



SinoScan A/S

Bugattivej 5 M
7100 Vejle
CVR No. 30901428

Annual report 2019

The Annual General Meeting adopted the
annual report on 15.04.2020

Flemming Hønnerup Nielsen
Chairman of the General Meeting

Contents

Entity details	2
Statement by Management	3
Independent auditor's report	4
Management commentary	7
Income statement for 2019	8
Balance sheet at 31.12.2019	9
Statement of changes in equity for 2019	11
Notes	12
Accounting policies	14

Entity details

Entity

SinoScan A/S
Bugattivej 5 M
7100 Vejle

CVR No.: 30901428
Registered office: Vejle
Financial year: 01.01.2019 - 31.12.2019

Board of Directors

Uffe Gyntzel
Flemming Hønnerup Nielsen, formand
Thomas Villum Folmann

Executive Board

Lars Schmidt Andersen, adm. dir.

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Tværkajen 5
P. O. Box 10
5100 Odense

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of SinoScan A/S for the financial year 01.01.2019 - 31.12.2019.

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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

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, 15.04.2020

Executive Board

Lars Schmidt Andersen
adm. dir.

Board of Directors

Uffe Gyntzel

Flemming Hønnerup Nielsen
formand

Thomas Villum Folmann

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 01.01.2019 - 31.12.2019, 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 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 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:

- 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.

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, 15.04.2020

Deloitte

Statsautoriseret Revisionspartnerselskab

CVR No. 33963556

Gert Rasmussen

State Authorised Public Accountant

Identification No (MNE) mne35430

Management commentary

Primary activities

The company works within design, engineering and manufacturing of customer specific products. Design and engineering is done in Denmark and in a co-operation with other SinoScan sister companies. Manufacturing is primarily done in SinoScan's own factory in China and by Chinese sub-suppliers.

Sales is mainly to Danish and Swedish customers. Sister companies to SinoScan Denmark are in charge of sales in their main markets, Germany, UK, USA and Canada.

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. The parent and the group is not exposed to any particular business or financial risks other than usual risks within the wholesaler segment of parts and accessories in the bicycle business. The COVID-19 pandemic is at the highest level of focus for the management and risk management plans and procedures are implemented in order to comply with restrictions from local governments and to reduce any significant financial consequences as much as possible.

Income statement for 2019

	Notes	2019 DKK	2018 DKK
Gross profit/loss		9,775,342	8,727,206
Staff costs	1	(5,805,178)	(7,172,481)
Depreciation, amortisation and impairment losses		(103,222)	(43,625)
Operating profit/loss		3,866,942	1,511,100
Other financial income	2	182,713	312,084
Other financial expenses		(160,321)	(136,184)
Profit/loss before tax		3,889,334	1,687,000
Tax on profit/loss for the year	3	(862,917)	(376,373)
Profit/loss for the year		3,026,417	1,310,627
Proposed distribution of profit and loss			
Ordinary dividend for the financial year		3,500,000	3,000,000
Retained earnings		(473,583)	(1,689,373)
Proposed distribution of profit and loss		3,026,417	1,310,627

Balance sheet at 31.12.2019

Assets

	Notes	2019 DKK	2018 DKK
Acquired intangible assets		96,667	0
Intangible assets	4	96,667	0
Other fixtures and fittings, tools and equipment		89,487	42,840
Leasehold improvements		46,500	62,000
Property, plant and equipment	5	135,987	104,840
Fixed assets		232,654	104,840
Manufactured goods and goods for resale		5,499,792	5,619,822
Inventories		5,499,792	5,619,822
Trade receivables		6,609,733	5,529,107
Receivables from group enterprises		3,156,935	4,872,992
Other receivables	6	292,728	852,000
Prepayments		0	120,240
Receivables		10,059,396	11,374,339
Cash		111	408
Current assets		15,559,299	16,994,569
Assets		15,791,953	17,099,409

Equity and liabilities

	Notes	2019 DKK	2018 DKK
Contributed capital		750,000	750,000
Retained earnings		5,236,858	6,283,273
Proposed dividend		3,500,000	3,000,000
Equity		9,486,858	10,033,273
Deferred tax		32,861	173,930
Provisions		32,861	173,930
Other payables		165,261	0
Non-current liabilities other than provisions	7	165,261	0
Bank loans		2,879,882	2,805,145
Prepayments received from customers		24,000	326,292
Trade payables		340,398	367,468
Payables to group enterprises		781,680	661,691
Income tax payable		842,418	378,339
Other payables		1,238,595	2,353,271
Current liabilities other than provisions		6,106,973	6,892,206
Liabilities other than provisions		6,272,234	6,892,206
Equity and liabilities		15,791,953	17,099,409
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Assets charged and collateral	10		

Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	750,000	6,283,273	3,000,000	10,033,273
Ordinary dividend paid	0	0	(3,000,000)	(3,000,000)
Other entries on equity	0	(734,400)	0	(734,400)
Tax of entries on equity	0	161,568	0	161,568
Profit/loss for the year	0	(473,583)	3,500,000	3,026,417
Equity end of year	750,000	5,236,858	3,500,000	9,486,858

Notes

1 Staff costs

	2019 DKK	2018 DKK
Wages and salaries	5,075,203	6,530,053
Pension costs	134,231	116,294
Other social security costs	595,744	526,134
	5,805,178	7,172,481
Average number of full-time employees	11	

2 Other financial income

	2019 DKK	2018 DKK
Financial income from group enterprises	182,713	312,084
	182,713	312,084

3 Tax on profit/loss for the year

	2019 DKK	2018 DKK
Current tax	842,418	378,339
Change in deferred tax	20,499	(1,966)
	862,917	376,373

4 Intangible assets

	Acquired intangible assets DKK
Additions	145,000
Cost end of year	145,000
Amortisation for the year	(48,333)
Amortisation and impairment losses end of year	(48,333)
Carrying amount end of year	96,667

5 Property, plant and equipment

	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK
Cost beginning of year	183,421	77,500
Additions	86,036	0
Cost end of year	269,457	77,500
Depreciation and impairment losses beginning of year	(140,581)	(15,500)
Depreciation for the year	(39,389)	(15,500)
Depreciation and impairment losses end of year	(179,970)	(31,000)
Carrying amount end of year	89,487	46,500

6 Other receivables

The Company has entered into foreign exchange contracts to hedge future purchases of goods in Chinese renminbi. The contracts, the latest expiring on 30 June 2020, total DKK 20,407 thousand.

7 Non-current liabilities other than provisions

	Due after more than 12 months 2019 DKK	Outstanding after 5 years 2019 DKK
Other payables	165,261	165,261
	165,261	165,261

8 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	546,000	683,000

9 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.

10 Assets charged and collateral

The company has 3.000 T.DKK corporate mortgages, which include simple deposits.

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 to 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.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Derivative financial instruments

On initial recognition in the balance sheet, derivative financial instruments are measured at cost and subsequently at fair value. Derivative financial instruments are recognised under other receivables or other payables.

Changes in the fair value of derivative financial instruments classified as and complying with the requirements for hedging future transactions are recognised directly in equity. When the hedged transactions are realised, the accumulated changes are recognised as part of cost of the relevant financial statement items.

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 writedowns 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.

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

Intellectual property rights etc

Intellectual property rights etc comprise acquired intellectual property rights and prepayments for intangible assets.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents are amortised on a straight-line basis over their remaining duration, and licences are amortised over the term of the agreement.

Intellectual property rights etc are written down to the lower of recoverable amount and carrying amount.

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
Leasehold improvements	5 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and 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.

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 writedowns for bad and doubtful debts.

Prepayments

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

Cash

Cash comprises 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.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

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