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ANNUAL REPORT
1. January - 31. December 2019

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 generel meeting 6. July 2020

Chairman
Sucheng He

Contents

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 2019.

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 2019 and of its financial performance for the financial year 1 January to 31 December 2019.

We believe that the management's review contains a fair review of the affairs and conditions refferred to therein.

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

Harboøre, 3 July 2020

Executive Board

Kwai Lin Sally Ho　　　　Sucheng He

Independent Auditor's Report

To the shareholders of Proud City (Denmark) ApS

Auditor's Report on the Financial Statements

Opinion

We have audited the Financial Statements of Proud City (Denmark) ApS for the financial year 1 January - 31 December 2019, which comprise income statement, balance sheet 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 2019 and of the results of the Company's operations for the financial year 1 January - 31 December 2019 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.

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.

Statement on Management's Review
Management is responsible for Management's Review.

Our opinion on the Financial Statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Financial Statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Independent Auditor's Report

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statement Act. We did not identify any material misstatement of Management's Review.

Ringsted, 3. July 2020

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 or measurement
In view of the general market situation in the mink fur breeder industry, including the influences from COVID-19 after the end of the financial year, there is an extraordinary situation regarding uncertainty in the recognition and measurement of the company's tangible fixed assets and investment in group companies.

Consequently, management has relied on the indications of impairment of tangible fixed assets and investment in group companies.

The company has a good position in the market, where competitive mink farms are expected to be closed both in Denmark, in Europe and outside Europe, with consequent declining production and expected gradually rising prices in the market. In addition, the company is not dependent on external credit facilities, but is financed through a statement of support from the parent company, Proud City Eterprises Ltd. Thus, over the next 2-3 years the management expects a positive operation to be restored.

As a result, in addition to the annual ordinary depreciation according to accounting policies, no write- downs on tangible fixed assets have been made, as it is the management's assessment that the tangible fixed assets represent the book value. In addition to the ordinary depreciation of goodwill in accordance with accounting policies, in relation to investment in group companies, an extraordinary write-down of TDKK 1,800 has been made as a result of postponing plans to expand production in the subsidiary in Latvia.

Due to the general market situation and the consequences of COVID-19, which has recently seen the closure of mink farms in North Jutland, there is uncertainty about the development of the mink prices, which means that there is significant uncertainty about this valuation.

Development in activities and financial position
Profit for the year was TDKK -13,514 against TDKK -8,916 last year. Management considers the result for the year to be very unsatisfactory.

Expected development
Management expects the company to strengthen its market position in the coming years. However, the repercussions of COVID-19 leave some uncertainty in the mink breeding market, which could have a negative impact on operations. The company is in the process of applying for funds from the special aid package for mink breeders.

Management's review

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 morther 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 2019 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 from. 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 wil 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 loses 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, ajusted 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 regognized 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:

- 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 caffying 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 elimanation 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 expence. 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		2019	2018
	Gross profit	-4.303.006	-2.623.701
1.	Staff costs	-3.703.048	-3.066.616
2.	Depreciation and write-downs	-1.359.146	-1.429.420
	OPERATING PROFIT	**-9.365.200**	**-7.119.737**
	Income from investments in group companies	-4.000.000	-2.200.000
	Financial income from group companies	236.382	240.697
	Other financial income	47.193	523.703
	Financial expenses to group companies	-64.980	-51.238
	Other financial costs	-367.486	-309.836
	PROFIT/-LOSS BEFORE TAX	**-13.514.091**	**-8.916.411**
	NET PROFIT/-LOSS FOR THE YEAR	**-13.514.091**	**-8.916.411**
	Appropriation of profit		
	Retained earnings	-13.514.091	-8.916.411
	Total appropriation	**-13.514.091**	**-8.916.411**

3. **Special items**

Balance sheet 31 December

Note		2019	2018
	ASSETS		
	Land and buildings	8.801.152	9.022.140
	Other fixtures and fittings, tools and equipment	975.415	2.090.659
	Leasehold improvements	49.015	38.290
	Total tangible fixed assets	**9.825.582**	**11.151.089**
	Financial fixed assets		
	Investments in group companies	13.690.557	17.690.557
	Other receivables	10.898.513	11.212.801
	Total financial fixed assets	**24.589.070**	**28.903.358**
	TOTAL FIXED ASSETS	**34.414.652**	**40.054.447**
	Finished goods and merchandise	24.454.097	26.800.000
	Total inventories	**24.454.097**	**26.800.000**
	Receivables from sales and services	1.761.929	8.490.760
	Receivables from group companies	115.599	115.599
	Other receivables	596.997	749.060
	Prepayments	218.606	219.706
	Total receivables	**2.693.131**	**9.575.125**
	Cash funds	4.698.485	1.156.144
	Total cash funds	**4.698.485**	**1.156.144**
	TOTAL CURRENT ASSETS	**31.845.713**	**37.531.269**
	TOTAL ASSETS	**66.260.365**	**77.585.716**

Balance sheet 31 December

Note		2019	2018
	EQUITY AND LIABILITIES		
4.	**Equity**		
	Share capital	80.000	80.000
	Retained earnings	-39.249.604	-25.735.513
	TOTAL EQUITY	**-39.169.604**	**-25.655.513**
5.	**Long-term liabilities**		
	Subordinated loan capital	94.492.897	91.585.973
	Other payables	1.020.849	1.020.849
	Total long-term liabilities	**95.513.746**	**92.606.822**
	Prepayments from customers	5.062.938	7.098.416
	Suppliers of goods and services	1.884.633	1.195.159
	Payables to group companies	2.764.179	2.276.699
	Other payables	204.473	64.133
	Total short-term liabilities	**9.916.223**	**10.634.407**
	TOTAL LIABILITIES	**105.429.969**	**103.241.229**
	TOTAL EQUITY AND LIABILITIES	**66.260.365**	**77.585.716**

6. Charges and securities
7. Contingencies

Noter

	2019	2018
1. Staff costs		
Salaries	3.573.098	2.950.079
Other social security costs	129.950	116.537
Total staff costs	**3.703.048**	**3.066.616**
Persons employed on average	10	9
2. Depreciation and write-downs		
Depreciation and write-downs of fixed assets	1.359.146	1.429.420
Total depreciation and write-downs	**1.359.146**	**1.429.420**
3. Special items		
Special items included in gross profit		
Gain on disposal of fixed assets	76.222	0
Total special items	**76.222**	**0**
4. Equity		
Share capital		
Beginning of year	80.000	80.000
End of year	**80.000**	**80.000**
Retained earnings		
Beginning of year	-25.735.513	-16.819.102
Transferred from net profit	-13.514.091	-8.916.411
End of year	**-39.249.604**	**-25.735.513**
Equity end of year	**-39.169.604**	**-25.655.513**

5. Long-term liabilities

Subordinated loan capital DKK 94.492.896 is due with earlist effect 31. December 2022.

6. Charges and securities

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

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 160.376.

The company has a tax loss. The deferred tax liability associated therewith is not enabled. The value of the tax asset amounts to TDKK 6.286.

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.