

**ANNUAL REPORT**  
**1 January - 31 December 2020**

**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 30 June 2021**

**Chairman**  
Sucheng He



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## Management's Statement on the Annual Report

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The management have today considered and approved the annual report for Proud City (Denmark) ApS for the financial year 1 January to 31 December 2020.

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 2020 and of its financial performance for the financial year 1 January to 31 December 2020.

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

Harboøre, 30 June 2021

### Executive Board

Kwai Lin Sally Ho

Sucheng He



# Independent Auditor's Report

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## 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 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 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

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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

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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, 30 June 2021

**SØNDERUP I/S**  
**statsautoriserede revisorer**  
**CVR 31824559**



Tom Sønderup  
State Authorised Public Accountant  
mne10489

## Management's review

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### **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 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 8.580 t.kr and machines and fixtures with a value of 983 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 extraordinary 13.669 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 -32,890 against TDKK -13,514 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

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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, 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 2020.

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

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The annual report for Proud City (Denmark) ApS 2020 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

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### **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

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- 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

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### **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

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### **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	2020	2019
Gross profit	-15.173.929	-4.303.006
2. Staff costs	-3.011.658	-3.703.048
3. Depreciation and write-downs	-594.824	-1.359.146
Other operating costs	-15.895	0
<b>OPERATING PROFIT</b>	<b>-18.796.306</b>	<b>-9.365.200</b>
Income from investments in group companies	-13.668.952	-4.000.000
Financial income from group companies	0	236.382
Other financial income	42.642	47.193
Financial expenses to group companies	0	-64.980
Other financial costs	-467.282	-367.486
<b>PROFIT/-LOSS BEFORE TAX</b>	<b>-32.889.898</b>	<b>-13.514.091</b>
<b>NET PROFIT/-LOSS FOR THE YEAR</b>	<b>-32.889.898</b>	<b>-13.514.091</b>
<b>Appropriation of profit</b>		
Distribution of profit	-32.889.898	-13.514.091
<b>Total appropriation</b>	<b>-32.889.898</b>	<b>-13.514.091</b>

#### 4. Special items

## Balance sheet 31 December

Note	2020	2019
<b>ASSETS</b>		
Land and buildings	8.580.164	8.801.152
Other fixtures and fittings, tools and equipment	983.012	975.415
Leasehold improvements	72.772	49.015
<b>Total tangible fixed assets</b>	<b>9.635.948</b>	<b>9.825.582</b>
<b>Financial fixed assets</b>		
Investments in group companies	21.605	13.690.557
Other receivables	12.303.793	10.898.513
<b>Total financial fixed assets</b>	<b>12.325.398</b>	<b>24.589.070</b>
<b>TOTAL FIXED ASSETS</b>	<b>21.961.346</b>	<b>34.414.652</b>
Finished goods and merchandise	14.404.775	24.454.097
<b>Total inventories</b>	<b>14.404.775</b>	<b>24.454.097</b>
Receivables from sales and services	1.097.580	1.761.929
Receivables from group companies	0	115.599
Other receivables	2.455.955	596.997
Prepayments	36.670	218.606
<b>Total receivables</b>	<b>3.590.205</b>	<b>2.693.131</b>
Cash funds	381.033	4.698.485
<b>Total cash funds</b>	<b>381.033</b>	<b>4.698.485</b>
<b>TOTAL CURRENT ASSETS</b>	<b>18.376.013</b>	<b>31.845.713</b>
<b>TOTAL ASSETS</b>	<b>40.337.359</b>	<b>66.260.365</b>

## Balance sheet 31 December

Note	2020	2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	80.000	80.000
Retained earnings	-72.139.501	-39.249.604
<b>TOTAL EQUITY</b>	<b>-72.059.501</b>	<b>-39.169.604</b>
<b>5. Long-term liabilities</b>		
Subordinated loan capital	105.112.130	94.492.897
Other payables	1.020.849	1.020.849
<b>Total long-term liabilities</b>	<b>106.132.979</b>	<b>95.513.746</b>
Prepayments from customers	0	5.062.938
Suppliers of goods and services	3.182.193	1.884.633
Payables to group companies	2.836.951	2.764.179
Other payables	244.737	204.473
<b>Total short-term liabilities</b>	<b>6.263.881</b>	<b>9.916.223</b>
<b>TOTAL LIABILITIES</b>	<b>112.396.860</b>	<b>105.429.969</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>40.337.359</b>	<b>66.260.365</b>
6. Charges and securities		
7. Contingencies		
8. Uncertainty in recognition and measurement		
9. Fair value adjustments		



## Statement of changes in equity

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	2020	2019
<b>Share capital</b>		
Beginning of year	80.000	80.000
<b>End of year</b>	<b>80.000</b>	<b>80.000</b>
<b>Retained earnings</b>		
Beginning of year	-39.249.603	-25.735.513
Transferred from net profit	-32.889.898	-13.514.091
<b>End of year</b>	<b>-72.139.501</b>	<b>-39.249.604</b>
<b>Equity end of year</b>	<b>-72.059.501</b>	<b>-39.169.604</b>

## Notes

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### 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 2021.

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

	2020	2019
<b>2. Staff costs</b>		
Salaries	2.897.265	3.573.098
Other social security costs	114.393	129.950
<b>Total staff costs</b>	<u>3.011.658</u>	<u>3.703.048</u>
Persons employed on average	8	10
<b>3. Depreciation and write-downs</b>		
Depreciation and write-downs of fixed assets	594.824	1.359.146
<b>Total depreciation and write-downs</b>	<u>594.824</u>	<u>1.359.146</u>
<b>4. Special items</b>		
<b>Special items included in gross profit</b>		
Gain on disposal of fixed assets	0	76.222
<b>Special items included in other operating expenses</b>		
Losses on disposal of tangible fixed assets	-15.895	0
<b>Total special items</b>	<u>-15.895</u>	<u>76.222</u>

### 5. Long-term liabilities

Subordinated loan capital DKK 105.112.130 is due with earliest effect 31. December 2021.

### 6. Charges and securities

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

## Notes

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### **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 10.514.

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 8.580 t.kr and machines and fixtures with a value of 983 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 extraordinary 13.669 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.