

ADMINISTRATOR'S REPORT

Case No. Ä 221-20

Court Alingsås District Court

Company Pen Shop Concept AB, 556340-0810

Administrator Attorney Lars Melin, Advokatfirman Styrks AB

Report in accordance with Chapter 3, Section 11 of the Swedish Company Reorganisation Act

In accordance with chapter 3, section 11 of the Swedish Company Reorganisation Act (1996:764) (*Sw: lag om företagsrekonstruktion*) I hereby in my capacity as administrator in the reconstruction of PEN Shop Concept AB, 556340-0810, ("**the Company**") submit the following report.

1. BACKGROUND

1.1 The Company and its operations

The Company is a supplier of shop fittings, primarily to grocery stores and other retailers. The Company also provides installation services of shop fittings. Among the Company's customers are ICA, COOP and Netto.

The Company was founded in 1988, has its registered office in Stenkullen in the municipality of Lerum and runs its business from rented premises. The Company is owned by the Chinese company Shanghai Tengta Enterprise Management Consulting Co Ltd.

The Company's Board of Directors consists of the board members Mikael Mattsson, Yani Liu and Li Zhang. The Company's auditor is Öhrlings PricewaterhouseCooper AB with Pierre Fogelberg as the auditor in charge. At the time of signing this report, the Company has 7 employees including the Company's CEO, Mikael Mattsson.

1.2 The reasons for the financial difficulties

The Company has had payment difficulties since the autumn of 2019, which arose due to high operating costs and the Company's expansion and establishment during 2019 in Germany, Poland and Denmark with an external inventory facility for products in Poland. This led to an acute liquidity shortage and this shortage can mainly be attributed to bureaucratic establishment problems. Particularly there were backlog problems in the obtaining of VAT from the Tax Authorities in Poland. Prior to the reconstruction the Company's input VAT in Poland greatly exceeded the output VAT. During the reconstruction the Company has obtained the larger part of the Polish VAT, which was essential for a successful reconstruction.

Furthermore, the Company has had an outstanding claim for products delivered in Poland which could not be invoiced due to the fact that the Company lacks a so called BDO-registration in Poland. BDO (Baza Danych o Odpadach) is the Polish authorities' system for registration regarding waste management etc. Since 31 January 2020, such registration is required for import, export and invoicing of such

products, with packaging, that the Company provides. The registration process has been protracted.

In addition, it should be stated that the establishment in Poland and the sales in Germany, Denmark and Poland have not been as profitable as expected.

2. FINANCIAL REPORT

A preliminary balance sheet as of 31 May 2020 is enclosed, Enclosure 1.

3. DISTRIBUTION IN CASE OF BANKRUPTCY

It is assessed that a distribution in bankruptcy would be less favourable for the unsecured creditors of the Company.

With a starting point in the balance sheet as of 31 May 2020 and information from the Company I have drawn up an inventory deed stating the debts in their order of priority, Enclosure 2. The inventory deed states an estimation of the value of the Company's assets in a bankruptcy situation. Below please find a clarification of relevant parts of the information in enclosure 2.

The Company's main assets are the inventories in Sweden and Poland. The inventory in Sweden is included in the corporate mortgage held by Collector Bank AB ("**the Bank**") as security for their claim of SEK 8,000,000. The corporate mortgage means that the Bank in case of bankruptcy, in accordance with section 5 in the Rights of Priority Act (1970:979) (*Sw: Förmånsrättslagen*), is entitled to distribution before the unsecured creditors from the proceeds from a sale of the inventory in Sweden. In the balance sheet the Company's inventories are valued at approx.. SEK 8,600,000. It should be noted that a sale in case of bankruptcy normally implies a substantial loss of value and the price at a sale during a bankruptcy process is often lower than what would otherwise be the case. In all, this means that unsecured creditors would probably not receive any distribution relating to the inventory in Sweden in case of a bankruptcy.

The situation regarding the inventory in Poland is similar. Moreover, the products in Poland are custom-made to fit a customer's equipment, which means that the value of the products in case of bankruptcy would be lower than otherwise.

In this regard it should be stated that the Company's intangible assets, the development costs entered in the balance sheet, would probably be of no value at a bankruptcy. The value of the accounts receivable would normally also be lower at a bankruptcy.

The above stated implies that unsecured creditors are likely to receive distribution only from the cash and bank value and the value of the inventory in Poland after deduction of bankruptcy costs. Also, wage guarantee debts will arise in addition to the costs for a bankruptcy trustee.

It is my assessment that it is most favourable for the creditors to accept the composition proposal, since unsecured creditors in a bankruptcy would likely receive less than the offered composition of 25%. It should be pointed out that a distribution in bankruptcy would take at least one year.

4. MEASURES DURING THE RECONSTRUCTION

As a starting point I would like to mention the reformation of the Company which was initiated before the Company applied for company reconstruction. During September of 2019 the new CEO of the Company assumed office and a new accountant was employed during December 2019. The new CEO started to review the Company's operations and financial solutions and took measures aimed at cutting the Company's costs. Among other things, personnel measures were taken implying that the Company now has 7 employees instead of the earlier 12.

During the Company reconstruction the Company has taken further measures in order to secure a persistent profitability of the business. Additional cost-saving measures have been taken such as renegotiation of existing agreements and amending or terminating such agreements that were unfavourable. Moreover, the Company has initiated renegotiation of the premises lease agreement with the property owner and the Company considers switching to district heating. This should render lower operating costs which would clearly improve the Company's ability to survive after the reconstruction.

Furthermore, the Company has taken several measures to manage the existing problems with VAT and BDO registration. The measures consisted, for example, of dialogues with PwC in Poland and the Polish Tax Authority. The Company has obtained repayment of most of its VAT claim, which was essential for a successful reconstruction. Some recovery measures, however, remain to be taken.

In addition, several negotiations have taken place with suppliers and especially negotiations with the Company's forwarding agent in Poland. Since the Polish forwarding agent had no knowledge of the Swedish reconstruction process and since there were conflicting stipulations in Swedish and Polish laws in this regard, the Polish forwarding agent withheld the Company's products due to non-payment of the debt that existed before the reconstruction decision. An agreement was reached about the future management and the forwarding agent now delivers the Company's products from the Polish inventory. The Company has also entered into a separate agreement with the supplier of the products that shall be forwarded to Denmark, Poland and Germany. This agreement has made it possible for the Company to continue to deliver products despite the existing liquidity shortage.

Prior to the composition proposal, the Company has also negotiated with Qingdao Oboya Shop Concept Co., Ltd, which is the Company's largest creditor. After negotiations, Qingdao Oboya Shop Concept Co., Ltd has accepted a composition

payment of 20% instead of 25% which is offered to the other creditors. This means that SEK 543,788 will be attributed to the Company.

The Company has also initiated a winding down of the inventory facility in Poland in order to manage the inventory from the leased premises in Sweden. Moreover, the Company, after review and calculation of the profitability, chose to cease sales in Poland and focus on the Swedish and Danish markets.

During the reconstruction the Company has paid all debts that have arisen during the reconstruction and there is thus no backlog of taxes and fees or supplier payments arisen during the reconstruction.

5. LEGAL INVESTIGATIONS

In a company reconstruction and subsequent composition proceeding, the administrator is obliged to inform if any transactions have been detected that could be subject to recovery; if there is any reason to suspect that the debtor has committed any crime against its creditors and if the debtor has fulfilled its accounting obligation.

5.1 Recovery

In order to investigate whether any transactions were made that could be subject to recovery and thereto relating issues, Emelie Svedberg at the accounting firm MOORE Ranby AB has reviewed the Company's accounts and digital bookkeeping. In this investigation, payments exceeding SEK 100,000 to the Company's owners and owning companies were reviewed. Emelie Svedberg has also examined random samples of payments to suppliers. The examination concerned the period from 11 February 2019 up until the date of the decision for company reconstruction. No recoverable transactions have been found during this investigation.

5.2 Crimes against creditors

With reference to the investigation described in the previous section, nothing has implied reasonable grounds to believe that any crime has been committed against the Company's creditors.

5.3 Accounting

Emelie Svedberg at the accounting firm MOORE Ranby AB has examined the Company's digital accounting ledgers. The Company has produced monthly balance sheets and progress reports. Furthermore, there are accounts receivable and accounts payable ledgers. The digital book-keeping is made in the system Monitor. The examination shows that the Company's has fulfilled its accounting obligation and that the accounts are in good order.

6. COMPOSITION PROPOSAL

The composition proposal has been sent to all unsecured creditors. The composition is essential for a successful reconstruction.

7. GUARANTEE

Effective debt collection measures and sale has given the Company a credit balance which would cover the composition payment based on a composition of 25% for unsecured creditors. The Company thus has sufficient means to fulfil the proposal.

8. STATEMENT

In accordance with the Swedish Company Reorganisation Act, the administrator shall state whether or not the composition proposal should be accepted by the creditors. The statement shall be given with basis in the administrator's opinion whether the composition or a bankruptcy would be the most favourable outcome for the creditors. With regard to the above stated and the inventory deed it is my opinion that acceptance of the composition proposal would be the most favourable outcome for the unsecured creditors compared to a bankruptcy situation.

Göteborg, 9 June 2020



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Enclosure 1: Balance sheet and income statement as of 31 May 2020

Enclosure 2: Inventory deed as of 31 May 2020

Konto	Kontobenämning	Ing. balans	Per. saldo	Utg. balans	Enclosure 1
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TILLGÅNGAR

ANLÄGGNINGSTILLGÅNGAR

Immateriella anläggningstillgångar

1011	Utvecklingskostnader	3 086 291,00	0,00	3 086 291,00
1019	Ack avskr utvecklingkostnader	-1 524 884,56	-61 880,88	-1 828 300,48
S:a immateriella anl.tillgångar		1 561 406,44	-61 880,88	1 257 990,52

Materiella anläggningstillgångar

1200	Kontorsinventarier 5 år	175 668,00	0,00	175 668,00
1209	Ack avskr kontorsinventar	-175 668,00	0,00	-175 668,00
1211	Lagerinventarier 5 år	599 001,00	0,00	599 001,00
1212	Lagerinventarier 7 år	295 000,00	0,00	295 000,00
1213	Ack avskr lagerinv 7 år	-295 000,00	0,00	-295 000,00
1219	Ack avskr lagerinv 5 år	-515 952,91	-2 113,13	-526 314,07
1220	Bilar 5 år	23 120,00	0,00	23 120,00
1223	Byggnadsinventarier 5 år	10 715,00	0,00	10 715,00
1226	Ack avskr byggnadsinv 5 år	-10 715,00	0,00	-10 715,00
1229	Ack avskr bilar	-23 120,00	0,00	-23 120,00
1230	Showroom 5 år	200 821,00	0,00	200 821,00
1239	Ack avskr showroom	-200 821,00	0,00	-200 821,00
1240	Uthyr material Karlssons	451 661,00	0,00	451 661,00
1249	Ack avskr uth mate Karlssons	-451 661,00	0,00	-451 661,00
S:a materiella anläggningstillgångar		83 048,09	-2 113,13	72 686,93

Finansiella anläggningstillgångar

1370	Uppskjuten skatt	2 010 962,00	0,00	2 010 962,00
1383	Kortfristiga fordringar	879,30	0,00	0,00
S:a finansiella anl.tillgångar		2 011 841,30	0,00	2 010 962,00

S:A ANLÄGGNINGSTILLGÅNGAR **3 656 295,83** **-63 994,01** **3 341 639,45**

OMSÄTTNINGSTILLGÅNGAR

Varulager mm

1401	Varor på väg	1 207 445,02	754 470,29	1 142 450,13
1411	Lager Polen	9 862 446,97	-53 419,95	7 690 976,62
1412	Lager Stenkullen	10 638 137,52	1 303 400,50	8 598 977,04
1490	Inkuransreserv (avskr lysrör)	-100 000,00	0,00	-100 000,00
S:a varulager inkl lagerförändring		21 608 029,51	2 004 450,84	17 332 403,79

Kortfristiga fordringar

1510	Kundfordringar	3 526 859,69	-655 137,68	2 137 708,44
1511	Kundfordringar Collector Bank	1 385 584,71	-866 544,00	831 086,71
1512	Valutaförändring kundfordringar	-101 464,48	-84 515,29	-38 900,69
1560	Koncerninterna kundfordringar	195 680,50	1 979,11	207 195,61
1561	Valutaförändring 1560	-13 132,46	-8 174,53	16 292,87
1630	Skattekonto	-520 232,00	-494,00	-1 624 333,00
1681	Depositioner	80 000,00	-23 703,00	317 300,00
1699	Övriga fordringar	89 508,05	0,00	10 857,57
1700	Förutbetalda kostnader o upplu	7 425,17	0,00	18 062,97
1701	Periodiseringar Monitor	568 072,66	-24 055,25	206 071,01
S:a kortfristiga fordringar		5 218 301,84	-1 660 644,64	2 081 341,49

Kortfristiga placeringar

S:a kortfristiga placeringar **0,00** **0,00** **0,00**

Kassa och bank

1910	Jeanettes kassa	3 126,00	-1 499,00	118,00
1930	SEB bank	76 821,07	48 105,10	126 832,52
1932	Valutakontot	8 055,12	77 096,71	441 924,74
1933	Kursdiff valutakonto USD	66 995,23	514 928,98	3 742 307,08
1935	valutakonto Polska bank	2 752,12	-32,11	1 315,62
1940	Bank Polen Millenium	330,90	0,00	155,36
1941	Bank Polen Millenium PLN	0,00	9 449,56	3 981 809,69
1950	Danske Bank	0,00	-90 742,24	174 255,32
S:a kassa och bank		158 080,44	557 307,00	8 468 718,33

Period:2020-05-01 - 2020-05-31 [Preliminär]

Konto	Kontobenämning	Ing. balans	Per. saldo	Utg. balans
	S:A OMSÄTTNINGSTILLGÅNGAR	26 984 411,79	901 113,20	27 882 463,61
	SUMMA TILLGÅNGAR	30 640 707,62	837 119,19	31 224 103,06

Konto	Kontobenämning	Ing. balans	Per. saldo	Utg. balans
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EGET KAPITAL, AVSÄTTNINGAR & SKULDER

EGET KAPITAL

Eget kapital				
2081	Aktiekapital	100 000,00	0,00	100 000,00
2086	Reservfond/Värdesäkringsfond	20 000,00	0,00	20 000,00
S:a bundet eget kapital		120 000,00	0,00	120 000,00
2091	Balanserad vinst eller förlust	38 914,02	0,00	38 914,02
2093	Erhållna aktieägartillsk	15 000 000,05	0,00	15 000 000,05
S:a fritt eget kapital		15 038 914,07	0,00	15 038 914,07
S:A EGET KAPITAL		15 158 914,07	0,00	15 158 914,07

OBESKATTADE RESERVER

Obeskattade reserver				
S:a obeskattade reserver		0,00	0,00	0,00
S:A OBESKATTADE RESERVER		0,00	0,00	0,00

SKULDER OCH AVSÄTTNINGAR

Avsättningar				
S:a avsättningar		0,00	0,00	0,00

Långfristiga skulder				
2350	Lån Qingdao Pen Shop Concept Ltd	391 318,20	-15 880,20	397 665,00
2351	Upplupen ränta Qingdao	18 011,00	0,00	28 563,32
2352	Oboya Salome Holding Ltd	1 360 590,93	-55 214,54	1 382 656,30
2353	Upplupen ränta Oboya Salome Holding Ltd	36 117,80	0,00	62 505,65
2363	Luco Holding AB	150 000,00	0,00	0,00
2390	Lån Collector Bank	8 000 000,00	0,00	8 000 000,00
S:a långfristiga skulder		9 956 037,93	-71 094,74	9 871 390,27

Kortfristiga skulder				
2440	Leverantörsskulder	7 337 989,70	13 636,80	7 226 951,77
2442	Valutaförändring leverantörsskuld	-62 841,31	47 584,79	-15 256,52
2460	Koncerninterna leverantörsskulder	12 833 412,49	2 366 342,82	14 541 314,04
2461	Valutaförändring 2460	-359 499,95	91 096,88	-268 403,07
2510	F-Skatt (Skatteskuld)	-304 349,00	-17 497,00	-391 834,00
2514	Beräknad särskild löneskatt	241 238,55	7 475,96	298 598,64
2610	Utgående moms 25%	-22 347,50	130 090,77	107 743,27
2615	Utgående moms, EU-förvärv varo	0,00	192 242,56	192 242,56
2616	Utgående moms fakturerat Polen Netto	1 313 313,18	122 183,62	1 764 193,25
2619	Utgående moms import	83 237,75	0,00	83 237,75
2640	Ingående moms	337 035,45	-434 997,03	-96 865,61
2641	Ingående mervärdesskatt EU	0,00	-192 242,56	-192 242,56
2645	Ingående moms på förvärv från utlandet(ej EU)	-5 784 434,06	-274 089,57	-2 885 311,41
2650	Redovisningskonto för moms	328 577,04	-130 081,00	-686,96
2710	Personalens källskatt	157 614,00	-19 984,00	71 337,00
2730	Arbetsgivaravgifter lagstadgade	161 438,00	-11 994,00	51 852,00
2812	Lån Factoring Collector Bank	1 087 259,00	-488 494,00	431 555,00
2890	Övriga kortfristiga skulder	145 944,00	-9 969,00	-89 794,74
2897	Almi 500007550	74 768,45	0,00	37 382,00
2899	Skulder rekonstruktion, lönegaranti mm	0,00	0,00	328 287,00
2910	Upplupna löner	418 194,00	0,00	418 194,00
2920	Upplupna semesterlöner	662 102,00	-40 647,00	488 079,00
2940	Upplupna arbetsgivaravgifter	125 127,71	0,00	125 128,71
2941	Upplupna arbetsgivaravgifter p	208 032,00	-12 771,00	153 355,00
2990	Övriga upplupna kostnader och	1 311 029,00	-28 140,03	514 172,89
S:a kortfristiga skulder		20 292 840,50	1 309 748,01	22 893 229,01

S:A SKULDER OCH AVSÄTTNINGAR		30 248 878,43	1 238 653,27	32 764 619,28
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BERÄKNAT RESULTAT		-14 767 084,88	-401 534,08	-16 699 430,29
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Konto	Kontobenämning	Ing. balans	Per. saldo	Utg. balans
	SUMMA EGET KAPITAL, AV-SÄTTNINGAR OCH SKULDER	30 640 707,62	837 119,19	31 224 103,06

Senast använda verifikationsnummer:

Serie	Benämning	Nummer
1	Löpande	449
2	Kundfakturajournal	97052
3	Inbetalningsjournal	4913
4	Leverantörsfakturajournal	33576
5	Utbetalningsjournal	4847
6	Makulerade leverantörsfakturor	33165

ENCOSURE 2 INVENTORY DEED AS OF 31 MAY 2020

Pen Shop Concept AB

Inventory Deed

As of 31 May 2020

	Book value	Value in case of bankruptcy
ASSETS		
Intangible assets		
Development costs	1,257,990	0
Tangible assets		
Office equipment, inventory equipment, cars, show-room, building equipment	72,686	100,000
Current assets		
Products in transport	1,142,450	571,225
<i>The products shall be delivered to Poland and are custom-made to fit a customer's equipment. The products are therefore deemed to be worth 50% of the book value in case of bankruptcy.</i>		
Inventory Poland	7,690,976	3,845,488
<i>The products are custom-made to fit a customer's equipment and they are therefore deemed to be worth 50% of the book value.</i>		
Inventory Stenkullen	8,498,972	6,799,178
<i>Cautiously the value in case of bankruptcy is stated after a standard deduction of 20%</i>		

Short-term receivables

Accounts receivable Sweden	108,661	108,661
Accounts receivable abroad	2,029,047	1,659,047
Receivables Collector Bank	831,086	686,827
Intercompany receivables	207,196	136,495
Deposits/prepayments	317,300	317,300
Other receivables	10,857	0

Cash and bank

Cash	118	118
Bank Polen Millenium PLN	3,981,809	2,218,835
<i>The bank funds are connected to the Polish Tax Authority. With regard to the uncertainty in receiving these funds a value in case of bankruptcy is set to 2,218,835</i>		
Bank SEB	4,311,063	4,311,063
Administration account	174,255	174,255
Total assets	30,639,466	20,928,492

LIABILITIES**Preferential liabilities**

Swedish Rights of Priority Act, Section 5 Corporate mortgage (Collector Bank)	8,000,000	8,000,000
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It should be noted that Collector Bank holds a corporate mortgage of SEK 8,000,000 / 8,500,000 for its claim. In addition, Collector Bank has, if required, factoring rights and security in the administration account. In total there is enough value to cover Collector Bank's preferential claim in case of bankruptcy.

Swedish Rights of Priority Act, Section 5 Corporate mortgage ALMI Väst	37,485	0
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It should be noted that ALMI Väst holds a corporate mortgage of SEK 2,300,000 /

10,800,000 for its claim of SEK 37,484. With regard to the assets of the Company it is deemed that there is not enough value to cover the claim. With regard hereto the value in case of bankruptcy is set to 0.

Swedish Rights of Priority Act, Section 10 item 4, so-called super priority right (Sw. <i>superförmånsrätt</i>)	2,192,000	2,192,000
Swedish Rights of Priority Act, Section 10 a, accounting and audit costs	59,671	59,671
Total preferential liabilities	10,289,156	10,251,671
Non-preferential liabilities		
Swedish Rights of Priority Act, Section 18, long-term liabilities	1,871,380	1,871,380
Swedish Rights of Priority Act, Section 18, accounts payable	17,948,818	17,948,818
Swedish Rights of Priority Act, Section 18, ALMI Väst	0	37,484
Swedish Rights of Priority Act, Section 18, Swedish Tax Authority (Sw: <i>Skatteverket</i>)	1,624,370	1,624,370
Total non-preferential liabilities	21,444,568	21,482,052
Cost pertaining to bankruptcy		
Trustee's fee in addition other insolvency costs, <i>estimated value</i>		1,000,000
Wage guarantee costs <i>Estimated value</i>		550,000

SUMMARY

Assets	30,639,466	20,928,492
Liabilities		
Preferential	- 10,289,156	- 10,251,671
Non-preferential	- 21,444,568	- 21,482,052
Costs pertaining to bankruptcy		- 1,550,000
Deficiency, SEK	- 1,094,258	- 12,355,231

The values of the left column are book values as of 31 May 2020. The values of the right column are based on estimated values in case of bankruptcy. The estimated values are assessed based on sale of the business within a bankruptcy procedure. The values are assessed in consultation with the Company.