

Cardlab ApS

Hørkær 14, 1, 2730 Herlev

Company reg. no. 29 31 77 04

Annual report

1 January - 31 December 2017

The annual report have been submitted and approved by the general meeting on the 18 May 2018.

Frank Sandeløv
Chairman of the meeting

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Notes to users of the English version of this document:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points remain unchanged from the Danish version of the document. This means that for instance DKK 146.940 is the same as the English amount of DKK 146,940, and that 23,5 % is the same as the English 23.5 %.

Management's report

The board of directors and the managing director have today presented the annual report of Cardlab ApS for the financial year 1 January to 31 December 2017.

The annual report has been presented in accordance with the Danish Financial Statements Act.

We consider the accounting policies used appropriate, and in our opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position as on 31 December 2017 and of the company's results of its activities in the financial year 1 January to 31 December 2017.

We are of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

Herlev, 18 May 2018

Managing Director

Frank Sandeløv

Board of directors

Bjarne Lyngsø
Chairman

Tagi Hüseyin Ibrahimov

Noriaki Okubo

Kim Wagner Jørgensen

Ulrich Tandrup Østergaard

Torben Henrik Ridiger Gerlach

Independent auditor's report

To the shareholders of Cardlab ApS

Opinion

We have audited the annual accounts of Cardlab ApS for the financial year 1 January to 31 December 2017, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2017 and of the results of the company's operations for the financial year 1 January to 31 December 2017 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

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

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

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

Independent auditor's report

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response 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 the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the 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 by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts 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 annual accounts, including the disclosures in the notes, and whether the annual accounts reflect 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 the internal control that we identify during our audit.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

Independent auditor's report

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, 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 believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Copenhagen, 18 May 2018

Redmark

Statsautoriseret Revisionspartnerselskab
Company reg. no. 29 44 27 89

Anders Schelde-Møllerup Funder

State Authorised Public Accountant

Company data

| | |
|------------------------------|--|
| The company | Cardlab ApS Hørkær 14, 1 2730 Herlev |
| | Phone 31554994 |
| | Company reg. no. 29 31 77 04 |
| | Financial year: 1 January - 31 December |
| Board of directors | Bjarne Lyngsø, Chairman Tagi Hüseyin Ibrahimov Noriaki Okubo Kim Wagner Jørgensen Ulrich Tandrup Østergaard Torben Henrik Ridiger Gerlach |
| Managing Director | Frank Sandeløv |
| Auditors | Redmark, Statsautoriseret Revisionspartnerselskab Dirch Passers Allé 76 2000 Frederiksberg |
| Subsidiaries | Cardlab Innovation ApS, Herlev Hong Kong Innovation Electric Ltd., Hong Kong Cardlab (Thailand) Co. Ltd., Thailand |
| Associated enterprise | Cardlab Elektronik, Tyrkiet |

Management's review

The principal activities of the company

The company's aim is to make investments and to hold investments in companies within trade and industry, including by ownership of patents and other intellectual property rights for the commercial exploitation, and any other related activities.

Uncertainties as to recognition or measurement

Investment in development activities is in nature related with risk, and the assessment of the investments made is therefore related with some uncertainty. It is Management's assessment that shares, intangible assets, receivables from subsidiary companies and capitalized tax assets as a minimum have a value corresponding to the value accounted for in the financial statements.

Development in activities and financial matters

The company has in 2017 invested in production capacity in the subsidiary CardLab Thailand, where the initial turnover in 2017 in addition to development projects for CardLab Innovation customers also consisted of card production for other customers in the newly established lamination factory in Thailand.

The company's activities are focused on application of new patents, maintenance and expansion of the patent portfolio, as well as coordination of group activities to support the planned development, production and sales activities in the subsidiary with the desired profitability and consistency of supply. CardLabs revenue base is henceforth royalties from clients based on the company's patents.

Net profit of the company's earnings in 2017 showed a deficit of 1.342 tkr

The Company has in 2016 established a Representation office in China, a Trading company in Hong Kong and have with a Thai group started to establish a production company in Thailand focused on card lamination as a business area.

The company has in addition part ownership in a Turkish sales company.

The expected development

The Companies technologies are expected to reach a higher commercial level during 2018, where a volume based commercial breakthrough can be expected.

Capital resources:

CardLab has in 2017 received a minor capital injection from the existing investors. To start ramp up of production, based on the expected increase in sales volume, a further capital injection is needed to be able to execute this production ramp up. This capital increase has been initiated by the present shareholder and will continue depending on capital need.

It is therefore under investigation to enter into an agreement with one or more external investors and groups of investors, in order to create additional financial foundation for further acceleration company growth and production capacity.

Management's review

Events subsequent to the financial year

After the end of the financial year no other events have occurred which significantly will change the company's financial position.

Accounting policies used

The annual report for Cardlab ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The accounting policies used are unchanged compared to last year, and the annual accounts are presented in Danish kroner (DKK).

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concerns matters existing on the balance sheet date.

The profit and loss account

Gross loss

The gross loss comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Staff costs

Staff costs include salaries and wages including holiday allowances, pensions and other costs for social security etc. for staff members. Staff costs are less public reimbursements.

Accounting policies used

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concerns the financial year.

Interest and other costs concerning loans for financing the production of intangible and tangible fixed assets and concerning the production period are not recognised in the cost of the fixed asset.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The company is subject to the Danish legislation concerning compulsory joint taxation with the Danish group enterprises.

The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their respective taxable income (full allocation with reimbursement of tax losses).

The balance sheet

Intangible fixed assets

Patents, and licences

Patents and licenses are measured at cost with deduction of accrued amortisation. Patents are amortised on a straight-line basis over the remaining patent period, and licenses are amortised over the contract period, however, for a maximum of 10 years.

Gain and loss from the sale of patents, and licenses are measured as the difference between the sales price with deduction of sales costs and the book value at the time of the sale. Gain or loss are recognised in the profit and loss account as other operating income or other operating expenses respectively.

Financial fixed assets

Equity investments in group enterprise and associated enterprise

Equity investments in group enterprise and associated enterprise are measured at cost. In case the recoverable amount is lower than the cost, writedown takes place to this lower value.

Accounting policies used

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

According to the rules of joint taxation, Cardlab ApS is proportionally liable towards the Danish tax authorities for the total corporation tax, including withholding tax on interest, royalties and dividends, arising within the jointly taxed group of companies.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

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

Profit and loss account 1 January - 31 December

All amounts in DKK.

| <u>Note</u> | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|
| Gross loss | -441.456 | -638.702 |
| 2 Staff costs | -139.237 | -130.105 |
| Amortisation and writedown relating to intangible fixed assets | -348.160 | -284.902 |
| Operating profit | -928.853 | -1.053.709 |
| Other financial income | 5.429 | 110 |
| 3 Other financial costs | -678.272 | -191.221 |
| Results before tax | -1.601.696 | -1.244.820 |
| Tax on ordinary results | 259.498 | -98.994 |
| Results for the year | -1.342.198 | -1.343.814 |
| Proposed distribution of the results: | | |
| Allocated from results brought forward | -1.342.198 | -1.343.814 |
| Distribution in total | -1.342.198 | -1.343.814 |

Balance sheet 31 December

All amounts in DKK.

| Assets | | | |
|-----------------------|---|--------------------------|--------------------------|
| <u>Note</u> | <u>2017</u> | <u>2016</u> | |
| Fixed assets | | | |
| 4 | Acquired concessions, patents and related development cost. | 9.467.812 | 7.840.165 |
| | Intangible fixed assets in total | <u>9.467.812</u> | <u>7.840.165</u> |
| 5 | Equity investment in group enterprise | 40.035.760 | 39.291.451 |
| 6 | Equity investment in associated enterprise | 62.100 | 62.100 |
| 7 | Deposits | 15.554 | 15.554 |
| | Financial fixed assets in total | <u>40.113.414</u> | <u>39.369.105</u> |
| | Fixed assets in total | <u>49.581.226</u> | <u>47.209.270</u> |
| Current assets | | | |
| | Amounts owed by group enterprises | 7.142.373 | 8.127.587 |
| | Deferred tax assets | 3.500.000 | 3.500.000 |
| | Receivable corporate tax | 259.539 | 51.006 |
| | Other debtors | 209.437 | 30.178 |
| | Debtors in total | <u>11.111.349</u> | <u>11.708.771</u> |
| | Available funds | <u>93.060</u> | <u>53.059</u> |
| | Current assets in total | <u>11.204.409</u> | <u>11.761.830</u> |
| | Assets in total | <u>60.785.635</u> | <u>58.971.100</u> |

Balance sheet 31 December

All amounts in DKK.

| Equity and liabilities | | <u>2017</u> | <u>2016</u> |
|-------------------------------|---|--------------------------|--------------------------|
| <u>Note</u> | | | |
| Equity | | | |
| 8 | Contributed capital | 3.660.437 | 3.621.127 |
| 9 | Results brought forward | 47.063.470 | 47.232.264 |
| | Equity in total | <u>50.723.907</u> | <u>50.853.391</u> |
| Liabilities | | | |
| 10 | Financial institute debts | 4.800.000 | 4.824.106 |
| | Long-term liabilities in total | <u>4.800.000</u> | <u>4.824.106</u> |
| | Trade creditors | 579.056 | 288.727 |
| | Debt to group enterprises | 51.123 | 400.428 |
| | Other debts | 4.631.549 | 2.604.448 |
| | Short-term liabilities in total | <u>5.261.728</u> | <u>3.293.603</u> |
| | Liabilities in total | <u>10.061.728</u> | <u>8.117.709</u> |
| | Equity and liabilities in total | <u>60.785.635</u> | <u>58.971.100</u> |
| | | | |
| 1 | Uncertainties concerning recognition and measurement | | |
| 11 | Mortgage and securities | | |
| 12 | Contingencies | | |

Notes

All amounts in DKK.

| | <u>2017</u> | <u>2016</u> |
|--|-----------------------|-----------------------|
| 1. Uncertainties concerning recognition and measurement | | |
| Investment in development activities is in nature related with risk, and the assessment of the investment made is therefore related with some uncertainty, It is Management's assessment that shares, intangible assets, receivables from subsidiary companies and capitalized tax assets as a minimum have a value corresponding to the value accounted for in the financial statement. | | |
| The parent company have undertaken to invest capital required in 2018 to ensure execution of planned development activities, whereas customer development project and customer production is expected to secure daily operational liquidity requirements. | | |
| CardLab has in 2017 received a minor capital injection from the existing investors. To start ramp up of production, based on the expected increase in sales volume, a further capital injection is needed to be able to execute this production ramp up. | | |
| It is therefore under investigation to enter into an agreement with one or more external investors and groups of investors, in order to create additional company growth and production capacity. | | |
| | <u>2017</u> | <u>2016</u> |
| 2. Staff costs | | |
| Salaries and wages | 135.000 | 130.000 |
| Other staff costs | <u>4.237</u> | <u>105</u> |
| | <u>139.237</u> | <u>130.105</u> |
| Average number of employees | <u>1</u> | <u>1</u> |
| | <u>2017</u> | <u>2016</u> |
| 3. Other financial costs | | |
| Other financial costs | <u>678.272</u> | <u>191.221</u> |
| | <u>678.272</u> | <u>191.221</u> |

Notes

All amounts in DKK.

| | <u>31/12 2017</u> | <u>31/12 2016</u> |
|---|--------------------------|--------------------------|
| 4. Acquired concessions, patents and related development cost. | | |
| Cost 1 January 2017 | 11.577.052 | 10.073.872 |
| Additions during the year | <u>1.975.806</u> | <u>1.503.180</u> |
| Cost 31 December 2017 | <u>13.552.858</u> | <u>11.577.052</u> |
| Amortisation and writedown 1 January 2017 | -3.736.886 | -3.451.985 |
| Amortisation for the year | <u>-348.160</u> | <u>-284.902</u> |
| Amortisation and writedown 31 December 2017 | <u>-4.085.046</u> | <u>-3.736.887</u> |
| Book value 31 December 2017 | <u>9.467.812</u> | <u>7.840.165</u> |

Costs of patents are capitalized when they have participated in creating or renewing a patent that gives a real added value to the company.

The company's capitalized patents are continuously reviewed for indications of impairment. If this is the case, write-downs are made to lower recoverable value. The ongoing measurement of the recoverable amount of the company's patents is inherently discretionary

| | | |
|---|--------------------------|--------------------------|
| 5. Equity investment in group enterprise | | |
| Acquisition sum, opening balance 1 January 2017 | 39.291.451 | 39.291.451 |
| Additions during the year | <u>744.309</u> | <u>0</u> |
| Cost 31 December 2017 | <u>40.035.760</u> | <u>39.291.451</u> |
| Book value 31 December 2017 | <u>40.035.760</u> | <u>39.291.451</u> |

The financial highlights for the enterprise according to the latest approved annual report

| | Share of ownership | Equity DKK | Results for the year DKK | Book value at Cardlab ApS DKK |
|---|-----------------------|--------------------------|--------------------------------|-------------------------------------|
| Cardlab Innovation ApS, Herlev | 100 % | 21.568.391 | -5.995.229 | 39.291.451 |
| Hong Kong Innovation Electric Ltd., Hong Kong | 100 % | 8.584 | 0 | 8.584 |
| Cardlab (Thailand) Co. Ltd., Thailand | 70 % | <u>0</u> | <u>0</u> | <u>735.725</u> |
| | | <u>21.576.975</u> | <u>-5.995.229</u> | <u>40.035.760</u> |

Notes

All amounts in DKK.

| | <u>31/12 2017</u> | <u>31/12 2016</u> |
|--|----------------------|----------------------|
| 6. Equity investment in associated enterprise | | |
| Acquisition sum, opening balance 1 January 2017 | <u>62.100</u> | <u>62.100</u> |
| Book value 31 December 2017 | <u>62.100</u> | <u>62.100</u> |

The financial highlights for the enterprise according to the latest approved annual report

| | Share of ownership | Equity DKK | Results for the year DKK | Book value at Cardlab ApS DKK |
|-----------------------------|-----------------------|---------------|--------------------------------|-------------------------------------|
| Cardlab Elektronik, Tyrkiet | 100 % | 0 | 0 | 62.100 |

| | | |
|------------------------------------|----------------------|----------------------|
| 7. Deposits | | |
| Cost 1 January 2017 | <u>15.554</u> | <u>15.554</u> |
| Cost 31 December 2017 | <u>15.554</u> | <u>15.554</u> |
| Book value 31 December 2017 | <u>15.554</u> | <u>15.554</u> |

Notes

All amounts in DKK.

| | <u>31/12 2017</u> | <u>31/12 2016</u> |
|---|--------------------------|--------------------------|
| 8. Contributed capital | | |
| Contributed capital 1 January 2017 | 3.621.127 | 3.521.282 |
| Cash capital increase | 39.310 | 26.417 |
| Cash capital increase | <u>0</u> | <u>73.428</u> |
| | <u>3.660.437</u> | <u>3.621.127</u> |
| 9. Results brought forward | | |
| Results brought forward 1 January 2017 | 47.232.265 | 45.729.957 |
| Profit or loss for the period brought forward | -1.342.198 | -1.343.814 |
| Share premium account for the year | <u>1.173.403</u> | <u>2.846.121</u> |
| | <u>47.063.470</u> | <u>47.232.264</u> |
| 10. Financial institute debts | | |
| Financial institute debts in total | <u>4.800.000</u> | <u>4.824.106</u> |
| Share of liabilities due after 5 years | <u>330.840</u> | <u>1.624.500</u> |
| 11. Mortgage and securities | | |
| For bank debts, DKK 4.800 thousand, the company has provided security in company assets representing a nominal value of DKK 2.400 Thousand. This security comprises the below assets, stating the book values: | | |
| Acquired concessions, patenst, licenses, trademarks and similar rights DKK 9.468 thousand | | |
| 12. Contingencies | | |
| Joint taxation | | |
| Scandinavian Ecotechnologies A/S, company reg. no 27289819 being the administration company, the company is subject to the Danish scheme of joint taxation and it is proportionally liable for tax claims within the joint taxation scheme. | | |

Notes

All amounts in DKK.

• **Contingencies (continued)**

Joint taxation (continued)

The company is proportionally liable for any obligation to withhold tax on interest, royalties and dividends of the jointly taxed companies.

The liabilities amount to a maximum corresponding to that share of the company capital, which is owned directly or indirectly by the ultimate parent company.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

Any subsequent adjustments of corporate taxes or withheld taxes etc. may cause changes in the company's liabilities.