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CVR no. 20 22 26 70

ACCELINK DENMARK A/S
BLOKKEN 84, 3460 BIRKERØD
ANNUAL REPORT
1 JANUARY - 31 DECEMBER 2023

**The Annual Report has been presented and
adopted at the Company's Annual General
Meeting on 29 May 2024**

Weidong Ma

The English part of this document is an unofficial translation of the original Danish text, and in case of any discrepancy between the Danish text and the English translation, the Danish text shall prevail.

CVR NO. 28 28 50 35

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COMPANY DETAILS

Company	Accelink Denmark A/S Blokken 84 3460 Birkerød CVR No.: 28 28 50 35 Established: 29 November 2004 Municipality: Rudersdal Financial Year: 1 January - 31 December
Board of Directors	Qinlian Bu, chairman Weidong Ma, vice-chairman Yong Luo Christian Ingemann Mikkelsen Susanne Annalise Nielsen
Executive Board	Yueqiang Shen
Auditor	BDO Statsautoriseret revisionsaktieselskab Havneholmen 29 1561 Copenhagen V
Bank	Nykredit Kalvebod Brygge 1-3 5 1780 Copenhagen V

MANAGEMENT'S STATEMENT

Today the Board of Directors and Executive Board have discussed and approved the Annual Report of Accelink Denmark A/S for the financial year 1 January - 31 December 2023.

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 Company's assets, liabilities and financial position at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023.

The Management Commentary includes in our opinion a fair presentation of the matters dealt with in the Commentary.

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

Birkerød, 29 May 2024

Executive Board

Yueqiang Shen

Board of Directors

Qinlian Bu
Chairman

Weidong Ma
Vice-chairman

Yong Luo

Christian Ingemann Mikkelsen

Susanne Annalise Nielsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Accelink Denmark A/S

Opinion

We have audited the Financial Statements of Accelink Denmark A/S for the financial year 1 January - 31 December 2023, which comprise income statement, Balance Sheet, statement of changes in equity, cash flows, notes and 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 assets, liabilities and financial position of the Company at 31 December 2023 and of the results of the Company's operations and cash flows for the financial year 1 January - 31 December 2023 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' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

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 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.

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 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 Management Commentary

Management is responsible for Management Commentary.

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

Based on the work we have performed, we conclude that 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 Management Commentary.

Copenhagen, 29 May 2024

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Ole C. K. Nielsen
State Authorised Public Accountant
MNE no. mne23299

FINANCIAL HIGHLIGHTS

	2023 DKK '000	2022 DKK '000	2021 DKK '000	2020 DKK '000	2019 DKK '000
Income statement					
Net revenue.....	64.942	71.778	73.530	77.072	74.066
Gross profit/loss.....	5.971	12.273	22.497	23.221	28.269
Operating profit/loss of main activities...	-5.120	2.682	8.027	7.953	13.307
Financial income and expenses, net.....	1.032	757	393	-398	-327
Profit/loss for the year.....	-3.995	3.458	7.099	6.540	15.398
Balance sheet					
Total assets.....	121.027	107.230	110.890	110.748	98.557
Equity.....	90.957	94.952	91.494	84.395	77.856
Cash flows					
Investment in property, plant and equipment.....	-17.032	-8.120	-7.874	-18.670	-23.545
Key ratios					
Equity ratio.....	75.2	88.5	82.5	76.2	79.0
Return on equity.....	-4.3	3.7	8.1	8.1	21.9

The ratios stated in the list of key figures and ratios have been calculated as follows:

Equity ratio:	$\frac{\text{Equity ex. minorities, at year end} \times 100}{\text{Total equity and liabilities, at year end}}$
Return on equity:	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

MANAGEMENT COMMENTARY

Principal activities

Accelink Denmark A/S is wholly-owned by its parent company, Accelink Technologies Co., Ltd. The objective of Accelink Denmark A/S is to supply the parent company with PLC technology and products to help the parent company maintain its position as the leading global supplier of PLC-based optical components for the growing market for fiber optical technology, which is demanding significant bandwidth upgrading.

Thanks to its competitive PLC wafer production facilities, efficient production processes, patents and customer relations, Accelink Denmark A/S is a key player in the PLC components area.

Development in activities and financial and economic position

In 2023, the Company's revenue amounted to DKK 64,941,873 against DKK 71,778,009 last year. The income statement for 2023 shows an operating loss of DKK 3,995,450 against an operating profit of DKK 2,681,960 last year, and the balance sheet at 31 December 2023 shows equity of DKK 90,956,700. The loss for the year was influenced by increased maintenance costs in the production as well as production volume.

Profit/loss for the year compared to the expected development

The profit for the year was as expected.

Significant events after the end of the financial year

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

Environmental situation

The Company strives to take environment and climate into consideration through its operations.

During the financial year, the Company has replaced the two Air Handling Unit for the clean room. The new units are equipped with heat exchange function, and optimised cooling functions, for save power.

During the financial year, the Company has also launched a new full automatic waste water handling system, which efficiently removing fluoride, and neutralising the waste water.

Knowledge resources

The Company's business foundation contains supply of reliable AWG and VOA chip to our mother company. This area places particularly high demands on the knowledge resources relating to employees and business processes. In addition, there are also special requirements to the knowledge resources for development and production of the Group's main products for telecom market.

In order to be able to provide these solutions continuously, it is decisive that the Company can recruit and retain employees, both with a high educational level and employees with technical experience. The number of employees with a high educational level represents 33%.

Focus will in the coming year be Research and development activities.

Research and development activities

The Company continues to invest in product portfolio development and productivity measures in order to align with the market demand.

Due to the stagnation of the telecom market, the demand for AWG products have been low, and expect also to be the case, in the near future. We have decided to utilize the spare capacity for developing new product platform, targeting new type of products and applications. We have also of this reason, signed development contract with Accelink Technologies Co. Ltd.

Future expectations

In 2024, the Company's revenue is expected to at the same level as 2023. The demand from In 2024, the Company's revenue is expected to at the same level as 2023. The demand from transmission market will be very low due to low activities. However, the demand from the data center market is high in 2024. 50% of the 2024 revenue is expected from the data center marked. In 2024 we have

MANAGEMENT COMMENTARY

Future expectations (continued)

planned development of new types of products, which will contribute to increase of revenue beyond 2024. Against this background, a positive result is expected in a range of DKK 700,000 - 1,000,000.

INCOME STATEMENT 1 JANUARY - 31 DECEMBER

	Note	2023 DKK	2022 DKK
NET REVENUE		64.941.873	71.778.009
Production costs.....	1	-58.970.379	-59.504.600
GROSS PROFIT/LOSS		5.971.494	12.273.409
Administrative expenses.....	1	-11.950.556	-10.377.529
OPERATING LOSS		-5.979.062	1.895.880
Other operating income.....		859.149	786.087
OPERATING LOSS		-5.119.913	2.681.967
Financial income.....	2	1.581.492	1.649.380
Financial expenses.....	3	-549.400	-892.139
LOSS BEFORE TAX		-4.087.821	3.439.208
Tax on profit/loss for the year.....	4	92.370	18.470
LOSS FOR THE YEAR	5	-3.995.451	3.457.678

BALANCE SHEET AT 31 DECEMBER

ASSETS	Note	2023 DKK	2022 DKK
Intangible fixed assets acquired.....		28.142	40.113
Development projects in progress and prepayments.....		142.232	0
Intangible assets.....	6	170.374	40.113
Production plant and machinery.....		39.547.944	34.478.749
Other plants, machinery, tools and equipment.....		63.042	51.884
Property, plant and equipment.....	7	39.610.986	34.530.633
Receivables from group enterprises.....		1.026.887	5.049.844
Rent deposit and other receivables.....		2.781.055	2.659.894
Financial non-current assets.....	8	3.807.942	7.709.738
NON-CURRENT ASSETS.....		43.589.302	42.280.484
Raw materials and consumables.....		7.134.044	4.384.953
Work in progress.....		16.978.357	17.142.496
Finished goods and goods for resale.....		3.730.505	1.724.701
Inventories.....		27.842.906	23.252.150
Trade receivables.....		1.426.742	184.323
Receivables from group enterprises.....		38.780.052	27.693.379
Deferred tax assets.....	9	193.200	100.830
Other receivables.....		1.018.938	568.358
Corporation tax receivable.....		0	62.000
Prepayments and accrued income.....	10	693.598	560.392
Receivables.....	11	42.112.530	29.169.282
Cash and cash equivalents.....		7.481.840	12.528.289
CURRENT ASSETS.....		77.437.276	64.949.721
ASSETS.....		121.026.578	107.230.205

BALANCE SHEET AT 31 DECEMBER

EQUITY AND LIABILITIES	Note	2023 DKK	2022 DKK
Share Capital.....	12	500.300	500.300
Reserve for development costs.....		110.941	0
Retained earnings.....		90.345.458	94.451.850
EQUITY.....		90.956.699	94.952.150
Lease liabilities.....		1.890.466	3.570.574
Payables to group enterprises.....		14.276.421	477.713
Other liabilities.....		2.523.794	2.438.449
Non-current liabilities.....	13	18.690.681	6.486.736
Lease liabilities.....		1.683.055	1.683.055
Prepayments received concerning work in progress.....		180.564	0
Trade payables.....		6.642.857	1.997.673
Payables to group enterprises.....		931.250	931.250
Other liabilities.....		1.941.472	1.179.341
Current liabilities.....		11.379.198	5.791.319
LIABILITIES.....		30.069.879	12.278.055
EQUITY AND LIABILITIES.....		121.026.578	107.230.205
Contingencies, etc.	14		
Charges and securities	15		
Related parties	16		

EQUITY

	Share Capital	Reserve for development costs	Retained earnings	Total
Equity at 1 January 2023.....	500.300	0	94.451.850	94.952.150
Proposed profit allocation, note 5.....			-3.995.451	-3.995.451
Other legal bindings				
Revaluations in the year.....		110.941	-110.941	0
Equity at 31 December 2023.....	500.300	110.941	90.345.458	90.956.699

CASH FLOW STATEMENT 1 JANUARY - 31 DECEMBER

	2023 DKK	2022 DKK
Profit/loss for the year.....	-3.995.451	3.457.678
Depreciation and amortisation, reversed.....	11.963.278	10.800.946
Reversed realization gains.....	-775.531	2.424
Tax on profit/loss, reversed.....	-92.370	-18.470
Corporation tax paid.....	62.000	-62.000
Change in inventories.....	-4.590.756	-8.822.212
Change in receivables (ex tax).....	-8.818.547	290.072
Change in current liabilities (ex bank, tax, instalments payable and overdraft facility).....	19.400.558	-2.254.158
CASH FLOWS FROM OPERATING ACTIVITY.....	13.153.181	3.394.280
Purchase of intangible assets.....	-142.232	0
Purchase of property, plant and equipment.....	-17.031.658	-8.119.818
Sale of property, plant and equipment.....	775.531	0
Purchase of financial assets.....	-121.161	-79.073
Sale of financial assets.....	0	1.600.000
Other cash flows from investing activities.....	-1.680.110	-4.863.626
CASH FLOWS FROM INVESTING ACTIVITY.....	-18.199.630	-11.462.517
CHANGE IN CASH AND CASH EQUIVALENTS.....	-5.046.449	-8.068.237
Cash and cash equivalents at 1. januar.....	12.528.289	20.596.526
CASH AND CASH EQUIVALENTS AT 31. DECEMBER.....	7.481.840	12.528.289
Cash and cash equivalents at 31 December comprise:		
Cash and cash equivalents.....	7.481.840	12.528.289
CASH AND CASH EQUIVALENTS.....	7.481.840	12.528.289

NOTES

	2023 DKK	2022 DKK	Note
Staff costs			1
	52	54	
Wages and salaries.....	28.352.810	28.321.623	
Pensions.....	4.811.936	4.652.077	
Social security costs.....	571.134	638.721	
Other staff costs.....	1.040.772	1.057.025	
	34.776.652	34.669.446	
Information about remuneration of Management is not included, see the exemption clause in the Danish Financial Statements Act, section 98b(3) no. 2.			
Financial income			2
Other financial income.....	1.581.492	1.649.380	
	1.581.492	1.649.380	
Financial expenses			3
Group enterprises.....	253.590	90.180	
Other financial expenses.....	295.810	801.959	
	549.400	892.139	
Tax on profit/loss for the year			4
Adjustment of deferred tax.....	-92.370	-18.470	
	-92.370	-18.470	
Proposed distribution of profit			5
Retained earnings.....	-3.995.451	3.457.678	
	-3.995.451	3.457.678	
Intangible assets			6
	Intangible fixed assets acquired	Development projects in progress and prepayments	
Cost at 1 January 2023.....	35.431.555	0	
Additions.....	0	142.232	
Cost at 31 December 2023.....	35.431.555	142.232	
Amortisation at 1 January 2023.....	35.391.442	0	
Amortisation for the year.....	11.971	0	
Amortisation at 31 December 2023.....	35.403.413	0	
Carrying amount at 31 December 2023.....	28.142	142.232	

NOTES

		Note			
Intangible fixed assets (continued)		6			
The company's development projects relate to one type of product, based on the same process technology. The projects are progressing as planned and are expected to be completed in 4-6 years. Market research shows a demand for the new type of products.					
Property, plant and equipment		7			
	<table border="0"> <thead> <tr> <th></th> <th style="text-align: center;">Production plant and machinery</th> <th style="text-align: center;">Other plants, machinery, tools and equipment</th> </tr> </thead> </table>		Production plant and machinery	Other plants, machinery, tools and equipment	
	Production plant and machinery	Other plants, machinery, tools and equipment			
Cost at 1 January 2023.....	83.346.127	383.553			
Additions.....	16.974.658	57.000			
Disposals.....	-159.390	-78.050			
Cost at 31 December 2023.....	100.161.395	362.503			
Depreciation and impairment losses at 1 January 2023.....	48.867.378	331.669			
Reversal of depreciation of assets disposed of.....	-159.390	-78.050			
Depreciation for the year.....	11.905.463	45.842			
Depreciation and impairment losses at 31 December 2023...	60.613.451	299.461			
Carrying amount at 31 December 2023.....	39.547.944	63.042			
Finance lease assets.....	5.080.843				
Financial non-current assets		8			
	<table border="0"> <thead> <tr> <th></th> <th style="text-align: center;">Receivables from group enterprises</th> <th style="text-align: center;">Rent deposit and other receivables</th> </tr> </thead> </table>		Receivables from group enterprises	Rent deposit and other receivables	
	Receivables from group enterprises	Rent deposit and other receivables			
Cost at 1 January 2023.....	5.049.844	2.659.894			
Additions.....	0	121.161			
Disposals.....	-4.022.957	0			
Cost at 31 December 2023.....	1.026.887	2.781.055			
Carrying amount at 31 December 2023.....	1.026.887	2.781.055			
Deferred tax assets		9			
Provision for deferred tax comprises deferred tax on intangible and tangible fixed assets, lease debt and tax losses.					
	<table border="0"> <thead> <tr> <th></th> <th style="text-align: center;">2023 DKK</th> <th style="text-align: center;">2022 DKK</th> </tr> </thead> </table>		2023 DKK	2022 DKK	
	2023 DKK	2022 DKK			
Deferred tax, beginning of year.....	100.830	82.360			
Deferred tax of the year, income statement.....	92.370	18.470			
Deferred tax assets 31 December 2023.....	193.200	100.830			

The Company has taxable income and will therefore make use of the deferred tax assets.

NOTES

					Note
		2023		2022	
		DKK		DKK	
Prepayments and accrued income					10
Costs.....		693.598		560.392	
		693.598		560.392	
Receivables falling due after more than one year					11
Ingen					
		2023		2022	
		DKK		DKK	
Share Capital					12
Allocation of share capital:					
Shares, 500 units in the denomination of 1.000 DKK.....		500.000		500.000	
Shares, 3 units in the denomination of 100 DKK.....		300		300	
		500.300		500.300	
Long-term liabilities					13
	31/12 2023	Repayment	Debt	31/12 2022	
	total liabilities	next year	outstanding	total liabilities	
			after 5 years		
Lease liabilities.....	3.573.521	1.683.055	0	5.253.629	
Payables to group enterprises.....	15.207.671	931.250	0	1.408.963	
Other liabilities.....	2.523.794	0	2.523.794	2.438.449	
	21.304.986	2.614.305	2.523.794	9.101.041	
Contingencies, etc.					14
The Company has a deferred tax asset carried forward of DKK 29.8 of which DKK 0,2 m has been taken to income. The remaining amount of DKK 29.6 has not been accounted for in the balance sheet due to uncertainties on timing of utilization against future income.					
Contingent liabilities					
		2023		2022	
		DKK		DKK	
Tenancy commitments with a period of non-terminability of :					
Within 1 year.....		2.994.595		2.752.273	
Between 1 and 5 years.....		0		0	
After 5 years.....		0		0	
		2.994.595		2.752.273	
Charges and securities					15
No assets have been pledged as collateral or otherwise charged at 31 December 2023.					

NOTES**Note****Related parties****16**

The Company's related parties include:

Controlling interest

Accelink Technologies Co. Ltd, 1 Tanhu Rd, Conglongdao Development Zone, Jiangxia Dist. Whuan, 430205, China , is the principal shareholder.

Transactions with related parties

The Company did not carry out any material transactions that were not concluded on market conditions. According to section 98c(7) of the Danish Financial Statements Act information is given only on transactions that were not performed on common market conditions.

ACCOUNTING POLICIES

The Annual Report of Accelink Denmark A/S for 2023 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C.

The Annual Report is prepared consistently with the accounting principles used last year.

INCOME STATEMENT

Net revenue

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 and if the income can be measured reliably and is expected to be received. Net revenue is recognised exclusive of VAT, duties and less discounts related to the sale.

Net revenue is recognised exclusive of VAT and less duties and discounts related to the sale.

Production costs

Production costs comprise costs, including wages and salaries and write-off, incurred to achieve the net revenue for the year. Commercial enterprises recognise cost of sales, and the manufacturing enterprises recognise production costs equal to the revenue for the year, including direct and indirect costs of raw materials and consumables, wages and salaries, rent and leasing and depreciation of production plant.

Amortisation of capitalised development and research costs and the development costs that do not fulfil the criteria for capitalisation are also recognised in production costs.

Impairment losses are recognised in connection with expected losses on project contracts.

Administrative expenses

Administrative expenses include costs incurred during the year regarding management and administration of the Group, inclusive of costs relating to the administrative staff, executives, office premises, office expenses, etc. and related amortisation.

Other operating income

Other operating income includes items of a secondary nature in relation to the Group's and the Company's activities, including profit from sale of intangible and tangible fixed assets. In addition, profit from sale of intangible and tangible fixed assets as well as business interruption and conflict compensations are included. Compensations are recognised when the income is deemed to be realisable.

Financial income and 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 tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the income statement by the portion that may be attributed to the profit for the year, and is recognised directly in the equity by the portion that may be attributed to entries directly to the equity.

ACCOUNTING POLICIES

BALANCE SHEET

Intangible fixed assets

Patents and licences are measured at the lower of cost less accumulated amortisation and the recoverable amount. Patents are amortised over the remaining patent period and licences are amortised over the period of the agreement, however, no more than 8 years.

Profit or loss from sale of intangible fixed assets is calculated at the difference between the sales price and the carrying amount at the time of the sale. Profit and loss are recognised in the Income Statement under other operating income or other operating expenses.

Tangible fixed assets

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

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used. As regards self-manufactured assets, the cost price includes cost of materials, components, subcontractors, direct payroll and indirect production costs.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Production plant and machinery.....	3-5 years	0 %
Other plant, fixtures and equipment.....	3-5 years	0 %

Profit or loss on disposal of tangible fixed assets is stated as the difference between the sales price less selling costs and the carrying amount at the time of sale. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Lease contracts

Lease contracts relating to tangible fixed assets

for which the Company bears all material risks and benefits attached to the ownership (finance lease, see IAS 17) are recognised as assets in the balance sheet. The assets are at the initial recognition measured at the lower of cost stated at fair value and the present value of the future lease payments. The internal interest rate of the lease contract, or alternatively the Company's loan interest, is used as discounting factor when calculating the present value. Finance lease assets are hereafter treated as the Group's and the Company's other similar tangible fixed assets.

The capitalised residual lease liability is recognised in the balance sheet as a liability and the interest portion of the lease payment is recognised in the income statement over the term of the contract.

Financial non-current assets

The portfolio of mortgage deeds includes mortgages that are expected to be held to maturity and are measured at amortised cost.

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

ACCOUNTING POLICIES

Impairment of fixed assets

The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value, are assessed on an annual basis for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the assets are written down to the lower value.

The recoverable amount is calculated at the higher of net selling price and capital value. The capital value is determined as the fair value of the expected net cash flows from the use of the asset or group of assets and the expected net cash flows from sale of the asset or group of assets after the end of its useful life.

Inventories

Inventories are measured at cost using the FIFO-principle. If the net realisable value is lower than cost, the inventories are written down 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 cost of finished goods and work in progress includes cost of raw materials, consumables, direct payroll cost and indirect production cost. Indirect production costs include indirect materials and payroll and maintenance and depreciation of the machines, factory buildings and equipment used in the production process, cost of factory administration and management and capitalised development costs relating to the products.

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 which usually corresponds to nominal value. The value is reduced by impairment losses to meet expected losses.

Write-off is performed to provide for losses when an objective indication has been assessed to have incurred that a receivable or a portfolio of receivables are impaired. If there is an objective indication that an individual receivable is impaired, the write-off is performed at individual level.

Receivables for which there are no objective indication of impairment at individual level are assessed at portfolio level for objective indication of impairment. The portfolios are primarily based on the debtors' registered office and credit rating in accordance with the Company's policy for credit risk management. The objective indicators, which are applied for portfolios, are determined based on the historical loss experiences.

Write-off is determined as the difference between the carrying amount of receivables and the present value of the expected cash flows, including realisable value of any received collaterals. The effective interest rate is used as discount rate for the single receivable or portfolio.

Accruals, assets

Accruals recognised as assets include costs incurred relating to the subsequent financial year.

Tax payable and deferred tax

Current tax liabilities and receivable current tax are recognised in the balance sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

ACCOUNTING POLICIES

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the expected realisable value of the asset, either by set-off against tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the balance sheet date will be applicable when the deferred tax is expected to crystallise as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognised in the income statement, except from items recognised directly in equity.

Liabilities

Financial liabilities are recognised at the time of borrowing by the amount of proceeds received less borrowing costs. In subsequent periods, the financial liabilities are measured at amortised cost equal to the capitalised value when using the effective interest, the difference between the proceeds and the nominal value being recognised in the income statement over the term of loan.

Amortised cost of current liabilities usually corresponds to nominal value.

Foreign currency translation

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

Receivables, payables and other monetary items in foreign currencies that are not settled on the balance sheet date are translated at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the exchange rate at the time of occurrence of the receivables or payables is recognised in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are translated at the rate of exchange on the transaction date.

CASH FLOW STATEMENT

The cash flow statement shows the Company's cash flows for the year for operating activities, investing activities and financing activities in the year, the change in cash and cash equivalents of the year and cash and cash equivalents at beginning and end of the year.

Cash flows from operating activities:

Cash flows from operating activities are computed as the results for the year adjusted for non-cash operating items, changes in net working capital and corporation tax paid.

Cash flows from investing activities:

Cash flows from investing activities include payments in connection with purchase and sale of intangible and tangible fixed asset and fixed asset investments.

Cash flows from financing activities:

Cash flows from financing activities include changes in the size or composition of share capital and related costs, and borrowings and repayment of interest-bearing debt and payment of dividend to shareholders.









Cash and cash equivalents:

Cash and cash equivalents include bank overdraft and cash in hand.

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