

Elysee Dental ApS

Oktobervej 49, 8210 Århus

CVR no. 27 65 32 19

Annual report

for the year 1 January - 31 December 2021

Approved at the Company's annual general meeting on 30 June 2022

Chair of the meeting:

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Eelco Gulpen



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Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Elysee Dental ApS for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

We recommend that the annual report be approved at the annual general meeting.


Aarhus, 30 June 2022
Executive Board



Eelco Gulpen
Director



Torsten Schwafert
Director



Lisbeth Zenia Petersen
Director

Independent auditor's report

To the shareholder of Elysee Dental ApS

Opinion

We have audited the financial statements of Elysee Dental ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including 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 financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 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 financial statements" section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' 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.

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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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 as to 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 the 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 Company's internal control.



Independent auditor's report

- ▶ 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 Company'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 Company to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and contents of the financial statements, including the note disclosures, 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's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the Management's review, 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's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's review provides the information required under the Danish Financial Statements Act.

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

Kolding, 30 June 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28



Claus E. Andreassen
State Authorised Public Accountant
mne16652

Management's review

Company details

Name Elysee Dental ApS
Address, Postal code, City Oktobervej 49, 8210 Århus

CVR no. 27 65 32 19
Established 4 March 2004
Registered office Århus
Financial year 1 January - 31 December

Telephone +45 73 40 44 04

Executive Board
Eelco Gulpen, Director
Torsten Schwafert, Director
Lisbeth Zenia Petersen, Director

Auditors
EY Godkendt Revisionspartnerselskab
Trindholmsgade 4, 2. sal, 6000 Kolding, Denmark



Management's review

Business review

The company's principal activities are to produce and sell customized prosthetic products to dental clinics in Denmark.

Financial review

The income statement for 2021 shows a profit of DKK 2,335,487 against a profit of DKK 1,509,156 last year, and the balance sheet at 31 December 2021 shows equity of DKK 3,487,908. Management considers the Company's financial performance in the year satisfactory.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2021	2020
	Revenue	62,936,591	44,478,891
	Cost of sales	-42,844,800	-27,484,183
	Other operating income	28,187	649,564
	Other external expenses	-3,965,021	-3,397,808
	Gross profit	16,154,957	14,246,464
2	Staff costs	-12,632,664	-11,798,380
4,5	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-507,630	-484,484
	Profit before net financials	3,014,663	1,963,600
	Financial expenses	-21,072	-33,383
	Profit before tax	2,993,591	1,930,217
3	Tax for the year	-658,104	-421,061
	Profit for the year	2,335,487	1,509,156
	Recommended appropriation of profit		
	Proposed dividend recognised under equity	2,500,000	5,000,000
	Retained earnings/accumulated loss	-164,513	-3,490,844
		2,335,487	1,509,156

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
	ASSETS		
	Fixed assets		
4	Intangible assets		
	Goodwill	327,417	544,217
		<u>327,417</u>	<u>544,217</u>
5	Property, plant and equipment		
	Other fixtures and fittings, tools and equipment	401,553	374,669
	Leasehold improvements	289,427	336,223
		<u>690,980</u>	<u>710,892</u>
	Investments		
	Other receivables	226,090	226,090
		<u>226,090</u>	<u>226,090</u>
	Total fixed assets	<u>1,244,487</u>	<u>1,481,199</u>
	Non-fixed assets		
	Inventories		
	Finished goods and goods for sale	658,265	434,707
		<u>658,265</u>	<u>434,707</u>
	Receivables		
	Trade receivables	5,982,092	4,969,220
	Work in progress for third parties	194,387	137,684
	Receivables from group entities	408	200,052
	Income taxes receivable	392,533	570,018
	Other receivables	0	33,432
	Deferred expenses	342,372	186,603
		<u>6,911,792</u>	<u>6,097,009</u>
	Cash	<u>2,981,975</u>	<u>7,499,196</u>
	Total non-fixed assets	<u>10,552,032</u>	<u>14,030,912</u>
	TOTAL ASSETS	<u>11,796,519</u>	<u>15,512,111</u>

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
	Share capital	125,000	125,000
	Retained earnings	862,908	1,027,421
	Dividend proposed for the year	2,500,000	5,000,000
	Total equity	3,487,908	6,152,421
	Provisions		
	Deferred tax	75,674	127,422
	Total provisions	75,674	127,422
	Liabilities other than provisions		
	Non-current liabilities other than provisions		
	Other payables	0	789,176
		0	789,176
	Current liabilities other than provisions		
	Trade payables	1,120,649	369,522
	Payables to group entities	4,824,021	5,171,516
	Income taxes payable	182,402	0
	Other payables	2,086,763	2,694,062
	Deferred income	19,102	207,992
		8,232,937	8,443,092
	Total liabilities other than provisions	8,232,937	9,232,268
	TOTAL EQUITY AND LIABILITIES	11,796,519	15,512,111

- 1 Accounting policies
- 6 Contractual obligations and contingencies, etc.
- 7 Related parties

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Dividend proposed for the year	Total
Equity at 1 January 2020	125,000	4,518,265	0	4,643,265
Transfer through appropriation of profit	0	-3,490,844	5,000,000	1,509,156
Equity at 1 January 2021	125,000	1,027,421	5,000,000	6,152,421
Transfer through appropriation of profit	0	-164,513	2,500,000	2,335,487
Dividend distributed	0	0	-5,000,000	-5,000,000
Equity at 31 December 2021	125,000	862,908	2,500,000	3,487,908

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Elysee Dental ApS for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Reporting currency

The financial statements are presented in Danish kroner (DKK).

Foreign currency translation

Transactions denominated in foreign currencies are translated into Danish kroner at the exchange rate at the date of the transaction. Exchange differences arising between the rate on the payment date are recognised in the income statement as a financial income or expense.

If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognised directly in the equity.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

The net revenue from sale of merchandise and finished goods is recognised in the income statement if supply and risk transfer to purchaser has taken place before the end of the year. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains on the sale of fixed assets.

Cost of sales

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include costs relating to distribution, sale, advertising, administration, premises, loss on bad debts, operating lease expenses and similar expenses.

Payments relating to operating lease agreements and other rental agreements are recognised in the income statement over the term of the contract. The Company's total liability for operating lease and rental agreements is disclosed under contingencies.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Amortisation/depreciation

The item comprises amortisation/depreciation of intangible assets and property, plant and equipment.

Goodwill is amortised over the expected economic life, measured by reference to an assessment of, among other factors, the nature, earnings and market position of the acquired entity as well as the stability of the customer bases and the dependence on key staff.

The basis of amortisation/depreciation, which is calculated as cost less any residual value, is amortised/depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Goodwill	10 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	7-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Financial expenses

Financial income and expenses include interest income and expenses, financial expenses of finance leases, realised and unrealised gains and losses arising from investments in financial assets, debt and transactions in foreign currencies, amortisation of financial assets and liabilities as well as charges and allowances under the tax-on-account scheme etc. Financial income and expenses are recognised in the income statement by the amounts that relate to the financial year.

Tax

The Company is covered by the Danish rules on mandatory joint taxation of the Group's Danish subsidiaries. Subsidiaries are included in the joint taxation arrangement from the date at which they are included in the consolidated financial statements and up to the date when they are no longer consolidated.

The Company acts as management company for the joint taxation arrangement and consequently settles all corporate income tax payments with the tax authorities.

On payment of joint taxation contributions, the Danish corporate income tax charge is allocated between the jointly taxed entities in proportion to their taxable income. Entities with tax losses receive joint taxation contributions from entities that have been able to use the tax losses to reduce their own taxable income.

Tax for the year, which comprises the current income tax charge, joint taxation contributions and deferred tax adjustments, including adjustments arising from changes in tax rates, is recognised in the income statement as regards the portion that relates to the profit/loss for the year and directly in equity as regards the portion that relates to entries directly in equity.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is measured at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight-line basis over the expected useful life which is estimated to 10 years.

The depreciation of goodwill over 10 years reflects the Management belief on the economic lifetime for goodwill and is determined in consideration of the expected future net income from the activity to which the goodwill is allocated.

Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Other securities and investments

Deposits include rental deposits which are recognised and measured at amortised cost. Deposits are not depreciated.

Impairment of fixed assets

Every year, intangible assets and property, plant and equipment are reviewed for impairment. Where there is indication of impairment, an impairment test is made for each individual asset or group of assets, respectively, generating independent cash flows. The assets are written down to the higher of the value in use and the net selling price of the asset or group of assets (recoverable amount) if it is lower than the carrying amount.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, write-down is provided to the lower value.

The cost of merchandise as well as raw materials and consumables is calculated at acquisition price with addition of transportation and similar costs.

The net realisable value of inventories is stated at sales price less completion costs and costs incurred to execute the sale and is determined with due regard to marketability, obsolescence and development in expected sales price.

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.



Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Work in progress for third parties

Ongoing service supplies and work in progress for third parties are measured at the cost value of the work performed.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Equity

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Provisions

Provision for liabilities include the expected cost of warranty commitments, loss on work in progress, restructuring ect. and deferred tax.

Provisions are measured at net realisable value or at fair value if the obligation is expected to be settled far into the future.

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Deferred income

Deferred income recognised as a liability comprises payments received concerning income in subsequent financial reporting years.

	DKK	2021	2020
2 Staff costs			
Wages/salaries		10,098,942	9,468,537
Pensions		1,067,251	1,014,070
Other social security costs		98,455	87,022
Other staff costs		1,368,016	1,228,751
		<u>12,632,664</u>	<u>11,798,380</u>
 Average number of full-time employees		<u>28</u>	<u>25</u>
	DKK	2021	2020
3 Tax for the year			
Estimated tax charge for the year		709,852	421,982
Deferred tax adjustments in the year		-51,748	7,258
Tax adjustments, prior years		0	-8,179
		<u>658,104</u>	<u>421,061</u>

Financial statements 1 January - 31 December

Notes to the financial statements

4 Intangible assets

DKK	Goodwill
Cost at 1 January 2021	2,168,000
Cost at 31 December 2021	2,168,000
Impairment losses and amortisation at 1 January 2021	1,623,783
Amortisation/depreciation in the year	216,800
Impairment losses and amortisation at 31 December 2021	1,840,583
Carrying amount at 31 December 2021	327,417

5 Property, plant and equipment

DKK	Other fixtures and fittings, tools and equipment	Leasehold improvements	Total
Cost at 1 January 2021	1,430,303	467,964	1,898,267
Additions in the year	322,733	0	322,733
Disposals in the year	-62,176	0	-62,176
Cost at 31 December 2021	1,690,860	467,964	2,158,824
Impairment losses and depreciation at 1 January 2021	1,055,634	131,741	1,187,375
Amortisation/depreciation in the year	244,034	46,796	290,830
Reversal of amortisation/depreciation and impairment of disposals	-10,361	0	-10,361
Impairment losses and depreciation at 31 December 2021	1,289,307	178,537	1,467,844
Carrying amount at 31 December 2021	401,553	289,427	690,980

6 Contractual obligations and contingencies, etc.

Other contingent liabilities

As management company, the Company is jointly taxed with other Danish group entities and is jointly and severally with other jointly taxed group entities for payment of income taxes for income year 2017 onwards as well as withholding taxes on interest, royalties and dividends falling due for payment on or after 1 January 2017.

Other financial obligations

Other rent and lease liabilities:

DKK	2021	2020
Rent and lease liabilities	951,119	1,516,581

The Company has entered into lease agreements with a remaining period of 36-60 months, with a total monthly lease payment of DKK ('000) 25. The lease agreements have a total residual lease payment of DKK ('000) 619.

The Company has entered into rental contracts with a termination period between 18-30 months. The annual rental amounts to DKK ('000) 332.

Financial statements 1 January - 31 December

Notes to the financial statements

7 Related parties

Information about consolidated financial statements

Parent	Domicile
Modern Dental Group Limited	17/F, CEO Tower, 77 Wing Hong Street, Cheung Sha Wan, Kowloon, Hong Kong