

G W Sprinkler A/S

Kastanievej 15, DK-5620 Glamsbjerg

Company reg. no. 31 79 65 12

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 22 May 2019.

Henrik Juul Hansen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Contents

	<u>Page</u>
Reports	
Management's report	1
Independent auditor's report	2
Management's review	
Company data	5
Management's review	6
Annual accounts 1 January - 31 December 2018	
Accounting policies used	7
Profit and loss account	11
Balance sheet	12
Notes	14

Management's report

The board of directors and the managing director have today presented the annual report of G W Sprinkler A/S for the financial year 1 January to 31 December 2018.

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 at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

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.

Glamsbjerg, 6 March 2019

Managing Director

Richard Markus Alber

Board of directors

Wang Yidan

Cao Yunxia

Qiu Zhiheng

Independent auditor's report

To the shareholder of G W Sprinkler A/S

Opinion

We have audited the annual accounts of G W Sprinkler A/S for the financial year 1 January to 31 December 2018, 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 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 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.

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:

Independent auditor's report

- 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.

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.

Independent auditor's report

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, 6 March 2019

BUUS JENSEN

State Authorised Public Accountants
Company reg. no. 16 11 90 40

Ulrik Nørskov

State Authorised Public Accountant
mne29456

Company data

The company

G W Sprinkler A/S
Kastanievej 15
DK-5620 Glamsbjerg

Company reg. no. 31 79 65 12
Financial year: 1 January - 31 December

Board of directors

Wang Yidan
Cao Yunxia
Qiu Zhiheng

Managing Director

Richard Markus Alber

Auditors

BUUS JENSEN, Statsautoriserede revisorer

Parent company

Waysmos Denmark Holding ApS

Management's review

The principal activities of the company

G W Sprinkler A/S produces and sells sprinkler equipment used in the installation of fire fighting systems for onshore and offshore and marine purposes. The majority of the equipment is exported.

Development in activities and financial matters

The results from ordinary activities after tax are DKK 1.328.308 against DKK 1.470.977 last year. The management consider the results satisfactory.

Accounting policies used

The annual report for G W Sprinkler A/S 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).

The profit and loss account

Costs concerning investment property comprise operation costs, repair and maintenance costs, taxes, charges and other costs. Costs concerning the heating account are recognised in the balance sheet as a balance among the lessees.

Distribution costs

The distribution costs comprise costs which have been incurred for distribution of goods sold during the year and for sales campaigns carried out during the year. Additionally, costs for sales staff, costs for advertising and exhibitions, and depreciation are recognised in the profit and loss account.

Administration costs

Administration costs comprise costs which have been incurred during the year for management and administration, including costs for the administrative staff, the executive board, offices, stationery and office supplies, and depreciation.

Costs of sales includes costs for the purchase of raw materials and consumables less discounts and changes in inventories.

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.

Accounting policies used

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

Tangible fixed assets

Land and buildings are measured at cost with addition of revaluations and with deduction of accrued depreciation and writedown. Land is not depreciated.

Land and buildings are revaluated on the basis of regular, independent evaluation of the fair value. The net revaluation at fair value adjustment is recognised directly on the equity after deduction of deferred tax and tied up in a particular revaluation reserve. Net impairment at fair value adjustments is recognised in the profit and loss account.

The basis of depreciation is cost with the addition of revaluations at fair value and with the deduction of expected residual value after the end of the useful life of the asset. The depreciation period is fixed at the acquisition date and re-evaluated annually. If the residual value exceeds the book value of the asset, the depreciation expires.

Reversal of previous revaluations and recognised deferred taxes concerning revaluations are recognised directly in the company's equity.

Other tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Buildings	15-40 years
Technical plants and machinery	3-15 years
Other plants, operating assets, fixtures and furniture	3-5 years

Accounting policies used

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

As regards assets of own production, the cost comprises direct costs for materials, components, deliveries from sub-suppliers, payroll costs, and borrowing costs from specific and general borrowing concerning the construction of each individual asset.

Leasing contracts

All other leasing contracts are considered operational leasing. Payments in connection with operational leasing and other rental agreements are recognised in the profit and loss account over the term of the contract. The company's total liabilities concerning operational leasing and rental agreements are recognised under contingencies etc.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Accounting policies used

Inventories

Inventories are measured at cost on basis of measured average prices. In case the net realisable value is lower than the cost, writedown takes place at this lower value.

Inventories are measured at cost on basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

The cost for manufactured goods and works in progress comprises the cost for raw materials, consumables, direct wages, and indirect production costs. Indirect production costs comprise indirect materials and wages, maintenance of and depreciation on machinery, factory buildings and equipment applied during the production process, and costs for factory administration and factory management. Borrowing costs are not recognised in cost.

The net realisable value for inventories is recognised as the market price with deduction of completion costs and selling costs. The net realisable value is determined taking into consideration the negotiability, obsolescence, and development of the expected market price.

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.

Accrued income and deferred expenses

Accrued income and deferred expenses recognised under assets comprise incurred costs concerning the next financial year.

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, G W Sprinkler A/S is unlimited, jointly and severally 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.

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>2018</u>	<u>2017</u>
Gross profit	6.694.616	7.682.225
Distribution costs	-2.028.099	-2.547.852
Administration costs	-2.742.880	-2.953.756
Operating profit	1.923.637	2.180.617
Other financial income	706	127.402
2 Other financial costs	-170.028	-422.151
Financing, net	-169.322	-294.749
Results before tax	1.754.315	1.885.868
Tax on ordinary results	-363.196	-414.891
Results for the year	1.391.119	1.470.977
Proposed distribution of the results:		
Extraordinary dividend adopted during the financial year	3.500.000	0
Allocated to results brought forward	0	1.470.977
Allocated from results brought forward	-2.108.881	0
Distribution in total	1.391.119	1.470.977

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets		
Fixed assets		
3 Land and property	1.731.306	1.875.282
4 Production plant and machinery	370.943	115.643
Tangible fixed assets in total	<u>2.102.249</u>	<u>1.990.925</u>
Fixed assets in total	<u>2.102.249</u>	<u>1.990.925</u>
Current assets		
Raw materials and consumables	2.947.982	1.803.239
Work in progress	894.677	867.995
Manufactured goods and trade goods	<u>2.273.651</u>	<u>1.430.375</u>
Inventories in total	<u>6.116.310</u>	<u>4.101.609</u>
Trade debtors	1.541.387	951.330
Amounts owed by group enterprises	394.000	2.569.064
Other debtors	905.262	568.179
Accrued income and deferred expenses	<u>9.378</u>	<u>2.340</u>
Debtors in total	<u>2.850.027</u>	<u>4.090.913</u>
Available funds	<u>4.308.574</u>	<u>7.024.626</u>
Current assets in total	<u>13.274.911</u>	<u>15.217.148</u>
Assets in total	<u>15.377.160</u>	<u>17.208.073</u>

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Equity and liabilities		
Equity		
5	9.700.000	9.700.000
6	2.189.444	4.298.325
Equity in total	11.889.444	13.998.325
Provisions		
Provisions for deferred tax	112.501	80.625
Provisions in total	112.501	80.625
Liabilities		
Trade creditors	1.253.022	1.062.280
Corporate tax	340.710	470.640
Other debts	1.781.483	1.596.203
Short-term liabilities in total	3.375.215	3.129.123
Liabilities in total	3.375.215	3.129.123
Equity and liabilities in total	15.377.160	17.208.073

- 1 Staff matters
- 7 Contingencies
- 8 Related parties

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
1. Staff matters		
Salaries and wages	5.830.749	6.209.319
Pension costs	583.290	555.971
Other costs for social security	218.121	199.733
Other staff costs	840.587	619.283
	<u>7.472.747</u>	<u>7.584.306</u>
Average number of employees	<u>18</u>	<u>17</u>
2. Other financial costs		
Other financial costs	<u>170.028</u>	<u>422.151</u>
	<u>170.028</u>	<u>422.151</u>
3. Land and property		
Cost 1 January 2018	<u>5.277.594</u>	<u>5.277.594</u>
Cost 31 December 2018	<u>5.277.594</u>	<u>5.277.594</u>
Depreciation and writedown 1 January 2018	-3.402.312	-3.258.336
Depreciation for the year	<u>-143.976</u>	<u>-143.976</u>
Depreciation and writedown 31 December 2018	<u>-3.546.288</u>	<u>-3.402.312</u>
Book value 31 December 2018	<u>1.731.306</u>	<u>1.875.282</u>

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
4. Production plant and machinery		
Cost 1 January 2018	6.246.499	6.246.499
Additions during the year	321.114	0
Disposals during the year	<u>-172.744</u>	<u>0</u>
Cost 31 December 2018	<u>6.394.869</u>	<u>6.246.499</u>
Depreciation and writedown 1 January 2018	-6.130.856	-6.118.549
Depreciation for the year	-65.814	-12.307
Depreciation, amortisation and writedown for the year, assets disposed of	<u>172.744</u>	<u>0</u>
Depreciation and writedown 31 December 2018	<u>-6.023.926</u>	<u>-6.130.856</u>
Book value 31 December 2018	<u>370.943</u>	<u>115.643</u>
5. Contributed capital		
Contributed capital 1 January 2018	<u>9.700.000</u>	<u>9.700.000</u>
	<u>9.700.000</u>	<u>9.700.000</u>
The share capital consist of 1 share of a nominal value of DKK 9.700.000.		
6. Results brought forward		
Results brought forward 1 January 2018	4.298.325	2.827.348
Profit or loss for the year brought forward	-2.108.881	1.470.977
Extraordinary dividend adopted during the financial year	3.500.000	0
Distributed extraordinary dividend adopted during the financial year.	<u>-3.500.000</u>	<u>0</u>
	<u>2.189.444</u>	<u>4.298.325</u>
7. Contingencies		
Contingent liabilities		
		DKK in thousands
Leasing liabilities		<u>55.352</u>
Contingent liabilities in total		<u>55.352</u>

Notes

All amounts in DKK.

7. Contingencies (continued)

Joint taxation

Waysmos Denmark Holding ApS, company reg. no 38774247 being the administration company, the company is subject to the Danish scheme of joint taxation and unlimited jointly and severally liable with the other jointly taxed companies for the total corporation tax.

The company is unlimited jointly and severally liable with the other jointly taxed companies for any obligation to withhold tax on interest, royalties and dividends.

The total tax payable under the joint taxation amounts to DKK 341 thousand.

The liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 395 thousand.

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

Company UTC FS Denmark Holding A/S has withdrawn from joint taxation as of 28. february 2018, as from the time of withdrawal from the joint taxation, the company is not liable for any tax claims against the other jointly taxed companies.

8. Related parties

Controlling interest

Waysmos Denmark Holding ApS

Majority shareholder