

Bainan Biotech ApS

Ole Maaløes Vej 3, 3., 2200 Copenhagen

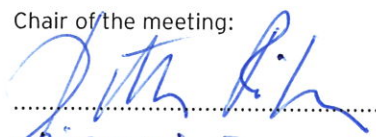
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Annual report 2020

For the year 1 January - 31 December 2020

Approved at the Company's annual general meeting on 30 June 2021

Chair of the meeting:


DITLEV R. H.



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Statement by Management

The Board of Directors and the Executive Board have today discussed and approved the annual report of Bainan Biotech ApS for the financial year 1 January - 31 December 2020.

The annual report has been 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 2020 and of the results of its operations for the financial year 1 January - 31 December 2020.

Further, in our opinion, the Management's review gives a fair review of the matters discussed in the Management's review.

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

Copenhagen, 30 June 2021
Executive Board:


Ditte Riber

Board of Directors:

Mette Marie Rosenkilde
Chair

Arvind Mansha Hundal

Jens Juul Holst

Bolette Hartmann

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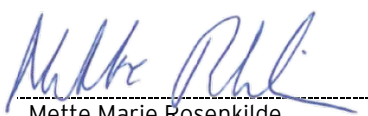
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Copenhagen, 30 June 2021
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Board of Directors:

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Chair



Arvind Mansha Hundal

Jens Juul Holst

Bolette Hartmann

Independent auditor's report

To the shareholders of Bainan Biotech ApS

Opinion

We have audited the financial statements of Bainan Biotech ApS for the financial year 1 January - 31 December 2020, 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 2020 and of the results of the Company's operations for the financial year 1 January - 31 December 2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and 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' Code of Ethics for Professional Accountants (IESBA Code) and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these rules and requirements.

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 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.

As part of an audit conducted in accordance with ISAs and 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.

Independent auditor's report (continued)

- ▶ 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 Statements Act. We did not identify any material misstatement of the Management's review.

Independent auditor's report (continued)

Report on other legal and regulatory requirements

Non-compliance with the provisions of the Danish Companies Act regarding capital loss

The Company has lost more than half of its share capital. Management has not ensured that a general meeting was held within the deadlines stipulated by the Danish Companies Act where the shareholders were given an account of the Company's financial position and any measures to address the situation were proposed. Management may incur liability in this respect.

Copenhagen, 30 June 2021

EY Godkendt Revisionspartnerselskab
CVR no. 30 70 02 28

Christian Schwenn Johansen
State Authorised
Public Accountant
mne33234

Management's review

Company details

Name	Bainan Biotech ApS
Address, Postal code, City	Ole Maaløes Vej 3,3., Copenhagen N
CVR no.	39 90 42 76
Registered office	Copenhagen
Financial year	1 January - 31 December
Board of Directors	Mette Marie Rosenkilde, Chair Arvind Mansha Hundal Jens Juul Holst Bolette Hartmann
Executive Board	Ditte Riber
Auditors	EY Godkendt Revisionspartnerselskab Dirch Passers Allé 36, P.O. Box 250, 2000 Frederiksberg, Denmark

Principal activities

The Company's object is to operate in research and experimental development within biotechnology, as well as related activities.

Financial Review

The income statement for 2020 shows a loss of DKK 225,768 against a profit of DKK 108,840 last year, and the balance sheet at 31 December 2020 shows a negative equity of DKK 66,928.

Management considers the Company's financial performance in the year to be in accordance with expectations.

Loss of share capital

The company has lost more than half of the subscribed share capital during the first half of 2020 please refer to note 6. Management will take appropriate measures to restore the share capital.

Events after the balance sheet date

No events materially affecting the Company's financial position have occurred subsequent to the financial year-end.

Financial statements 1 January - 31 December

Income statement

Note	DKK	2020	2019
	Gross profit/loss	1,952,827	421,252
2	Staff costs	-2,046,933	-270,989
	Profit/loss before net financials	-94,106	150,263
3	Financial income	57	0
4	Financial expenses	-969,428	-4,771
	Profit/loss before tax	-1,063,477	-145,492
5	Tax for the year	553,576	-36,652
	Profit/loss for the year	-509,902	108,840
	Proposed distribution of profit/loss		
	Retained earnings/accumulated loss	-509,902	108,840
		-509,902	108,840

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	ASSETS		
	Current assets		
	Receivables		
	Corporate tax receivable	553,576	0
	Receivable - Innovation Fund	241,500	0
	Other Receivables	92,387	0
		887,463	0
	Cash	12,667,731	2,236,912
	Total current assets	13,555,194	2,236,912
	TOTAL ASSETS	13,555,194	2,236,912

Financial statements 1 January - 31 December

Balance sheet

Note	DKK	2020	2019
	EQUITY AND LIABILITIES		
	Equity		
6	Share capital	50,000	50,000
	Retained earnings/accumulated loss	-401,061	108,840
	Total equity	-351,061	158,840
	Non-current liabilities		
7	Borrowings	4,442,668	0
8	Convertible debt facilities	5,810,150	0
7	Bonus derivative	300,000	0
	Total non-current liabilities	10,552,818	0
	Current liabilities		
8	Conversion option	1,452,537	0
	Prepayments	1,278,669	1,883,810
	Trade payables	119,879	138,593
	Corporation tax	0	36,652
	Other payables	502,352	19,017
	Total current liabilities	3,353,437	2,078,072
	Total liabilities	13,906,255	2,078,072
	TOTAL EQUITY AND LIABILITIES	13,555,194	2,236,912

1 Accounting policies

9 Contractual obligations and contingencies, etc.

Financial statements 1 January - 31 December

Statement of changes in equity

DKK	Share capital	Retained earnings	Total
Equity at 1 January 2019	50,000		50,000
Transfer through appropriation of profit		108,840	108,840
Equity at 1 January 2020	50,000	108,840	158,840
Transfer through appropriation of loss		-509,901	-509,901
Equity at 31 December 2020	50,000	-401,061	-351,061

Financial statements 1 January - 31 December

Notes

1 Accounting policies

The annual report of Bainan Biotech ApS for 2020 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to reporting class B entities and elective choice of certain provisions applying to reporting class C entities.

Effective from the financial year 2020, the Company has implemented amending act no. 1716 of 27 December 2018 to the Danish Financial Statements Act. The implementation of the amending act has not affected the Company's accounting policies on recognition and measurement of assets and liabilities but has solely entailed a requirement for further disclosures. 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).

Derivative financial instruments

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Income statement

Gross Profit

Donations, public grants, costs of research, sales, administration, premises, etc. have been aggregated into one item in the income statement called gross profit/loss in accordance with section 32 of the Danish Financial Statements Act.

Staff costs

Staff costs comprise wages and salaries, including holiday allowance and pensions, and other social security costs, etc., for the Company's employees. Refunds received from public authorities are deducted from staff costs.

Financial income and expenses

Financial income and expenses are recognised in the income statement at the amounts that relate to the financial reporting period. The line items comprise interest income and expenses, realised and unrealised exchange gains and losses and amortisation of financial assets and liabilities, fair value adjustments of financial instruments.

Tax for the year

Tax for the year comprises current tax for the year and changes in deferred tax. The tax expense relating to the profit/loss for the year is recognised in the income statement, and the tax expense relating to amounts recognised directly in equity is recognised directly in equity. The tax expense recognised in the income statement relating to the extraordinary profit/loss for the year is allocated to this item, whereas the remaining tax expense is allocated to the profit/loss for the year from ordinary activities.

Notes

1 Accounting policies (continued)

Balance sheet

Receivables

Receivables are measured at amortised cost.

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

Write-down for bad and doubtful debts is made when there is objective evidence that a receivable or a portfolio of receivables has been 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 country of domicile and credit ratings of the debtors in accordance with the credit risk management policy of the Company. 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 of the individual receivable or portfolio is used as discount rate.

Income taxes / Deferred tax

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.

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.

Income tax receivables are recognized in accordance with the Danish tax credit scheme (Skattekreditordningen). Companies covered by the tax credit scheme may obtain payment of the tax base of losses originating from research and development expenses of up to DKK 25 million (tax value of DKK 5.5 million).

Cash

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

Financial statements 1 January - 31 December

Notes

1 Accounting policies (continued)

Liabilities other than provisions

Financial liabilities comprising amounts payable to credit institutions, trade payables and payables to group entities are recognised at the date of borrowing at cost, corresponding to the proceeds received less transaction costs paid. In subsequent periods, financial liabilities are measured at amortised cost.

Financial liabilities also include the capitalised residual lease commitment in respect of finance leases.

Other liabilities are measured at net realisable value.

Fair value

Fair value is determined based on the principal market. If no principal market exists, the measurement is based on the most advantageous market, i.e. the market that maximises the price of the asset or liability less transaction and/or transport costs.

Debts including government grants

Loan granted from the government at below the prevailing market interest rate. Loan also includes a bonus element which is considered a non closely related derivative separated from the host loan contract.

At initial recognition the loan is measured at fair value computed based on a market interest rate and the bonus element i.e. derivative have been measured at fair value. The difference between the proceeds received and the fair value of the loan including the bonus element is recognized as a government grant. The government grant is recognized as financial income when the conditions attached to the grant have been fulfilled. Subsequently, the loan is measured at amortized cost and the derivative is measured at fair value through profit and loss. Any gain or loss on the derivative is recognized as financial items.

Convertible loans

The convertible debt are initially separated into a debt component and a conversion option. The debt component is measured at amortized cost and the conversion option is measured at fair value through profit or loss.

The difference between the fair value of the liability component and the total proceeds is allocated to the conversion option. The conversion option is classified as a derivative liability, as it is not convertible into a fixed number of shares for a fixed amount of cash. Subsequent to initial recognition, the conversion option is accounted for as a derivative and thus, it is measured at fair value through profit or loss. Any gains or losses on the conversion option is recognized as part of financial items. The transaction costs are allocated to each component of the loan.

On initial recognition, derivative financial instruments are recognised at cost in the balance sheet and are subsequently measured at fair value. Positive and negative fair values of derivative financial instruments are presented as separate items in the balance sheet.

Prepayments

Prepayments consist of payments received in respect of Grants/revenue in the subsequent financial year.

Notes

1 Accounting policies (continued)

Other payables

Other payables are measured at net realisable value.

Notes

DKK	2020	2019
2 Staff costs		
Wages and salaries	2,032,548	268,243
Other social security costs	14,385	2,746
	2,046,933	270,989
Average number of full-time employees	1	1
3 Financial income		
Foreign exchange adjustments	57	0
	57	0
4 Financial expenses		
Interest expenses, Other	3,156	0
Interest expenses, Borrowings & financial institutions	44,318	4,771
interest expenses, Convertible debt facilities	450,150	0
Borrowings costs	34,125	0
Value adjustment of derivative Conversion option	112,537	0
Value adjustment of derivative Borrowings	300,000	0
Other financial expenses	25,142	0
	969,428	4,771
5 Tax for the year		
Computed tax on the taxable income for the year		36,652
Tax credit for the year	-553,576	
	-553,576	36,652
6 Share capital		
The Company's share capital has remained DKK 50,000 in the past year.		
At 31 December 2020 the company had lost its share capital.		
Management will take appropriate measures to restore the share capital.		

7 Borrowings

The Company has taken out the following long-term loans:

	Outstanding nominal amount (DKK)	Carrying amount	Estimated market interest rate	Government grant
DKK				
Loan 1, issued 2020	6,825,000	4,404,125	15.00 %	2,420,875
Bonus derivative	-	300,000	-	-
	6,850,000	4,704,125	-	2,420,875

The Company has in Decemer 2020 secured a Covid-19 Syndication loan from Vækstfonden which includes a government grant in terms of an interest discount.

The loan includes the following terms:

- ▶ Term: 72 months from issuance - repayment begins after 36 months.
- ▶ Interest coupon CIBOR 3 Month + 5% accruing over the term of the loan
- ▶ Loan principal: DKK 6.825.000
- ▶ Lender bonus element, where the principal under certain conditions are doubled. The bonus element is accounted for as a non-closely related derivative.
 - If the Company's share are transferred for a gross proceeds per share, which is more than four times (4x) as high as the price per share in connection with the Convertible debt facilities (a "Qualified Sale"). The Company shall pay the Lender a bonus equal to the Principal (the "Bonus") (less interest payments made during the period until time of the bonus). The Bonus shall not be paid, insofar the gross proceeds per share does not constitute a Qualified Sale.

For the derivative including a bonus element the fair value has been measured using a Monte Carlo option model. This valuation method requires Management to make certain assumptions. Management has estimated the fair value of the Bonus derivative to 300,000 as of 31 December 2020.

8 Convertible debt facilities and Conversion option

The Company has the following Convertible debt facilities and Conversion options;

	Outstanding nominal amount (DKK)	Carrying amount	Estimated market interest rate
DKK			
Loan 1, issued 2020	6,700,000	5,810,150	21.52 %
Embedded derivatives	-	1,452,537	-
	6,700,000	7,262,687	-

The Company has obtained a convertible loan as at 1 August 2020. The principal amount of the Loan is DKK 10,000,000 and is expected to be disbursed to the Company in three tranches, whereas the first tranche of DKK 6,700,000 has been disbursed on 1 August 2020. The remaining two tranches are expected to be disbursed in 2021. However, such disbursements are subject to several conditions based on different milestones as set out in the loan note. Hence, only the first tranche is included in the valuation at 1 August 2020 and 31 December 2020.

The loan matures on 10 July 2023 and has an embedded interest of 8% p.a.

The Lender has an option to convert the loan amount into shares in the Company with a conversion discount of 20% to the share price of the Company and can be converted in the event of a Qualified Financing, in the event of an Exit or at maturity date.

The convertible debt was initially separated into a debt component and a conversion option. The difference between the fair value of the liability component and the total proceeds is allocated to the conversion option. The conversion option is classified as a derivative liability. Subsequent to initial recognition, the conversion option is accounted for as a derivative and thus, it has been measured at fair value through profit or loss as part of financial items.

Fair value as at 31 December 2020 of the conversion option has been based on the key assumption that a qualified financing activity is expected to take place at 30 June 2022.

A fair value adjustment of DKK 113 thousand has been recognized through the income statement during 2020.

9 Contractual obligations and contingencies, etc.

Contingent liabilities

The Company has not provided any security or other collateral in assets at 31 December 2020.

As stated in note 7, the loan that the company has entered into in 2020 contains a bonus element, where the principal under certain conditions are doubled (less already paid interest).

For the derivative including a bonus element the fair value has been measured using a Monte Carlo option model. This valuation method requires Management to make certain assumptions. Management has estimated the fair value of the Bonus derivative to 300,000 as of 31 December 2020.