



Kaleido Technology ApS

Ryttermarken 1, st.
3520 Farum
CVR No. 26309735

Annual report 2019

The Annual General Meeting adopted the
annual report on 15.09.2020

Richard Joe Kuen Mok

Chairman of the General Meeting

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Entity details

Entity

Kaleido Technology ApS

Ryttermarken 1, st.

3520 Farum

CVR No.: 26309735

Date of foundation: 01.11.2001

Registered office: Furesø

Financial year: 01.01.2019 - 31.12.2019

Phone number: +45 44 34 64 30

URL: www.kaleido-technology.com

Board of Directors

Richard Joe Kuen Mok, Chairman

Zhu Bingke

Niels Christian Rømer Holme

Executive Board

Zhu Bingke, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

P. O. Box 1600

0900 Copenhagen C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Kaleido Technology ApS 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.

Farum, 15 September 2020,

Executive Board

Zhu Bingke

Chief Executive Officer

Board of Directors

Richard Joe Kuen Mok

Chairman

Zhu Bingke

Niels Christian Rømer Holme

Independent auditor's report

To the shareholders of Kaleido Technology ApS

Opinion

We have audited the financial statements of Kaleido Technology ApS for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations and 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 additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Statement on the management commentary

Management is responsible for the management commentary.

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

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

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

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

Copenhagen, 15 September 2020

Deloitte

Statsautoriseret Revisionspartnerselskab
CVR No. 33963556

Flemming Larsen

State Authorised Public Accountant
Identification No (MNE) mne27790

Management commentary

Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
Key figures					
Gross profit/loss	110,611	53,514	59,661	7,675	6,927
Operating profit/loss	24,885	9,723	52,957	953	131
Net financials	(11,832)	(6,893)	(1,543)	(768)	(665)
Profit/loss for the year	10,145	1,550	40,100	142	1,814
Total assets	300,317	247,702	103,491	115,707	91,817
Investments in property, plant and equipment	130,817	175,134	54,577	13,896	4,899
Equity	92,119	81,975	80,425	40,324	21,988
Cash flows from (used in) investing activities	(71,266)	(148,572)	(45,247)	(26,349)	(25,564)
Ratios					
Equity ratio (%)	30.67	33.09	77.71	34.85	23.95

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

Equity ratio (%):

$\frac{\text{Equity} * 100}{\text{Total assets}}$

Total assets

Primary activities

The company manufactures moulds for glass casting of camera lenses for consumer electronics.

The company develops equipment and processes for lens manufacturing based on wafer technology.

Development in activities and finances

The company has experienced a significant increase in both revenue and number of employees in 2019, which is also reflected in the company's profit before tax.

Since moving to the new premises, the company has invested in creating a production facility that allows the company to manufacture various components. The production facility is operational.

The result for the year compared to the result for 2018 and the budget for 2019, is better than anticipated.

Outlook

The number of employees is expected to be at approximately the same level as at the end of 2019, but will overall contribute to a higher turnover and result compared to 2019.

Particular risks

Due to the company's activity as an internal development and production centre, it is assessed that the company is not exposed to any unusual obligations or risks

Intellectual capital resources

As a development centre for AAC Technologies, it is important for the company's continued development, and that the company can continue to deliver new products to customers, that the company can recruit and retain employees with a high level of education and employees with technical experience.

Environmental performance

The company's physical material consumption is very limited, with consequent external impact.

The company buys part of its electricity consumption as green electricity, but also has no separate activities to reduce the company's external environmental impact.

Research and development activities

The company's development activity is within ultra-precision machining and optimization, with a view to mass production of lenses for consumer electronics.

Events after the balance sheet date

No events have occurred after the end of the financial year of material importance for the company's financial position.

The company has not experienced any significant changes to its activity due to COVID-19.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		110,611,166	53,513,542
Staff costs	1	(66,454,731)	(36,121,481)
Depreciation, amortisation and impairment losses	2	(19,271,828)	(7,669,277)
Operating profit/loss		24,884,607	9,722,784
Other financial income		46,873	263,154
Other financial expenses	3	(11,878,380)	(7,156,439)
Profit/loss before tax		13,053,100	2,829,499
Tax on profit/loss for the year	4	(2,908,492)	(1,279,755)
Profit/loss for the year	5	10,144,608	1,549,744

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Land and buildings		56,624,194	58,870,615
Plant and machinery		170,717,919	116,057,375
Other fixtures and fittings, tools and equipment		2,007,981	2,427,617
Property, plant and equipment in progress		11,718,529	26,569,368
Property, plant and equipment	6	241,068,623	203,924,975
Deposits		272,701	272,701
Other financial assets	7	272,701	272,701
Fixed assets		241,341,324	204,197,676
Manufactured goods and goods for resale		2,294,190	1,979,470
Inventories		2,294,190	1,979,470
Receivables from group enterprises		49,320,552	29,926,071
Other receivables		2,225,991	3,968,647
Income tax receivable		0	45,365
Prepayments	8	1,145,995	3,796,869
Receivables		52,692,538	37,736,952
Cash		3,988,525	3,788,326
Current assets		58,975,253	43,504,748
Assets		300,316,577	247,702,424

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital	9	17,221,939	17,221,939
Share premium		971,928	971,928
Retained earnings		73,925,274	63,780,666
Equity		92,119,141	81,974,533
Deferred tax	10	6,048,813	3,140,321
Provisions		6,048,813	3,140,321
Payables to group enterprises		180,962,562	138,029,419
Other payables		2,585,679	0
Non-current liabilities other than provisions	11	183,548,241	138,029,419
Trade payables		13,028,239	19,963,599
Other payables		5,572,143	4,594,552
Current liabilities other than provisions		18,600,382	24,558,151
Liabilities other than provisions		202,148,623	162,587,570
Equity and liabilities		300,316,577	247,702,424
Contingent liabilities	13		
Related parties with controlling interest	14		
Non-arm's length related party transactions	15		
Group relations	16		

Statement of changes in equity for 2019

	Contributed capital DKK	Share premium DKK	Retained earnings DKK	Total DKK
Equity beginning of year	17,221,939	971,928	63,780,666	81,974,533
Profit/loss for the year	0	0	10,144,608	10,144,608
Equity end of year	17,221,939	971,928	73,925,274	92,119,141

Cash flow statement for 2019

	Notes	2019 DKK	2018 DKK
Operating profit/loss		24,884,607	9,722,784
Amortisation, depreciation and impairment losses		19,271,828	7,669,277
Working capital changes	12	39,141,587	133,084,994
Cash flow from ordinary operating activities		83,298,022	150,477,055
Financial income received		40,849	0
Financial expenses paid		(11,872,356)	(6,893,285)
Income taxes refunded/(paid)		0	(1,279,755)
Cash flows from operating activities		71,466,515	142,304,015
Acquisition etc of property, plant and equipment		(71,266,316)	(148,564,593)
Deposits		0	(7,532)
Cash flows from investing activities		(71,266,316)	(148,572,125)
Increase/decrease in cash and cash equivalents		200,199	(6,268,110)
Cash and cash equivalents beginning of year		3,788,326	10,056,436
Cash and cash equivalents end of year		3,988,525	3,788,326
Cash and cash equivalents at year-end are composed of:			
Cash		3,988,525	3,788,326
Cash and cash equivalents end of year		3,988,525	3,788,326

Notes

1 Staff costs

	2019	2018
	DKK	DKK
Wages and salaries	63,170,977	34,321,178
Pension costs	245,826	128,751
Other social security costs	811,438	297,373
Other staff costs	2,226,490	1,374,179
	66,454,731	36,121,481
Average number of full-time employees	108	57

Neither the executive boards nor the board of directors are remunerated in the company.

2 Depreciation, amortisation and impairment losses

	2019	2018
	DKK	DKK
Depreciation of property, plant and equipment	19,271,828	7,669,277
	19,271,828	7,669,277

3 Other financial expenses

	2019	2018
	DKK	DKK
Financial expenses from group enterprises	5,171,149	2,938,854
Other financial expenses	6,707,231	4,217,585
	11,878,380	7,156,439

4 Tax on profit/loss for the year

	2019	2018
	DKK	DKK
Change in deferred tax	2,908,492	1,279,755
	2,908,492	1,279,755

5 Proposed distribution of profit and loss

	2019	2018
	DKK	DKK
Retained earnings	10,144,608	1,549,744
	10,144,608	1,549,744

6 Property, plant and equipment

	Land and buildings DKK	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Property, plant and equipment in progress DKK
Cost beginning of year	58,870,615	133,435,126	4,017,788	26,569,368
Additions	2,410,462	71,568,136	121,046	56,717,297
Disposals	(2,833,329)	0	0	(71,568,136)
Cost end of year	58,447,748	205,003,262	4,138,834	11,718,529
Depreciation and impairment losses beginning of year	0	(17,377,751)	(1,590,171)	0
Depreciation for the year	(1,823,554)	(16,907,592)	(540,682)	0
Depreciation and impairment losses end of year	(1,823,554)	(34,285,343)	(2,130,853)	0
Carrying amount end of year	56,624,194	170,717,919	2,007,981	11,718,529

7 Financial assets

	Deposits DKK
Cost beginning of year	272,701
Cost end of year	272,701
Carrying amount end of year	272,701

8 Prepayments

Prepayments contains prepayments on insurance, security service and other prepayments for expenses relating to the coming year.

9 Share capital

	Number	Par value DKK	Nominal value DKK	Recorded par value DKK
A-Shares	9,505,390	1	9,505,390	9,505,390
B-Shares	7,716,550	1	7,716,550	7,716,550
	17,221,940		17,221,940	17,221,940

10 Deferred tax

	2019	2018
	DKK	DKK
Property, plant and equipment	7,731,671	6,667,880
Tax losses carried forward	(1,682,858)	(3,527,559)
Deferred tax	6,048,813	3,140,321

	2019	2018
	DKK	DKK
Changes during the year		
Beginning of year	3,140,321	1,863,566
Recognised in the income statement	2,908,492	1,276,755
End of year	6,048,813	3,140,321

11 Non-current liabilities other than provisions

	Due after more than 12 months 2019 DKK
Payables to group enterprises	180,962,562
Other payables	2,585,679
	183,548,241

12 Changes in working capital

	2019	2018
	DKK	DKK
Increase/decrease in inventories	(314,720)	(1,621,470)
Increase/decrease in receivables	(104,747)	(7,955,320)
Increase/decrease in trade payables etc	39,561,054	142,661,784
	39,141,587	133,084,994

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.

Tax payable of the group's jointly taxed income amounts to DKK 0 at the balance sheet date.

14 Related parties with controlling interest

AAC Optics Solutions Pte., Ltd., Singapore owns all shares in the company and has controlling interest.

15 Non-arm's length related party transactions

Only related party transactions not conducted on an arm's length basis are disclosed in the annual report. No such transactions have been conducted in the financial year.

16 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
AAC Technologies Holdings Inc.

Copies of the consolidated financial statements of AAC Technologies Holdings Inc. may be ordered at the following address:

Unit 1607, China Evergrande Centre, 38 Gloucester Road, WanChai, Hong Kong.

Accounting policies

Reporting class

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

The financial statement have been adjusted this year in relation to additional requirements due to the transition from reporting class B to reporting class C enterprises (medium). The accounting policies applied to these financial statements are consistent with those applied last year and there has been no correction due to the transition of reporting class.

Recognition and measurement

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

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

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

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

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

Foreign currency translation

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

When recognising foreign subsidiaries and associates that are independent entities, the income statements are translated at average exchange rates for the months that do not significantly deviate from the rates at the transaction date. Balance sheet items are translated using the exchange rates at the balance sheet date. Goodwill is considered belonging to the independent foreign entity and is translated using the exchange rate at the balance sheet date. Exchange differences arising out of the translation of foreign subsidiaries' equity at the beginning of the year at the balance sheet date exchange rates and out of the translation of income statements from average rates to the exchange rates at the balance sheet date are classified directly as equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are classified directly as equity.

When recognising foreign subsidiaries that are integral entities, monetary assets and liabilities are translated using the exchange rates at the balance sheet date. Non-monetary assets and liabilities are translated at the exchange rate at the time of acquisition or the time of any subsequent revaluation or writedown. The items of the income statement are translated at the average rates of the months; however, items deriving from non-monetary assets and liabilities are translated using the historical rates applicable to the relevant non-monetary items.

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. Revenue from the sale of services is recognised in the income statement when delivery is made to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Cost of sales

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

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, and social security contributions, pension contributions, etc for entity staff.

Depreciation, amortisation and impairment losses

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

Other financial income

Other financial income comprises 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, and 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, and 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.

The Entity is jointly taxed with all Danish group enterprises. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

Balance sheet

Property, plant and equipment

Land and buildings, plant and machinery, and other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

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. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs.

Indirect production costs in the form of indirectly attributable staff costs and amortisation of intangible assets and depreciation of property, plant and equipment used in the development process are recognised in cost based on time spent on each asset.

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:

Buildings	20 years
Plant and machinery	10 years
Other fixtures and fittings, tools and equipment	3-10 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.

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.

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 computed 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.

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.

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.

Other financial liabilities

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

Cash flow statement

The cash flow statement shows cash flows from operating, investing and financing activities, and 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, and 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, and the raising of loans, inception of finance leases, repayments of 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.