

## **SinoScan A/S**

Bugattivej 5M

7100 Vejle

Central Business Registration No

30901428

## **Annual report 2017**

The Annual General Meeting adopted the annual report on 01.05.2018

### **Chairman of the General Meeting**

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Name: Flemming Hønnerup Nielsen

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## Entity details

### Entity

SinoScan A/S  
Bugattivej 5M  
7100 Vejle

Central Business Registration No: 30901428

Registered in: Vejle

Financial year: 01.01.2017 - 31.12.2017

Phone: +4566148104

Website: [www.sinoscan.com](http://www.sinoscan.com)

E-mail: [info@sinoscan.dk](mailto:info@sinoscan.dk)

### Board of Directors

Bjarke Adamczyk Pedersen, Chairman

Uffe Gyntzel

Flemming Hønnerup Nielsen

### Executive Board

Michael Johnny Bak

### Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Tværkajen 5

Postboks 10

5100 Odense C

## Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of SinoScan A/S for the financial year 01.01.2017 - 31.12.2017.

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

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Vejle, 27.03.2018

### Executive Board

Michael Johnny Bak

### Board of Directors

Bjarke Adamczyk Pedersen  
Chairman

Uffe Gyntzel

Flemming Hønnerup Nielsen

# Independent auditor's report

## To the shareholders of SinoScan A/S

### Opinion

We have audited the financial statements of SinoScan A/S for the financial year 01.01.2017 - 31.12.2017, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2017 and of the results of its operations for the financial year 01.01.2017 - 31.12.2017 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of 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.

### Management's responsibilities for the financial statements

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

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

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

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

## Independent auditor's report

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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

### Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

## Independent auditor's report

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

Odense, 27.03.2018

**Deloitte**

Statsautoriseret Revisionspartnerselskab

Central Business Registration No: 33963556

Johnny Bækholm

State Authorised Public Accountant

Identification number (MNE) mne29445

## Management commentary

### Primary activities

The Company's primary activity is to source from China components for Western industrial companies.

The production is undertaken by subcontractors in China, with sales to Europe, with the exception of England and Germany, where sales are handled through affiliates. Sales in North America are handled by the sister company, SinoScan Inc.

### Development in activities and finances

The company's profit and economic developments are considered satisfactory.

### Events after the balance sheet date

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



## Income statement for 2017

	<b>Notes</b>	<b>2017 DKK</b>	<b>2016 DKK'000</b>
<b>Gross profit</b>		<b>10.202.316</b>	<b>10.521</b>
Staff costs	1	(5.022.307)	(3.843)
Depreciation, amortisation and impairment losses		<u>(13.749)</u>	<u>(14)</u>
<b>Operating profit/loss</b>		<b>5.166.260</b>	<b>6.664</b>
Other financial income	2	254.078	253
Other financial expenses	3	<u>(132.189)</u>	<u>(78)</u>
<b>Profit/loss before tax</b>		<b>5.288.149</b>	<b>6.839</b>
Tax on profit/loss for the year	4	<u>(1.166.125)</u>	<u>(1.509)</u>
<b>Profit/loss for the year</b>		<b><u>4.122.024</u></b>	<b><u>5.330</u></b>
<b>Proposed distribution of profit/loss</b>			
Ordinary dividend for the financial year		3.000.000	4.500
Retained earnings		<u>1.122.024</u>	<u>830</u>
		<b><u>4.122.024</u></b>	<b><u>5.330</u></b>

## Balance sheet at 31.12.2017

	<u>Notes</u>	<u>2017 DKK</u>	<u>2016 DKK'000</u>
Other fixtures and fittings, tools and equipment		17.415	31
<b>Property, plant and equipment</b>	5	<b>17.415</b>	<b>31</b>
<b>Fixed assets</b>		<b>17.415</b>	<b>31</b>
Manufactured goods and goods for resale		4.987.298	6.177
<b>Inventories</b>		<b>4.987.298</b>	<b>6.177</b>
Trade receivables		3.296.986	6.281
Receivables from group enterprises		8.607.000	6.449
Other receivables		167.300	55
Prepayments		120.240	310
<b>Receivables</b>		<b>12.191.526</b>	<b>13.095</b>
<b>Cash</b>		<b>0</b>	<b>1.216</b>
<b>Current assets</b>		<b>17.178.824</b>	<b>20.488</b>
<b>Assets</b>		<b>17.196.239</b>	<b>20.519</b>

## Balance sheet at 31.12.2017

	<b>Notes</b>	<b>2017 DKK</b>	<b>2016 DKK'000</b>
Contributed capital		750.000	750
Retained earnings		7.438.286	6.464
Proposed dividend		3.000.000	4.500
<b>Equity</b>		<b>11.188.286</b>	<b>11.714</b>
Deferred tax		25.180	68
<b>Provisions</b>		<b>25.180</b>	<b>68</b>
Bank loans		1.586.099	3.834
Prepayments received from customers		905.388	129
Trade payables		226.749	391
Payables to group enterprises		0	584
Income tax payable		1.167.449	1.490
Other payables		2.097.088	2.309
<b>Current liabilities other than provisions</b>		<b>5.982.773</b>	<b>8.737</b>
<b>Liabilities other than provisions</b>		<b>5.982.773</b>	<b>8.737</b>
<b>Equity and liabilities</b>		<b>17.196.239</b>	<b>20.519</b>
Unrecognised rental and lease commitments	6		
Contingent liabilities	7		

## Statement of changes in equity for 2017

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	750.000	6.464.127	4.500.000	11.714.127
Ordinary dividend paid	0	0	(4.500.000)	(4.500.000)
Other equity postings	0	(189.570)	0	(189.570)
Tax of equity postings	0	41.705	0	41.705
Profit/loss for the year	0	1.122.024	3.000.000	4.122.024
<b>Equity end of year</b>	<b>750.000</b>	<b>7.438.286</b>	<b>3.000.000</b>	<b>11.188.286</b>

## Notes

	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>1. Staff costs</b>		
Wages and salaries	4.665.035	3.579
Pension costs	306.717	218
Other social security costs	50.555	46
	<b>5.022.307</b>	<b>3.843</b>
Average number of employees	<b>9</b>	<b>7</b>
	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>2. Other financial income</b>		
Financial income arising from group enterprises	254.078	253
	<b>254.078</b>	<b>253</b>
	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>3. Other financial expenses</b>		
Financial expenses from group enterprises	20.000	0
Interest expenses	101.084	74
Other financial expenses	11.105	4
	<b>132.189</b>	<b>78</b>
	<b>2017</b>	<b>2016</b>
	<b>DKK</b>	<b>DKK'000</b>
<b>4. Tax on profit/loss for the year</b>		
Tax on current year taxable income	1.167.449	1.510
Change in deferred tax for the year	(1.324)	(1)
	<b>1.166.125</b>	<b>1.509</b>

## Notes

	<b>Other fixtures and fittings, tools and equipment DKK</b>	
<b>5. Property, plant and equipment</b>		
Cost beginning of year		73.327
<b>Cost end of year</b>		<b>73.327</b>
Depreciation and impairment losses beginning of the year		(42.163)
Depreciation for the year		(13.749)
<b>Depreciation and impairment losses end of the year</b>		<b>(55.912)</b>
<b>Carrying amount end of year</b>		<b>17.415</b>
	<b>2017 DKK</b>	<b>2016 DKK'000</b>
<b>6. Unrecognised rental and lease commitments</b>		
Hereof liabilities under rental or lease agreements until maturity in total	<b>786.000</b>	<b>60</b>

### 7. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement with SinoScan Group A/S serving as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from obligations, if any, relating to withholding tax on interest, royalties and dividends, for the jointly taxed companies. The liability amounts to a maximum of an amount equal to the contributed capital of the entity, which is owned directly or indirectly by the ultimate parent company.

The Company has entered into foreign exchange contracts to hedge future purchases of goods in Chinese renminbi. The contracts, the latest expiring on 28 June 2019, total DKK 23,874 thousand.

## Accounting policies

### Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

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

### Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

### Income statement

#### Gross profit or loss

Gross profit or loss comprises revenue, other operating income, cost of raw materials and consumables and external expenses.

#### Revenue

Revenue from the sale of goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at the fair value of the consideration fixed.

#### Costs of raw materials and consumables

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary write-downs of the relevant inventories.

#### Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

## Accounting policies

### Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

### Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

### Other financial income

Other financial income comprises dividend etc received on other investments, interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

### Other financial expenses

Other financial expenses comprise interest expenses for payables to group enterprises, payables and transactions in foreign currencies.

### Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

The Entity is jointly taxed with the Danish shareholder SinoScan Group A/S. The current Danish income tax is allocated among the jointly taxed entities proportionally to their taxable income (full allocation with a refund concerning tax losses).

### Balance sheet

#### Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	5 years
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Equipment are written down to the lower of recoverable amount and carrying amount.

### Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.



## Accounting policies

Cost consists of purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### Receivables

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

### Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

### Cash

Cash comprises cash in hand and bank deposits.

### Dividend

Dividend is recognised as a liability at the time of adoption at the general meeting. The proposed dividend for the financial year is disclosed as a separate item in equity.

### Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### Other financial liabilities

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

### Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

### Income tax receivable or payable

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