

Mille Food A/S

Unovej 1, 3390 Hundested

CVR no. 37 98 89 87

Annual report 2021

Approved at the Company's annual general meeting on 14 July 2022

Chair of the meeting:

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Wei Qing Wang

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Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of Mille Food A/S for the financial year 1 January - 31 December 2021.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 31 December 2021 and of the results of the Company's operations for the financial year 1 January - 31 December 2021.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Hundested, 14 July 2022
Executive Board:

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Søren Bakmann Madsen
CEO

Board of Directors:

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Wei Qing Wang
Chair

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Wentao Zhang

.....
Qiang Liu

Independent auditor's report

To the shareholders of Mille Food A/S

Opinion

We have audited the financial statements of Mille Food A/S for the financial year 1 January - 31 December 2021, which comprise income statement, balance sheet, statement of changes in equity and notes, including accounting policies. 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 financial position of the Company 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Emphasis of matter in the financial statements

We draw attention to note 2 to the financial statements in which Management describes, that the company's continuing operations is depending on financing from the parent company.

We have not modified our opinion in respect of this matter.

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 as to 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 taken on the basis of the 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 judgement and maintain professional scepticism 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 note 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 the Management's review

Management is responsible for the Management's review.

Our opinion on the financial statements does not cover the 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 the Management's review and, in doing so, consider whether the Management's review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that the 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 the Management's review.

Copenhagen, 14 July 2022
EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Kim Thomsen
State Authorised Public Accountant
mne26736

Management's review

Company details

Name	Mille Food A/S
Address, Postal code, City	Unovej 1, 3390 Hundested
CVR no.	37 98 89 87
Registered office	Halsnæs
Financial year	1 January - 31 December
Board of Directors	Wei Qing Wang, Chair Wentao Zhang Qiang Liu
Executive Board	Søren Bakmann Madsen, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Financial highlights

DKKm	2021	2020	2019	2018	2017
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Key figures

Gross profit	20	63	24	32	-5
Profit before interest and tax (EBIT)	-34	25	-11	0	0
Operating profit/loss	-34	25	-11	33	-8
Net financials	-4	-7	-6	-5	0
Profit/loss for the year	-39	14	-13	-1	-7

Total assets	117	158	180	132	82
Investments in property, plant and equipment	7	1	32	4	67
Equity	34	73	19	32	33

Financial ratios

Return on equity	-72.9%	30.4%	-51.0%	-3.1%	-21.2%
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Average number of full-time employees	43	48	53	40	14
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The financial ratios stated under "Financial highlights" have been calculated as follows:

Ordinary operating profit/loss

Profit/loss before financial items adjusted for other operating income and other operating expenses

Return on equity

$$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$$

Management's review

Business review

The company's activities comprise manufacturing of infant formula and milk powders.

Recognition and measurement uncertainties

During the financial year, the Company carried out impairment tests for fixed assets. The impairment test gave rise to a write-down of the carrying amounts of fixed assets of DKK 21,926 thousand. Due to the market situation in the financial markets, several significant assumptions for the impairment test are associated with great uncertainty, including management's expectations for the company's budget for the coming years, growth rate in the terminal period and discount factor. If the assumptions used develop negatively, there may be a need to make write-downs in the coming financial year.

The most significant assumptions in the impairment test is an increase in revenue for 2023 of more than 100% compared to the 2021-level and a WACC of 13.5%. The expected revenue in 2023 is in line with the realised revenue in 2019 but with an expected higher gross margin. A significant part of the revenue in 2023 has been secured after the conclusion of a sales agreement with a new customer. For 2024 the revenue is expected to increase by 20% compared to 2023.

Despite the above conclusion of sales contract, it is still uncertain whether the company can fully meet the revenue forecast which among other things is dependent on the development of the Covid-19 situation in China.

Financial review

The income statement for 2021 shows a loss of DKK 38,547 thousand against a profit of DKK 14,058 thousand last year, and the balance sheet at 31 December 2021 shows equity of DKK 34,147 thousand.

The financial year has been influenced by a significant drop in sales of significant product groups on the primary market in China. The level of revenue deviates from management expectations, due to COVID-19 situation in China in 2021 and thereof the difficulties in the Chinese market in terms of distribution of goods in the market.

The significant EBITDA loss in 2021 has triggered a write-down of fixed assets. Write-down of the company's deferred tax assets and fixed assets amounts to DKK 1,948 thousand and DKK 21,926 thousand respectively.

The development must be compared with the fact that the company in the annual report for 2020 expected a result in the lower million range for 2021.

Management considers the result for the year to be unsatisfactory.

The Danish Veterinary and Food Administration reported Mille Food A/S to the police and postulated that Mille Food A/S has had profits of approximately DKK 32,000 thousand on the basis of allegedly used illegal ingredients in their production. The Company has a potential counter claim of DKK 20,000 thousand in relation to seized and destroyed goods. It is management's assessment that the claim will be waived and consequently no provision has been made in this respect.

Financial risks and use of financial instruments

The Company's manufacturing of infant formula is exported towards the Chinese market. The Chinese market of infant formula is not only the largest in the World, but in deed the market with the fiercest competition and largest political attention.

Any changes in the Chinese market consumer behavior e.g. following covid-19 could influence future forecasts. In addition, new Chinese political measurements and standards directed towards infant formula production abroad are continuously being implemented and dictates the overall legislative framework for any factory producing infant formula to the Chinese market.

Further, any changes in global trade relations towards China, and especially bilaterally between Denmark and China, could have a material impact on the Company's operation and financial position.

As the Company operates within a market with high quality demands, specialized legislation and political attention, the management has a specific focus on these circumstances in order to mitigate any risk.

Management's review

Financial situation

In 2021, the company has realized a loss of DKK 38,547 thousand and expects a loss in 2022 in the range of DKK 22,000 thousand and an additional funding requirement in 2022. As the company has entered contract for 80 % of the Sales and purchase in 2022 there is a 20% uncertainty about the fulfillment of the 2022 budget.

As of December 31, 2021, the Company is financed by intercompany loans of DKK 21,000 thousand and external credit facilities of DKK 34,000 thousand comprising long-term loan of DKK 21,000 thousand and short-term loan of DKK 13,000 thousand.

The company's capital requirements for 2022 have been estimated on the assumptions that loans are repaid in accordance with the original agreements and that credit facilities and intercompany financing are maintained.

The parent company Mille Dairy (SHANGHAI) Co., Ltd. has confirmed that they will provide sufficient financial support to maintain Mille Food A/S' financial and business status. The parent company has confirmed that they will not demand repayment on the intercompany loan unless the company's financial status allows. The declaration is valid until 30th of June 2023.

Taking realized loss in 2021 and projected loss in 2022 and uncertainty associated with future revenue growth into account, continued financing from the parent company is critical to the company's continued operations.

On this basis, the financial statements are presented on the assumption of going concern.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

The company has received additional funding of DKK 6,250 thousand in 2022.

Outlook

Management expects a loss before tax to be approximately DKK 22,000 thousand. The expected loss is due to the further worsened COVID-19 situation in China. The expected loss is conditioned that the exchange rates for the currencies to which the company is exposed will remain unchanged.

In the first Half of 2022 in Shanghai, the hard lock down effected our revenue via a lack of possibilities within distribution of our brands in the infant formula market. The Company's revenue for 2022 will therefore be negatively affected at the same level as the 2021-numbers.

The ultimate holding company has at a board meeting agreed to provide additional funding of DKK 12,000 thousand in 2022 and the first installment of DKK 6,250 thousand has been contributed in the spring of 2022 as a loan in the first instance, but with the intent of converting loan to share capital before 31 December 2022. Cash generated from the operations in 2022 will be negative affected by the loss but it will be compensated by funding from the parent company.

The Company is currently under re-application for the receipt approval from the Chinese Authorities. It's expected that the company would get the approval before the end of 2022. For revenue in 2023, the Company has at this point secured a major part of the estimated budget forecast.

Financial statements 1 January - 31 December

Income statement

Note	DKK'000	2021	2020
	Gross profit	19,510	62,881
6	Staff costs	-23,514	-29,935
	Amortisation/ depreciation and impairment of intangible assets and property, plant and equipment	-29,893	-7,769
	Profit/ loss before net financials	-33,897	25,177
7	Financial income	825	321
	Write-down on investments	-73	-445
8	Financial expenses	-4,475	-7,030
	Profit/ loss before tax	-37,620	18,023
9	Tax for the year	-927	-3,965
	Profit/ loss for the year	-38,547	14,058

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	ASSETS		
	Fixed assets		
10	Intangible assets		
	Development projects in progress and prepayments for intangible assets	0	1,377
		0	1,377
11	Property, plant and equipment		
	Land and buildings	31,207	39,863
	Plant and machinery	33,366	45,622
		64,573	85,485
12	Investments		
	Investments in group enterprises	1,482	1,555
		1,482	1,555
	Total fixed assets	66,055	88,417
	Non-fixed assets		
	Inventories		
	Raw materials and consumables	28,339	11,026
	Finished goods and goods for resale	8,065	11,415
		36,404	22,441
	Receivables		
	Trade receivables	0	1,556
	Receivables from group enterprises	8,328	29,882
15	Deferred tax assets	0	1,948
	Joint taxation contribution receivable	1,021	0
	Other receivables	1,767	1,519
13	Prepayments	912	47
		12,028	34,952
	Cash	2,152	12,160
	Total non-fixed assets	50,584	69,553
	TOTAL ASSETS	116,639	157,970

Financial statements 1 January - 31 December

Balance sheet

Note	DKK'000	2021	2020
	EQUITY AND LIABILITIES		
	Equity		
14	Share capital	80,000	80,000
	Reserve for development costs	0	1,074
	Retained earnings	-45,853	-8,380
	Total equity	34,147	72,694
	Liabilities other than provisions		
16	Non-current liabilities other than provisions		
	Bank debt	11,514	21,233
		11,514	21,233
	Current liabilities other than provisions		
16	Short-term part of long-term liabilities other than provisions	9,800	9,557
	Bank debt	13,284	12,638
	Trade payables	19,201	26,322
	Payables to group enterprises	20,567	8,510
	Other payables	8,126	7,016
		70,978	64,043
	Total liabilities other than provisions	82,492	85,276
	TOTAL EQUITY AND LIABILITIES	116,639	157,970

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- 2 Financial situation
- 3 Recognition and measurement uncertainties
- 4 Events after the balance sheet date
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- 18 Collateral
- 19 Related parties
- 20 Appropriation of profit/loss

Financial statements 1 January - 31 December

Statement of changes in equity

Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total
	Equity at 1 January 2021	80,000	1,074	-8,380	72,694
20	Transfer, see "Appropriation of profit/loss"	0	-1,074	-37,473	-38,547
	Equity at 31 December 2021	80,000	0	-45,853	34,147

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies

The annual report of Mille Food A/S for 2021 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

In accordance with section 112(1) of the Danish Financial Statements Act, the Company has not prepared consolidated financial statements.

The accounting policies used in the preparation of the financial statements are consistent with those of last year.

Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement is prepared for the parent company, as its cash flows are reflected in the consolidated cash flow statement.

Basis of recognition and measurement

Income is recognised in the income statement as earned, including value adjustments of financial assets and liabilities. All expenses, including depreciation, amortisation, impairment losses and write-downs, are also recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits will flow to the company, and the value of such assets can be measured reliably. Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow from the company, and the value of such liabilities can be measured reliably. On initial recognition, assets and liabilities are measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

On recognition and measurement, account is taken of foreseeable losses and risks arising before the date at which the annual report is presented and proving or disproving matters arising on or before the balance sheet date.

Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

Foreign currency translation

On initial recognition, transactions denominated in foreign currencies are translated at the exchange rate at the transaction date. Foreign exchange differences arising between the exchange rates at the transaction date and the date of payment are recognised in the income statement as financial income or financial expenses.

Receivables and payables and other monetary items denominated in foreign currencies are translated at the exchange rate at the balance sheet date. The difference between the exchange rates at the balance sheet date and the date at which the receivable or payable arose or was recognised in the most recent financial statements is recognised in the income statement as financial income or financial expenses.

Income statement

Revenue

The Company has chosen IAS 11/IAS 18 as interpretation for revenue recognition.

Income from the sale of goods is recognised in the income statement if delivery has taken place and the risk has passed to the buyer before the end of the financial year and where the selling price can be determined reliably and is expected to be paid. Revenue is measured at fair value and is determined exclusive of VAT and other taxes collected on behalf of third parties and less discounts.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Gross profit

The items revenue, cost of sales and external expenses have been aggregated into one item in the income statement called gross profit in accordance with section 32 of the Danish Financial Statements Act.

Other operating income and operating expenses

Other operating income and operating expenses comprise items of a secondary nature relative to the Company's core activities, including gains and losses on the sale of fixed assets.

Raw materials and consumables, etc.

Raw materials and consumables include expenses relating to raw materials and consumables used in generating the year's revenue.

Write-downs of inventories of raw materials and consumables are also recognised under raw materials and consumables to the extent that these do not exceed normal write-downs.

Other external expenses

Other external expenses include the year's expenses relating to the Company's core activities, including expenses relating to distribution, sale, advertising, administration, premises, bad debts, payments under operating leases, etc.

Staff costs

Staff costs include wages and salaries, including compensated absence and pension to the Company's employees, as well as other social security contributions, etc. The item is net of refunds from public authorities.

Depreciation and impairment

The item comprises depreciation and impairment of intangible assets and property, plant and equipment.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Buildings	25 years
Plant and machinery	3-10 years

Depreciation is based on the residual value of the asset and is reduced by impairment losses, if any. The depreciation period and the residual value are determined at the acquisition date and are reassessed annually. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised.

In the case of changes in the depreciation period or the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

Land is not depreciated.

Financial income and expenses

Financial income and expenses are recognised in the income statements at the amounts that concern the financial year. Net financials include interest income and expenses as well as allowances and surcharges under the advance-payment-of-tax scheme, etc.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Tax

Tax for the year includes current tax on the year's expected taxable income and the year's deferred tax adjustments. The portion of the tax for the year that relates to the profit/loss for the year is recognised in the income statement, whereas the portion that relates to transactions taken to equity is recognised in equity.

The entity is jointly taxed with other group entities. The total Danish income tax charge is allocated between profit/loss-making Danish entities in proportion to their taxable income (full absorption).

Jointly taxed entities entitled to a tax refund are reimbursed by the management company based on the rates applicable to interest allowances, and jointly taxed entities which have paid too little tax pay a surcharge according to the rates applicable to interest surcharges to the management company.

Balance sheet

Intangible assets

Development costs comprise expenses, salaries and amortisation directly or indirectly attributable to development activities.

Development projects that are clearly defined and identifiable, where the technical feasibility, sufficient resources and a potential future market or development opportunities are identifiable and where the Company intends to produce, market or use the project, are recognised as intangible assets provided that the cost can be measured reliably and that there is sufficient assurance that future earnings can cover production costs, selling costs and administrative expenses and development costs. Other development costs are recognised in the income statement as incurred.

Development costs that are recognised in the balance sheet are measured at cost less accumulated amortisation and impairment losses.

On completion of a development project, development costs are amortised on a straight-line basis over the estimated useful life. The amortisation period is usually 5 years and cannot exceed 10 years.

Patents and licences are measured at cost less accumulated amortisation and impairment losses. Patents are amortised on a straight line basis over the remaining term of the patent, and licences are amortised over the term of the licence, but not exceeding 10 years.

Property, plant and equipment

Property, plant and equipment comprise land and buildings og plant and machinery.

Property, plant and equipment are measured in the balance sheet at cost less accumulated depreciation and impairment losses.

Cost comprises the purchase price and expenses resulting directly from the purchase until the asset is ready for use. Interest on loans arranged to finance production is not included in the cost.

The total cost of an asset is decomposed into separate components that are depreciated separately if the useful lives of the individual components vary.

Property, plant and equipment are depreciated using the straight-line method based on useful lives and residual values, which are stated in the 'Depreciation and impairment losses' section.

Property, plant and equipment under construction are measured at cost. Costs incurred on property, plant and equipment under construction are transferred to the relevant asset category when the asset is ready for use.

Gains and losses on the disposal of property, plant and equipment are determined as the difference between the selling price, if any, less selling costs and the carrying amount at the date of disposal less any costs of disposal.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

Investments in subsidiaries

Equity investments in subsidiaries and associates are measured at cost.

On initial recognition, equity investments in subsidiaries are measured at cost, i.e. plus transaction costs. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The cost is adjusted by shares of profit/loss after tax calculated in accordance with the Group's accounting policies less or plus unrealised intra-group gains/losses.

Identified increases in value and goodwill, if any, compared to the underlying entity's net asset value are amortised in accordance with the accounting policies for the assets and liabilities to which they can be attributed. Negative goodwill is recognised in the income statement.

Dividend received is deduced from the carrying amount.

Equity investments in subsidiaries measured at net asset value are subject to impairment test requirements if there is any indication of impairment.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists.

Inventories

Inventories are measured at cost calculated according to the FIFO principle. Inventories are written down to the lower of cost and net realisable value.

The cost of raw materials and consumables as well as goods for resale is determined as purchase prices plus expenses resulting directly from the purchase.

The cost of manufactured finished goods and work in progress is determined as the value of direct and indirect material, labour costs and indirect production costs. Production overheads include indirect material and labour costs as well as maintenance and depreciation of machinery, buildings and equipment used in the production process as well as the costs of factory administration and management. Interest on loans arranged to finance production is not included in the cost.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process as well as costs of factory administration and management. Finance costs are not included in cost

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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

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

Receivables

Receivables are measured at amortised cost.

The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

Prepayments

Prepayments recognised under "Assets" comprise prepaid expenses regarding subsequent financial reporting years.

Cash

Cash comprise cash and short term securities which are readily convertible into cash and subject only to minor risks of changes in value.

Equity

Reserve for development costs

The reserve for development costs comprises recognised development costs. The reserve cannot be used to distribute dividend or cover losses. The reserve will be reduced or dissolved if the recognised development costs are amortised or are no longer part of the Company's operations by a transfer directly to the distributable reserves under equity.

Proposed dividends

Dividend proposed for the year is recognised as a liability once adopted at the annual general meeting (declaration date). Dividends expected to be distributed for the financial year are presented as a separate item under "Equity".

Income taxes

Current tax payables and receivables are recognised in the balance sheet as the estimated income tax charge for the year, adjusted for prior-year taxes and tax paid on account.

Financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Deferred tax is measured according to the liability method on all temporary differences between the carrying amount and the tax base of assets and liabilities. However, deferred tax is not recognised on temporary differences relating to goodwill which is not deductible for tax purposes and on office premises and other items where temporary differences, apart from business combinations, arise at the date of acquisition without affecting either profit/loss for the year or taxable income. Where alternative tax rules can be applied to determine the tax base, deferred tax is measured based on Management's intended use of the asset or settlement of the liability, respectively.

Deferred tax is measured according to the tax rules and at the tax rates applicable at the balance sheet date when the deferred tax is expected to crystallise as current tax. Deferred tax assets are recognised at the expected value of their utilisation; either as a set-off against tax on future income or as a set-off against deferred tax liabilities in the same legal tax entity. Changes in deferred tax due to changes in the tax rate are recognised in the income statement.

Liabilities

Financial liabilities are recognised at the date of borrowing at the net proceeds received less transaction costs paid. On subsequent recognition, financial liabilities are measured at amortised cost, corresponding to the capitalised value, using the effective interest rate. Accordingly, the difference between the proceeds and the nominal value is recognised in the income statement over the term of the loan. Financial liabilities also include the capitalised residual lease liability in respect of finance leases.

Other liabilities are measured at net realisable value.

2 Financial situation

In 2021, the company has realized a loss of DKK 38,547 thousand and expects a loss in 2022 in the range of DKK 22,000 thousand and an additional funding requirement in 2022. The company has entered contract for 80 % of the Sales and purchase in 2022 there is a 20% uncertainty about the fulfillment of the 2022 budget.

As of December 31, 2021, the Company is financed by intercompany loans of DKK 21,000 thousand and external credit facilities of DKK 34,000 thousand comprising long-term loan of DKK 21,000 thousand and short-term loan of DKK 13,000 thousand.

The company's capital requirements for 2022 have been estimated on the assumptions that loans are repaid in accordance with the original agreements and that credit facilities and intercompany financing are maintained.

The parent company Mille Dairy (SHANGHAI) Co., Ltd. has confirmed that they will provide sufficient financial support to maintain Mille Food A/S' financial and business status. The parent company has confirmed that they will not demand repayment on the intercompany loan unless the company's financial status allows. The declaration is valid until 30th of June 2023.

Taking realized loss in 2021 and projected loss in 2022 and uncertainty associated with future revenue growth into account, continued financing from the parent company is critical to the company's continued operations.

On this basis, the financial statements are presented on the assumption of going concern.

Financial statements 1 January - 31 December

Notes to the financial statements

3 Recognition and measurement uncertainties

During the financial year, the Company carried out impairment tests for fixed assets. The impairment test gave rise to a write-down of the carrying amounts of fixed assets of DKK 21,926 thousand. Due to the market situation in the financial markets, several significant assumptions for the impairment test are associated with great uncertainty, including management's expectations for the company's budget for the coming years, growth rate in the terminal period and discount factor. If the assumptions used develop negatively, there may be a need to make write-downs in the coming financial year.

The most significant assumptions in the impairment test is an increase in revenue for 2023 of more than 100% compared to the 2021-level and a WACC of 13.5%. The expected revenue in 2023 is in line with the realised revenue in 2019 but with an expected higher gross margin. A significant part of the revenue in 2023 has been secured after the conclusion of a sales agreement with a new customer. For 2024 the revenue is expected to increase by 20% compared to 2023.

Despite the above conclusion of sales contract, it is still uncertain whether the company can fully meet the revenue forecast which among other things is dependent on the development of the Covid-19 situation in China.

4 Events after the balance sheet date

No events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

The company has received additional funding of DKK 6,250 thousand in 2022.

5 Special items

DKK'000	2021	2020
Expenses		
Impairment of development projects	-1,926	0
Write-down of deferred tax asset	-1,948	0
Write-down of land and buildings	-9,639	0
Write-down of land and buildings	-10,361	0
	<u>-23,874</u>	<u>0</u>

Special items are recognised in the below items of the financial statements

Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-21,926	0
Tax for the year	-1,948	0
Net profit/ loss on special items	<u>-23,874</u>	<u>0</u>

6 Staff costs

Wages/salaries	20,023	25,824
Pensions	3,211	3,490
Other social security costs	465	319
Other staff costs	233	756
Staff costs transferred to non-current assets	-418	-454
	<u>23,514</u>	<u>29,935</u>
Average number of full-time employees	<u>43</u>	<u>48</u>

Total remuneration to Management: DKK 1,046 thousand (2020: DKK 2,510 thousand).

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2021	2020
7 Financial income		
Interest receivable, group entities	730	223
Foreign Currency translation adjustments	95	98
	<u>825</u>	<u>321</u>
8 Financial expenses		
Interest expenses, group entities	134	1,077
Other interest expenses	286	330
Foreign exchange losses	0	61
Other financial expenses	4,055	5,562
	<u>4,475</u>	<u>7,030</u>
9 Tax for the year		
Estimated tax charge for the year	-1,021	0
Deferred tax adjustments in the year	1,948	3,965
	<u>927</u>	<u>3,965</u>
10 Intangible assets		
		Development projects in progress and prepayments for intangible assets
DKK'000		
Cost at 1 January 2021		1,377
Additions		<u>549</u>
Cost at 31 December 2021		1,926
Impairment losses for the year		<u>1,926</u>
Impairment losses and amortisation at 31 December 2021		<u>1,926</u>
Carrying amount at 31 December 2021		<u>0</u>

Development projects in progress include the development of new products to infants. The development project are expected to be completed in 2022 and comprise of both external consultancy fees and internal labour costs.

Financial statements 1 January - 31 December

Notes to the financial statements

11 Property, plant and equipment

DKK'000	Land and buildings	Plant and machinery	Total
Cost at 1 January 2021	43,487	57,439	100,926
Additions	2,762	4,293	7,055
Cost at 31 December 2021	46,249	61,732	107,981
Impairment losses and depreciation at 1 January 2021	3,624	11,817	15,441
Impairment losses	9,639	10,361	20,000
Depreciation	1,779	6,188	7,967
Impairment losses and depreciation at 31 December 2021	15,042	28,366	43,408
Carrying amount at 31 December 2021	31,207	33,366	64,573

12 Investments

DKK'000	Investments in group enterprises
Cost at 1 January 2021	2,000
Cost at 31 December 2021	2,000
Value adjustments at 1 January 2021	-445
Impairment losses	-73
Value adjustments at 31 December 2021	-518
Carrying amount at 31 December 2021	1,482

Name	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries				
Danish-Chinese Organic Food Center A/S	København	100.00%	1,482	-73

13 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

DKK'000	2021	2020
14 Share capital		
Analysis of the share capital:		
80,000 shares of DKK 1,000.00 nominal value each	80,000	80,000
	80,000	80,000

Financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	2021	2020
15 Deferred tax		
Deferred tax at 1 January	-1,948	-5,913
Deferred tax recognised in the income statement	1,948	3,953
Other deferred tax	0	12
Deferred tax at 31 December	0	-1,948

As of 31.12.2021, the Company has not recognised their tax asset. The tax asset is composed of tax loss carry forwards and unutilised tax deductions consisting of timing differences. Management do not believe that the tax asset is likely to be offset against future taxable income.

16 Non-current liabilities other than provisions

DKK'000	Total debt at 31/12 2021	Repayment, next year	Long-term portion	Outstanding debt after 5 years
Bank debt	21,314	9,800	11,514	0
	21,314	9,800	11,514	0

17 Contractual obligations and contingencies, etc.

Contingent liabilities

DKK'000	2021	2020
Contingent liabilities	1,248	1,535
	1,248	1,535

Other contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Mille International ApS serves as the administration company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for the jointly taxed entities. The jointly taxed entities' total known net liability under the joint taxation arrangement is disclosed in the administration company's financial statements.

Other financial obligations

The Danish Veterinary and Food Administration reported Mille Food A/S to the police and postulated that Mille Food A/S has had profits of approximately DKK 32,000 thousand on the basis of allegedly used illegal ingredients in their production. The Company has a potential counter claim of DKK 20,000 thousand in relation to seized and destroyed goods. It is management's assessment that the claim will be waived and consequently no provision has been made in this respect.

Financial statements 1 January - 31 December

Notes to the financial statements

18 Collateral

The company has issued mortgage deeds registered to the mortgagor in the total amount of DKK 68,820 thousand secured upon land & buildings with a carrying amount of DKK 31,207 thousand.

As security for debt to credit institutions, a company charge of DKK 20,000 thousand has been provided comprising intangible assets, trade receivables, other receivables, inventories and plant and machinery.

The company has mortgage deed with security of up to DKK 20,000 thousand in plant and machinery with a carrying amount of DKK 33,366 thousand.

The Company has issued an unlimited guarantee for Mille Food Roskilde ApS's payables to a credit institution.

19 Related parties

Mille Food A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Mille Dairy Co. Ltd	China	Significant voting rights
Mille International ApS	Denmark	Significant voting rights

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Mille International ApS	Roskilde	The consolidated financial statements can be obtained by contacting the entity.

Related party transactions

Mille Food A/S was engaged in the below related party transactions:

DKK'000	2021	2020
Receivables from group enterprises	8,328	29,882
Payables to group enterprises	20,567	8,510
Sales to group entities	61,588	267,478
Purchase from group entities	7,505	5,987
Interest receivable, group entities	730	223
Interest expenses, group entities	133	1,077

DKK'000	2021	2020
20 Appropriation of profit/ loss		
Recommended appropriation of profit/ loss		
Other statutory reserves	-1,074	354
Retained earnings/accumulated loss	-37,473	13,704
	-38,547	14,058

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"By my signature I confirm all dates and content in this document."

Søren Madsen

Executive Board

On behalf of: Mille Food A/S

Serial number: CVR:37988987-RID:46949221

IP: 176.23.xxx.xxx

2022-07-14 17:45:34 UTC

NEM ID 

Wei Qing Wang

Chair of the meeting

On behalf of: Mille Food A/S

Serial number: PID:9208-2002-2-108725487406

IP: 77.241.xxx.xxx

2022-07-14 17:47:23 UTC

NEM ID 

Wei Qing Wang

Chair

On behalf of: Mille Food A/S

Serial number: PID:9208-2002-2-108725487406

IP: 77.241.xxx.xxx

2022-07-14 17:47:23 UTC

NEM ID 

Qiang Liu

Board of Directors

On behalf of: Mille Food A/S

Serial number: PID:9208-2002-2-526585435476

IP: 5.57.xxx.xxx

2022-07-15 07:46:13 UTC

NEM ID 

Wentao Zhang

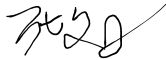
Board of Directors

On behalf of: Mille Food A/S

Serial number: baggio.zhang@millefood.com

IP: 101.87.xxx.xxx

2022-07-15 07:59:10 UTC



Kim Thomsen

State Authorised Public Accountant

On behalf of: EY Godkendt Revisionspartnerselskab

Serial number: CVR:30700228-RID:1267450293561

IP: 165.225.xxx.xxx

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