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eHUBnordic ApS

Borupvang 3, 2750 Ballerup

Company reg. no. 36 95 95 17

Annual report

1 January - 31 December 2019

The annual report was submitted and approved by the general meeting on the 10 July 2020.

Claus Christensen
Chairman of the meeting

Contents

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 %.

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 2019.

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 2019 and of the company's results of its activities in the financial year 1 January to 31 December 2019.

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

We recommend that the annual report be approved by the general meeting.

Ballerup, 10 July 2020

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 2019, which comprise accounting policies, 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 2019 and of the results of the company's operations for the financial year 1 January to 31 December 2019 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 4.315.000 during the year ended 31 December 2019 and, as of that date, the company’s current liabilities exceeded its total assets by DKK 6.029.000. 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.

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, 10 July 2020

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

Michael Markussen
State Authorised Public Accountant
mne34295

Company information

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
Board of directors	Claus Christensen, Chairman Anders Engel Christensen Peter Kjær Jensen Hemming Van Morten Hübenbecker Poulsen	
Managing Director	Morten Hübenbecker Poulsen	
Auditors	Moore Denmark, Statsautoriseret Revisionsaktieselskab	
Subsidiary	eHUBnordic Consulting (Shantou) Ltd, China	

Management commentary

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 operates a number of online shops, on JD.COM and Alibaba Tmall.Global with a supporting organization in China and Denmark.

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 being profitable in the coming years, or by converting subordinate loan capital.

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

Development in activities and financial matters

The gross loss for the year is -1.752.000 against DKK -1.810.000 last. The results from ordinary activities after tax are DKK -4.315.000 against DKK -4.539.000 last year.

The result of 2019 is in line with management expectations and a result of the continued development period of Ehubnordic and its e-commerce activities in China.

During 2019 Ehubnordic has further developed on its presence in China, based on the strategic decisions taken late 2018 and mentioned in the 2018 annual report:

- 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.

These were implemented as planned, the first element already in January 2019 leading to a significant inflow of new brands. The Chinese operations was implemented during Q1 2019 and went live June 1 2019.

This has been performing as planned ever since. EhubNordic is now in control end-to-end and the in-house Chinese operation enables a focused quality service.

The business has been performing according to the established plans, with the Danish brand Jakobsens Honey as the most noticeable success, leading to the establishment of a dedicated Jakobsens online shop in May 2020.

The growth of the business also led to the establishment of a multi-brand store on JD.COM, in December 2019, similar to the one already on Alibaba.

The expected development

For 2020 management expect that the result will be a loss, but a better result than in 2019, with a positive operational result expected in Q4 2020.

Had it not been for the corona crisis, the Company would still in 2020 be on target and plan, and profitability earlier.

The Impact of Corona, both in China and later in Europe, has given a 2-3 months delay in expected revenue growth.

The development during January to June 2020 supports the plans as revenue in China continues to grow according to budget.

The company has obtained subordinated loans in March and June 2020 for a total of DKK 2.000.000.

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross loss	**-1.800.609**	**-1.809.632**
2	Staff costs	-1.945.809	-2.193.436
	Amortisation and writedown relating to intangible fixed assets	-324.248	-353.724
	Operating profit	**-4.070.666**	**-4.356.792**
	Other financial income	593	10
3	Other financial costs	-244.317	-181.746
	Pre-tax net profit or loss	**-4.314.390**	**-4.538.528**
4	Tax on ordinary results	-1.100	0
	Net profit or loss for the year	**-4.315.490**	**-4.538.528**
	Proposed appropriation of net profit:		
	Transferred to other statutory reserves	-252.913	-275.905
	Allocated from retained earnings	-4.062.577	-4.262.623
	Total allocations and transfers	**-4.315.490**	**-4.538.528**

Statement of financial position at 31 December

All amounts in DKK.

Assets

Note		2019	2018
	Non-current assets		
	Completed development projects	0	324.248
	Total intangible assets	0	324.248
	Equity investments in group enterprises	1	0
	Total investments	1	0
	Total non-current assets	**1**	**324.248**
	Current assets		
	Manufactured goods and goods for resale	260.781	328.932
	Total inventories	260.781	328.932
	Trade debtors	23.464	242.074
	Receivable corporate tax	0	234.558
	Other debtors	390.093	318.336
	Accrued income and deferred expenses	14.302	26.131
	Total receivables	427.859	821.099
	Available funds	405.475	18.619
	Total current assets	**1.094.115**	**1.168.650**
	Total assets	**1.094.116**	**1.492.898**

Statement of financial position at 31 December

All amounts in DKK.

Note	Equity and liabilities	2019	2018
	Equity		
5	Contributed capital	474.999	399.999
7	Reserve for development expenditure	0	252.913
8	Results brought forward	-6.504.328	-4.616.750
	Total equity	**-6.029.329**	**-3.963.838**
	Liabilities other than provisions		
	Subordinate loan capital	5.356.671	3.320.096
	Other payables	55.036	0
9	Total long term liabilities other than provisions	5.411.707	3.320.096
	Bank debts	1.021.691	1.134.820
	Trade creditors	535.380	431.597
	Debt to shareholders and management	0	270.000
	Other debts	154.667	300.223
	Total short term liabilities other than provisions	1.711.738	2.136.640
	Total liabilities other than provisions	**7.123.445**	**5.456.736**
	Total equity and liabilities	**1.094.116**	**1.492.898**

1 Deficit and Management Plans

10 Contingencies

Notes

All amounts in DKK.

		2019	2018

1. Deficit and Management Plans

The company has incurred a net loss of DKK 4.315.000 during the year ended 31 December 2019 and, as of that date, the company's current liabilities exceeded its total assets by DKK 6.029.000. 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.

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 2020 - 2021. Together with obtaining subordinated loans for a total of DKK 2.000.000 in 2020, 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.

		2019	2018
2.	**Staff costs**		
	Salaries and wages	1.916.030	2.160.786
	Other costs for social security	29.779	32.650
		1.945.809	**2.193.436**
	Average number of employees	5	4
3.	**Other financial costs**		
	Other financial costs	244.317	181.746
		244.317	**181.746**
4.	**Tax on ordinary results**		
	Adjustment of tax for previous years	1.100	0
		1.100	**0**
5.	**Contributed capital**		
	Contributed capital 1 January 2019	399.999	366.666
	Cash capital increase	75.000	33.333
		474.999	**399.999**

Notes

All amounts in DKK.

	31/12 2019	31/12 2018
6. Share premium account		
Share premium account 1 January 2019	0	0
Share premium account for the year	2.175.000	966.667
Dissolution of share premium account	-2.175.000	-966.667
	0	**0**

	31/12 2019	31/12 2018
7. Reserve for development expenditure		
Reserve for development expenditure 1 January 2019	252.913	528.818
Allovated to reserve for development expenditure for the year	-252.913	-275.905
	0	**252.913**

	31/12 2019	31/12 2018
8. Results brought forward		
Results brought forward 1 January 2019	-4.616.750	-1.320.794
Profit or loss for the year brought forward	-4.062.578	-4.262.623
Dissolution of share premium account	2.175.000	966.667
	-6.504.328	**-4.616.750**

9. Liabilities other than provision

	Total payables 31 Dec 2019	**Current portion of long term payables**	**Long term payables 31 Dec 2019**	**Outstanding payables after 5 years**
Subordinate loan capital	5.356.671	0	5.356.671	0
Other payables	55.036	0	55.036	0
	5.411.707	**0**	**5.411.707**	**0**

10. Contingencies

Contingent liabilities

	DKK in thousands
Contingent liabilities in total	66

Accounting policies

The annual report for eHUBnordic ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in 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.

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.

Income statement

Gross loss

Gross loss comprises the revenue, cost of sales and external costs.

Revenue comprises the value of services provided during the year, including outlay for customers less VAT and price concessions directly associated with the sale.

Revenue is recognised in the income statement on the completion of sales. This is generally considered to be the case when:

- The service has been provided before the end of the financial year
- A binding sales agreement exists
- The sales price has been determined
- Payment has been received, or is anticipated with a reasonable degree of certainty.

This ensures that recognition does not take place until the total income and costs and stage of completion at the reporting date can be reliably validated and it seems probable that the economic benefits, including payments, will flow to 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.

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.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are measured at cost. If the recoverable amount is lower than the cost, writedown for impairment is done to match this lower value.

Other securities and equity investments

Securities and equity investments recognised under fixed assets comprise listed bonds and shares which are measured at fair value on the balance sheet date. Listed securities are measured at market price.

Other unlisted securities are measured at cost. Writedown takes place to the recoverable amount, if this value is lower than the book value.

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.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to 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

Reserve for development costs

The reserve for development costs comprises recognised development costs less related deferred tax liabilities. The reserve cannot be used as dividends or for covering losses. The reserve is reduced or dissolved if the recognised development costs are amortised or abandoned. This is done 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.

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.