

SinoScan Group A/S

Kongensgade 58 C, 2. 1.

5000 Odense C

Central Business Registration

No 20243384

Annual report 2019

The Annual General Meeting adopted the annual report on 15.06.2020

Chairman of the General Meeting

Name: Flemming Hønnerup Nielsen

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Entity details

Entity

SinoScan Group A/S
Kongensgade 58 C, 2. 1.
5000 Odense C

Central Business Registration No (CVR): 20243384
Registered in: Odense
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Thomas Villum Folmann, Chairman
Uffe Gyntzel
Flemming Hønnerup Nielsen

Executive Board

Uffe Gyntzel

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
Postboks 10
5100 Odense C

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SinoScan Group A/S for the financial year 01.01.2019 - 31.12.2019.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and cash flows for the financial year 01.01.2019 - 31.12.2019.

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

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

Odense, 15.06.2020

Executive Board

Uffe Gyntzel

Board of Directors

Thomas Villum Folmann
Chairman

Uffe Gyntzel

Flemming Hønnerup Nielsen

Independent auditor's report

To the shareholders of SinoScan Group A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of SinoScan Group A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Group as well as the Parent, and the consolidated cash flow statement. The consolidated financial statements and the parent financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2019, and of the results of their operations and the consolidated cash flows for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

Basis for opinion

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

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements

Independent auditor's report

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 and these parent financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and the parent 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 and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent'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 and the parent 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 and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Odense, 15.06.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Central Business Registration No (CVR) 33963556

Gert Rasmussen
State Authorised Public Accountant
Identification No (MNE) mne35430

Management commentary

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Financial highlights					
Key figures					
Gross profit	30.902	28.446	26.125	27.466	22.151
Operating profit/loss	1.256	1.687	1.897	4.591	(1.069)
Net financials	(357)	(97)	(1.806)	(340)	367
Profit/loss for the year	561	829	(595)	2.709	(1.053)
Profit/loss excl minority interests	629	(313)	(2.444)	480	(2.632)
Total assets	52.169	50.323	46.240	48.454	46.232
Investments in property, plant and equipment	569	289	359	1.004	1.523
Equity	10.504	16.907	10.902	13.621	12.756
Equity excl minority interests	10.504	13.516	4.826	7.579	7.664

Ratios

Return on equity (%)	5,2	(3,4)	(39,4)	6,3	(30,8)
Equity ratio (%)	20,1	26,9	10,4	15,6	16,6

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Calculation formula reflects
Return on equity (%)	$\frac{\text{Profit/loss excl minority interests} \times 100}{\text{Average equity excl minority interests}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity excl minority interests} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The object of the Entity is to explore new markets and set up new subsidiaries, hold investments in and support and develop existing subsidiaries.

Development in activities and finances

The company's development and profit is not satisfactory.

The budgeted sales did not come through in 2019, which resulted in only a small positive result.

Outlook

The investment in sales and marketing activities was continued in 2019, and we originally estimated a 8% growth in sales and a satisfactory growth in profit.

However, COVID-19 has changed our estimate, and we now expect a reduction in sales of 20% and small negative result in 2020.

Particular risks

Trading with foreign countries include transactions and positions in foreign currency. In addition, possible trade barriers (especially into USA from China) is still a risk for 2020. It is the opinion, that there are no other risks than can affect the earnings or financial position, apart from those that may appear and are common within the business areas of the Group.

Events after the balance sheet date

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

COVID-19 will effect our revenue and sales 2020 and maybe also 2021.

We expect a small negative result in 2020, but estimate that we can grow again from 2021.

Consolidated income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Gross profit		30.901.926	28.446
Staff costs	2	(29.019.380)	(26.224)
Depreciation, amortisation and impairment losses		(626.310)	(535)
Operating profit/loss		1.256.236	1.687
Other financial income		223.747	212
Other financial expenses		(581.232)	(309)
Profit/loss before tax		898.751	1.590
Tax on profit/loss for the year	3	(337.264)	(761)
Profit/loss for the year	4	561.487	829

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Acquired licences		221.262	99
Intangible assets	5	221.262	99
Other fixtures and fittings, tools and equipment		1.540.773	1.302
Leasehold improvements		373.175	673
Property, plant and equipment	6	1.913.948	1.975
Fixed assets		2.135.210	2.074
Raw materials and consumables		3.430.483	3.365
Manufactured goods and goods for resale		22.267.826	18.443
Inventories		25.698.309	21.808
Trade receivables		16.827.220	15.636
Deferred tax	9	0	47
Other receivables	7	2.987.464	3.688
Income tax receivable		500.604	83
Prepayments	8	263.927	1.133
Receivables		20.579.215	20.587
Cash		3.756.560	5.854
Current assets		50.034.084	48.249
Assets		52.169.294	50.323

Consolidated balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Contributed capital		1.000.000	1.000
Retained earnings		9.503.868	12.016
Proposed dividend		0	500
Equity attributable to the Parent's owners		10.503.868	13.516
Share of equity attributable to minority interests		0	3.391
Equity		10.503.868	16.907
Deferred tax	9	68.070	0
Provisions		68.070	0
Bank loans		11.750.042	8.999
Prepayments received from customers		3.078.260	3.700
Trade payables		16.788.442	14.112
Other payables		9.980.612	6.605
Current liabilities other than provisions		41.597.356	33.416
Liabilities other than provisions		41.597.356	33.416
Equity and liabilities		52.169.294	50.323
Events after the balance sheet date	1		
Contingent liabilities	11		
Assets charged and collateral	12		
Group relations	13		
Subsidiaries	14		

Consolidated statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK
Equity beginning of year	1.000.000	12.015.805	500.000
Purchase of treasury shares	0	(2.951.026)	0
Ordinary dividend paid	0	0	(500.000)
Exchange rate adjustments	0	257.742	0
Other entries on equity	0	(574.363)	0
Tax of entries on equity	0	126.359	0
Profit/loss for the year	0	629.351	0
Equity end of year	1.000.000	9.503.868	0

	Share of equity attributable to minority interests DKK	Total DKK
Equity beginning of year	3.391.429	16.907.234
Purchase of treasury shares	(3.323.565)	(6.274.591)
Ordinary dividend paid	0	(500.000)
Exchange rate adjustments	0	257.742
Other entries on equity	0	(574.363)
Tax of entries on equity	0	126.359
Profit/loss for the year	(67.864)	561.487
Equity end of year	0	10.503.868

Consolidated cash flow statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Operating profit/loss		1.256.236	1.687
Amortisation, depreciation and impairment losses		626.310	535
Working capital changes	10	1.918.470	(7.180)
Other adjustments		(573.914)	537
Cash flow from ordinary operating activities		3.227.102	(4.421)
Financial income received		223.747	211
Financial expenses paid		(581.232)	(308)
Income taxes refunded/(paid)		(74.686)	(174)
Cash flows from operating activities		2.794.931	(4.692)
Acquisition etc of intangible assets		(150.213)	(87)
Acquisition etc of property, plant and equipment		(568.609)	(201)
Acquisition of enterprises		(6.424.500)	(4.342)
Cash flows from investing activities		(7.143.322)	(4.630)
Dividend paid		(500.000)	(1.127)
Cash increase of capital		0	10.000
Cash flows from financing activities		(500.000)	8.873
Increase/decrease in cash and cash equivalents		(4.848.391)	(449)
Cash and cash equivalents beginning of year		(3.145.091)	(2.696)
Cash and cash equivalents end of year		(7.993.482)	(3.145)
Cash and cash equivalents at year-end are composed of:			
Cash		3.756.560	5.854
Short-term debt to banks		(11.750.042)	(8.999)
Cash and cash equivalents end of year		(7.993.482)	(3.145)

Notes to consolidated financial statements

1. Events after the balance sheet date

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

COVID-19 will effect our revenue and sales 2020 and maybe also 2021.

We expect a small negative result in 2020, but estimate that we can grow again from 2021

	2019 DKK	2018 DKK'000
2. Staff costs		
Wages and salaries	21.807.593	21.286
Pension costs	1.830.326	484
Other social security costs	3.987.677	3.760
Other staff costs	1.393.784	694
	29.019.380	26.224
 Average number of employees	 99	 110

	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	1.301.598	1.701
	1.301.598	1.701

	2019 DKK	2018 DKK'000
3. Tax on profit/loss for the year		
Current tax	1.072.221	556
Change in deferred tax	(734.604)	(221)
Adjustment concerning previous years	(353)	426
	337.264	761

	2019 DKK	2018 DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	500
Retained earnings	629.351	(813)
Minority interests' share of profit/loss	(67.864)	1.142
	561.487	829

Notes to consolidated financial statements

	Acquired licences DKK	
5. Intangible assets		
Cost beginning of year		262.367
Additions		150.213
Cost end of year		412.580
Amortisation and impairment losses beginning of year		(163.785)
Amortisation for the year		(27.533)
Amortisation and impairment losses end of year		(191.318)
Carrying amount end of year		221.262
	Other fixtures and fittings, tools and equipment DKK	Leasehold improve- ments DKK
6. Property, plant and equipment		
Cost beginning of year	3.097.953	1.455.611
Exchange rate adjustments	35.544	14.506
Additions	568.609	0
Disposals	(308.011)	0
Cost end of year	3.394.095	1.470.117
Depreciation and impairment losses beginning of year	(1.796.111)	(783.348)
Exchange rate adjustments	(20.957)	(8.083)
Depreciation for the year	(293.630)	(305.511)
Reversal regarding disposals	257.376	0
Depreciation and impairment losses end of year	(1.853.322)	(1.096.942)
Carrying amount end of year	1.540.773	373.175

7. Other receivables

The group has entered into foreign exchange contracts to hedge future purchases of goods in Chinese renminbi. The contracts, the latest expiring on 30 June 2020, total DKK 20,407 thousand. Furthermore the group has entered into foreign exchange contracts, to hedge future purchases equities from the Subsidiarie SinoScan UK Limited, expiring on 02 marts 2020, total DKK 2,025 thousand

Notes to consolidated financial statements

8. Prepayments

Prepayments consist of prepaid costs.

	2019 DKK
9. Deferred tax	
Changes during the year	
Beginning of year	(47.436)
Recognised in the income statement	241.865
Recognised directly in equity	(126.359)
End of year	68.070

	2019 DKK	2018 DKK'000
10. Change in working capital		
Increase/decrease in inventories	(3.890.884)	174
Increase/decrease in receivables	377.702	(4.336)
Increase/decrease in trade payables etc	5.431.652	(3.018)
	1.918.470	(7.180)

11. Contingent liabilities

Rental and lease agreements with a shorter term have been entered into. Total amount DKK 2.332 thousand.

12. Assets charged and collateral

The Group has 3.000 T.DKK corporate mortgages, which include simple deposits.

13. Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
SinoScan Group A/S, Kongensgade 58C, 2.1, 5000 Odense, Denmark.

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
SinoScan Group A/S, Kongensgade 58C, 2.1, 5000 Odense, Denmark.

Notes to consolidated financial statements

	Registered in	Corpo- rate form	Equity inte- rest %
14. Subsidiaries			
SinoScan (Shanghai) Co. Ltd.	China	Ltd.	100,0
SinoScan UK Limited	England	Ltd.	100,0
SinoScan Inc.	Canada	Inc.	100,0
SinoScan A/S	Vejle, Denmark	A/S	100,0
SinoScan GmbH	Germany	GmbH	100,0
SinoScan, Inc. - U.S.A.	USA	Inc.	100,0
SinoScan Manufacturing Co. Ltd.	China	Ltd.	100,0

Parent income statement for 2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Gross loss		(556.356)	(455)
Staff costs	2	(1.986.465)	(2.515)
Operating profit/loss		(2.542.821)	(2.970)
Income from investments in group enterprises		455.564	2.239
Other financial income	3	690.593	770
Other financial expenses	4	(573.847)	(524)
Profit/loss before tax		(1.970.511)	(485)
Tax on profit/loss for the year	5	534.091	173
Profit/loss for the year	6	(1.436.420)	(312)

Parent balance sheet at 31.12.2019

	<u>Notes</u>	<u>2019 DKK</u>	<u>2018 DKK'000</u>
Investments in group enterprises		20.223.317	16.711
Fixed asset investments	7	20.223.317	16.711
Fixed assets		20.223.317	16.711
Receivables from group enterprises		11.293.228	10.971
Deferred tax	11	0	221
Other receivables	8	160.037	0
Income tax receivable		913.103	732
Prepayments	9	85.800	275
Receivables		12.452.168	12.199
Cash		1	0
Current assets		12.452.169	12.199
Assets		32.675.486	28.910

Parent balance sheet at 31.12.2019

	Notes	2019 DKK	2018 DKK'000
Contributed capital	10	1.000.000	1.000
Reserve for net revaluation according to the equity method		1.586.241	1.454
Retained earnings		10.402.162	12.175
Proposed dividend		0	500
Equity		12.988.403	15.129
Deferred tax	11	35.209	0
Provisions for investments in group enterprises	12	980.584	0
Provisions		1.015.793	0
Bank loans		8.936.608	6.194
Payables to group enterprises		3.156.935	4.877
Other payables		6.577.747	2.710
Current liabilities other than provisions		18.671.290	13.781
Liabilities other than provisions		18.671.290	13.781
Equity and liabilities		32.675.486	28.910
Events after the balance sheet date	1		
Contingent liabilities	13		
Assets charged and collateral	14		
Transactions with related parties	15		

Parent statement of changes in equity for 2019

	Contributed capital DKK	Reserve for net revaluation according to the equity method DKK	Retained earnings DKK
Equity beginning of year	1.000.000	1.454.210	12.174.657
Ordinary dividend paid	0	0	0
Exchange rate adjustments	0	257.741	0
Fair value adjustments of hedging instruments	0	0	160.037
Other entries on equity	0	(586.613)	0
Tax of entries on equity	0	0	(35.209)
Transfer to reserves	0	460.903	(460.903)
Profit/loss for the year	0	0	(1.436.420)
Equity end of year	1.000.000	1.586.241	10.402.162

	Proposed dividend DKK	Total DKK
Equity beginning of year	500.000	15.128.867
Ordinary dividend paid	(500.000)	(500.000)
Exchange rate adjustments	0	257.741
Fair value adjustments of hedging instruments	0	160.037
Other entries on equity	0	(586.613)
Tax of entries on equity	0	(35.209)
Transfer to reserves	0	0
Profit/loss for the year	0	(1.436.420)
Equity end of year	0	12.988.403

Notes to parent financial statements

1. Events after the balance sheet date

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

COVID-19 will effect our revenue and sales 2020 and maybe also 2021.

We expect a small negative result in 2020, but estimate that we can grow again from 2021

	2019 DKK	2018 DKK'000
2. Staff costs		
Wages and salaries	1.963.330	2.490
Other social security costs	23.135	25
	1.986.465	2.515
Average number of employees	4	4
	Remunera- tion of manage- ment 2019 DKK	Remunera- tion of manage- ment 2018 DKK'000
Total amount for management categories	1.301.598	1.701
	1.301.598	1.701
	2019 DKK	2018 DKK'000
3. Other financial income		
Financial income arising from group enterprises	469.079	485
Exchange rate adjustments	221.514	285
	690.593	770
	2019 DKK	2018 DKK'000
4. Other financial expenses		
Financial expenses from group enterprises	188.858	395
Other financial expenses	384.989	129
	573.847	524

Notes to parent financial statements

	2019 DKK	2018 DKK'000
5. Tax on profit/loss for the year		
Change in deferred tax	221.366	(221)
Adjustment concerning previous years	(354)	426
Refund in joint taxation arrangement	(755.103)	(378)
	(534.091)	(173)

	2019 DKK	2018 DKK'000
6. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	0	500
Retained earnings	(1.436.420)	(812)
	(1.436.420)	(312)

	Invest- ments in group enterprises DKK
7. Fixed asset investments	
Cost beginning of year	12.212.581
Additions	6.424.500
Cost end of year	18.637.081
Revaluations beginning of year	4.497.869
Exchange rate adjustments	257.742
Adjustments on equity	(586.618)
Amortisation of goodwill	(2.065.771)
Share of profit/loss for the year	2.896.334
Adjustment of intra-group profits	(375.000)
Dividend	(3.000.000)
Investments with negative equity value depreciated over receivables	(1.018.904)
Investments with negative equity value transferred to provisions	980.584
Revaluations end of year	1.586.236
Carrying amount end of year	20.223.317

Goodwill or negative goodwill recognized during the financial year	2.947.344
The total goodwill recognized on 31 December 2019 is amounted to 2,494,535 DKK	

A specification of investments in subsidiaries is evident from the notes to the consolidated financial statements.

Notes to parent financial statements

8. Other receivables

the group has entered into foreign exchange contracts, to hedge future purchases equities from the Subsidiary SinoScan UK Limited, expiring on 02 marts 2020, total DKK 2,025 thousand.

9. Prepayments

Prepayments consist of prepaid costs.

	Number	Nominal value DKK	Recorded par value DKK
10. Contributed capital			
Ordinære aktier	1.000.000	1.000.000	1.000.000
	1.000.000	1.000.000	1.000.000
			2019 DKK
11. Deferred tax			
Changes during the year			
Beginning of year			(221.366)
Recognised in the income statement			221.366
Recognised directly in equity			35.209
End of year			35.209

12. Provisions for investments in group enterprises

The item consists of provisions for losses, as a result of the negative equity in the subsidiary SinoScan (Shanghai) Co. Ltd.

13. Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

14. Assets charged and collateral

The company has guaranteed for the subsidiary SinoScan A/S' balances with banks which amounted to 2,879,882 DKK on 31 December 2019.

Notes to parent financial statements

	Subsidiaries DKK
15. Transactions with related parties	
Revenue	2.800.359
Cost of goods	2.740.976
Group internal fees	482.332
Other financial income	469.079
Other financial expense	188.858
Receivables	14.021.237
Liabilities other than provisions	3.156.935

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

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

Consolidated financial statements

The consolidated financial statements comprise the Parent and the group enterprises (subsidiaries) that are controlled by the Parent. Control is achieved by the Parent, either directly or indirectly, holding more than 50% of the voting rights or in any other way possibly or actually exercising controlling influence.

Basis of consolidation

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and its subsidiaries. The consolidated financial statements are prepared by combining uniform items. On consolidation, intra-group income and expenses, intra-group accounts and dividends as well as profits and losses on transactions between the consolidated enterprises are eliminated. The financial statements used for consolidation have been prepared applying the Group's accounting policies.

Subsidiaries' financial statement items are recognised in full in the consolidated financial statements. Minority interests' proportionate share of profit or loss is presented as a separate item in Management's proposal for distribution of profit or loss, and their share of subsidiaries' net assets is presented as a separate item in group equity.

Investments in subsidiaries are offset at the pro rata share of such subsidiaries' net assets at the acquisition date, with net assets having been calculated at fair value.

Income statement

Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer.

Fair value adjustments of investment property

Fair value adjustment of investment properties for the financial year of the Entity's investment properties measured at fair value at the balance sheet date.

Cost of sales

Cost of sales comprises goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

Accounting policies

Other external expenses

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

Staff costs

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

Depreciation, amortisation and impairment losses

Depreciation, amortisation and impairment losses relating to plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, as well as gains and losses from the sale of intangible assets as well as plant and equipment.

Income from investments in group enterprises

Income from investments in group enterprises comprises the pro rata share of the individual enterprises' profit/loss after full elimination of internal profits or losses.

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital or exchange losses on securities, payables and transactions in foreign currencies, amortisation of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Intellectual property rights etc

Intellectual property rights etc comprise development projects completed and in progress with related intellectual property rights, acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised over their remaining duration, and licences are amortised over the term of the agreement.

Accounting policies

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

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

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

Other fixtures and fittings, tools and equipment	5 years
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

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

Investments in group enterprises

In the parent financial statements, investments in group enterprises are recognised and measured according to the equity method. This means that investments are measured at the pro rata share of the enterprises' equity value plus unamortised goodwill and plus or minus unrealised intra-group profits and losses. Refer to the above section on business combinations for more details about the accounting policies used on acquisitions of investments in group enterprises.

Group enterprises with negative equity value are measured at DKK 0. Any receivables from these enterprises are written down to net realisable value based on a specific assessment. If the Parent has a legal or constructive obligation to cover the liabilities of the relevant enterprise, and it is probable that such obligation will involve a loss, a provision is recognised that is measured at present value of the costs necessary to settle the obligations at the balance sheet date.

Upon distribution of profit or loss, net revaluation of investments in group enterprises is transferred to Reserve for net revaluation according to the equity method under equity.

Goodwill is the positive difference between cost and fair value of assets and liabilities arising from acquisitions. Goodwill is amortised straight-line over its estimated useful life, which is fixed based on the experience gained by Management for each business area. For one amount of goodwill, it has not been possible to estimate useful life reliably, for which reason such useful life has been set at 10 years. For other amounts of goodwill, useful life has been determined based on an assessment of whether the enterprises are strategically acquired enterprises with a strong market position and a long-term earnings profile and whether the amount of goodwill includes intangible resources of a temporary nature that cannot be separated and recognised as separate assets. Useful lives are reassessed annually. The amortisation periods used are 3 years.

Accounting policies

Investments in group enterprises are written down to the lower of recoverable amount and carrying amount.

Inventories

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

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management.

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

Receivables

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

Income tax payable or receivable

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

Minority interests

Minority interests consist of non-controlling interests' share of equity in subsidiaries not 100% owned by the Parent.

Accounting policies

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset or the planned settlement of each liability. However, no deferred tax is recognised for amortisation of goodwill disallowed for tax purposes and temporary differences arising at the date of acquisition that do not result from a business combination and that do not have any effect on profit or loss or on taxable income.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax relating to retaxation of previously deducted losses in foreign subsidiaries is recognised on the basis of an actual assessment of the purpose of each subsidiary.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Prepayments received from customers

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities as well as cash and cash equivalents at the beginning and the end of the financial year.

Cash flows from operating activities are presented using the indirect method and calculated as the operating profit/loss adjusted for non-cash operating items, working capital changes and income taxes paid.

Cash flows from investing activities comprise payments in connection with acquisition and divestment of enterprises, activities and fixed asset investments as well as purchase, development, improvement and sale, etc of intangible assets and property, plant and equipment, including acquisition of assets held under finance leases.

Cash flows from financing activities comprise changes in the size or composition of the contributed capital and related costs as well as the raising of loans, inception of finance leases, instalments on interest-bearing debt, purchase of treasury shares and payment of dividend.

Cash and cash equivalents comprise cash and short-term securities with an insignificant price risk less short-term bank loans.