

Dynaudio Holding A/S

Sverigesvej 15
8660 Skanderborg
CVR No. 27215548

Annual report 2022

The Annual General Meeting adopted the
annual report on 30.06.2023



Chunqiang Qu

Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2022	14
Balance sheet at 31.12.2022	15
Statement of changes in equity for 2022	17
Notes	18
Accounting policies	21

Entity details

Entity

Dynaudio Holding A/S

Sverigesvej 15

8660 Skanderborg

Business Registration No.: 27215548

Registered office: Skanderborg

Financial year: 01.01.2022 - 31.12.2022

Board of Directors

Shengbo Zhu

Zhenglei Hou

Xun Jiang

Executive Board

Chunqiang Qu

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

City Tower, Værkmestergade 2

8000 Aarhus C

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Dynaudio Holding A/S for the financial year 01.01.2022 - 31.12.2022.

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 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022.

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.

Skanderborg, 30.06.2023

Executive Board

Chunqiang Qu

Board of Directors

Shengbo Zhu

Zhenglei Hou

Xun Jiang

Independent auditor's report

To the shareholders of Dynaudio Holding A/S

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Dynaudio Holding A/S for the financial year 01.01.2022 - 31.12.2022, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2022 and of the results of its operations for the financial year 01.01.2022 - 31.12.2022 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 for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. 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.

Report on other legal and regulatory requirements and other reporting responsibilities

Violation of company law

In violation with the Companies Act, the company has not drawn up rules of procedure and register of shareholders, whereby the management can incur liability.

Aarhus, 30.06.2023

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Henrik Vedel

State Authorised Public Accountant

Identification No (MNE) mne10052

Mikael Møller

State Authorised Public Accountant

Identification No (MNE) mne47835

Management commentary

Financial highlights

	2022 DKK'000	2021 DKK'000	2020 DKK'000	2019 DKK'000
Key figures				
Gross profit/loss	25,334	9,121	9,690	1,189
Operating profit/loss	23,366	7,355	8,475	497
Net financials	(988)	(1,649)	(5,272)	(2,244)
Profit/loss for the year	(81,832)	27,505	4,416	(230,708)
Total assets	334,364	352,408	303,789	13,299
Equity	250,059	240,418	188,651	(189,610)
Ratios				
Equity ratio (%)	74.79	68.22	62.10	(1,425.75)

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 Group's activities are to develop, produce and sell loudspeaker systems and loudspeaker drivers relying on advanced technology and high quality.

In order to provide premium loudspeaker products to our customers, Dynaudio's business model and business value chain include product definition, research and development of new technologies, new drivers and new loudspeakers, supply chain management, production, quality control, sales & marketing, customer care service, etc.

The core competencies are based on sound systems, and the corporate vision is to enrich life through authentic sound. This has been the ambition ever since the formation of Dynaudio. Regardless of the segment in which Dynaudio operates, the ultimate demand is placed on the quality of the sound systems which promote sound reproduction which is as authentic as possible.

Dynaudio's business foundation comprises the following five business areas:

- Home Audio – Premium Sound Systems and loudspeakers for consumer electronics audio industry including HIFI and Custom Install.
- Automotive Audio – Premium Sound Systems and drivers for the automotive industry and car aftermarket.
- PRO Audio– Systems for studios and other professional applications.
- Lifestyle Audio – Stylish Sound Systems and loudspeakers for consumer electronics audio industry.
- Co-Brand – co-develop or co-create with other brands to research and develop new audio products with premium sound quality.

Dynaudio Holding has sales and distribution companies in China, USA and Germany, which together with Dynaudio A/S in Denmark ensure the worldwide distribution of products. Our subsidiary in the Netherlands acts as local sales office for the Benelux area. Dynaudio also has a branch in Sweden. The majority of the employees in Dynaudio Group is located in Dynaudio A/S, Denmark.

Development in activities and finances

The investments in Dynaudio have been massive since the parent company acquired the company and the owners continue to show a strong commitment and support to secure the further development of Dynaudio. This will put Dynaudio into a strong competitive position in the future.

Profit/loss for the year in relation to expected developments

The income statement of the Company in 2022 shows a loss of DKK 81,832k (2021: profit of DKK 27,505k), and at 31 December 2022 the balance sheet of the Company shows equity of DKK 250,059 (2021: DKK 240,418). The Management is not satisfied with the financial performance of the Company.

In 2022, management updated expectations of the net result to a loss of DKK 21m. The Management is dissatisfied with the result. Targets were not met, due to the development in the general financial situation, where uncertainty and increasing inflation led to a lower demand for high-end products. The COVID situation in China also impacted the business performance. Finally, Management made the necessary steps to impair the inventory, due to the decrease in the demand for automotive products.

Outlook

Dynaudio's ambition is to enrich peoples's life through sound and our mission is to bring the purest sound possible, to as many listeners, with the world's most innovative premium loudspeakers. Dynaudio will continue to innovate within sound technologies and develop the best in class products in Home Audio, Automotive Audio, Pro Audio and Lifestyle Audio. For 2023, Management expects a net loss of DKK 51,7m. This is mainly driven by a strategic shift in the Automotive business, the general restrain by customers buying high-end consumer products in a period with uncertainty in the world economy and finally investments in hiring new employees to support the ambition for long-term growth.

The corporate management team has redefined Dynaudio's vision, mission and core values to set the ambitions and reshape the culture.

Our vision:

To enrich life through authentic sound.

Our mission:

To bring the purest sound possible, to as many listeners as possible, with the world's most innovative premium loudspeakers.

Our core value:

- ▶ Customer Orientation
- ▶ Craftmanship
- ▶ Accountability
- ▶ Proactivity
- ▶ Efficiency
- ▶ Cooperation

Knowledge resources

The development of new products represents a significant parameter for the company, and particularly within acoustics and electronics. Therefore, access to competent resources needs to be secured. This is done through Dynaudio's talented R&D resources, through partnerships with the universities in Aarhus and Aalborg, and through close cooperation with knowledge-rich partners within the electronics sector.

Research and development activities

Dynaudio puts great focus on research and development. As a rule, each year we invest a part of our net revenue in research and product development. In order to have the best in class sound, Dynaudio has invested in our sound test lab, which is a 13 x 13 x 13m large chamber and guarantees a the purest possible sound performance. Dynaudio puts great focus on the development of talent ensuring the rapid improvement of their capabilities raising through participation in our innovative technology research and product development.

Statutory report on corporate social responsibility

The company provides sound systems, and the corporate vision is to enrich life through authentic sound, and detailed activities are described in the primary activity section.

Corporate Social Responsibility (CSR) is a natural and integrated focus area for Dynaudio. Our CSR policies concern our engagement with customers, suppliers, the local community, the industry as well as our own staff. By its nature, the quality certification under IATF 16949 places heavy demands on the company in terms of CSR, but Dynaudio has taken its social responsibility to an even higher level by introducing additional, relevant initiatives.

Environmental performance

As a tool for ensuring its high level of quality, for maintaining and developing its competitiveness as well as following e.g. environmental regulations, the company has opted to implement a quality and environmental management system which is based on Dynaudio requirements and processes and certified under IATF16949, VDA and DS/EN ISO 14001.

Dynaudio is externally audited annually and has an annual self-assessment cycle implemented as well. This ensures that our quality in all aspects is at the highest level possible to benefit all our business partners. The quality and environmental management system is effective for Dynaudio A/S in Denmark with regards to e.g., but not limited to, product development, construction, production, procurement, delivery, IT etc.

Dynaudio never compromises on the product quality adopted nor the environmental regulations. Combined with a zero-error quality concept, authentic music and sound reproduction is achieved through gradual as well as groundbreaking improvements within technology and quality. The philosophy to ensure continuous quality improvement is the very foundation on which the entire company and each staff member relies.

The company attempts to fulfil its vision through respect and consideration for the local and global effects that the products have on the physical and social environment. Dynaudio aims to attract and retain employees holding qualifications matching the company's high level of ambition.

Any Dynaudio product must be capable of meeting the high technical standards in accordance with the customer's wishes whilst retaining a sustainable environmental balance.

The objectives of Dynaudio's quality and environmental management system are to ensure that:

- Dynaudio complies with all relevant laws, regulatory and customer requirements as well as other regulations to which Dynaudio has committed itself;
- Quality and environmental focus areas are improved regularly;
- Damage to and pollution of the environment are prevented.

The areas are all assessed regularly by internal audits carried out by our quality department. These audits are mandatory under the regulations of the certifications of DS/ISO/TS 16949 (future IATF 16949) and DS/EN ISO14001.

A positive work environment

Each of our employees are prohibited from discrimination of any kind (e.g., by disadvantaging, harassing, or bullying) and shall foster a respectful, partner-like interaction with one another. As part of this we have the value - Listen – meaning listening and respecting each other. We also have an anti-bullying /wellbeing policy. We create an environment which provides personal and professional prospects for our employees, in which employees can improve their skills and achieve the best results. We invest in the skills and competence of our employees. We expect that each of our employees maintains high personal standards for themselves, their performance and their health and that they actively participate in their own ongoing professional development.

Dynaudio is committed to creating a sound and positive working environment for all our employees. We believe it is vital for our company's success that we are perceived as a great place to work. Dynaudio also performs annual employee satisfaction surveys for all employees worldwide. This is done as an anonymous survey at the end of each year. In 2022 the result of the annual employee satisfaction survey was on par with the previous year's result.

Dynaudio will continue to perform annual satisfaction surveys at the end of the year. Cooperate Management

Team (CMT) will analyze the overall results and look for ways to improve the overall motivation and satisfaction of the employees. HR will support CMT and line management in identifying root causes for lack of engagement and motivation, and making plans for improvement.

The main risk is to lose focus on making the improvements that have been identified after analyzing each survey result. HR is taking charge of ensuring workshops with each line manager to identify the improvement points and to make the necessary adjustment plans.

Risk Related to CSR

Dynaudio operates within a competitive global market. In order to create and sustain a profitable growth. Dynaudio consider risk management as key tool. Dynaudio considers the impact on Environment and Climate, Human Rights, Equal Gender Representation and Anti-Corruption to be limited. The company considers business risks together with these specific risks. In a situation where an increased risk is identified, the risk will be highlighted in each separate section below, including a description of our policy.

Environment and climate

Dynaudio products generally have long lifespans, which minimizes negative effects on the environment. However, we recognize that when manufacturing we use and transform natural resources and that our suppliers also use natural resources when delivering components to us. Therefore, we focus on maintaining a responsible and resource efficient business. Responsibility and efficiency is an integrated part of our certified DS/EN ISO 14001 environmental management system and we continuously seek to improve our environmental performance. Every year, we perform external audits according to our ISO 14001 environmental certification. In the future, Dynaudio will continue following ISO14001 standard and try to only use environment friendly materials in the R&D of new technologies and products.

Human Rights

We respect internationally recognized human rights and support the observance of these rights. We act in accordance with the applicable requirements of the International Labor Organization. We recognize the basic right of all employees to establish trade unions / labor representations and do not interfere or seek information regarding these rights. We reject all deliberate use of forced or compulsory labor. Child labor is prohibited. We heed the minimum age requirements for employment in accordance with governmental obligations. Remuneration and benefits paid or otherwise rendered in compensation for a normal working week are following as a minimum the national legal standard or standards of the respective national economic region.

All of the above also goes for our suppliers and we work closely with our suppliers to ensure that they act in accordance of what we expect of them. Suppliers are often audited by our internal quality /procurement teams to ensure that the code of conduct is followed. In 2022, all Dynaudio suppliers agreed to follow our Code of Conduct, which is a requirement for being a Dynaudio partner and is included in our supplier terms & conditions.

Our frequent supplier visits ensure nonconformities are assessed and all have planned corrective actions. According to ISO 14001 suppliers must document that a Code of Conduct is followed and future supplier audits will include a more detailed control to ensure that they are indeed following the agreed Code of Conduct. Dynaudio will continue to act in accordance with the applicable requirements of the International Labor Organization and will improve human rights, emphasize Code of Conduct and do more related activities time to time in the future.

Anti-Corruption

It is important to us that the employment activities of our employees do not create a conflict between their private interests and those of Dynaudio. Therefore, it is imperative that all situations from which conflicts of interest could arise be avoided. For the protection of Dynaudio and our employees, we have established internal rules of conduct as well as a system for exposure, and the pursuit of such activities and offences.

Corruption is forbidden worldwide and unacceptable behavior for a Dynaudio employee, business partner and customer. It is a criminal act and will not be tolerated. No employee may use the business connections of the company for their own benefit or for that of another or to the disadvantage of the company. This means, in particular that none of our employees may grant or accept impermissible personal benefits (e.g., money, tangible assets, or services) that are intended to influence a fact-based decision. In 2022, all new employees completed an extensive business ethics training as a part of the on-boarding program.

No case of corruption and bribery was reported during 2022, nor had any of our employees received excessive gifts/presents from our business partners, to the best of our knowledge.

Dynaudio will continue developing the anti-corruption training and present it to all new employees. The company will also hold regular training for all employees every year and keep whistleblower regulation in our employee manual.

Supporting the community – we grow together

Dynaudio has decided to play an active role in helping citizens in the Skanderborg area go back to work, into the job market and also in integrating newcomers to Denmark. Helping in this way gives us pride in our organization, it grows our understanding of the diversity in people and backgrounds and while doing so, we support our intern's growth of self-confidence, work identity, language skills, etc.

Leading

We are leaders within our field and have the best-of-the-best experts as our employees. In order to support and ensure the experts for the future, our specialist and managers are active at e.g. Aarhus and Aalborg University, sharing their knowledge and helping to educate the experts of the future. We work together with educational institutions at all level from seventh graders to PhD candidates, inviting them to Dynaudio, where possible for e.g. factory tours, assignment collaborations and internships. We feel a responsibility towards the employees of the future – giving them insight into our industry and the wide variety of job possibilities it holds.

Sponsoring

We award sponsorship in the context of the respective legal framework and in accordance with the applicable internal rules. This means it must be relevant for our work field and/or have a social/health benefit for our employees. We have active sponsorships with regards to:

- The continuation of the support of The Music Hall in Aarhus.
- Dynaudio Midsommer Stafet (running event), which is both a social and health-conscious event bringing people together, sharing fun and food, as well as expanding networks across work areas, hierarchy levels etc.

To Lead we need to continuously improve

Dynaudio's CSR policies are reviewed regularly at top management level and by the collaboration committee to ensure that these policies always comply with applicable national and international guidelines, and that they are developed and improved upon on an ongoing basis. The areas are all assessed regularly by internal audits carried out by our quality department. These audits are

mandatory under the regulations of the certifications of DS/ISO/TS 16949 (future IATF 16949) and DS/EN ISO 14001. Our investments are in line with the Dynaudio strategy and ensure both positive impact on our environment as well as on our expenditure forward.

Statutory report on the underrepresented gender

We want to be a company which is known to give equal opportunity and equal treatment, irrespective of ethnicity, skin color, gender, disability, ideology, faith, nationality, sexual orientation, social background, or political conviction. This view is reflected in our hiring process. Our employees are chosen, hired, and supported based on their qualifications and skills. However, we do seek toward equal representation in the hiring process. For the board of directors, the company will consider introducing a female board member in the following years to have a more equal gender representation.

Statutory report on data ethics policy

Our commitment to ethical behavior and solid ethical foundations are essential components of Dynaudio's operations. We are committed to doing business in the right way, based on a culture of ethics and compliance. In the long term, we can successfully face the challenges of a competitive market environment by accepting the imperatives of moral responsibility, both as individuals and as a company. In performing job duties, employees should always act lawfully, ethically and in the best interests of Dynaudio.

Events after the balance sheet date

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

Income statement for 2022

	Notes	2022 DKK'000	2021 DKK'000
Gross profit/loss		25,334	9,121
Administrative expenses		(1,968)	(1,766)
Operating profit/loss		23,366	7,355
Income from investments in group enterprises		(103,025)	21,799
Other financial income	2	1,133	0
Other financial expenses	3	(2,121)	(1,649)
Profit/loss before tax		(80,647)	27,505
Tax on profit/loss for the year	4	(1,185)	0
Profit/loss for the year	5	(81,832)	27,505

Balance sheet at 31.12.2022

Assets

	Notes	2022 DKK'000	2021 DKK'000
Acquired licences		0	162
Intangible assets	6	0	162
Investments in group enterprises		255,944	345,613
Financial assets	7	255,944	345,613
Fixed assets		255,944	345,775
Receivables from group enterprises		62,294	0
Other receivables		6,899	625
Receivables		69,193	625
Cash		9,227	6,008
Current assets		78,420	6,633
Assets		334,364	352,408

Equity and liabilities

	Notes	2022 DKK'000	2021 DKK'000
Contributed capital		11,014	8,014
Translation reserve		0	2,529
Reserve for fair value adjustments of hedging instruments		2,310	863
Retained earnings		236,735	229,012
Equity		250,059	240,418
Provisions for investments in group enterprises	8	72,665	57,102
Provisions		72,665	57,102
Trade payables		200	44
Payables to group enterprises		9,779	54,443
Tax payable		1,531	346
Other payables		130	55
Current liabilities other than provisions		11,640	54,888
Liabilities other than provisions		11,640	54,888
Equity and liabilities		334,364	352,408
Events after the balance sheet date	1		
Employees	9		
Contingent liabilities	10		
Non-arm's length related party transactions	11		
Group relations	12		

Statement of changes in equity for 2022

	Contributed capital DKK'000	Translation reserve DKK'000	Reserve for fair value adjustments of hedging instruments DKK'000	Retained earnings DKK'000	Total DKK'000
Equity beginning of year	8,014	2,529	863	229,012	240,418
Increase of capital	2,000	0	0	71,848	73,848
Capital increase by debt conversion	1,000	0	0	18,996	19,996
Exchange rate adjustments	0	0	0	(3,818)	(3,818)
Transfer to reserves	0	(2,529)	1,447	2,529	1,447
Profit/loss for the year	0	0	0	(81,832)	(81,832)
Equity end of year	11,014	0	2,310	236,735	250,059

Notes

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.

2 Other financial income

	2022 DKK'000	2021 DKK'000
Financial income from group enterprises	1,133	0
	1,133	0

3 Other financial expenses

	2022 DKK'000	2021 DKK'000
Financial expenses from group enterprises	0	1,540
Other interest expenses	19	7
Exchange rate adjustments	2,102	102
	2,121	1,649

4 Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	1,185	0
	1,185	0

5 Proposed distribution of profit and loss

	2022 DKK'000	2021 DKK'000
Retained earnings	(81,832)	27,505
	(81,832)	27,505

6 Intangible assets

	Acquired licences DKK'000
Cost beginning of year	7,550
Cost end of year	7,550
Amortisation and impairment losses beginning of year	(7,388)
Impairment losses for the year	(162)
Amortisation and impairment losses end of year	(7,550)
Carrying amount end of year	0

7 Financial assets

	Investments in group enterprises DKK'000
Cost beginning of year	400,524
Cost end of year	400,524
Impairment losses beginning of year	(54,910)
Exchange rate adjustments	(3,818)
Share of profit/loss for the year	(70,210)
Adjustment of intra-group profits	(32,653)
Investments with negative equity value transferred to provisions	15,564
Fair value adjustments	1,447
Impairment losses end of year	(144,580)
Carrying amount end of year	255,944

Investments in subsidiaries	Registered in	Equity interest %
Dynaudio A/S	Denmark	100.00
Dynaudio Germany GmbH	Germany	100.00
Dynaudio (Shanghai) Co. Ltd	China	100.00
Dynaudio North America Inc.	USA	100.00
Dynaudio Benelux B.V	Netherlands	100.00

8 Provisions for investments in group enterprises

Provisions relates to provisions for negative equity values in investments in subsidiaries.

9 Employees

The Entity has no employees.

10 Contingent liabilities

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

11 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.

12 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:
Goertek Group Co. Ltd, China

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:
Goertek Group Co. Ltd, China

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

Consolidated financial statements

Referring to 112(1) of the Danish Financial Statements Act, no consolidated financial statements have been prepared.

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.

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 recognised directly in the translation reserve in equity.

Exchange adjustments of outstanding accounts with independent foreign subsidiaries, which are considered part of the total investment in the subsidiary in question, are recognised directly in the translation reserve in 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

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.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationery and office supplies, and amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity

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 intra-group profits or losses.

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.

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.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise

can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred. When recognising development projects as intangible assets, an amount equalling the costs incurred less deferred tax is taken to equity under reserve for development costs that is reduced as the development projects are amortised and written down.

The cost of development projects comprises costs such as salaries and amortisation that are directly and indirectly attributable to the development projects.

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

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

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

Investments in group enterprises

Investments in group enterprises are recognised and measured in the parent financial statements 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 or losses. Reference is made to the above section on business combinations for more details about the accounting policies applied to 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 in equity.

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

Receivables

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

Cash

Cash comprises cash in hand and bank deposits.

Other provisions

Other provisions comprise anticipated costs of non-recourse guarantee commitments, returns, loss on contract work in progress, decided and published restructuring, etc.

Other provisions are recognised and measured as the best estimate of the expenses required to settle the liabilities at the balance sheet date. Provisions that are estimated to mature more than one year after the balance sheet date are measured at their discounted value.

Non-recourse guarantee commitments comprise commitments to remedy defects and deficiencies within the guarantee period.

On acquisition of enterprises and investments in group enterprises, provisions are made for costs relating to restructuring in the acquired enterprise that were decided and published at the acquisition date at the latest.

Once it is probable that total costs will exceed total income from a contract in progress, provision is made for the total loss estimated to result from the relevant contract.

Other financial liabilities

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

Tax receivable or payable

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

Cash flow statement

Referring to section 86(4) of the Danish Financial Statements Act, the Entity has prepared no cash flow statement as such statement is included in the consolidated cash flow statement of Goertek Group Ltd. Co., China.