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eHUBnordic ApS

Borupvang 3, 2750 Ballerup

Company reg. no. 36 95 95 17

Annual report

1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 29 May 2019.

Claus Christensen
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 eHUBnordic ApS 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.

Ballerup, 29 May 2019

Managing Director

Morten Hübenbecker Poulsen

Board of directors

Claus Christensen
chairman

Anders Engel Christensen

Peter Kjær Jensen

Hemming Van

Morten Hübenbecker Poulsen

Independent auditor's report

To the shareholders of eHUBnordic ApS

Opinion

We have audited the annual accounts of eHUBnordic ApS 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.

Material uncertainties concerning the enterprise's ability to continue as a going concern

We draw attention to note 1 in the annual accounts, which indicates that the company incurred a net loss of DKK 4.539.000 during the year ended 31 December 2018 and, as of that date, the company's current liabilities exceeded its total assets by DKK 3.964.000. As stated in note 1, these events or conditions, along with other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report

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:

- 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.

Independent auditor's report

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.

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, 29 May 2019

Moore Stephens Danmark

State Authorised Public Accountants
Company reg. no. 13 86 45 78

Henrik Paaske

State Authorised Public Accountant
mne10067

Michael Markussen

State Authorised Public Accountant
mne34295

Company data

The company

eHUBnordic ApS
Borupvang 3
2750 Ballerup

Company reg. no. 36 95 95 17
Established: 25 June 2015
Domicile: Ballerup
Financial year: 1 January - 31 December
4th financial year

Board of directors

Claus Christensen, chairman
Anders Engel Christensen
Peter Kjær Jensen
Hemming Van
Morten Hübenbecker Poulsen

Managing Director

Morten Hübenbecker Poulsen

Auditors

Moore Stephens Danmark, Statsautoriserede revisorer

Management's review

The principal activities of the company

Ehubnordic operates in the area of International E-commerce. Targeted towards Nordic Business to Consumer brands, the company decompose process complexity for brands who have decided to enter geographical areas where culture, language, distance, local requirements to e-commerce are challenging and different compared to their current domestic and regional market places.

Commenced operation in March 2016 Ehubnordic has been granted a pan Nordic license to the Alibaba internet platform in China, which reaches more than 350 million potential consumers.

Uncertainties as to recognition or measurement

As the equity represents less than half of the subscribed capital, the Company is subject to the Danish Companies Act section 119 regarding loss of capital. Management expects to recover the capital by completing two capital increases for a total of DKK 3.000.000 in 2019, whereof the first capital increase of DKK 2.250.000 has already been completed in February 2019, and potentially converting the subordinate loan capital, DKK 3.320.000.

Management refers to note 1 in the annual accounts, in which the management describes the company's financial situation.

Management refers to note 2 in the annual accounts, in which the management describes the uncertainties as to recognition and measurement of the completed development projects, that are recognised with DKK 324.000 in the balance sheet.

Development in activities and financial matters

The gross loss for the year is -1.791.000 against DKK -2.235.000 last. The results from ordinary activities after tax are DKK -4.539.000 against DKK -6.361.000 last year.

The result of 2018 is in line with management expectations and a result of the continued development period of Ehubnordic and its e-commerce activities in China.

During 2018 Ehubnordic has further developed on its international multi-brand store on Alibaba Tmall.Global continuously adding new brands and especially developing key reference brands which is key for attracting new Nordic brands.

Chinese consumers continue to order and receive Danish premium products, with full satisfaction. The use of Chinese onshore logistics setup enabling a faster shipment time as well as capability to handle FMCG style products has been further expanded, reducing cost and customer satisfaction.

The build-up during 2018 had led to significant reference stories in terms of brand success as well as a ready 'end to end machine'.

Management's review

The board of Ehubnordic therefore in Q4 2018 has taken two significant strategic decisions:

- To lower the entry barrier of doing business with Ehubnordic by eliminating fixed costs. This will enable more rapid growth in 2019.
- To establish own Chinese operation in Q2 2019, enabling optimum control.

In support of this a capital increase of DKK 1.000.000 was executed in Q3 2018 and one of DKK 2.250.000 was executed in Q1 2019. Furthermore, a capital increase of DKK 750.000 is planned to be executed in Q2 2019.

The expected development

For 2019 management expect that the result will be a loss, but a better result than in 2018, with a positive operational result expected in Q1 2020.

The development during January to May 2019 supports the strategy as more than 15 new brands has joined eHUBnordic, including Swedish ones.

Accounting policies used

The annual report for eHUBnordic 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 the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

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.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

Accounting policies used

Fixed assets and other non-monetary assets acquired in foreign currency and which are not considered to be investment assets purchased in foreign currencies are measured at the exchange rate on the transaction date.

The profit and loss account

Gross loss

The gross loss comprises the net turnover, cost of sales and external costs.

The net turnover comprises the value of services provided during the year, including outlay for customers less VAT and price reductions directly associated with the sale.

The turnover is recognised in the profit and loss account when the sale has been completed. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- There is a binding sales agreement
- The sales price has been determined
- The payment has been received, or it can with reasonable assurance be expected to be received.

Hereby, it is ensured that recognition does not take place until the total income and costs as well as the scope of completion on the balance sheet date can be determined reliably, and when it is likely that the economic benefits, including payments, will be received by the enterprise.

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

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

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.

Depreciation, amortisation and writedown

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

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.

Accounting policies used

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 balance sheet

Intangible fixed assets

Development projects

Development costs comprise e.g. salaries, wages, and amortisation which directly refer to the development activities.

Clearly defined and identifiable development projects are recognised as intangible fixed assets provided that the technical feasibility, sufficient resources, and a potential market or a development opportunity can be demonstrated, and provided that it is the intention to produce, market or utilise the project. It is, however, a condition that the cost can be calculated reliably and that a sufficiently high degree of certainty indicates that future earnings will cover the costs for production, sales, and administration. Other development costs are recognised in the profit and loss account concurrently with their realisation.

Development costs recognised in the balance sheet are measured at cost with deduction of accrued depreciation and writedown.

After completion of the development work, capitalised development costs are amortised on a straight line basis over the estimated financial useful life. Usually, the amortisation period is 3 years.

Gain and loss from the sale of development projects, 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.

Writedown of fixed assets

The book values of intangible fixed assets 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

Previously recognised writedown is reversed when the condition for the writedown no longer exist. Writedown relating to goodwill is not reversed.

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 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.

Equity

Reserves for development costs

Reserves for development costs comprise recognised development costs with deduction of related deferred tax liabilities. The reserves can not be used as dividend or for payment of losses. The reserves are reduced or dissolved if the recognised development costs are amortised or abandoned. This takes place by direct transfer to the distributable reserves of the equity.

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.

Accounting policies used

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

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

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

Financial liabilities related to borrowings are recognised at the received proceeds with the deduction of transaction costs incurred. In following periods, the financial liabilities are recognised at amortised cost, corresponding to the capitalised value by use of the effective interest. The difference between the proceeds and the nominal value is recognised in the profit and loss account during the term of the loan.

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 loss	-1.791.431	-2.235.454
3 Staff costs	-2.211.627	-3.458.522
Amortisation and writedown relating to intangible fixed assets	-353.724	-353.725
Operating profit	-4.356.782	-6.047.701
4 Other financial costs	-181.746	-52.084
Results before tax	-4.538.528	-6.099.785
5 Tax on ordinary results	0	-261.542
Results for the year	-4.538.528	-6.361.327
Proposed distribution of the results:		
Allocated to other statutory reserves	-275.905	-275.906
Allocated from results brought forward	-4.262.623	-6.085.421
Distribution in total	-4.538.528	-6.361.327

Balance sheet 31 December

All amounts in DKK.

<u>Note</u>	<u>2018</u>	<u>2017</u>
Assets		
Fixed assets		
6 Completed development projects	324.248	677.972
Intangible fixed assets in total	324.248	677.972
Fixed assets in total	324.248	677.972
Current assets		
Manufactured goods and trade goods	328.932	0
Inventories in total	328.932	0
Trade debtors	242.074	142.544
Receivable corporate tax	234.558	343.458
Other debtors	318.336	230.127
Accrued income and deferred expenses	26.131	16.730
Debtors in total	821.099	732.859
Available funds	18.619	1.314.714
Current assets in total	1.168.650	2.047.573
Assets in total	1.492.898	2.725.545

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2018</u>	<u>2017</u>
Equity			
7	Contributed capital	399.999	366.666
9	Reserve for development expenditure	252.913	528.818
10	Results brought forward	-4.616.750	-1.320.794
	Equity in total	-3.963.838	-425.310
 Liabilities			
	Subordinate loan capital	3.320.096	2.061.549
	Long-term liabilities in total	3.320.096	2.061.549
	Bank debts	1.134.820	137.957
	Trade creditors	431.597	472.023
	Debt to shareholders and management	270.000	0
	Other debts	300.223	479.326
	Short-term liabilities in total	2.136.640	1.089.306
	Liabilities in total	5.456.736	3.150.855
	Equity and liabilities in total	1.492.898	2.725.545

1 Deficit and Management Plans

2 Uncertainties concerning recognition and measurement

11 Contingencies

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
1. Deficit and Management Plans		
<p>The company has incurred a net loss of DKK 4.539.000 during the year ended 31 December 2018 and, as of that date, the company's current liabilities exceeded its total assets by DKK 3.964.000. As the equity represents less than half of the subscribed capital, the company is subject to the Danish Companies Act section 119 regarding loss of capital.</p> <p>It is a material condition for the company's ability to continue as a going concern, that the company can realize the expected growth in new customers and revenue in accordance with the budgets for 2019 - 2021. Together with completing two capital increases for a total of DKK 3.000.000 in 2019, whereof the first capital increase of DKK 2.250.000 has already been completed in February 2019, and with the expectation of maintaining existing bank credit facilities, Management expects to have the necessary liquidity to finance the planned development and operating activities of the coming years.</p>		
2. Uncertainties concerning recognition and measurement		
<p>The Company has recognised completed development projects with DKK 324.000 cf. note 6.</p> <p>The estimates and judgements made are based on budgets and business plans for the coming years, including planned commercial initiatives, but that, by nature, are associated with uncertainty and unpredictability and may therefore prove incomplete or incorrect.</p>		
3. Staff costs		
Salaries and wages	2.160.786	3.402.021
Other costs for social security	32.650	23.747
Other staff costs	18.191	32.754
	<u>2.211.627</u>	<u>3.458.522</u>
Average number of employees	<u>4</u>	<u>4</u>
4. Other financial costs		
Other financial costs	181.746	52.084
	<u>181.746</u>	<u>52.084</u>

Notes

All amounts in DKK.

	<u>2018</u>	<u>2017</u>
5. Tax on ordinary results		
Tax of the results for the year, parent company	0	-343.458
Adjustment for the year of deferred tax	0	605.000
	<u>0</u>	<u>261.542</u>
6. Completed development projects		
Cost 1 January 2018	1.061.174	1.061.174
Cost 31 December 2018	<u>1.061.174</u>	<u>1.061.174</u>
Amortisation and writedown 1 January 2018	-383.202	-29.477
Amortisation for the year	-353.724	-353.725
Amortisation and writedown 31 December 2018	<u>-736.926</u>	<u>-383.202</u>
Book value 31 December 2018	<u>324.248</u>	<u>677.972</u>
If an indication of a reduction in the value or useful life exists, the asset is tested for impairment and is written down if necessary. This judgement is made annually and based on budgets and business plans for the coming years, including planned commercial initiatives.		
7. Contributed capital		
Contributed capital 1 January 2018	366.666	333.333
Cash capital increase	33.333	33.333
	<u>399.999</u>	<u>366.666</u>
8. Share premium account		
Share premium account 1 January 2018	0	0
Share premium account for the year	966.667	966.657
Dissolution of share premium account	-966.667	-966.657
	<u>0</u>	<u>0</u>

Notes

All amounts in DKK.

	<u>31/12 2018</u>	<u>31/12 2017</u>
9. Reserve for development expenditure		
Reserve for development expenditure 1 January 2018	528.818	804.724
Allocated to reserve for development expenditure for the year	<u>-275.905</u>	<u>-275.906</u>
	<u>252.913</u>	<u>528.818</u>
10. Results brought forward		
Results brought forward 1 January 2018	-1.320.794	3.797.970
Profit or loss for the year brought forward	-4.262.623	-6.085.421
Dissolution of share premium account	<u>966.667</u>	<u>966.657</u>
	<u>-4.616.750</u>	<u>-1.320.794</u>
11. Contingencies		
Contingent liabilities		
		DKK in thousands
Contingent liabilities in total		<u>64</u>