Mille International ApS

Tuborg Boulevard 12, 3., 2900 Hellerup

CVR no. 39 70 52 06

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

Contents

Statement by the Executive Board

Today, the Executive Board has discussed and approved the annual report of Mille International ApS for the financial year 1 January - 31 December 2021.

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

In my opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Company at 31 December 2021 and of the results of the Group's and the Company's operations and of the consolidated cash flows for the financial year 1 January - 31 December 2021.

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

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

Roskilde, 14 July 2022
Executive Board:

Wei Qing Wang
CEO

Independent auditor's report

To the shareholders of Mille International ApS

Opinion

We have audited the consolidated financial statements and the parent company financial statements of Mille International ApS 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, for the Group and the Parent Company, and a consolidated cash flow statement. The consolidated financial statements and the parent company financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the financial position of the Group and the Parent Company at 31 December 2021, and of the results of the Group's and Parent Company's operations as well as the consolidated cash flows 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 consolidated financial statements and the parent Company financial statements" (herinafter collectively referred to as "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 Group 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 consolidated financial statements and parent company 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 Group's and the Parent 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 Group or the Parent 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 Group's and the Parent 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 Group's and the Parent 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 Group and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Independent auditor's report

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 Statements 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

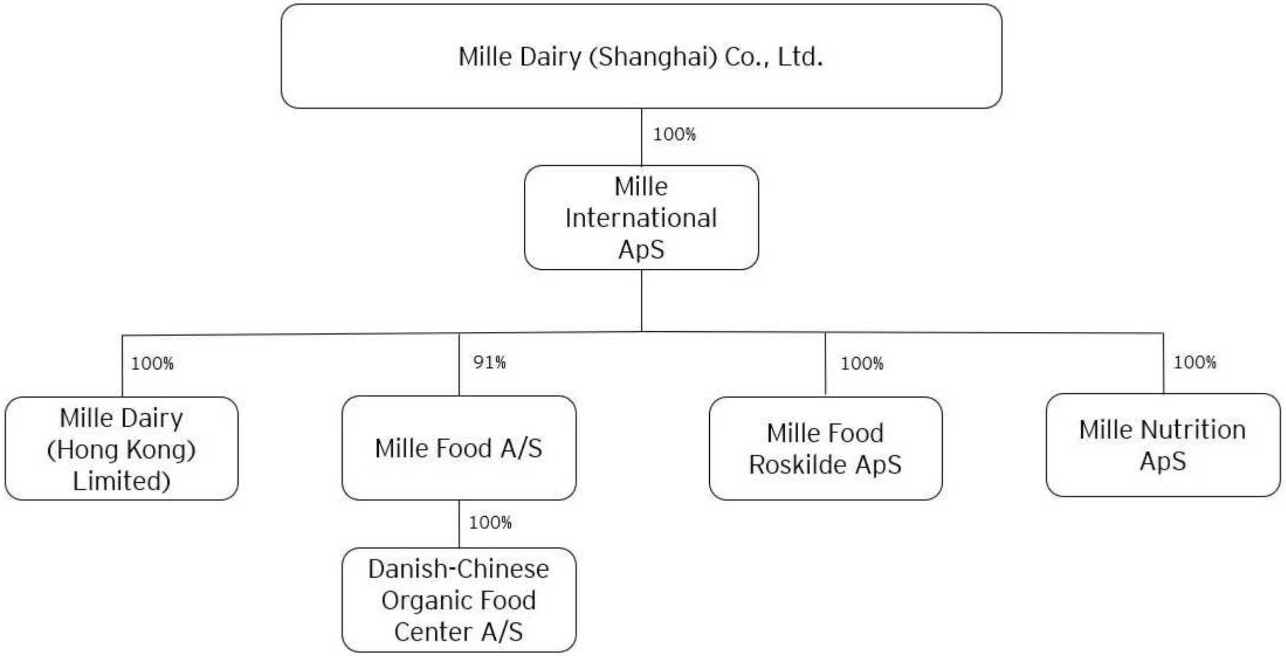
Management's review

Company details

Name	Mille International ApS
Address, Postal code, City	Tuborg Boulevard 12, 3., 2900 Hellerup
CVR no.	39 70 52 06
Established	5 July 2018
Registered office	København
Financial year	1 January - 31 December
Executive Board	Wei Qing Wang, CEO
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Management's review

Group chart



Management's review

Financial highlights for the Group

DKK'000	2021	2020	2019
Key figures			
Gross profit	41,829	66,992	25,804
Profit before interest and tax (EBIT)	-25,108	16,080	-26,931
Operating profit/loss	-46,827	16,079	-28,012
Net financials	-8,422	-10,664	-8,708
Profit/loss for the year	**-42,122**	**4,172**	**-27,764**
Total assets	121,521	212,961	237,083
Equity	**-27,413**	**14,709**	**11,199**
Cash flows from operating activities	-40,565	4,365	-33,432
Net cash flows from investing activities	59,225	2,394	-110,449
Amount relating to investments in property, plant and equipment	-7,055	-756	0
Cash flows from financing activities	-23,896	-2,292	127,779
Total cash flows	**-5,236**	**4,467**	**-16,102**
Financial ratios			
Return on equity	377.7%	53.1%	-247.9%
Average number of full-time employees	**51**	**61**	**65**

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

Management's review

Business review

The company is a holding company for Mille Group in Denmark, also a shared service center consisting of central functions such as Group Management, International Sales, R&D and Finance.

Recognition and measurement uncertainties

During the financial year, the Company carried out impairment test on fixed assets. The impairment test gave rise to a write-down of the carrying amounts of fixed assets of DKK 28,320 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 important assumptions in the impairment test is an increase in revenue for 2023 of more than 100%compared to 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 42,122 thousand against a profit of DKK 4,172 thousand last year, and the group's balance sheet at 31 December 2021 shows a negative equity of DKK 27,413 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 group's deferred tax assets and fixed assets amounts to DKK 8,598 thousand and DKK 28,320 thousand respectively. Sale of the group's property in Roskilde has resulted in a gain of DKK 21,719 thousand.

In the annual report for 2020, the group expected a result in the range of DKK 3,000 - 5,000 thousand for 2021.

Management considers the result for the year to be unsatisfactory.

The Danish Veterinary and Food Administration reported the subsidiary 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.

Management's review

Financial risks and use of financial instruments

The company is a holding company in Denmark, and the group management has a high focus on its subsidiaries' risks and mitigation plans, especially its biggest subsidiary, Mille Food A/S.

Mille Food A/S is a manufacturer of infant formula and mainly export towards the Chinesemarket. The opportunities and risks which relate to this specific market have the full attention from the factory management.

The Chinese market of infant formula is not only the largest in the World, but indeed 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.This can be both a risk and an opportunity.

In addition, new Chinese political measurements and standards directed towards infantformula production abroad are continuously being implemented and dictates the overall legislative framework for any factory producing infant formula to the Chinese market.

Financial situation

In 2021, the group has realized a loss of DKK 42,122 thousand and expects a loss in 2022 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 group is financed by intercompany loans of DKK 79,749 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 groups's capital requirements for 2022 have been entered on the condition 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 group's financial and business status. The parent company has confirmed that they will not demand repayment on the intercompany loan unless the groups'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 materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year-end.

The subsidiary Mille Food A/S has received additional cash funding of DKK 6,000 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.

Management's review

The ultimate holding company has at a board meeting agreed to provide additional funding to Mille Food A/S of DKK 12,000 thousand in 2022 and the first installment of DKK 6,250 thousand has been contributed 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.

Mille Food A/S 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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Income statement

		Group		Parent company	
Note	**DKK'000**	**2021**	**2020**	**2021**	**2020**
	Gross profit	41,829	66,992	990	3,731
6	Staff costs	-29,578	-42,407	-6,064	-12,316
	Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-37,360	-8,506	-1,872	-46
	Profit/loss before net financials	-25,109	16,079	-6,946	-8,631
7	Financial income	129	326	1,210	1,744
	Write-down on investments	0	0	-41,726	0
8	Financial expenses	-8,551	-10,990	-3,670	-3,208
	Profit/loss before tax	-33,531	5,415	-51,132	-10,095
9	Tax for the year	-8,591	-1,243	-3,347	2,221
	Profit/loss for the year	-42,122	4,172	-54,479	-7,874

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	DKK'000	2021	2020	2021	2020
	ASSETS				
	Fixed assets				
10	**Intangible assets**				
	Acquired intangible assets	0	381	0	381
	Goodwill	0	5,595	0	0
	Development projects in progress and prepayments for intangible assets	0	2,417	0	1,040
		0	8,393	0	1,421
11	**Property, plant and equipment**				
	Land and buildings	31,041	39,697	0	0
	Investment property	0	45,875	0	0
	Plant and machinery	33,366	45,622	0	0
	Fixtures and fittings, other plant and equipment	250	0	250	0
		64,657	131,194	250	0
12	**Investments**				
	Investments in group enterprises	0	0	31,699	73,425
	Deposits, investments	0	31	0	0
		0	31	31,699	73,425
	Total fixed assets	64,657	139,618	31,949	74,846
	Non-fixed assets				
	Inventories				
	Raw materials and consumables	28,339	11,026	0	0
	Finished goods and goods for resale	8,065	11,415	0	0
		36,404	22,441	0	0
	Receivables				
	Trade receivables	0	1,556	0	0
	Receivables from group enterprises	8,666	25,215	12,816	1,375
15	Deferred tax assets	0	8,598	0	4,329
	Joint taxation contribution receivable	0	0	982	0
	Other receivables	2,453	1,829	207	0
13	Prepayments	920	47	3	0
		12,039	37,245	14,008	5,704
	Cash	8,421	13,657	615	1,163
	Total non-fixed assets	56,864	73,343	14,623	6,867
	TOTAL ASSETS	121,521	212,961	46,572	81,713

Consolidated financial statements and parent company financial statements 1 January - 31 December

Balance sheet

		Group		Parent company	
Note	**DKK'000**	**2021**	**2020**	**2021**	**2020**
	EQUITY AND LIABILITIES				
	Equity				
14	Share capital	32,500	32,500	32,500	32,500
	Reserve for development costs	0	1,074	0	0
	Retained earnings	-62,986	-25,394	-69,863	-15,384
	Shareholders in Mille International ApS' share of equity	-30,486	8,180	-37,363	17,116
	Non-controlling interests	3,073	6,529	0	0
	Total equity	-27,413	14,709	-37,363	17,116
	Provisions				
	Liabilities other than provisions				
16	**Non-current liabilities other than provisions**				
	Bank debt	11,514	21,233	0	0
	Deposits	0	2,000	0	0
		11,514	23,233	0	0
	Current liabilities other than provisions				
16	Short-term part of long-term liabilities other than provisions	9,800	9,557	0	0
	Bank debt	13,284	27,418	0	0
	Trade payables	22,892	26,456	3,486	758
	Payables to group enterprises	79,749	98,467	76,879	59,059
	Other payables	11,695	13,121	3,570	4,780
		137,420	175,019	83,935	64,597
	Total liabilities other than provisions	148,934	198,252	83,935	64,597
	TOTAL EQUITY AND LIABILITIES	121,521	212,961	46,572	81,713

1 Accounting policies
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Consolidated financial statements and parent company financial statements 1 January - 31 December

Statement of changes in equity

		Group					
Note	DKK'000	Share capital	Reserve for development costs	Retained earnings	Total	Non-controlling interests	Total equity
	Equity at 1 January 2020	32,500	720	-25,675	7,545	3,652	11,197
	Additions on merger/corporate acquisition	0	0	-3,537	-3,537	1,592	-1,945
	Transfer through appropriation of profit	0	354	3,818	4,172	1,285	5,457
	Equity at 1 January 2021	32,500	1,074	-25,394	8,180	6,529	14,709
	Transfer through appropriation of loss	0	-1,074	-37,592	-38,666	-3,456	-42,122
	Equity at 31 December 2021	32,500	0	-62,986	-30,486	3,073	-27,413

		Parent company		
Note	DKK'000	Share capital	Retained earnings	Total
	Equity at 1 January 2020	32,500	-7,510	24,990
20	Transfer, see "Appropriation of profit/loss"	0	-7,874	-7,874
	Equity at 1 January 2021	32,500	-15,384	17,116
20	Transfer, see "Appropriation of profit/loss"	0	-54,479	-54,479
	Equity at 31 December 2021	32,500	-69,863	-37,363

Consolidated financial statements and parent company financial statements 1 January - 31 December

Cash flow statement

Note	DKK'000	Group 2021	Group 2020
	Profit/loss for the year	-42,122	4,172
21	Adjustments	30,749	20,413
	Cash generated from operations (operating activities)	-11,373	24,585
22	Changes in working capital	-21,057	-9,593
	Cash generated from operations (operating activities)	-32,430	14,992
	Interest received, etc.	129	326
	Interest paid, etc.	-8,264	-10,953
	Cash flows from operating activities	-40,565	4,365
	Additions of intangible assets	-1,251	-1,494
	Additions of property, plant and equipment	-7,055	-756
	Disposals of property, plant and equipment	69,500	2,644
	Deposits received	-1,969	2,000
	Cash flows to investing activities	59,225	2,394
	Proceeds of debt to credit institutions	0	4,000
	Repayments, debt to credit institutions	-23,896	-6,292
	Cash flows from financing activities	-23,896	-2,292
	Net cash flow	-5,236	4,467
	Cash and cash equivalents at 1 January	13,657	9,190
23	**Cash and cash equivalents at 31 December**	8,421	13,657

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 **Accounting policies**

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

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

Reporting currency

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

Consolidated financial statements

Intra-group business combinations

The book value method is applied to business combinations such as acquisition and disposal of investments, mergers, demergers, contributions of assets and share conversions, etc. in which entities controlled by the parent company are involved, provided that the combination is considered completed at the time of acquisition without any restatement of comparative figures. Differences between the agreed consideration and the carrying amount of the acquiree are recognised directly in equity.

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.

Income from the rendering of services is recognised as revenue as the services are rendered. Accordingly, revenue corresponds to the market value of the services rendered during the year (percentage-of-completion method).

Gross profit

The items revenue, cost of sales, other operating income 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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Other operating income

Other operating income comprise items of a secondary nature relative to the Company's core activities, including gains 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.

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.

Amortisation/depreciation and impairment

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

The cost net of the expected residual value for completed development projects and acquired IP rights is amortised over the expected useful life. Acquired IP rights include patents, rights and licences.

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management’s experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which has been assessed to 10 years.

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

Acquired intangible assets	15 years
Goodwill	10 years
Buildings	25 years
Plant and machinery	3-10 years

Land is not depreciated.

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 Company and its Danish group entities are jointly taxed. 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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Balance sheet

Intangible assets

Goodwill is amortised over the expected economic life of the asset, measured by reference to Management's experience in the individual business segments. Goodwill is amortised on a straight-line basis over the amortisation period, which is has been assessed to 10 years.

Other intangible assets include development projects and other acquired intangible rights, including software licences, distribution rights and development projects.

Other intangible assets are measured at cost less accumulated amortisation and impairment losses.

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 areidentifiable 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.

Leases

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

Investment property

On initial recognition, investment property is measured at cost. Investment property is subsequently measured at fair value, and the value adjustment for the year is recognised in the income statement under the item "Fair value adjustment of investment property". The fair value is based on the expected future cash flows for the investment property.

Investments in subsidiaries

Investments in subsidiaries and associates are measured at cost. Dividends received that exceed the accumulated earnings in the subsidiary or the associate during the period of ownership are treated as a reduction in the cost of acquisition.

Impairment of fixed assets

The carrying amount of intangible assets, property, plant and equipment and investments in subsidiaries and associates 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. Impairment losses on goodwill are not reversed.

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

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

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

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.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

1 Accounting policies (continued)

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.

As management company for all the entities in the joint taxation arrangement, the parent company is liable for payment of the subsidiaries' income taxes vis à vis the tax authorities as the subsidiaries pay their joint taxation contributions. Joint taxation contributions payable or receivable are recognised in the balance sheet as income tax receivables or payables.

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.

Cash flow statement

The cash flow statement shows the Company's net cash flows broken down according to operating, investing and financing activities, the year's changes in cash and cash equivalents as well as the cash and cash equivalents at the beginning and the end of the year.

Cash flows from operating activities are calculated as the profit/loss for the year adjusted for non cash operating items, changes in working capital and paid corporate income tax.

Cash flows from investing activities comprise payments in connection with acquisitions and disposals of entities and activities and of intangible assets, property, plant and equipment and investments.

Cash flows from financing activities comprise changes in the size or composition of the Company's share capital and related expenses as well as raising of loans, repayment of interest bearing debt and payment of dividends to shareholders.

Cash and cash equivalents comprise cash, short term bank loans and short term securities which are readily convertible into cash and which are subject only to insignificant risks of changes in value.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

2 Financial situation

In 2021, the group has realized a loss of DKK 42,122 thousand and expects a loss in 2022 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 group is financed by intercompany loans of DKK 79,749 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 groups's capital requirements for 2022 have been entered on the condition 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 group's financial and business status. The parent company has confirmed that they will not demand repayment on the intercompany loan unless the groups’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.

3 Recognition and measurement uncertainties

During the financial year, the Company carried out write-down tests for fixed assets. The impairment test gave rise to a write-down of the carrying amounts of fixed assets of DKK 28,320 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 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 materially affecting the Group's and the Company's financial position have occurred subsequent to the financial year-end.

The subsidiary Mille Food A/S has received additional cash funding of DKK 6,250 thousand in 2022.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

5 Special items

DKK'000	Group 2021	Group 2020	Parent company 2021	Parent company 2020
Income				
Gain on disposal of land and buildings	21,719	0	0	0
	21,719	0	0	0
Expenses				
Impairment good will	-4,966	0	0	0
Impairment of development projects	-3,354	0	-1,428	0
Write-down of deffered tax asset	-8,598	0	-4,329	0
Write-down of land and buildings	-9,639	0	0	0
Write-down of plant and machinery	-10,361	0	0	0
Write-down of investments	0	0	-41,726	0
	-36,918	0	-47,483	0
Special items are recognised in the below items of the financial statements				
Gross profit	21,719	0	0	0
Amortisation/depreciation and impairment of intangible assets and property, plant and equipment	-28,320	0	-1,428	0
Tax for the year	-8,598	0	-4,329	0
Write-down on investments	0	0	-41,726	0
Net profit/loss on special items	-15,199	0	-47,483	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

DKK'000	Group 2021	Group 2020	Parent company 2021	Parent company 2020
6 Staff costs				
Wages/salaries	25,303	36,111	5,281	10,188
Pensions	3,914	5,544	702	2,009
Other social security costs	543	392	78	61
Other staff costs	236	814	3	58
Staff costs transferred to non-current assets	-418	-454	0	0
	29,578	42,407	6,064	12,316
Average number of full-time employees	51	61	8	12

Group

Total remuneration to group Management : DKK 3,054 thousand (2020: DKK 5,272 thousand)

Parent company

By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.

DKK'000	Group 2021	Group 2020	Parent company 2021	Parent company 2020
7 Financial income				
Interest receivable, group entities	0	0	1,183	1,744
Exchange adjustments	0	98	0	0
Other financial income	129	228	27	0
	129	326	1,210	1,744
8 Financial expenses				
Interest expenses, group entities	3,622	3,316	3,622	3,116
Other interest expenses	0	6,728	0	0
Exchange losses	0	61	0	0
Other financial expenses	4,929	885	48	92
	8,551	10,990	3,670	3,208
9 Tax for the year				
Estimated tax charge for the year	0	1	-982	0
Deferred tax adjustments in the year	8,591	1,242	4,329	-2,221
	8,591	1,243	3,347	-2,221

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

10 Intangible assets

	Group			
DKK'000	**Acquired intangible assets**	**Goodwill**	**Development projects in progress and prepayments for intangible assets**	**Total**
Cost at 1 January 2021	458	6,287	2,417	9,162
Additions	0	0	1,250	1,250
Transferred	0	0	-313	-313
Cost at 31 December 2021	458	6,287	3,354	10,099
Impairment losses and amortisation at 1 January 2021	77	692	0	769
Impairment losses for the year	335	4,966	3,354	8,655
Amortisation for the year	46	629	0	675
Impairment losses and amortisation at 31 December 2021	458	6,287	3,354	10,099
Carrying amount at 31 December 2021	0	0	0	0

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.

	Parent company		
DKK'000	**Acquired intangible assets**	**Development projects in progress and prepayments for intangible assets**	**Total**
Cost at 1 January 2021	458	1,040	1,498
Additions	0	701	701
Transferred	0	-313	-313
Cost at 31 December 2021	458	1,428	1,886
Impairment losses and amortisation at 1 January 2021	77	0	77
Impairment losses for the year	335	1,428	1,763
Amortisation for the year	46	0	46
Impairment losses and amortisation at 31 December 2021	458	1,428	1,886
Carrying amount at 31 December 2021	0	0	0

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

11 Property, plant and equipment

	Group				
DKK'000	**Land and buildings**	**Investment property**	**Plant and machinery**	**Fixtures and fittings, other plant and equipment**	**Total**
Cost at 1 January 2021	43,321	45,875	57,439	0	146,635
Additions	2,762	0	4,293	0	7,055
Disposals	0	-45,875	0	0	-45,875
Transferred	0	0	0	313	313
Cost at 31 December 2021	46,083	0	61,732	313	108,128
Impairment losses and depreciation at 1 January 2021	3,624	0	11,817	0	15,441
Impairment losses	9,639	0	10,361	0	20,000
Depreciation	1,779	0	6,188	63	8,030
Impairment losses and depreciation at 31 December 2021	15,042	0	28,366	63	43,471
Carrying amount at 31 December 2021	31,041	0	33,366	250	64,657

Note 18 provides more details on security for loans, etc. as regards property, plant and equipment.

	Parent company
DKK'000	**Fixtures and fittings, other plant and equipment**
Transferred	313
Cost at 31 December 2021	313
Revaluations at 1 January 2021	0
Revaluations at 31 December 2021	0
Depreciation	63
Impairment losses and depreciation at 31 December 2021	63
Carrying amount at 31 December 2021	250

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

12 Investments

DKK'000	Parent company Investments in group enterprises
Cost at 1 January 2021	73,425
Cost at 31 December 2021	73,425
Impairment losses	-41,726
Value adjustments at 31 December 2021	-41,726
Carrying amount at 31 December 2021	31,699

Parent company

Name	Legal form	Domicile	Interest	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Mille Food	A/S	Hundested	91%	34,147	-38,547
Mille Food Roskilde	ApS	Roskilde	100%	7,459	14,805
Mille Nutrition	ApS	Roskilde	100%	202	-21
Danish Chinese Organic Food Center	A/S	Hundested	91%	1,482	-73
Mille Dairy	Limited	Hong Kong	100%	14	-11

13 Prepayments

Group

Prepayments include accrual of expenses relating to subsequent financial years.

14 Share capital

The parent's share capital has remained DKK 32,500 thousand in the past year.

DKK'000	Group 2021	Group 2020	Parent company 2021	Parent company 2020
15 Deferred tax				
Deferred tax at 1 January	-8,598	-9,840	-4,329	-2,108
Deferred tax recognised in the income statement	8,598	1,242	4,329	-2,221
Deferred tax at 31 December	0	-8,598	0	-4,329

As at 31 December 2021, the company has not recognised their deferred tax asset. The tax asset is composed of tax loss carryforwards and unutilised tax deductions consistingof timing differences. Management do not believe that the tax asset is likely to be offset against future taxable income.

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

16 Non-current liabilities other than provisions

	Group			
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.

Other contingent liabilities

Group

The Danish Veterinary and Food Administration reported the subsidiary 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.

Parent company

As management company, the Company is jointly taxed with other Danish group entities. The Company is jointly and severally with other jointly taxed group entities for payment of income taxes and withholding taxes in the group of jointly taxed entities.

18 Collateral

Group

The group 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 31,041 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 group 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.

Parent company

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

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

19 Related parties

Group

Mille International ApS' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Mille Dairy (Shanghai) Co. Ltd.	Shanghai	Ultimate Parent
Wei Qing Wang	Charlottenlund	Beneficial owner

Significant influence

Related party	Domicile	Basis for significant influence

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Mille Dairy (Shanghai) Co. Ltd.	Shanghai	By contacting the entity.

Related party transactions

DKK'000	2021	2020
Group		
Sales to group enterprises	61,588	267,603
Purchase from group entities	4,505	666
Financial expenses to group enterprises	3,622	3,316
Receivables from group enterprises	8,666	25,215
Payables to group enterprises	79,749	98,467
Parent Company		
Management fees to group enterprises	3,000	5,321
Financial income from group enterprises	1,183	1,744
Financial expenses to group enterprises	3,622	3,316
Receivables from group enterprises	12,816	1,375
Payables to group enterprises	76,879	59,059

Consolidated financial statements and parent company financial statements 1 January - 31 December

Notes to the financial statements

		Parent company	
	DKK'000	**2021**	**2020**
20	**Appropriation of profit/loss**		
	Recommended appropriation of profit/loss		
	Retained earnings/accumulated loss	-54,479	-7,874
		-54,479	-7,874

		Group	
	DKK'000	**2021**	**2020**
21	**Adjustments**		
	Amortisation/depreciation and impairment losses	8,705	8,506
	Impairment of assets	28,655	0
	Gain/loss on the sale of non-current assets	-23,625	0
	Financial income	-129	-326
	Financial expenses	8,551	10,990
	Tax for the year	0	1,243
	Deferred tax	8,592	0
		30,749	20,413
22	**Changes in working capital**		
	Change in inventories	-13,963	31,714
	Change in receivables	16,614	-9,382
	Change in trade and other payables	-23,708	-31,925
		-21,057	-9,593
23	**Cash and cash equivalents at year-end**		
	Cash according to the balance sheet	8,421	13,657
		8,421	13,657

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The signatures in this document are legally binding. The document is signed using Penneo™ secure digital signature. The identity of the signers has been recorded, and are listed below.

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

Wei Qing Wang
Executive Board
On behalf of: The Company
Serial number: PID:9208-2002-2-108725487406
IP: 77.241.xxx.xxx
2022-07-14 16:58:58 UTC
NEM ID

Wei Qing Wang
Chair of the meeting
On behalf of: The Company
Serial number: PID:9208-2002-2-108725487406
IP: 77.241.xxx.xxx
2022-07-14 16:58:58 UTC
NEM ID

Kim Thomsen
State Authorised Public Accountant
On behalf of: EY Godkendt Revisionspartnerselskab
Serial number: CVR:30700228-RID:1267450293561
IP: 165.225.xxx.xxx
2022-07-14 21:49:41 UTC
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