

Scan-Speak A/S
Central Business Registration No
70977311
N C Madsensvej 1
6920 Videbæk

Annual report 2015

The Annual General Meeting adopted the annual report on 17.02.2016

Chairman of the General Meeting

Name: Colleen L. Hallam

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Entity details

Entity

Scan-Speak A/S
N C Madsensvej 1
6920 Videbæk

Central Business Registration No: 70977311

Registered in: Ringkøbing-Videbæk

Financial year: 01.01.2015 - 31.12.2015

Phone: +45-60405200

Internet: www.scan-speak.dk

E-mail: info@scan-speak.dk

Board of Directors

Steven Francis Willenborg, Chairman

Chi-Cheng Liao

Colleen Lois Hallam

Executive Board

Colleen Lois Hallam

Bank

Den Jyske Sparekasse

Østergade 1

7430 Ikast

Lawyer

Thygesen Advokatfirma

Poulsgade 6-8

7400 Herning

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Papirfabrikken 26

8600 Silkeborg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Scan-Speak A/S for the financial year 01.01.2015 - 31.12.2015.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Videbæk, 17.02.2016

Executive Board

Colleen Lois Hallam

Board of Directors

Steven Francis Willenborg
Chairman

Chi-Cheng Liao

Colleen Lois Hallam

Independent auditor's reports

To the owners of Scan-Speak A/S

Report on the financial statements

We have audited the financial statements of Scan-Speak A/S for the financial year 01.01.2015 - 31.12.2015, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2015 and of the results of its operations for the financial year 01.01.2015 - 31.12.2015 in accordance with the Danish Financial Statements Act.

Silkeborg, 17.02.2016

Deloitte

Statsautoriseret Revisionspartnerselskab

Peter Mølkjær

State Authorised Public Accountant

Jens-Ole Bøgild

State Authorised Public Accountant

CVR-nr. 33963556

Accounting policies

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class B enterprises with addition of certain provisions for reporting class C.

The accounting policies applied for these financial statements are consistent with those applied last year.

The annual report is presented in DKK.

True and fair view

The Entity has in the year chosen to present the annual report in the functional report form for the profit and loss statement to adapt to the reporting requirements of the group.

The change has not affected the result and the comparative figures in the profit and loss statement have been adapted.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of historical data that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

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

Accounting policies

Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

Income statement

Gross profit or loss

With reference to section 32 of the Danish Financial Statement Act, revenue has not been disclosed in the annual report.

Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Production costs

Production costs comprise expenses incurred to earn revenue for the financial year. Production costs comprise direct and indirect costs for raw materials and consumables, wages and salaries, rent and lease as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment included in the production process. In addition, the item includes ordinary write-down of inventories.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at standard cost.

Research and development costs

Research and development costs include research costs, costs of development projects that do not meet the criteria for recognition in the balance sheet.

Distribution costs

Distribution costs comprise costs incurred for sale and distribution of the Entity's products, including wages and salaries for sales staff, advertising costs, travelling and entertainment expenses, etc.

Administrative expenses

Administrative expenses comprise expenses incurred for the Entity's administrative functions, including wages and salaries for administrative staff and Management, stationary and office supplies as well as amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment used for administration of the Entity.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including gains on sale of intangible assets and property, plant and equipment.

Accounting policies

Other financial income

Other financial income comprises interest income, etc.

Other financial expenses

Other financial expenses comprise interest expenses, etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Goodwill

Goodwill is amortised straight-line over its estimated useful life which is fixed based on the experience gained by Management for each business area. The amortisation period is assessed at 10 years.

Goodwill is written down to the lower of recoverable amount and carrying amount.

Intellectual property rights etc

Intellectual property rights, etc. is comprised of development projects completed and acquired intellectual property rights.

Development projects on clearly defined and identifiable products and processes, for which the technical rate of utilisation, adequate resources and a potential future market or development opportunity in the enterprise can be established, and where the intention is to manufacture, market or apply the product or process in question, are recognised as intangible assets. Other development costs are recognised as costs in the income statement as incurred.

The cost of development projects comprises costs such as salaries and indirect production costs that are directly attributable to the development projects.

Completed development projects are amortised on a straight-line basis using the estimated useful lives of the assets. The amortisation period is 4-8 years. Development projects are written down to the lower of recoverable amount and carrying amount.

Intellectual property rights acquired are measured at cost less accumulated amortisation. Patents and Trade-marks are amortised over their remaining duration, but over no more than 20 years.

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

Accounting policies

Property, plant and equipment

Plant and machinery as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery	3-5 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	Contract period

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.

If so, the asset is written down to the lower of recoverable amount and carrying amount.

Inventories

Inventory values are measured at the lower of standard cost and net realisable value.

Cost of raw materials, consumables and goods for resale consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation on and impairment losses relating to machinery, equipment and development projects applied for the manufacturing process as well as costs of factory administration and management.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale in the process of normal operations. The net realizable value is determined allowing for marketability, obsolescence and development in expected sales sum.

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less write-downs for bad and doubtful debts.

Accounting policies

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years, e.g. insurance premiums and subscriptions, etc. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallize as current tax. Any change in deferred tax due to change to tax rates are recognized in the income statement.

Finance lease commitments

Lease commitments relating to assets held under finance leases are recognised in the balance sheet as liabilities other than provisions, and, at the time of inception of the lease, measured at the present value of future lease payments. Subsequent to initial recognition, lease commitments are measured at amortised cost. The difference between present value and nominal amount of the lease payments is recognised in the income statement as a financial expense over the term of the leases.

Operating leases

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

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Prepayments received from customers

Prepayments received from customers comprise amounts received from customers prior to delivery of the goods agreed or completion of the service agreed.

Income statement for 2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Gross profit		9.352.043	11.062.775
Research and development costs		(2.173.112)	(1.301.077)
Distribution costs		(2.256.259)	(2.349.011)
Administrative costs		<u>(5.195.510)</u>	<u>(5.081.137)</u>
Operating profit/loss		(272.838)	2.331.550
Other financial income		64.434	68.647
Other financial expenses		<u>(890.168)</u>	<u>(899.978)</u>
Profit/loss from ordinary activities before tax		(1.098.572)	1.500.219
Tax on profit/loss from ordinary activities	2	<u>251.661</u>	<u>(351.408)</u>
Profit/loss for the year		<u>(846.911)</u>	<u>1.148.811</u>
Proposed distribution of profit/loss			
Retained earnings		<u>(846.911)</u>	<u>1.148.811</u>
		<u>(846.911)</u>	<u>1.148.811</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Completed development projects		2.884.132	5.108.205
Acquired patents		108.574	529.563
Acquired trademarks		139.572	0
Goodwill		989.099	1.350.337
Development projects in progress		818.686	0
Intangible assets	3	<u>4.940.063</u>	<u>6.988.105</u>
Plant and machinery		2.179.462	2.221.740
Other fixtures and fittings, tools and equipment		301.344	332.631
Leasehold improvements		218.235	0
Property, plant and equipment in progress		1.025.815	341.960
Property, plant and equipment	4	<u>3.724.856</u>	<u>2.896.331</u>
Fixed assets		<u>8.664.919</u>	<u>9.884.436</u>
Raw materials and consumables		8.560.214	6.377.038
Work in progress		1.610.159	2.490.830
Manufactured goods and goods for resale		1.679.976	1.570.477
Inventories		<u>11.850.349</u>	<u>10.438.345</u>
Trade receivables		5.224.799	5.112.847
Other short-term receivables		87.844	118.354
Prepayments		595.322	86.330
Receivables		<u>5.907.965</u>	<u>5.317.531</u>
Cash		<u>759.398</u>	<u>2.243.306</u>
Current assets		<u>18.517.712</u>	<u>17.999.182</u>
Assets		<u>27.182.631</u>	<u>27.883.618</u>

Balance sheet at 31.12.2015

	<u>Notes</u>	<u>2015 DKK</u>	<u>2014 DKK</u>
Contributed capital	5	1.320.045	1.320.045
Retained earnings		<u>4.710.517</u>	<u>5.557.428</u>
Equity		<u>6.030.562</u>	<u>6.877.473</u>
Provisions for deferred tax	6	<u>1.330.000</u>	<u>1.581.661</u>
Provisions		<u>1.330.000</u>	<u>1.581.661</u>
Bank loans		1.994.674	3.311.089
Finance lease liabilities		<u>168.628</u>	<u>372.949</u>
Non-current liabilities other than provisions	7	<u>2.163.302</u>	<u>3.684.038</u>
Current portion of long-term liabilities other than provisions	7	1.172.999	828.966
Bank loans		6.946.473	7.561.932
Prepayments received from customers		423.851	225.110
Trade payables		3.802.453	2.625.409
Debt to group enterprises		2.283.422	1.682.720
Other payables		<u>3.029.569</u>	<u>2.816.309</u>
Current liabilities other than provisions		<u>17.658.767</u>	<u>15.740.446</u>
Liabilities other than provisions		<u>19.822.069</u>	<u>19.424.484</u>
Equity and liabilities		<u>27.182.631</u>	<u>27.883.618</u>
Uncertainty relating to recognition and measurement	1		
Unrecognised rental and lease commitments	8		
Assets charged and collateral	9		
Ownership	10		
Main activity	11		

Statement of changes in equity for 2015

	Contributed capital DKK	Retained ear- nings DKK	Total DKK
Equity beginning of year	1.320.045	5.557.428	6.877.473
Profit/loss for the year	0	(846.911)	(846.911)
Equity end of year	1.320.045	4.710.517	6.030.562

The share capital consists of 1.320.045 shares of a nominal value of DKK 1. No shares carry any special rights.

Notes

1. Uncertainty relating to recognition and measurement

The Company has capitalized intangible assets totaling DKK 4.940.063 at 31.12.2015.

The development projects have been established over a number of years and constitute the basis of the Company's future profit generating activity. At the end of 2015, Management has examined the basis for capitalisation of development projects and the previous estimates thereof. Management has assessed that the previous estimates have been subject to too much uncertainty and has therefore expensed approx. DKK 700k in the income statement for 2015 relating to costs for previous years. The cost of development projects for 2015 only includes indirect development costs to a very limited extent.

Goodwill has been acquired in connection with the takeover of operating activities in 2009. Goodwill comprises a wide range of customers as well as experience and knowhow accumulated before the takeover in 2009. Therefore, Company Management assesses that the recognized value of intangible assets is appropriate.

	2015 DKK	2014 DKK
2. Tax on ordinary profit/loss for the year		
Change in deferred tax for the year	(251.661)	400.758
Effect of changed tax rates	0	(49.350)
	(251.661)	351.408

	Completed development projects DKK	Acquired pa- tents DKK	Acquired tra- demarks DKK	Goodwill DKK
3. Intangible assets				
Cost beginning of year	7.947.214	778.573	0	3.140.783
Transfer to and from other items	0	(68.548)	68.548	0
Additions	664.608	18.753	102.938	0
Disposals	(3.855.732)	(565.964)	0	(97.401)
Cost end of year	4.756.090	162.814	171.486	3.043.382
Amortisation and impairment losses beginning of year	(2.839.009)	(249.010)	0	(1.790.446)
Transfer to and from other items	0	6.474	(6.474)	0
Amortisation for the year	(1.802.365)	(329.391)	(25.440)	(309.208)
Reversal regarding disposals	2.769.416	517.687	0	45.371
Amortisation and impairment losses end of year	(1.871.958)	(54.240)	(31.914)	(2.054.283)
Carrying amount end of year	2.884.132	108.574	139.572	989.099

Notes

				Development projects in progress DKK
3. Intangible assets				
Cost beginning of year				0
Transfer to and from other items				0
Additions				818.686
Disposals				0
Cost end of year				818.686
Amortisation and impairment losses beginning of year				0
Transfer to and from other items				0
Amortisation for the year				0
Reversal regarding disposals				0
Amortisation and impairment losses end of year				0
Carrying amount end of year				818.686
	Plant and machinery DKK	Other fixtures and fittings, tools and equipment DKK	Leasehold improvements DKK	Property, plant and equipment in progress DKK
4. Property, plant and equipment				
Cost beginning of year	5.160.551	1.088.811	0	341.960
Transfer to and from other items	529.468	17.517	151.153	(698.138)
Additions	328.203	47.505	186.900	1.381.993
Disposals	(45.805)	(60.001)	0	0
Cost end of year	5.972.417	1.093.832	338.053	1.025.815
Depreciation and impairment losses beginning of the year	(2.938.811)	(756.180)	0	0
Transfer to and from other items	(30.093)	100.953	(70.860)	0
Depreciation for the year	(869.856)	(197.262)	(48.958)	0
Reversal regarding disposals	45.805	60.001	0	0
Depreciation and impairment losses end of the year	(3.792.955)	(792.488)	(119.818)	0
Carrying amount end of year	2.179.462	301.344	218.235	1.025.815

Notes

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>	<u>2013</u> <u>DKK</u>	<u>2012</u> <u>DKK</u>	<u>2011</u> <u>DKK</u>
5. Contributed capital					
Changes in contributed capital					
Contributed capital beginning of year	1.320.045	1.320.045	1.714.244	1.714.244	1.423.239
Increase of capital	0	0	0	0	291.005
Decrease of capital	0	0	(394.199)	0	0
Contributed capital end of year	<u>1.320.045</u>	<u>1.320.045</u>	<u>1.320.045</u>	<u>1.714.244</u>	<u>1.714.244</u>

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
6. Deferred tax		
Intangible assets	1.086.800	1.447.026
Property, plant and equipment	49.500	77.506
Inventories	535.000	572.508
Liabilities other than provisions	27.300	23.288
Tax losses carried forward	(368.600)	(538.667)
	<u>1.330.000</u>	<u>1.581.661</u>

	<u>Instalments</u> <u>within 12</u> <u>months</u> <u>2014</u> <u>DKK</u>	<u>Instalments</u> <u>within 12</u> <u>months</u> <u>2015</u> <u>DKK</u>	<u>Instalments</u> <u>beyond 12</u> <u>months</u> <u>2015</u> <u>DKK</u>
7. Long-term liabilities other than provisions			
Bank loans	600.000	966.771	1.994.674
Finance lease liabilities	228.966	206.228	168.628
	<u>828.966</u>	<u>1.172.999</u>	<u>2.163.302</u>

	<u>2015</u> <u>DKK</u>	<u>2014</u> <u>DKK</u>
8. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>7.736.106</u>	<u>8.849.292</u>

Of the above commitments as of 31.12.2015, DKK 1.430k is due within 12 months.

Notes

9. Assets charged and collateral

Bank debt is secured by way of a letter of indemnity of DKK 10.500.000 nominal from the company's owner, Eastern Asia Technology (HK) Limited and company's mortgage deed of DKK 9.900.000 nominal, providing security in goodwill and over other fixtures and fittings, tools and equipment.

Bank debt is secured by way of a letter of indemnity of DKK 13.500.000 providing a floating charge in inventories, goodwill, over other fixtures and fittings, tools and equipment and rights under section 47c under the Danish Land Registration Act.

Factoring credit is secured by carrying amount of trade receivables and a negative pledge has been registered in respect of unsecured claims from the sale of goods and services.

10. Ownership

The following shareholders are recorded in the Company's register of shareholders as holding at least 5% of the votes or at least 5% of the share capital:

Eastern Asia Technology (HK) Limited, Unit 1706-7, 54 Hoi Yuen Road, Kwun Tong, Kowloon, Hong Kong.

11. Main activity

The Company's main activity comprises development, production and sale of high-end quality loudspeaker units.