

Waysmos Denmark Holding ApS

Tuborg Boulevard 1, 2900, Hellerup

Company reg. no. 38 77 42 47

Annual report

1 January - 31 December 2020

The annual report was submitted and approved by the general meeting on the 15 March 2021.

Henrik Juul Hansen
Chairman of the meeting

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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 %.

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Management's report

The executive board has today presented the annual report of Waysmos Denmark Holding ApS for the financial year 1 January to 31 December 2020.

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 2020 and of the company's results of its activities in the financial year 1 January to 31 December 2020.

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.

Hellerup, 10 February 2021

Executive board

Yu Bohong

Ye Mingsheng

Wang Yidan

Independent auditor's report

To the shareholders of Waysmos Denmark Holding ApS

Opinion

We have audited the annual accounts of Waysmos Denmark Holding ApS for the financial year 1 January to 31 December 2020, which comprise profit and loss account, balance sheet, notes and accounting policies. 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 2020 and of the results of the company's operations for the financial year 1 January to 31 December 2020 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

Management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. 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, 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 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 management and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of 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

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 February 2021

BUUS JENSEN

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

Ulrik Nørskov

State Authorised Public Accountant
mne29456

Company information

The company	Waysmos Denmark Holding ApS	
	Tuborg Boulevard 1	
	2900, Hellerup	
	Company reg. no. 38 77 42 47	
	Domicile:	
	Financial year:	1 January - 31 December
Executive board	Yu Bohong	
	Ye Mingsheng	
	Wang Yidan	
Auditors	BUUS JENSEN, Statsautoriserede revisorer	
Parent company	Shanghai Waysmos Fine Chemical Co. Ltd	
Subsidiary	G W Sprinkler A/S, Kastanievej 15, 5620 Glamsbjerg	

Management commentary

The principal activities of the company

Waysmos Denmark Holding ApS principal activities are to own investments in other companies and related companies.

Development in activities and financial matters

The results from ordinary activities after tax are DKK 1.402.918 against DKK 2.973.927 last year. The management consider the results satisfactory.

Income statement 1 January - 31 December

All amounts in DKK.

<u>Note</u>	<u>2020</u>	<u>2019</u>
Gross loss	-23.263	-170.482
Income from equity investments in group enterprises	1.397.828	3.144.737
1 Other financial costs	-14.505	-328
Pre-tax net profit or loss	1.360.060	2.973.927
Tax on ordinary results	42.858	0
Net profit or loss for the year	1.402.918	2.973.927
Proposed appropriation of net profit:		
Reserves for net revaluation according to the equity method	1.397.828	3.144.737
Transferred to retained earnings	5.090	0
Allocated from retained earnings	0	-170.810
Total allocations and transfers	1.402.918	2.973.927

Statement of financial position at 31 December

All amounts in DKK.

Assets			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Non-current assets			
2	Equity investments in group enterprises	<u>26.710.178</u>	<u>25.312.350</u>
	Total investments	<u>26.710.178</u>	<u>25.312.350</u>
	Total non-current assets	<u>26.710.178</u>	<u>25.312.350</u>
Current assets			
	Amounts owed by group enterprises	<u>1.746.571</u>	<u>1.500.000</u>
	Total receivables	<u>1.746.571</u>	<u>1.500.000</u>
	Available funds	<u>81.643</u>	<u>108.127</u>
	Total current assets	<u>1.828.214</u>	<u>1.608.127</u>
	Total assets	<u>28.538.392</u>	<u>26.920.477</u>

Statement of financial position at 31 December

All amounts in DKK.

Equity and liabilities			
<u>Note</u>		<u>2020</u>	<u>2019</u>
Equity			
3	Contributed capital	23.894.215	23.894.215
	Reserves for net revaluation as per the equity method	4.542.565	3.144.737
4	Results brought forward	<u>-165.914</u>	<u>-171.004</u>
	Total equity	<u>28.270.866</u>	<u>26.867.948</u>
Liabilities other than provisions			
	Trade creditors	0	2.529
	Debt to group enterprises	50.000	50.000
	Corporate tax	36.303	0
	Other debts	<u>181.223</u>	<u>0</u>
	Total short term liabilities other than provisions	<u>267.526</u>	<u>52.529</u>
	Total liabilities other than provisions	<u>267.526</u>	<u>52.529</u>
	Total equity and liabilities	<u>28.538.392</u>	<u>26.920.477</u>

5 Contingencies

Notes

All amounts in DKK.

	2020	2019
1. Other financial costs		
Other financial costs	14.505	328
	14.505	328
2. Equity investments in group enterprises		
Acquisition sum, opening balance 1 January 2020	22.167.613	22.167.613
Disposals during the year	0	0
Cost 31 December 2020	22.167.613	22.167.613
Revaluations, opening balance 1 January 2020	4.535.856	1.391.119
Results for the year before goodwill amortisation	3.507.495	3.144.737
Revaluation 31 December 2020	8.043.351	4.535.856
Amortisation of goodwill, opening balance 1 January 2020	-1.391.119	-1.391.119
Amortisation of goodwill for the year	-2.109.667	0
Depreciation on goodwill 31 December 2020	-3.500.786	-1.391.119
Book value 31 December 2020	26.710.178	25.312.350
The items include goodwill with an amount of	8.168.502	10.278.169
Group enterprises:		
	Domicile	Share of ownership
G W Sprinkler A/S	Kastanievej 15, 5620 Glamsbjerg	100 %
3. Contributed capital		
Contributed capital 1 January 2020	23.894.215	50.000
Cash capital increase	0	23.844.215
	23.894.215	23.894.215

Notes

All amounts in DKK.

	<u>31/12 2020</u>	<u>31/12 2019</u>
4. Results brought forward		
Results brought forward 1 January 2020	-171.004	-194
Profit or loss for the year brought forward	<u>5.090</u>	<u>-170.810</u>
	<u>-165.914</u>	<u>-171.004</u>

5. Contingencies

Joint taxation

The company is the administration company of the group of companies 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 liability relating to obligations in connection with withholding tax on dividends, interest and royalties represents an estimated maximum of DKK 0 thousand.

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

Accounting policies

The annual report for Waysmos Denmark Holding 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.

Income statement

Financial income and expenses

Financial income and expenses are recognised in the income statement with the amounts concerning the financial year. Financial income and expenses comprise interest income and expenses, financial expenses from financial leasing, realised and unrealised capital gains and losses relating to securities, debt and transactions in foreign currency, amortisation of financial assets and liabilities as well as surcharges and reimbursements under the advance tax scheme, etc.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

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. The company acts as an administration company in relation to the joint taxation. This means that the total Danish tax payable of the income of the Danish consolidated companies is paid to the tax authorities by the company.

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

Financial fixed assets

Equity in group enterprises

Equity in group enterprises are recognised and measured by applying the equity method. The equity method is used as a method of consolidation.

Accounting policies

Equity in group enterprises recognised in the statement of financial position at the proportionate share of the enterprise's equity value. This value is calculated in accordance with the parent's accounting policies with deductions or additions of unrealised intercompany gains and losses as well as with additions or deductions of the remaining value of positive or negative goodwill calculated in accordance with the acquisition method. Negative goodwill is recognised in the income statement at the time of acquisition of the equity investment. If the negative goodwill relates to contingent liabilities acquired, negative goodwill is not recognised until the contingent liabilities have been settled or lapsed.

Equity in group enterprises with a negative equity value measured at DKK 0, and any accounts receivable from these enterprises are written down to the extent that the account receivable is uncollectible. To the extent that the parent has a legal or constructive obligation to cover a negative balance that exceeds the account receivable, the remaining amount is recognised under provisions.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserve under equity for net revaluation according to the equity method. Dividends from group enterprises expected to be adopted before the approval of this annual report are not subject to a limitation of the revaluation reserve. The reserve is adjusted by other equity movements in group enterprises.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

On the acquisition of enterprises, the acquisition method, the uniting-of-interests method or the book value method is applied, cf. the above description under Business combinations.

Receivables

Receivables are measured at amortised cost, which usually corresponds to nominal value.

In order to meet expected losses, impairment takes place at the net realisable value. The company has chosen to use IAS 39 as a basis for interpretation when recognising impairment of financial assets, which means that impairments must be made to offset losses where an objective indication is deemed to have occurred that an account receivable or a portfolio of accounts receivable is impaired. If an objective indication shows that an individual account receivable has been impaired, an impairment takes place at individual level.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Share premium

Share premium comprises premium payments made in connection with the issue of shares. Costs incurred for carrying through an issue are deducted from the premium.

The premium reserve can be used for dividend, for issuing bonus shares, and for covering losses.

Accounting policies

Revaluation reserve

Revaluations of property less deferred tax are recognised under the revaluation reserve. The reserve is reduced when the value of revalued property is reduced due to depreciation. The reduction represents the difference between depreciation based on the revalued carrying amount of the property and depreciation based on the original cost of the property.

The reserve is partly or totally dissolved on the sale of the property and reduced as a result of impairment loss on property.

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries, associates and equity interests proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Reserve for outstanding loans and collateral

The reserve for outstanding loans and collateral comprises amounts corresponding to loans or collateral used for the establishment of legal self-financing.

An amount corresponding to the loan or collateral is reclassified from "Retained earnings" to "Reserve for outstanding loans and collateral".

Reserve for unpaid contributed capital

Unpaid contributed capital is recognised on a gross basis, according to which the unpaid contributed capital is recognised and treated as a receivable in the statement of financial position called "Claims on contributed capital".

An amount corresponding to the unpaid contributed capital is reclassified from "Retained earnings" to "Reserve for unpaid contributed capital".

Reserve for entrepreneurial companies

The enterprise transfers at least 25 % of the profit for the year to the reserve for entrepreneurial companies under equity.

The transfer of 25 % of the profit for the year shall continue until the contributed capital and the reserve for entrepreneurial companies reaches a total amount of DKK 40.000.

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.

Accounting policies

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.

Dividend

Dividend expected to be distributed for the year is recognised as a separate item under equity.

Income tax and deferred tax

As administration company, Waysmos Denmark Holding ApS is liable to the tax authorities for the subsidiaries' corporate income taxes.

Current tax liabilities and current tax receivable are recognised in the statement of financial position as calculated tax on the taxable income for the year, adjusted for tax of previous years' taxable income and for tax paid on account.

The company is jointly taxed with consolidated Danish companies. The current corporate income tax is distributed between the jointly taxed companies in proportion to their taxable income and with full distribution with reimbursement as to tax losses. The jointly taxed companies are comprised by the Danish tax prepayment scheme.

Joint taxation contributions payable and receivable are recognised in the statement of financial position as "Income tax receivable" or "Income tax payable".

Deferred tax is measured on the basis of temporary differences in assets and liabilities with a focus on the statement of financial position. Deferred tax is measured at net realisable value.

Adjustments take place in relation to deferred tax concerning elimination of unrealised intercompany gains and losses.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation prevailing in the respective countries on the reporting date when the deferred tax is expected to be released as current tax. Changes in deferred tax due to changed tax rates are recognised in the income statement, except for items included directly in the equity.

Deferred tax assets, including the tax value of tax losses allowed for carryforward, 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. Any deferred net tax assets are measured at net realisable value.

Liabilities other than provisions

Other liabilities concerning payables to suppliers, group enterprises, and other payables are measured at amortised cost which usually corresponds to the nominal value.