive	68	7
After five years	23	–
	186	53

The fair values of the non-current finance lease liabilities approximate to their carrying amounts.

The effective interest rates of the Group's finance lease payables as at 31 December 2017 and 2018 range from 5.26% to 5.90% per annum, and 5.26% to 5.90% per annum, respectively.

23. PROVISION FOR REINSTATEMENT COSTS

The movements in provision for reinstatement costs during the year are as follows:

	2018	2017
	S$'000	*S$'000*
At beginning of year	233	255
Additional provision	60	70
Reversal of provision	(75)	(80)
Exchange realignment	4	(12)
At end of year	222	233
Portion classified as current liabilities	—	—
Non-current portion	222	233

Provision for reinstatement costs consists of necessary costs required to reinstate properties leased by the Group at the expiry of the lease terms. The Group has estimated and provided reinstatement for its offices, points of sale and warehouses under operating lease arrangements.

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities during the year are as follows:

	Depreciation allowance in excess of related depreciation	**Others**	**Total**
	S$'000	*S$'000*	*S$'000*
At 1 January 2017	25	110	135
Deferred tax credited to profit or loss during the year *(note 12(b))*	–	(101)	(101)
Exchange realignment	–	(9)	(9)
At 31 December 2017, 1 January 2018 and 31 December 2018	25	–	25

As at 31 December 2017 and 2018, the Group has tax losses of approximately S$1,323,000 and S$1,302,000 that are available for offset against future taxable profit of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

25. SHARE CAPITAL

Company

	As at 31 December 2018	
	HK$'000	**S$'000**
Authorised:		
38,000,000 ordinary shares of HK$0.01 each *(note (a))*	380	
Issued and fully paid:		
3,800 ordinary shares of HK$0.01 each	–#	–#

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 2018 is as follows:

	Number of shares in issue	**Issued capital** *S$'000*	**Share premium account** *S$'000*	**Total** *S$'000*
At 29 March 2018 (date of incorporation)	–	–	–	–
Issue of new shares upon incorporation *(note (a))*	10	–#	–	–#
Issue of new shares for acquisition of subsidiaries pursuant to the Reorganisation *(note (b))*	3,790	–#	1,679	1,679
At 31 December 2018	3,800	–#	1,679	1,679

\# 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 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, as further detailed in note 13(b) to the financial statements.

26. RESERVES

(i) The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statements of changes in equity.

(ii) Capital reserve

The capital reserve mainly included:

- gains on bargain purchase on acquisition of non-controlling interests of a subsidiary; and

- redeemable convertible preference shares of a subsidiary of the Company with a total principal amount of S$2,499,795 held by Nobel Design Holdings Pte Ltd.

  The redeemable convertible preference shares allow the holder to (i) redeem all or part of the redeemable convertible preference shares of the subsidiary it held upon the occurrence or non-occurrence of certain events at a price determined in accordance with the terms and conditions of the redeemable convertible preference shares and (ii) convert all or part of the redeemable convertible preference shares into ordinary shares of the subsidiary at the conversion ratio of one redeemable convertible preference share to (410,873/65,577) ordinary shares of the subsidiary, subject to adjustment upon occurrence of certain events.

  Nobel Design Holdings Pte Ltd had undertaken to convert all redeemable convertible preference shares it held and not to exercise the redemption rights since it acquired them in 2006. As a result of this arrangement, these redeemable convertible preference shares contained no contractual obligation to deliver cash or another financial asset to Nobel Design Holdings Pte Ltd; or to exchange financial assets or financial liabilities with Nobel Design Holdings Pte Ltd that are potentially unfavourable to the Group. Accordingly, they were accounted for as equity instruments in the capital reserve of the Group. On 18 December 2017, Nobel Design Holdings Pte Ltd converted all the redeemable convertible preference shares totaling S$2,499,795 into 410,873 ordinary shares of the subsidiary, resulting in a corresponding transfer of the relevant amount in capital reserve to the merger reserve during the year ended 31 December 2017.

(iii) Merger reserve

The merger reserve represents the difference between the consideration paid and the share capital of the subsidiaries when entities under common control are accounted for by applying the principles of merger accounting, as described in note 2.1 to the financial statements.

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS

Details of Buylateral Group Pte. Ltd. and its subsidiaries (the "Buylateral Group"), which are subsidiaries with material non-controlling interests, are set out below:

	2018	2017
Percentage of equity interest held by non-controlling interests	4.6%	4.6%

	2018	2017
	S$'000	*S$'000*
Profit for the year allocated to non-controlling interests	304	440
Other comprehensive income/(loss) for the year allocated to non-controlling interests	32	(218)
Dividends paid to non-controlling interests	–	149
Capital distribution to non-controlling interests	192	–
Accumulated balances of non-controlling interests at the end of the reporting period	976	832

The following tables illustrate the summarised financial information of the Buylateral Group:

	2018	2017
	S$'000	*S$'000*
Revenue	76,495	67,288
Total expenses	(72,345)	(61,724)
Profit for the year	4,150	5,564
Other comprehensive income/(loss) for the year	706	(1,546)
Total comprehensive income for the year	4,856	4,018

27. PARTLY-OWNED SUBSIDIARIES WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

	2018	2017
	S$'000	*S$'000*
Current assets	44,326	32,838
Non-current assets	562	434
Current liabilities	(23,528)	(15,187)

	2018	2017
	S$'000	*S$'000*
Net cash flows from/(used in) operating activities	(2,112)	2,413
Net cash flows from/(used in) investing activities	1,123	(221)
Net cash flows from/(used in) financing activities	–	(24)
Net increase in cash and cash equivalents	989	2,168

* The amounts disclosed above are before any inter-company eliminations.

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) The additions in property, plant and equipment during the year were made by means of:

	Notes	2018	2017
		S$'000	*S$'000*
Additions of items of property, plant and equipment	*15*	1,349	236
Less: Finance lease arrangements		(173)	–
Less: Provision for reinstatement costs	*23*	(60)	(70)
Cash invested in property, plant and equipment		1,116	166

28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)

(b) Reconciliation of assets and liabilities arising from financing activities during the year are as follows:

Year ended 31 December 2018

	As at 1 January 2018 *S$'000*	**Changes from financing cash flows** *S$'000*	**Acquisition of items of property, plant and equipment** *S$'000*	**As at 31 December 2018** *S$'000*
Obligations under finance leases	53	(40)	173	186

Year ended 31 December 2017

	As at 1 January 2017 *S$'000*	Changes from financing cash flows *S$'000*	Acquisition of items of property, plant and equipment *S$'000*	As at 31 December 2017 *S$'000*
Pledged deposits	(734)	734	–	–
Bank borrowings (Trust receipt loans)	370	(370)	–	–
Obligations under finance leases	87	(34)	–	53

(c) Save as disclosed in note (a) above regarding finance lease arrangements for the acquisition of property, plant and equipment and in note 25 regarding the issue of the Company's shares for the acquisition of subsidiaries pursuant to the Reorganisation, the Group did not have other material non-cash transactions of investing and financing activities during the year.

29. OPERATING LEASE COMMITMENTS

The Group leases warehouses, points of sale and office spaces under non-cancellable operating lease agreements. The leases have varying terms, escalation and renewal rights.

The future minimum lease payables under non-cancellable operating leases contracted for as at the end of the reporting period but not recognised as liabilities are as follows:

	2018 *S$'000*	2017 *S$'000*
Not later than one year	3,912	2,414
Later than one year but not later than five years	2,823	1,842
	6,735	4,256

30. RELATED PARTY DISCLOSURES

(a) The Group had the following material transactions with related parties during the year:

	Notes	2018 *S$'000*	2017 *S$'000*
Nobel Design Holdings Pte Ltd			
Purchases of goods	*(i)*	431	1,919
Rental and utilities paid	*(ii)*	1,061	2,471
Management fee paid	*(iii)*	964	817
Joint ventures of Nobel Design Holdings Pte Ltd			
Sales of goods	*(iv)*	–	39

Notes:

(i) The purchases were conducted at prices mutually agreed by both parties.

(ii) The rental and utilities expenses paid for an office premise, points of sale and warehouses in Singapore were mutually agreed by both parties.

(iii) The management fee paid relates to the provision of services which included (i) accounting services, financial reports and general administration by finance department, (ii) preparation of payroll and handling of payroll matters by human resource department, (iii) IT service by IT department, (iv) provision of advertising, marketing and branding development services by marketing communications department and (v) director's involvement in the strategic business and market development of the subsidiaries. These transactions were conducted at terms and conditions mutually agreed between the relevant parties.

(iv) The sales to certain joint ventures of Nobel Design Holdings Pte Ltd were conducted at prices mutually agreed by the relevant parties.

(b) Other than the balances with related companies as disclosed in notes 17, 18 and 21 to the financial statements, the Group had no outstanding balances with related parties as at the end of the reporting period.

(c) During the year, Nobel Design Holdings Pte Ltd and certain subsidiaries of the Group are jointly and severally liable for all amounts utilised under shared banking facilities of S$5,083,000 in total granted to Nobel Design Holdings Pte Ltd and the Group.

The amounts utilised by the Group under the shared banking facilities were guaranteed by Nobel Design Holdings Pte Ltd. The shared banking facilities were not utilised by Nobel Design Holdings Pte Ltd as at the end of the reporting period. Subsequent to the reporting period, the Group has obtained written consent from the bank that the existing shared banking facilities will be cancelled and transferred to the Company, subject to the condition that the Company's shares are listed on the Stock Exchange. Upon the transfer of the shared banking facilities, Nobel Design Holdings Pte Ltd will no longer be a party to the shared banking facilities and the guarantor of the shared banking facilities will be replaced by the Company.

30. RELATED PARTY DISCLOSURES (continued)

(d) The compensation of the key management personnel of the Group is summarised as follow:

	2018 *S$'000*	2017 *S$'000*
Short term employee benefits	1,834	1,802
Defined contribution scheme contributions	56	59
Total compensation paid and payable to key management personnel	1,890	1,861

31. FINANCIAL INSTRUMENTS BY CATEGORIES

All the Group's financial assets and liabilities as at the end of the reporting period were debt instruments at amortised cost and financial liabilities stated at amortised cost, respectively.

32. FINANCIAL RISK MANAGEMENT

The Group's financial instruments include trade receivables, deposits and other receivables, cash and bank balances, trade payables, other payables, bank borrowings and obligations under finance leases.

The Group's activities expose it to credit risk, foreign currency risk, liquidity risk and capital risk. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance. The board of directors is responsible for setting the objectives and underlying principles of financial risk management for the Group.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group manages such risks by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections. The Group places its cash and bank balances with creditworthy institutions.

The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of lifetime expected loss provisions for all trade receivables. The expected credit losses on trade receivables are estimated by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The expected credit losses also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables. The Group recognises lifetime expected credit losses for trade receivables based on individual significant customer or the ageing of customers collectively that are not individually significant.

The Group measures the expected credit losses of trade receivables based on shared credit risk characteristics and the days past due. The details of provision for expected credit losses of trade receivables as at 31 December 2017 and 2018 is set out in note 17(d) to the financial statements.

The trade receivables of the Group as at 31 December 2017 and 2018 comprise 4 major debtors that individually represented 7%–27% and 4%–40% trade receivables as at these dates, respectively.

32. FINANCIAL RISK MANAGEMENT (continued)

(a) Credit risk (continued)

The credit risk for trade receivables by geographical area is as follows:

	2018	2017
	S$'000	*S$'000*
Singapore	2,899	1,849
U.S.	11,883	7,066
Malaysia and Brunei	361	353
	15,143	9,268

(b) Foreign currency risk

The Group has currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group's entities, primarily Euro and United States Dollar ("**US$**").

The following demonstrates the sensitivity to a reasonably possible changes in Euro and US$ with all other variables held constant, of the Group's profit before tax:

	Increase/(decrease) in profit before tax	
	2018	2017
	S$'000	*S$'000*
Euro against S$		
– Strengthened 5%	(47)	(28)
– Weakened 5%	47	28
US$ against S$		
– Strengthened 5%	347	132
– Weakened 5%	(347)	(132)

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and bank balances, the availability of funding through an adequate amount of committed credit facilities. At the end of the reporting period, assets held by the Group for managing liquidity risk include cash and bank balances as disclosed in note 19 to the financial statements.

Management monitors rolling forecasts of the liquidity reserve and cash and bank balances of the Group on the basis of expected cash flows. This is generally carried out at local level in the operating companies of the Group in accordance with the practice and limits set by the Group. These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's liquidity management policy involves projecting cash flows in major currencies, monitoring liquidity ratios and maintaining debt financing plans.

32. FINANCIAL RISK MANAGEMENT (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity profile of the financial liabilities of the Group as at the end of the reporting period based on contractual undiscounted repayment cash flows:

			Contractual cash flows		
	Weighted average effective interest rate	**Carrying amounts**	**Within one year**	**One to five years**	**Total**
	%	*S$'000*	*S$'000*	*S$'000*	*S$'000*
As at 31 December 2018					
Trade payables (excluding sales tax)		8,162	8,162	–	8,162
Other payables and accruals		18,506	18,506	–	18,506
Obligations under finance leases	5.26-5.9	186	62	153	215
		26,854	26,730	153	26,883
As at 31 December 2017					
Trade payables (excluding sales tax)		5,168	5,168	–	5,168
Other payables and accruals		13,720	13,720	–	13,720
Obligations under finance leases	5.26-5.9	53	29	29	58
		18,941	18,917	29	18,946

(d) Capital management

The Group's objectives when managing capital are (i) to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders; and (ii) to provide an adequate return to shareholders by pricing products and services which commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

Management monitors capital based on gearing ratio.

32. FINANCIAL RISK MANAGEMENT (continued)

(d) Capital management (continued)

Gearing ratio, as defined by the management, is calculated as total debt divided by total equity. Total debt only included bank borrowings plus obligations under finance leases.

	2018 *S$'000*	2017 *S$'000*
Obligations under finance leases	186	53
Total debt	186	53
Total equity	27,784	24,354
Gearing ratio	0.7%	0.2%

33. EVENT AFTER THE REPORTING PERIOD

(a) 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.

(b) 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 (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.

(c) On 24 April 2019, 500,000,000 ordinary shares of par value HK$0.01 each were issued at a price of HK$0.3 per share in connection with the Listing for a total proceeds of approximately S$22,081,000, net of listing expenses of S$3,343,000, of which HK$5,000,000 (equivalent to approximately S$848,000) representing the par value were credited to the Company's share capital and the remaining proceeds of HK$125,276,000 (equivalent to approximately S$21,233,000) were credited to the share premium account. The shares of the Company have been listed on the Main Board of the Stock Exchange since 25 April 2019.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company as at the end of the reporting period is as follows:

	As at 31 December 2018 *S$'000*
NON-CURRENT ASSET	
Investment in a subsidiary	–#
CURRENT ASSETS	
Prepayments and other receivable	804
CURRENT LIABILITIES	
Other payables and accruals	2,103
NET CURRENT LIABILITIES	(1,299)
NET LIABILITIES	(1,299)
DEFICIENCY IN ASSETS	
Issued capital	–#
Reserves *(note)*	(1,299)
TOTAL DEFICIENCY IN ASSETS	(1,299)

\# Less than S$500.

Note: A summary of the Company's reserves is as follows:

Company

	Share premium account *S$'000*	Accumulated loss *S$'000*	Total *S$'000*
At 29 March 2018 (date of incorporation)	–	–	–
Loss for the period and total comprehensive loss for the period	–	(2,978)	(2,978)
Issuance of new shares for acquisition of subsidiaries pursuant to the Reorganisation	1,679	–	1,679
At 31 December 2018	1,679	(2,978)	(1,299)

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2019.

THREE YEARS' FINANCIAL SUMMARY

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last three financial years, as extracted from the Prospectus of the Company, is set out below. This summary does not form part of the audited financial statements.

RESULTS

	2016 *S$'000*	2017 *S$'000*	2018 *S$'000*
REVENUE	90,535	100,929	109,744
PROFIT BEFORE TAX	7,472	10,215	9,504
Income tax	(1,442)	(1,671)	(2,586)
PROFIT FOR THE YEAR	6,030	8,544	6,918
Attributable to:			
Equity holders of the Company	4,208	7,057	5,656
Non-controlling interests	1,822	1,487	1,262
	6,030	8,544	6,918

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	2016 *S$'000*	2017 *S$'000*	2018 *S$'000*
TOTAL ASSETS	49,932	54,117	65,751
TOTAL LIABILITIES	(22,195)	(29,763)	(37,967)
NON-CONTROLLING INTERESTS	(5,096)	(1,717)	(2,819)
	22,641	22,637	24,965

No consolidated financial statements of the Group for the years ended 31 December 2014 and 2015 have been published.

The financial information for the years ended 31 December 2017 and 2016 were extracted from the Prospectus of the Company dated 11 April 2019. Such summary was prepared as if the current structure of the Group had been in existence throughout these financial years and is presented on the basis as set out in Note 2.1 to the consolidated financial statements.