



Piaster Revisorerne
vi giver bedre råd

OneSail Denmark ApS

CVR-no. 27 98 32 00

Skolelodden 24
2680 Solrød Strand

Annual Report 2016 (Financial year 1 January 2016 - 31 December 2016)

The Annual Report is presented and
adopted at the Annual General Meeting of
shareholders on the 5 May 2017

Niels K. Nielsen
Chairman of the meeting

Table of Contents

	<u>Page</u>
Statements and reports	
Management's Statement	1
Independent Auditor's Reports	2
Management's Review	
Corporate information	6
Management's Review	7
Financial Statements	
Income Statement	8
Balance Sheet	9
Notes	10
Accounting policies	13

Management's Statement

The Executive Board have today considered and approved the Annual Report of 1 January 2016 - 31 December 2016 for OneSail Denmark ApS.

The Annual Report has been prepared in accordance with the Danish Financial Statements Act.

In my opinion the Financial Statements give a true and fair view of the Company's assets and liabilities, financial position and results of operations for the financial year ended 31 December 2016.

In my opinion the Management's Review gives a true and fair statement regarding the content in the Management's Review.

We recommend the Annual Report approved at the Annual General Meeting.

Solrød Strand, 5 May 2017

Executive Board:



Niels K. Nielsen

Managing Director

Independent Auditor's Reports

To the Shareholders of OneSail Denmark ApS

Opinion

We have audited the Financial Statements of OneSail Denmark ApS for the financial year 1 January 2016 - 31 December 2016, which comprise the income statement, balance sheet, notes and 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 2016 and of the results of the operations for the financial year 1 January 2016 - 31 December 2016, 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 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 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.

Emphasis of matter

Without modifying our opinion, we draw attention to note 7 to the financial statements, which describes the uncertainties relating to the company's going concern. The company's going concern depends on the parent company's future financial development and support from other shareholders. Debt to these shareholders is not paid before the company's cash position is sufficient. In spite of the uncertainties regarding this company management expects going concern in the forthcoming fiscal year.

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.

Independent Auditor's Reports (-continued)

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 judgment and maintain professional skepticism 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.
- 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.

Independent Auditor's Reports (-continued)

- Evaluate the overall presentation, structure and contents of the Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the Financial Statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover 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 Management's Review and, in doing so, consider whether 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 Management's Review provides the information required under the Danish Financial Statements Act.

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

Independent Auditor's Reports (-continued)

Birkerød, den 5 May 2017

Piaster Revisorerne,
statsautoriseret revisionsaktieselskab

CVR. no.: 25 16 00 37



Steen Dahl Andersen

State Authorized Public Accountant

Company data

The Company	OneSail Denmark ApS Skolelodden 24 2680 Solrød Strand
	Identification no.: 27 98 32 00
	Founded: 1 August 2004
	Registered office: Solrød
	Financial year: 1 January - 31 December
Executive Board	Niels K. Nielsen
Auditor	Piaster Revisorerne, Statsautoriseret Revisionsaktieselskab Abildgårdsparken 8A 3460 Birkerød

Management's Review

Primary activities of entity

OneSail Denmark ApS is a Danish-Chinese high-tech company, which provides intelligent overall solutions based on RFID (Radio Frequency Identification technology). The group's services focus on overall solutions comprising development and production of hardware and software.

The structure of the OneSail Group is a holding company in Hong Kong owning a development subsidiary in China and OneSail Denmark ApS. OneSail Denmark ApS manages concept development and project management in order to streamline communication and follow-up during project periods.

Development in activities and financial affairs

The company's going concern depends on the parent company's financial development and support from other shareholders. Debt to these shareholders is not paid before the company's cash position is sufficient.

The trade receivables in Note 5 is at group companies also supported by the ultimate shareholders.

The company's financial performance is considered satisfying

Significant events occurred after the end of the financial year

No events materially affecting the financial position of the company have occurred after the end of the financial year.

Income statement 1 January - 31 December

	<u>Notes</u>	<u>2016</u>	<u>2015</u>
Revenue	1	309.173	220.582
Cost of sales		-153.203	-70.500
Other external expenses		-55.284	-40.554
Gross profit		100.686	109.528
Staff costs	2	-43.202	-40.733
Operating profit		57.484	68.795
Financial expenses	3	-55.138	-59.598
Profit before tax		2.346	9.197
Tax expense	4	0	0
Profit for the year		2.346	9.197
Proposed distribution of results			
Retained earnings		2.346	9.197
Proposed dividend recognised in equity		0	0
Total distribution		2.346	9.197

Balance sheet at 31 December

Assets

	Notes	2016	2015
Trade receivables	5	549.611	605.341
Other receivables		18.185	3.663
Receivables		567.796	609.004
Cash and cash equivalents		4.231	13.743
Current assets		572.027	622.747
Assets		572.027	622.747

Equity and liabilities

	Notes	2016	2015
Share capital		125.000	125.000
Retained earnings		-439.799	-442.145
Proposed dividend recognised in equity		0	0
Equity	6	-314.799	-317.145
Trade payables		31.487	23.801
Other payables		855.339	916.091
Short-term liabilities other than provisions		886.826	939.892
Liabilities other than provisions		886.826	939.892
Equity and liabilities		572.027	622.747
Uncertainties relating to going concern	7		
Related parties	8		

Notes

	2016	2015
1 Revenue		
Management fee, OneSail Hong Kong Ltd.	148.130	150.000
Revenue, OneSail Hong Kong Ltd.	161.043	70.582
	309.173	220.582
2 Staff costs		
Wages and salaries	37.438	36.000
Post-employment benefit expense	3.408	2.160
Social security contributions	2.356	2.573
	43.202	40.733
Average number of full time employees	0	0
3 Financial expenses		
Finance expenses arising from ultimate shareholder	55.115	59.524
Other financial expenses	23	74
	55.138	59.598
4 Tax expense		
Calculated tax on taxable income for the year	0	0
Adjustment of deferred tax	0	0
	0	0

Notes

	2016	2015
5 Trade receivables		
Trade Receivables, OneSail Hong Kong Ltd.	549.611	605.341
	549.611	605.341
6 Equity		
Share capital 1 January	125.000	125.000
Share capital 31 December	125.000	125.000
Retained earnings at 1 January	-442.145	-451.342
Proposed distribution of results this year	2.346	9.197
Retained earnings at 31 December	-439.799	-442.145
Proposed dividend recognised in equity at 1 January	0	0
Extraordinary dividend recognised in equity this year	0	0
Dividend paid	0	0
Proposed distribution of results	0	0
Proposed dividend recognised in equity at 31 December	0	0
Equity 31 December	-314.799	-317.145

7 Uncertainties relating to going concern

The company's going concern depends on the parent company's financial development and support from other shareholders. Debt to these shareholders is not paid before the company's cash position is sufficient.

All ultimate shareholders have signed a letter of support to the company's going concern through the fiscal year 2017.

The trade receivables in Note 5 is at group companies also supported by the ultimate shareholders.

Notes

8 Related parties

OneSail Denmark ApS' related parties include:

Controlling influence

OneSail Hong Kong Ltd. - major shareholder

Other related parties, whom the company had transactions with

NKN ApS - ultimate shareholder

Transactions with related parties

The company has been trading with other companies from the OneSail Group. All transactions were based on market terms.

The company has been granted a loan from NKN ApS. The loan has been granted on market terms.

Accounting policies

The Annual Report has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B with election from reporting class C.

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

General

In general regarding accounting and measuring

Income is recognized in the income statement when they are earned. Furthermore are all costs, depreciations and write downs recognized in the income statement when incurred.

Assets are recognized in the balance sheet when it is probable that future economical benefits will accrue to the company and the assets value can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economical benefits will be deducted from the company and the value can be measured reliably.

On initial recognition assets and liabilities are measured to cost price. Thereafter assets and liabilities are measured as described for each entry.

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.

Currency retranslation

Transactions denominated in foreign currency are translated into the functional currency at the exchange rates ruling at the date of the transaction. Exchange differences arising between the transaction date and the exchange rate at the date of actual payment are recognized in the income statement under financial income or financial expenses.

Receivables, payables and other monetary items denominated in foreign currencies are translated into the functional currency at the exchange rates ruling at the balance sheet date. The difference between the exchange rates ruling at the balance sheet date and at the date when the receivable or payable arose is recognized in the income statement under financial income or financial expenses.

Non-current assets acquired in foreign currency are measured to the exchange rate ruling at the date of the transaction.

Accounting policies

Income statement

Gross profit

With reference to section 32 of the Financial Statement Act, the items “Revenue” to and including “Other external expenses” are consolidated into one item designated “Gross profit”.

Revenue

Revenue includes invoiced sales of goods and rendering of services, recognition is done, when

- delivery and transfer of risk to the buyer has taken place before year end
- a committing sales agreement exists
- sales price is determined, and
- payment is received, or there are reasonable security that it will be received

Revenue is recognized excluding value added tax and after deduction of provisions rebates and trade discounts relating to the sale.

Cost of sales

Cost of sales include costs incurred to achieve revenue for the year. Cost of sales include freight and forwarding costs.

Other external expenses

Other external expenses include expenses related to distribution, sale, advertising, administration, bad debt, premises, operating lease agreements etc.

Staff costs

Staff costs comprise costs such as wages and salaries, pension costs and other social security benefits ect. to the company's employees.

Financial items

Financial income and expenses are recognized in the income statement with the amounts related to the year. Financial income and expenses comprise interest receivable and payable, realised and unrealised capital gains on securities and currency translation adjustments.

Tax expense

Tax on income for the year, consisting of the year's current tax and deferred tax, is recognized in the income statement to the extent that it relates to the income or loss for the year and on equity to the extent that it relates there to.

Accounting policies

Balance sheet

Receivables

Receivables are measured at amortized cost which corresponds in all material respects to nominal value. The value is reduced with provisions for expected bad debts.

Cash and bank balances

Cash comprises cash balances and bank balances.

Dividends

Dividends expected to be paid in respect of the year are stated as a separate line item under liabilities.

Current tax and current deferred tax

Current tax liabilities and current tax assets are recognized in the balance sheet as estimated tax on the taxable income for the year, adjusted for change in tax on prior years' taxable income and for tax paid under the on-account tax scheme.

Deferred tax is measured according to the balance sheet liability method on all timing differences between the tax and accounting value of assets and liabilities.

Deferred income tax is measured using tax rules and tax rates that apply by the balance sheet date when the deferred tax asset is realised or the deferred income tax liability is settled. The change in deferred tax as a result of changes in tax rates is recognized in the income statement.

Liabilities

Other liabilities are measured at amortized cost, corresponding to the nominal value.