

ANNUAL REPORT
1. januar - 31. december 2021

Proud City (Denmark) ApS
Ryttergårdsvej 3
7673 Harboøre

CVR nr. 35411267

Submitter:
Sønderup I/S
Statsautoriserede revisorer
CVR no. 31824559

**Presented and approved at the company's ordinary
general meeting 29. juni 2022**

Chairman
Sucheng He



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Management's Statement on the Annual Report

The management have today considered and approved the annual report for Proud City (Denmark) ApS for the financial year 1 January to 31 December 2021.

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

In the managements opinion, the financial statements give a true and fair view of the company's financial position at 31 December 2021 and of its financial performance for the financial year 1 January to 31 December 2021.

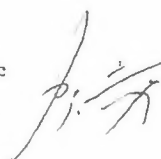
We recommend the annual report for approval at the annual general meeting.

Harboøre, 29. juni 2022

Executive Board

Kwai Lin Sally Ho

Sucheng He



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Harboøre, 29. juni 2022

Executive Board



Kwai Lin Sally Ho

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Independent Auditor's Report

To the shareholders of Proud City (Denmark) ApS

Opinion

We have audited the Financial Statements of Proud City (Denmark) ApS for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies, for the Company. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the Financial Statements give a true and fair view of the Company's financial position at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021 in accordance with the Danish Financial Statements Act.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities 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.

In preparing the Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users of accounting information taken on the basis of these Financial Statements.

Independent Auditor's Report

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

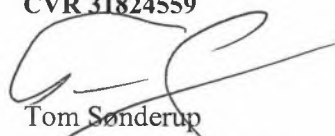
- * Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- * Obtain an understanding of 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 and the reasonableness of accounting estimates and related disclosures made by Management.
- * Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Financial Statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on 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 Financial Statements 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 Financial Statements, including the disclosures, and whether the Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

Independent Auditor's Report

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 internal control that we identify during our audit.

Ringsted, 29. juni 2022

SØNDERUP I/S
statsautoriserede revisorer
CVR 31824559



Tom Sønderup
statsautoriseret revisor
mne10489

Management's review

Main activities

Like previous years, the company's activity is operation of mink farms.

Uncertainty of recognition and measurement

During the financial year, the company's activity level still has been greatly affected as a result of the outbreak of Covid-19.

In the autumn of 2020, the company has been forcibly shut down by the authorities, and the company's activity with the operation of mink farms has thus ceased. A number of compensation schemes have been adopted from a political point of view, including fees for killing (speed bonus), and compensation for lost future earnings. The company has recognized compensation for killing (speed bonus), whereas expected compensation for lost future earnings is not recognized in the annual report. These circumstances cause an increased uncertainty of recognition and measurement of the company's assets.

The mink farms are recognized in the balance sheet with a value of 8.359 t.kr and machines and fixtures with a value of 649 t.kr. These assets are valued at normal impairment based on the company's normal accounting policies. As mentioned above, the company's activity has been forcibly shut down by the authorities in connection with the general closure of Danish mink farms, and the application possibilities for the mink farm are unknown.

Investments in group companies are also greatly affected as a result of Covid-19. The activity in the group company are closely related to the activity in the Danish farms. As a consequence of production of mink in Denmark being shut down, the management has decided to write-down the investment in the group companies to 0 t.kr.

The company expects to be covered by the compensation schemes that are being worked on from a political point of view, but as the scope of these compensation schemes is partly unknown, there is thus uncertainty associated with the valuation of the mink farm as well as production facilities and machinery.

As mentioned above, there is also some uncertainty associated with expected compensation for lost future earnings, which is not recognized in the annual report, as executive orders and calculation model for this have not yet been adopted.

Development in activities and financial position

Profit for the year was TDKK -8.213 against TDKK -32,890 last year. Management considers the result for the year to be very unsatisfactory.

Going concern - Financial resources

The company's operations are financed by an intercompany loan from the parent company Proud City Enterprises Ltd. The company expects to restore the share capital through its operations the coming years and received compensation from the Danish authorities or by capital contribution from its parent company.

Management's review

The company has received a letter of support from Proud City Enterprises Ltd. Which confirms that Proud City Enterprises Ltd. will continue to fund Proud City (Denmark) ApS by giving necessary credit to make sure that Proud City (Denmark) ApS can continue the business for at least a year.

Expected development

In November 2020, the Covid-19 pandemic led to a political decision that all mink in Denmark should be killed. This still, of course, has a major impact on the company's financial situation. It is not yet possible to determine the full consequences of this decision.

It is the management's assessment that the decision will not have consequences for the company's survival, but that it will have major consequences for the future situation. It is estimated that the compensations the company will receive as a result of the political decision, at least correspond to the book values per. 31/12 2021.

The company's management expects the company to be fully compensated for the losses caused by this closure. There has been no outbreak of Covid-19 on the company's mink farms, which means, that the company expect to be able to sell the skins from this year's puppies, at the upcoming auctions. The exact compensation to which the company is entitled, is not known at the time of presentation of the annual report, which means that there is uncertainty about the exact size.

The company operations are financed by the parent company, Proud City Enterprises Ltd., and expect to be able to recover the company's capital through positive operations combined with capital contributions from the parent company. The company has received a letter of support from Proud City Enterprises Ltd., which confirms that the mother company will continue the business for at least a year.

Significant events after the end of the financial year

Apart from the possible consequences of COVID-19, no events have occurred after the end of the financial year that could materially affect the company's financial position.

Accounting principles applied

The annual report for Proud City (Denmark) ApS 2021 has been prepared in accordance with the Danish Financial Statements Act for class B companies with application of individual rules from class C.

The income statement is presented by type of expenditure and the balance sheet is presented in account form. The measurement currency used is Danish kroner. All other currencies are considered foreign currency.

The company has, in accordance with the Danish Financial Statements Act § 43A chosen to recognize investments in group companies under the equity method.

The accounting principles were applied consistently with the principles of last year's financial reporting.

General information on recognition and measurement

Income is recognized in the income statement as earned, including any value adjustments of financial assets and liabilities. Furthermore, all costs, including amortisation/depreciation and write-downs, are recognized in the income statement.

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the company, and the value of the liabilities can be measured reliably.

The first recognition measures assets and liabilities at cost. Subsequently, assets and liabilities will be measured individually in respect of each accounting item as described below.

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 statement

Gross profit

In pursuance of section 32 (1) of the Danish Financial Statements Act, the first item in the income statement is the gross profit. The item gross profit is the result of revenue, cost of sales, other external cost and other operating income.

Revenue

Net sales in connection with sales of commercial products and finished products are recognized in the profit and loss account, if delivery has taken place and the risk has passed to the customer before the end of the year. Net sales are recognized ex. VAT and net of discounts related to the individual sale.

Accounting principles applied

Cost of goods sold

Cost of goods sold comprises the financial year's cost of sales measured to sales price, adjusted for ordinary inventory write-offs.

Other operating income and expenses

Other operating income and expenses comprise items of a secondary nature in relation to the company's core business.

Other external costs

Other external cost comprise costs for distribution, sales, administration, premises etc.

Staff expenses

Staff expenses contains salaries and wages, including holiday payment, pensions and other social security costs etc. to the company's employees. In staff expenses are received subsidies from public authorities, deducted.

Financial items

Financial income and expenses are recognized in the income statement with the amounts relating to the financial year. The financial items comprise interest income and expense, realized and unrealized exchange rate, gains and losses resulting from transactions in foreign currencies and surcharges and refunds regarding corporation tax.

Tax for the year

The company is jointly taxed with other group companies. The current corporation tax is divided between the jointly taxed companies pro rata to their taxable incomes. The parent company functions as the management company for the joint taxation and handles the tax payments to the danish tax authorities.

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

Balance sheet

Tangible fixed assets

Land and buildings, other plant, operating equipment and tools and fixtures are measured at cost price less accumulated depreciation and write-down.

Depreciation is based on cost price less expected residual value after end of service life. Land is not subject to depreciation. The cost price includes acquisition price and costs directly linked to the acquisition until the time when the asset is ready for commencement of use.

Straight-line depreciation is based on the following assesment of the assets expected useful lives:

Accounting principles applied

- Buildings: life cycle 50 years, residual value 0-20%
- Other fixtures and fittings, tools and equipment: Life cycle 3-10 years, residual value 0-20%.
- Leasehold improvements: Life cycle 3-10 years, residual value 0-20%.

Assets with a cost per unit under the tax threshold for small assets are recognized as expenses in the year of acquisition.

Profits or losses in connection with disposal of tangible fixed assets are calculated as the difference between the sales price less sales costs and the book value at the time of sale. Profits and losses are entered in the income statement under other operating income and -costs.

Financial fixed assets

Investments in group companies and associates

The proportionate share of the group companies and associated companies are recognized in the income statement. Investments from these companies are recognized in the balance sheet at the proportionate share of the net asset value.

Group companies and associates with negative net asset values are recognized at DKK zero and any receivables from these enterprises are written down by the parent company's share of the negative equity to the extent it is deemed uncollectible. If the negative net book value exceeds the amount owed, the remaining amount is recognized under provisions to the extent that the parent has a legal or constructive obligation to cover the subsidiary's balance sheet.

The total net revaluation of investments in group companies and associates are transferred to reserve for net revaluation according to the equity method under equity. The reserve is reduced by dividend payments to the parent company and by other changes in equity in group companies and associated companies.

Newly acquired or established companies are recognized in the annual report from the acquisition date. Sold or divested companies are included up to the date of disposal.

Surcharge on acquisition of interests in relation to the actual net asset value is considered goodwill. This goodwill is amortized linearly over the estimated service life. The amortization period for goodwill is in the annual report incorporated with 10 years.

Impairment of fixed assets

The carrying value of intangible and tangible fixed assets and investments in subsidiaries are assessed annually for indications of impairment beyond what is expressed by depreciation.

If there are indications of impairment, an impairment test of each asset or group of assets will be made. Impairment will be made to its recoverable amount if this is lower than the carrying value.

Accounting principles applied

Inventories

Inventories are valued at cost using the FIFO method. In cases where net realizable value is lower than cost, it will be written down to this lower value.

Cost of goods for resale, raw materials and consumables comprise of purchase price plus transportation costs.

The cost of finished goods and work in progress comprises raw materials, direct labor and direct production costs.

The net realizable value of inventories is calculated as the selling price less costs of completion and costs to be incurred to make the sale and is determined taking into account marketability, obsolescence and development in expected sales.

Receivables

Receivables are measured at amortized cost, which usually corresponds to the nominal value. Value is reduced by provisions for bad debts.

Prepayments

Prepaid expenses are recorded as assets.

Liquid Assets

Liquid assets are measured at nominal value.

Tax payable and deferred tax

Current tax liabilities and current tax assets are recognized in the balance sheet as tax calculated on the taxable income allocated with the current tax rate, and adjusted for tax on prior years taxable income and prepaid taxes.

Deferred tax is measured by the liability method concerning temporary differences between the carrying value and tax value of assets and liabilities, calculated based on the planned use of the assets and settlement of the obligation, respectively.

Deferred tax assets, including the tax value of tax losses allowed for carry-forward, are measured at the value at which the asset is expected to be realisable, either through elimination in tax on future earnings or through offsetting in deferred tax liabilities in the same legal tax unit. Any deferred net tax assets are measured at their net realisation values.

Deferred tax is measured based on the tax rules and tax rates applicable in pursuance of the legislation in force on the balance sheet date when the deferred tax is expected to become payable as current tax. Changes in deferred tax due to change in tax rates is recognized in the income statement.

Accounting principles applied

Liabilities

Financial liabilities are recognized when loans are raised as the proceeds is received less transaction costs paid. In the subsequent periods, the financial liabilities are measured at cost corresponding to the capitalised value using the effective interest rate so that the difference between the proceeds and the nominal value are recognised in the income statement over the period of the loan.

Other liabilities are measured at amortised cost corresponding to the nominal value.

Conversion of foreign currency

Transactions in foreign currencies are converted at the rate of exchange on the transaction date. Exchange differences arising between the rate on the transaction date and the rate on the payment date are recognized in the income statement as a financial income or expense. If the foreign exchange position is considered to hedge future cash flows, the unrealised exchange adjustments are recognized directly in the equity.

Accounts receivable, payable and other monetary items in foreign currencies that are not settled on the balance sheet date are converted at the exchange rate on the balance sheet date. The difference between the exchange rate on the balance sheet date and the receivable or payable is recognized in the income statement as financial income or expenses.

Fixed assets acquired in foreign currencies are converted at the rate of exchange on the transaction date.

Income statement 1 January - 31 December

Note	2021	2020
Gross profit	-6.767.602	-15.173.929
2. Staff costs	-1.095.350	-3.011.658
3. Depreciation and write-downs	-570.571	-594.824
Other operating costs	0	-15.895
OPERATING PROFIT	-8.433.523	-18.796.306
Income from investments in group companies	-21.605	-13.668.952
Other financial income	357.621	42.642
Other financial costs	-115.219	-467.282
PROFIT/-LOSS BEFORE TAX	-8.212.726	-32.889.898
NET PROFIT/-LOSS FOR THE YEAR	-8.212.726	-32.889.898
Appropriation of profit		
Distribution of profit	-8.212.726	-32.889.898
Total appropriation	-8.212.726	-32.889.898

4. Special items

Balance sheet 31 December

Note	2021	2020
ASSETS		
Land and buildings	8.359.176	8.580.164
Other fixtures and fittings, tools and equipment	649.440	983.012
Leasehold improvements	56.761	72.772
Total tangible fixed assets	9.065.377	9.635.948
Financial fixed assets		
Investments in group companies	0	21.605
Other receivables	7.555.607	12.303.793
Total financial fixed assets	7.555.607	12.325.398
TOTAL FIXED ASSETS	16.620.984	21.961.346
Finished goods and merchandise	12.933.690	14.404.775
Total inventories	12.933.690	14.404.775
Receivables from sales and services	0	1.097.580
Other receivables	1.486.714	2.455.955
Prepayments	16.075	36.670
Total receivables	1.502.789	3.590.205
Cash funds	1.308.955	381.033
Total cash funds	1.308.955	381.033
TOTAL CURRENT ASSETS	15.745.434	18.376.013
TOTAL ASSETS	32.366.418	40.337.359

Balance sheet 31 December

Note	2021	2020
EQUITY AND LIABILITIES		
Equity		
Share capital	80.000	80.000
Retained earnings	-80.352.227	-72.139.501
TOTAL EQUITY	-80.272.227	-72.059.501
5. Long-term liabilities		
Subordinated loan capital	106.453.248	105.112.130
Other payables	1.020.849	1.020.849
Total long-term liabilities	107.474.097	106.132.979
Suppliers of goods and services	2.189.239	3.182.193
Payables to group companies	2.767.951	2.836.951
Other payables	207.358	244.737
Total short-term liabilities	5.164.548	6.263.881
TOTAL LIABILITIES	112.638.645	112.396.860
TOTAL EQUITY AND LIABILITIES	32.366.418	40.337.359
6. Charges and securities		
7. Contingencies		
8. Uncertainty in recognition and measurement		
9. Fair value adjustments		

Statement of changes in equity

	2021	2020
Share capital		
Beginning of year	80.000	80.000
End of year	80.000	80.000
Retained earnings		
Beginning of year	-72.139.501	-39.249.603
Transferred from net profit	-8.212.726	-32.889.898
End of year	-80.352.227	-72.139.501
Equity end of year	-80.272.227	-72.059.501

Noter

1. Special circumstances

Management has had difficulty in assessing the total final financial consequences of the COVID 19 outbreak and its possible effect on the company.

Management expects ample liquidity for next year's operations. A letter of intent has been issued regarding necessary credit from shareholders until 31. december 2022.

The annual financial statements has thus been prepared in accordance with the principle of continued operation.

Reference is also made to the note Uncertainty in recognition and measurement

	2021	2020
2. Staff costs		
Salaries	1.054.879	2.897.265
Other social security costs	40.471	114.393
Total staff costs	1.095.350	3.011.658
Persons employed on average	3	8
3. Depreciation and write-downs		
Depreciation and write-downs of fixed assets	570.571	594.824
Total depreciation and write-downs	570.571	594.824
4. Special items		
Special items included in other operating expenses		
Losses on disposal of tangible fixed assets	0	-15.895
Total special items	0	-15.895

5. Long-term liabilities

Subordinated loan capital TDKK 106.453 is due with earliest effect 31. December 2022.

6. Charges and securities

As security for debt to affiliate is a mortgage on DKK 4.000.000.

Noter

7. Contingencies

The company has entered into operating leases for 2 pcs. working machines, with a annual obligation on DKK 64.932, the total commitment amounts to DKK 95.444.

The company has a tax loss. The deferred tax liability associated therewith is not enabled. The value of the tax asset amounts to TDKK 10.696.

The company serves as an administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the company is therefore liable for income taxes etc. for the jointly taxed companies and also for obligations, if any, relating to the withholding of tax on interest, royalties and dividends for these companies.

8. Uncertainty in recognition and measurement

The mink farms are recognized in the balance sheet with a value of 8.359 t.kr and machines and fixtures with a value of 649 t.kr. These assets are valued at normal impairment based on the company's normal accounting policies. As mentioned above, the company's activity has been forcibly shut down by the authorities in connection with the general closure of Danish mink farms, and the application possibilities for the mink farm are unknown.

Investments in group companies are also greatly affected as a result of Covid-19. The activity in the group company are closely related to the activity in the Danish farms. As a consequence of production of mink in Denmark being shut down, the management has decided to write-down the investment in the group companies to 0 t.kr.

The company expects to be covered by the compensation schemes that are being worked on from a political point of view, but as the scope of these compensation schemes is partly unknown, there is thus uncertainty associated with the valuation of the mink farm as well as production facilities and machinery.