

ANNUAL REPORT
and
CONSOLIDATED ACCOUNTS
of
Anima AB
Corporate ID no. 559017-5559

The Board of Directors and the Managing Director's annual report and consolidated financial statements for the financial year 2017-01-01 - 2017-12-31

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Anima AB

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BOARD OF DIRECTORS REPORT

The annual accounts are prepared in SEK.

Business Concept & Overview

Anima AB is specialized in developing and designing smart connected products. The company's registered office is Malmö.

Multi-year comparison*, group

	2017
Net sales	37 101 889
Profit/loss after financial items	-126 902 126
Balance sheet total	180 433 411
Equity-assets ratio (%)	39,80

*For definitions of key ratios, please see notes

Multi-year comparison*, parent company

	2017	2016	2015
Net sales	35 944 476	3 814 776	0
Profit/loss after financial items	-124 798 816	-105 553 963	-20 580 999
Balance sheet total	187 828 578	118 976 464	86 560 517
Equity-assets ratio (%)	38,82		

*For definitions of key ratios, please see notes

Ownership conditions

Anima AB's main shareholder with 75 percent of the shares is Chinese electronics manufacturer Goertek Inc, through its subsidiary Goertek (Hongkong) Co. Limited, based in Hong Kong. Goertek Inc is listed on the Shenzhen Stock Exchange.

Important events during the financial year

In April 2017, the sale of watches began under the brand Kronaby. During the year, the company established sales through its own sales force in the United States, England and Sweden, and started sales via distributors in another 18 markets and via its own website Kronaby.com.

During the year, subsidiaries Anima Connected Inc, based in Delaware, and Anima Connected UK Ltd, based in London, were formed.

During the year, the company continued to invest in the development of smart watches, but also in other smart connected products.

Goertek (Hong Kong) Co. Limited, majority shareholder, decided in November to add MUS\$ 8 capital to support the company's continued expansion of sales globally.

Important events after the end of the financial year

After the end of the financial year, the company started sales through Spanish department store El Corte Inglés and American chain Jared The Galleria of Jewelry.

Goertek (Hong Kong) Co. Limited adds another MUS\$ 8.5 in capital after the end of the fiscal year. This ensures the company's funding until profitability is reached.

Future development

The company's earnings and financial development follows a defined plan. According to this, the company is expected to show profitability in 2019.

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Changes in equity, group

	Share capital	Other restricted equity	Other non-restricted equity	Non-controlling interests	Total non-restricted equity
Opening amount	2 000 000		102 672 161	0	104 672 161
Shareholders' contributions received		0	65 666 267	0	65 666 267
Profit/loss for the year			-99 525 126	0	-99 525 126
Closing amount	2 000 000	0	68 813 302	0	70 813 302

Changes in equity

	Share capital	Other restricted equity	Other non-restricted equity	Profit/loss for the year	Total non-restricted equity
Opening amount		2 000 000	185 010 535	-82 338 374	102 672 161
Shareholders' contributions received			65 666 267		65 666 267
Appropriation of profit as resolved by the Annual General Meeting:					
Loss for the year			-82 338 374	82 338 374	0
				-97 421 816	-97 421 816
Closing amount		2 000 000	168 338 428	-97 421 816	70 916 612

Appropriation of profit/loss

Proposed treatment of the company's profit

At the disposal of the general meeting:

profit brought forward	102 672 161
shareholders' contributions received	65 666 267
loss for the year	<u>-97 421 816</u>
	70 916 612

The board of directors proposes the following:
to be carried forward

<u>70 916 612</u>
70 916 612

For information about the company's earnings and financial position in other respects, please refer to the income statements, balance sheets and accompanying notes set out below.

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INCOME STATEMENT

	Note	Consolidated		Parent company	
		2017-01-01 2017-12-31	2017-01-01 2017-12-31	2016-01-01 2016-12-31	
Operating income etc.					
Net turnover		37 101 889	35 944 476	3 814 776	
Other operating income		<u>1 350 521</u>	<u>1 350 521</u>	<u>84 203</u>	
		38 452 410	37 294 997	3 898 979	
Operating expenses					
Goods for resale		-17 455 872	-15 628 118	0	
Other external expenses	2	-84 014 297	-83 925 168	-63 536 871	
Personnel costs	3	-60 772 609	-59 428 769	-44 611 597	
Depreciation and write-down of tangible and intangible assets		-1 618 209	-1 618 209	-447 036	
Other operating expenses		<u>-1 437 466</u>	<u>-1 437 466</u>	<u>-836 643</u>	
		-165 298 453	-162 037 730	-109 432 147	
Operating profit/loss		-126 846 043	-124 742 733	-105 533 168	
Profit/loss from financial items					
Other interest income and similar profit/loss items		758	758	20 526	
Interest expense and similar profit/loss items		<u>-56 841</u>	<u>-56 841</u>	<u>-41 321</u>	
		-56 083	-56 083	-20 795	
Profit/loss after financial items		-126 902 126	-124 798 816	-105 553 963	
Profit/loss before tax		-126 902 126	-124 798 816	-105 553 963	
Tax on profit for the year	4	27 377 000	27 377 000	23 215 589	
Profit/loss for the year		<u>-99 525 126</u>	<u>-97 421 816</u>	<u>-82 338 374</u>	

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BALANCE SHEET

		Consolidated	Parent company	
		2017-12-31	2017-12-31	2016-12-31
ASSETS	Note			
Fixed assets				
Intangible assets				
Other intangible fixed assets	5	<u>2 982 833</u>	<u>2 982 833</u>	<u>0</u>
		2 982 833	2 982 833	0
Tangible assets				
Equipment, tools, fixtures and fittings	6	<u>2 277 609</u>	<u>2 277 609</u>	<u>2 936 950</u>
		2 277 609	2 277 609	2 936 950
Financial assets				
Participations in group companies	7	0	3 292 880	0
Deferred tax asset	8	55 109 885	55 109 885	27 732 885
Other long-term receivables	9	<u>2 400 000</u>	<u>2 400 000</u>	<u>2 400 000</u>
		57 509 885	60 802 765	30 132 885
Total fixed assets		62 770 327	66 063 207	33 069 835
Current assets				
Inventories etc.				
Finished products and goods for resale		<u>18 903 522</u>	<u>18 903 522</u>	<u>0</u>
		18 903 522	18 903 522	0
Current receivables				
Trade receivables		4 936 015	9 258 578	0
Receivables from group companies		76 541 967	76 541 967	70 400 783
Current tax asset		672 860	672 860	903 132
Other receivables		3 005 625	3 005 625	4 319 531
Prepaid expenses and accrued income		<u>1 299 998</u>	<u>1 299 998</u>	<u>1 440 101</u>
		86 456 465	90 779 028	77 063 547
Cash and bank				
Cash and bank		<u>12 303 097</u>	<u>12 082 821</u>	<u>8 843 082</u>
		12 303 097	12 082 821	8 843 082
Total current assets		117 663 084	121 765 371	85 906 629
TOTAL ASSETS		180 433 411	187 828 578	118 976 464

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BALANCE SHEET

		Consolidated 2017-12-31	Parent company 2017-12-31	2016-12-31
EQUITY AND LIABILITIES	Note			
Equity, group				
Share capital		2 000 000		
Other contributed capital		269 305 507		
Other capital incl profit/loss for the year		<u>-199 484 700</u>		
Total equity, Group		71 820 807		
Equity, parent company				
Restricted equity				
Share capital	10		<u>2 000 000</u>	<u>2 000 000</u>
			2 000 000	2 000 000
Non-restricted equity				
Profit or loss carried forward			102 672 161	185 010 535
Shareholders' contributions received			65 666 267	0
Profit/loss for the year			<u>-97 421 816</u>	<u>-82 338 374</u>
			70 916 612	102 672 161
Total equity, parent company			72 916 612	104 672 161
Provisions				
Guarantees		<u>319 697</u>	<u>319 697</u>	<u>0</u>
Total provisions		319 697	319 697	0
Long-term liabilities				
Liabilities to group companies		<u>83 619 398</u>	<u>89 178 796</u>	<u>0</u>
Total long-term liabilities		83 619 398	89 178 796	0
Current liabilities				
Trade payables		8 143 180	8 883 144	8 573 776
Other liabilities		2 155 035	2 155 035	1 730 482
Accrued expenses and deferred income		<u>14 375 294</u>	<u>14 375 294</u>	<u>4 000 045</u>
Total current liabilities		24 673 509	25 413 473	14 304 303
TOTAL EQUITY AND LIABILITIES		180 433 411	187 828 578	118 976 464

NOTES**Note 1 Accounting policies**

The annual report has been prepared in accordance with the Annual Accounts Act and general advice from the Swedish Accounting Standards Board BFNAR 2012:1 Annual accounts and consolidated accounts.

The policies are unchanged compared with the previous year.

Receivables

Receivables are recorded in the amounts at which they are expected to be received.

Other assets, provisions and liabilities

Other assets, provisions and liabilities are recorded at cost of acquisition unless otherwise stated below.

Revenue recognition

Revenue is recorded at fair value of what has been received or will be received. Consequently the company records revenue at nominal value (invoice amount) if the payment is received in cash or cash equivalents directly on delivery. Deduction is made for discounts given.

Sale of goods

Sale of goods is recorded when the company has transferred the material risks and benefits associated with ownership to the buyer, normally when the customer has possession of the goods.

Revenues from the sale of goods that do not have any substantial service obligations are recorded on delivery.

Tangible fixed assets

Tangible fixed assets are recorded at cost of acquisition less accumulated depreciation and any write-downs. The assets are depreciated on a straight-line basis over the estimated useful life, apart from land, which is not depreciated. The useful life is reviewed as at every balance sheet date. The following useful lives are applied:

	Number of years
Equipment, tools and machinery	3-5

Intangible fixed assets

Intangible fixed assets are recorded at cost of acquisition less accumulated depreciation and any write-downs. The assets are depreciated on a straight-line basis over the estimated useful life. The useful life is reviewed as at every balance sheet date. Ongoing projects are not depreciated but are tested for impairment annually. The following useful lives are applied:

	Number of years
Capitalised expenditure for research and development and similar work	5

Inventories

Inventories are measured at the lower of cost of acquisition, calculated according to the first-in-first-out method, and net realisable value. Net realisable value has been calculated as the sales value after deduction for estimated selling expenses, taking into account obsolescence.

Income tax

Current tax is income tax for the current financial year that refers to the year's taxable earnings and the as yet unreported part of previous financial years' income tax.

Current tax is stated at the probable amount according to the tax rates and tax rules applicable on the balance sheet date.

NOTES*Provisions*

Provisions are recognised when there is a legal or constructive obligation arising from a past event, it is likely that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. The timing or amount of the outflow may still be uncertain.

Provisions for restructuring are only recognised if an approved and detailed restructuring plan has been drawn up and introduced, or if the company at least has announced the main features of the plan to those affected. Provisions are not recognised for expenditure associated with the future operations.

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the balance sheet date. Provisions are only utilised for the expenditure for which the provision was originally intended. Provisions are discounted at their present value where the time value of money is material.

*Consolidated accounts**Subsidiaries*

Subsidiaries are companies in which the parent company directly or indirectly holds more than 50% of the voting rights or otherwise has a controlling influence. Controlling influence means the right to design a company's financial and operational strategies in order to obtain financial benefits. The acquisition of business combinations is based on the entity's view. This means that the acquisition analysis is prepared at the time when the acquirer has a controlling influence. From this point of view, the acquirer and the acquired entity can be seen as an accounting unit. The application of unit audits means that all assets (including goodwill) and liabilities, as well as revenues and expenses are included in full, also for part-owned subsidiaries.

The acquisition value of subsidiaries is calculated at the sum of fair value at the acquisition date of assets acquired plus accrued and assumed liabilities and issued equity instruments, expenses directly attributable to the business combination and any additional purchase price. In the acquisition analysis, the fair value, with some exceptions, is determined at acquisition date of acquired identifiable assets and liabilities assumed and minority interest. Minority interests are valued at fair value at acquisition date. From the acquisition date, the consolidated accounts include the acquired company's income and expenses, identifiable assets and liabilities, as well as any goodwill or negative goodwill arising

Elimination of transactions between group companies and associated companies

Intra-Group receivables and liabilities, income and expenses and unrealized gains or losses arising from transactions between Group companies are eliminated in their entirety. Unrealized gains arising from transactions with associated companies are eliminated to the extent that corresponds to the Group's ownership interest in the company. Unrealized losses are eliminated in the same way as unrealized gains, but only insofar as there is no indication of any impairment loss.

NOTES TO FINANCIAL STATEMENTS**Note 2 Leases - operating lease lessee**

	Group 2017	Parent company 2017	2016
During the year the company's lease payments amounted to	3 890 401	3 890 401	3 016 173
Future minimum lease payments for non-cancellable leases, falling due for payment as follows:			
Within 1 year	3 188 000	3 188 000	3 136 816
Between 2 and 5 years	<u>5 313 333</u>	<u>5 313 333</u>	<u>12 063 264</u>
	8 501 333	8 501 333	15 200 080

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Note 3	Average number of employees	Group 2017	Parent company 2017	2016
	<i>Average number of employees</i>			
	The average number of employees is based on hours worked related to normal working hours paid for by the company.			
	The average number of employees was	62,00	62,00	45,00
Note 4	Tax on profit for the year	2017		
	Group			
	Deffered tax	<u>27 377 000</u>		
		27 377 000		
	<i>Effective tax reconciliation</i>			
	Profit/loss before tax	-126 902 126		
	Tax expense 22,00% (22,00%)	27 918 468		
	Tax effect of:			
	Non tax-deductible expenses	-27 254		
	Non-taxable revenues	167		
	Loss carry forwards arising this year	-27 428 652		
	Change in deferred tax	27 377 000		
	Rounding difference	<u>-462 729</u>		
	Total	27 377 000		
	Parent company	2017	2016	
	Deffered tax	<u>27 377 000</u>	<u>23 215 589</u>	
		27 377 000	23 215 589	
	<i>Effective tax reconciliation</i>			
	Profit/loss before tax	-124 798 816	-105 553 963	
	Tax expense 22,00% (22,00%)	27 455 740	23 221 872	
	Tax effect of:			
	Non tax-deductible expenses	-27 254	-10 798	
	Non-taxable revenues	167	4 516	
	Loss carry forwards arising this year	<u>-27 428 652</u>	<u>-23 215 589</u>	
	Total	27 377 000	23 215 589	
Note 5	Other intangible assets	Group	Parent company	
		2017-12-31	2017-12-31	2016-12-31
	Opening cost of acquisition	0	0	0
	Purchases	<u>3 509 215</u>	<u>3 509 215</u>	<u>0</u>
	Closing accumulated cost of acquisition	3 509 215	3 509 215	0
	Depreciation for the year	<u>-526 382</u>	<u>-526 382</u>	<u>0</u>
	Closing accumulated depreciation	<u>-526 382</u>	<u>-526 382</u>	<u>0</u>
	Closing carrying amount	2 982 833	2 982 833	0

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Note 6	Equipment, tools, fixtures and fittings	Group		Parent company	
		2017-12-31		2017-12-31	2016-12-31
	Opening cost of acquisition	3 428 723		3 428 723	1 147 451
	Purchases	432 487		432 487	2 281 272
	Closing accumulated cost of acquisition	3 861 210		3 861 210	3 428 723
	Opening depreciation	-491 773		-491 773	-44 737
	Depreciation for the year	-1 091 827		-1 091 827	-447 036
	Closing carrying amount	2 277 610		2 277 610	2 936 950
	Parent company		2017-12-31		2016-12-31
	Company	Registered	Number/Share of equity, %	Book value	Book value
	Corporate identity number	Office			
	Anima Connected Inc		100	2 058 050	0
	F18536805 / 6302789	Delaware	100,00%		
	Anima Connected UK Ltd		100	1 234 830	0
	10632308 / 04437441	London	100,00%	3 292 880	0
	Disclosures on equity and profit/loss		Shareholders' equity		Profit/loss
	Anima Connected Inc		2 058 050		-2 018 610
	Anima Connected UK Ltd		1 234 830		-9 816
	Note 8	Deferred tax	Group	Parent company	
			2017-12-31	2017-12-31	2016-12-31
	Underskottsavdrag		250 499 477	250 499 477	126 058 568
	Uppskjuten skattefordran		55 109 885	55 109 885	27 732 885
	Note 9	Other long-term receivables	Group	Parent company	
			2017-12-31	2017-12-31	2016-12-31
	Type of receivable				
	Opening cost of acquisition		2 400 000		
	Parent company		2017-12-31		2016-12-31
	Type of receivable				
	Opening cost of acquisition		2 400 000		2 400 000
	Note 10	Disclosures on share capital			
			Number of shares		Quotient value per share
	Number/value at opening of year		2 000 000		1,00
	Number/value at closing of year		2 000 000		1,00
	Note 11	Long-term liabilities	Group	Parent company	
			2017-12-31	2017-12-31	2016-12-31
	Repayment within 1 year		5 542 232	5 542 232	0
	Repayment within 2 to 5 years		78 077 166	83 636 564	0

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NOTES

Note 13 Definitions of business and financial ratios

Equity-assets ratio

Adjusted equity as a percentage of the balance sheet total

Malmö 2018-

Sarandis Kalogeropoulos

Shi Zhidan

Pål Borge
Managing Director

Peng Peng
Board member

Our auditor's report was submitted on , 2018

BDO AB

Olof Andersson
Auktoriserad revisor