

CN Bio Innovations Limited
Annual report and financial statements
for the year ended 31 December 2023

Registered number: 06517359

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CN Bio Innovations Limited

Annual report and financial statements 2023

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CN Bio Innovations Limited

Annual report and financial statements 2023

Company information

Directors

H H C Chong
M S H Coleman
M D C Scales
A Tse Po Shing
P R Brooks
T C Fung
Y Su
W Yin

Registered Office

30 Upper High Street
Thame
Oxfordshire
OX9 3EZ
United Kingdom

Bankers

HSBC
65 Cornmarket Street
Oxford,
OX1 3HY
United Kingdom

Solicitors

Covington
22 Bishopsgate
London
EC2N 4BQ
United Kingdom

Independent Auditor

BDO LLP
Newton House
Cambridge Business Park
Cambridge
CB4 0WZ
United Kingdom

CN Bio Innovations Limited

Directors' Report

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2023.

This directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. The Company has also taken advantage of the small companies' exemption from preparing a strategic report, with reference to the Part 15 of the Companies Act 2006/section 415A.

Principle Activities

The Company specialises in single and multi-organ micro physiological systems and innovate laboratory technologies to enhance the drug development journey. The Company manufactures and sells its PhysioMimix Platform alongside the provision of studies as a service and continues investing in research and development of new products and services.

Future Developments

The Company continues to expand its organ on a chip technology to further support adaption of the technology to improve the drug development lifecycle.

Going Concern

The directors have considered the going concern of the Company.

As the Company is in the early commercialisation stage it has recorded a loss for the period. During this stage of its lifecycle, and in common with companies of a similar nature, the Company forecasts significant revenue growth in the short term, whilst continuing to incur significant costs in the performance of research and development to progress additional products and services to market. To date the Company has met its funding requirements primarily through equity.

The Company has continued to successfully raise further debt and equity funding in 2023 and 2024 with additional external capital investment of £12.2M in June 2024 and £4.3M in July 2024.

The Directors have reviewed the latest cash flow forecasts for the 12-month period following the date of signing the financial statements. The Company undertakes regular reviews of forecasts and projections to ensure it has adequate resources for its continuing operations. Based on the current business plan with no further funding, the Company's cash and cash equivalents will be sufficient for the business until the first quarter of 2026. The directors have assessed that additional funding is required from investors in order for the company to continue as a going concern after this period. As formal agreements to this effect have not been finalised, uncertainty exist over the nature, timing and amount of the funding. These present significant uncertainty over the company's ability to continue as a going concern after that period.

Based on the above, the Directors believe it is appropriate to adopt the going concern basis in the preparation of the financial statements.

Subsequent Events

The Company completed on the initial Series B financing round. Equity investments were received in 2 tranches, in June 2024 £12.2M (\$15.5M)) investment was received and a follow on financing in July 2024 of £4.3M was received.

The Company has issued convertible loan notes during the year. In June 2024 with an effective date of 30 April 2024 all the Convertible loan notes were redeemed, with £11.05m converted into equity and the balance of £78k repaid to the loan note holder.

CN Bio Innovations Limited

Directors' Report

Directors

The directors, who served during the year, and up to the date of signing of the financial statements, were as follows:

H H C Chong
M S H Coleman
M D C Scales
A Tse Po Shing
A Xiong (Resigned 25 June 2024)
P R Brooks
T C Fung
Y Su (Appointed 4 June 2024)
W Yin (Appointed 24 June 2024)

Directors' indemnities

The Company has made qualifying third-party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of approval of the financial statements.

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

CN Bio Innovations Limited

Directors' Report

Directors' confirmations

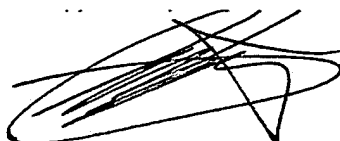
In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent Auditors

BDO LLP have expressed their willingness to continue in office as auditor. Appropriate arrangements have been put in place for the appointment of auditors in the absence of an Annual General Meeting.

Approved by the Board and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'Andy Tse', written over a horizontal line.

Andy Tse
(Director)
26 November 2024

Independent auditor's report to the members of CN Bio Innovations Limited

Opinion on the financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of CN Bio Innovations Limited ("the Company") for the year ended 31 December 2023 which comprise the profit and loss account, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards 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 ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern

We draw attention to note 1e. to the financial statements, which indicates that the Company is reliant on securing external funding which is not guaranteed. As stated in note 1e, these events or conditions, along with other matters set forth in note 1e, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Independent auditor's report to the members of CN Bio Innovations Limited

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine 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, the Directors are 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 unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can

Independent auditor's report to the members of CN Bio Innovations Limited

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 these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Non-compliance with laws and regulations

Based on:

- Our understanding of the Company and the industry in which it operates;
- Discussion with management and those charged with governance and consider legal counsel;
- Obtaining an understanding of the Company's policies and procedures regarding compliance with laws and regulations.

We considered the significant laws and regulations to be the applicable accounting framework (FRS102 Financial Reporting Standard and the Companies Act 2006), Value Added Tax and UK tax legislation.

The Company is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. We identified such laws and regulations to be Human Tissue Act 2004, the health and safety legislation and Labour laws.

Our procedures in respect of the above included:

- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of correspondence with tax authorities for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and agreeing to supporting documentation;
- Review of legal expenditure accounts to understand the nature of expenditure incurred; and
- Obtaining direct legal confirmations from solicitors

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and those charged with governance regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Company's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements;
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;

Considering remuneration incentive schemes and performance targets and the related financial statement areas impacted by these.

Based on our risk assessment, we considered the areas most susceptible to fraud to be revenue recognition and management override of controls including bias in making judgements and estimates such

Independent auditor's report to the members of CN Bio Innovations Limited

as fixed assets impairment review, valuation of convertible loan notes, valuation of share options, impairment provisions and valuation for inventories and accounts receivables.

Our procedures in respect of the above included:

- Testing a sample of revenue transactions back to supporting documentation to confirm delivery of contractual obligations and to ensure that revenue was recorded in the correct period;
- Testing a sample of journal entries throughout the year, which met a defined risk criteria, and a residual sample that do not meet a specific risk criteria, by agreeing to supporting documentation;
- Assessing significant estimates made by management for bias
- by performing procedures to assess the appropriateness of assumptions and judgements made about net realisable values of inventory and the recoverability of overdue accounts receivable balances; and
- obtaining management assessments, where applicable, and review these for indicators of management bias in making those assessments.


We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Benjamin Courts (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Cambridge, UK

Date: 26 November 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

CN Bio Innovations Limited

Profit and loss account

For the year ended 31 December 2023

	Note	2023 £	2022 £
Turnover	3	3,425,098	Restated 2,152,371
Cost of sales		<u>(1,949,429)</u>	<u>(1,278,086)</u>
Gross profit		1,475,669	874,285
Sales, Marketing and Distribution costs		(2,251,986)	(1,419,101)
Corporate and Administrative expenses		(2,647,837)	(1,856,486)
Research, Development and Operations Costs		(1,913,760)	(1,671,734)
Other operating income	4	<u>242,945</u>	<u>141,237</u>
Operating loss	5	(5,094,969)	(3,931,799)
Net finance costs	6	<u>(426,203)</u>	<u>(188,990)</u>
Loss before taxation		(5,521,172)	(4,120,789)
Taxation	7	<u>-</u>	<u>-</u>
Loss for the financial year		<u><u>(5,521,172)</u></u>	<u><u>(4,120,789)</u></u>

CN Bio Innovations Limited

Balance sheet

As at 31 December 2023

-	Note	2023 £	2022 £
Fixed assets			
Intangible assets	10	386,892	326,955
Tangible assets	11	724,431	750,629
Investments	12	100	100
		<u>1,111,423</u>	<u>1,077,684</u>
Current assets			
Inventory	13	560,144	746,337
Debtors	14	1,971,384	1,117,923
Cash at bank and in hand		650,669	3,399,215
		<u>3,182,197</u>	<u>5,263,475</u>
Current liabilities			
Creditors: Amounts falling due within one year	15	(10,848,764)	(921,374)
Provisions	16	(29,354)	(29,354)
		<u>(10,878,118)</u>	<u>(950,728)</u>
Net current (liabilities)/ assets		<u>(7,695,921)</u>	<u>4,312,747</u>
Total assets less current liabilities		<u>(6,584,498)</u>	5,390,431
Creditors: Amounts falling due after more than one year	17	-	(6,884,381)
Net assets		<u>(6,584,498)</u>	<u>(1,493,950)</u>
Capital and reserves			
Called-up share capital	20	3,874	3,874
Share premium account	20	22,042,894	22,042,894
Convertible option reserve	20	2,239,594	1,808,970
Profit and loss account		(30,870,860)	(25,349,688)
Total Shareholders' funds		<u>(6,584,498)</u>	<u>(1,493,950)</u>

The financial statements on pages 9 to 27 (registered number 06517359) were approved by the board of directors and authorised for issue on 26 November 2024.

They were signed on its behalf by:



Andy Tse
Director

CN Bio Innovations Limited

Statement of changes in equity

For the year ended 31 December 2023

	Note	Called-up share capital £	Share premium account £	Convertible option reserve £	Profit and loss account £	Total £
At 1 January 2022		3,874	22,042,894	114,135	(21,228,899)	932,004
Loss for the financial year		-	-	-	(4,120,789)	(4,120,789)
Share issue	18	-	-	-	-	-
Convertible loan note	17/23	-	-	1,694,835	-	1,694,835
At 31 December 2022		3,874	22,042,894	1,808,970	(25,349,688)	(1,493,950)
Loss for the financial year		-	-	-	(5,521,172)	(5,521,172)
Share issue	18	-	-	-	-	-
Convertible loan note	15	-	-	430,624	-	430,624
At 31 December 2023		3,874	22,042,894	2,239,594	(30,870,860)	(6,584,498)

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

a. General information

CN Bio Innovations Limited (the "Company") is a private Company limited by shares incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The address of the Company's registered office is shown on Page 1.

The Company specialises in single and multi-organ microphysiological systems and innovate lab technologies to enhance the drug development journey. The Company sells its PhysioMimix Platform alongside the provision of studies as a service and continues research & development.

The average monthly number of employees (including executive directors) was 43 (2022 - 40).

b. Statement of Compliance

The financial statements have been prepared in compliance with United Kingdom accounting standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS102) and the Company Act 2006.

c. Basis of preparation of financial statements

These financial statements have been prepared on a going concern basis, under the historical cost convention. The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 2).

These Financial statements has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption

The Company meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the following exemptions available to it:

- from preparing a statement of cash flows under Section 7 of FRS 102 paragraph 3.17(d);
- from the financial instruments disclosures, required under FRS 102 paragraphs 11.39 to 11.48A and paragraphs 12.26 to 12.29;
- from disclosing the Company key management personnel compensation, as required by FRS 102 paragraph 33.7;
- Related party transactions entered into between two or more members of a group (for wholly-owned subsidiaries); and
- a reconciliation of the number of shares outstanding at the beginning and end of the year. [4.12(a)(iv).

The following principal accounting policies have been applied consistently unless otherwise stated.

d. Group financial statements

The Company has taken advantage of the exemption afforded to small groups not to prepare group financial statements with reference to exemption from preparing consolidated accounts under s401 of the Companies Act 2006.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Accounting policies (continued)

e. *Going concern*

The financial statements have been prepared using the going concern basis of accounting.

As the Company is in the early commercialisation stage it has recorded a loss for the current year. The Directors have prepared a forecast to June 2026, which indicates that during this stage of the Company's lifecycle, and in common with Companies of a similar nature, the Company forecasts significant revenue growth in the short term, whilst continuing to incur significant costs in the performance of research and development to progress new products and services to market.

The Directors have assessed that the Company will continue to be in a net cash inflow position for the foreseeable future being a period of at least 12 months from the date of approval of these financial statements. However, it has been identified and assessed that the Company will require additional funding within 16 months of approval of these financial statements as the Company will be in a net cash outflow position and therefore the Company is reliant on securing external funding which is not guaranteed. As a result, this indicates the existence of a material uncertainty which may cast significant doubt over the Company's ability to continue as a going concern and therefore, it may be unable to realise its assets and discharge its liabilities in the ordinary course of business

The Company's continued operations depend on its ability to raise funds through various sources such as collaboration, equity financing, debt financing or grants. The Company has continued to successfully raise further debt and equity funding in 2023 and 2024 with additional external capital investment of £12.2M in June 2024 and £4.3M in July 2024 which will cover the projected spend during the year and over the 12-month period from signing the financial statements and, as such, the financial statements have been prepared on a going concern basis.

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company will be successful in raising the additional funding required. As such, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The financial statements do not include any adjustments that would result if the Company were unable to continue as a going concern.

Intangible assets - patents and trademarks

Separately acquired patents and trademarks are included at cost and amortised in equal annual instalments over a period of 10 years which is their estimated useful economic life. Provision is made for any impairment.

g. Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight line* basis over its expected useful life, as follows:

Leasehold Improvements	10 years useful life
Laboratory equipment	5 years useful life
Office equipment	5 years useful life
Computer equipment	3 years useful life
Leased assets	3 years useful life

Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Accounting policies (continued)

h. Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments in subsidiaries are measured at cost less impairment.

(ii) Equity instruments

Equity instruments issued by the Company are recorded at the fair value of cash or other resources received or receivable, net of direct issue costs.

(iii) Convertible loan notes

The component parts of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. On initial recognition the financial liability component is recorded at its fair value. At the date of issue, in the case of a convertible bond denominated in the functional currency of the issuer that may be converted into a fixed number of equity shares, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

Transaction costs are apportioned between the liability and equity components of the convertible instrument based on their relative fair values at the date of issue. The portion relating to the equity component is charged directly against equity. Where the financial liability component meets the criteria in (i) above, the finance costs of the financial liability are recognised over the term of the debt using the effective interest method. If those criteria are not met, the financial liability component is measured at fair value through profit or loss.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Accounting policies (continued)

(iv) Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the fair value is estimated by using a valuation technique.

i. Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to sell, which is equivalent to the net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Cost is calculated using the average cost method. Provision is made for obsolete, slow-moving or defective items where appropriate.

j. Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Financial assets

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

k. Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax includes research and development tax credits which are calculated in accordance with the UK Research and Development Credit ("RDEC") scheme. Receipts under the RDEC scheme are presented within other operating income as they are similar in nature to grant income.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

1. Accounting policies (continued)

l. Turnover

Turnover is stated net of VAT and trade discounts and is recognised when the significant risks and rewards are considered to have been transferred to the buyer. Turnover from the sale of goods is recognised when the goods are physically delivered to the customer. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the fair value of the consideration received or receivable. Where a contract has only been partially completed at the balance sheet date turnover represents the fair value of the service provided to date based on the stage of completion of the contract activity at the balance sheet date. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

m. Pensions

The Company operates a defined contribution scheme the contributions to which are recognised in the profit and loss account in the year in which they become payable.

n. Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

Exchange differences are recognised in profit or loss in the period in which they arise.

o. Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

p. Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants relating to revenue are recognised over the period in which the related costs are recognised.

q. Share-based payment

The Company issues equity-settled share options and cash-settled share appreciation rights to certain employees. Equity-settled share-based payment transactions are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

For employee options, they are vested upon the exit events happened and therefore the share-based payment expense is only recognisable when the exit events are probable. The share-based payment has not been recognised for the year as the exit event is remote.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

2. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(a) Convertible loan notes

The Company has issued convertible loan notes during the year. In the directors' judgement, the terms of issues of these notes is such that the conversion of the convertible loan notes into equity is probable. Consequently, in accordance with the accounting policies described in note 1, these convertible loan notes have been recognised as a financial instrument with an element split between financial liabilities and equity within these financial statements.

(b) Recognition of Intangible Assets

Intangible assets include licences, intellectual property, patents and trademarks held by the Company. They are initially recognized at cost and subsequently measured at cost less accumulated amortization and impairment losses. There is a delay between the costs incurred in the submission of patent applications, and final patent being granted by the appropriate country. Intangible assets are recognised at the point of submission, on the basis that there is an expectation that the patent will be granted. In the remote event that a patent application was unsuccessful and not subsequently granted by the authority, the associated intangible asset would be de-recognised with an immediate impairment to nil value.

The Company reviews the useful lives of intangible assets at each reporting date. The estimation of useful lives involves significant judgment and is influenced by various factors, including technological obsolescence, market conditions, and changes in the industry. Any changes in the useful lives of intangible assets are accounted for prospectively.

Management believes that the assumptions used in estimating the useful lives and conducting impairment testing are reasonable based on the information available at the time of assessment. However, actual results may differ from these estimates due to changes in economic conditions and technological advancements.

(c) Impairment of Intangible & fixed assets

The Company tests intangible and fixed assets annually for impairment or more frequently if there are indications that asset values might be impaired. Having performed appropriate testing, no impairment has been identified and therefore no impairment loss has been recognised in 2023 (2022: £nil). Management has performed analysis based upon reasonable estimates in relation to key assumptions on continued external investment to deliver sustained revenue growth, and on-going investment in research and development to achieve positive cashflow over the forecast period.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

Key source of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(d) Revenue Recognition on Contract Research

Revenue is recognised based upon the stage of completion of contract research and individual progress on scientific experiments associated with the customers contract, to the extent that it is probable that a significant reversal of cumulative revenue recognised will not occur. Standard practice is to receive a non-refundable payment in advance, representing 50% of the contract value, with the second 50% becoming payable upon delivery of the results of the contract research experiments and associated reports.

Revenue recognition for contract research involves the use of significant judgments and estimates. Key areas of estimation uncertainty include the stage of completion of the project and associated timing of performance obligations.

- The Company recognises accrued revenue when revenue recognised exceeds the amount billed in advance to the customer, and it is conditional on satisfying future performance obligations. The carrying amount of contract assets is reviewed regularly for impairment.
- Deferred revenue represent consideration received from customers before satisfying performance obligations. The Company recognises revenue in accordance with the stage of project completion and actual hours of work compared to budgeted hours in completion of the project.

Management believes that the assumptions used in estimating revenue recognition are reasonable based on the information available at the time of assessment. However, actual results may differ due to changes in project performance, economic conditions, customer behaviour, and other factors.

(e) Recoverability of amounts owed by Group undertakings

At the balance sheet date, a loan of £926,286 (2022: £882,177) was owed to the Company by the its wholly owned subsidiary, 28 North Discovery Limited. In assessing the recoverability of the loan balance, the directors have reviewed the financial situation of 28 North Discovery Limited and have made estimations concerning the current value and future anticipated performance of that company. Based on these assessments, the directors have concluded that it is prudent to provide for the value of the loan, giving rise to a charge to the Profit and Loss Account of £44,109 (2022: £42,009).

(f) Provision for inventory obsolescence

Inventories include stocks of raw materials and finished goods that are held for resale in the future. In assessing the recoverability of the inventory, the directors have reviewed the Company's future forecasted sales and have made estimations concerning the future anticipated demand for the Company's products. The directors have assessed that future sales will be sufficient to recover the carrying value of the inventory. As such, the directors have deemed a provision for inventory totalling £22,800 (2022 - £nil).

(g) Provision for Doubtful debts

The estimation of bad debts involves the use of significant judgments and estimates. Key areas of estimation uncertainty include assessment of credit risk, historical collection experience, and economic conditions.

The majority of the Company's customers are large multinational entities or Universities that present a limited credit risk. The Company regularly evaluates its historical collection experience to assess the reasonableness of its allowance for doubtful accounts. Adjustments are made based on actual collections compared to the initial estimates. Management believes that the assumptions used in estimating bad debts are reasonable based on the information available at the time of assessment. As such, the directors have deemed no provision for bad debt to be necessary.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

3. Turnover

Sales by category

	2023 £	2022 £
		Restated
Products	2,835,610	674,327
System Rentals	19,460	58,739
Support & Service	156,141	187,827
Contract Research Service	413,887	1,231,478
	<u>3,425,098</u>	<u>2,152,371</u>

A prior period adjustment was made to reclassify shipping income that was previously included in other income. This increases revenue by £21,035 and decreases other income by this amount for the year ended 31 December 2022. For the current year this is £37,834. The change is to reflect that the shipping income is part of the amounts invoice to customers for product sales and therefore is part of the sales turnover activities. There were no changes to the reported net assets at 31 December 2022 or to the operating loss for the period then ended as a result of these prior period adjustments.

Sales by geography

	2023 £	2022 £
		Restated
USA	1,969,108	1,338,961
Rest of World	1,455,990	813,410
	<u>3,425,098</u>	<u>2,152,371</u>

4. Other Operating Income

	2023 £	2022 £
		Restated
Government grants	49,735	43,137
R&D Tax Credit	193,210	98,100
	<u>242,945</u>	<u>141,237</u>

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

5. Operating loss

Operating loss is stated after charging:

	2023	2022
	£	£
Depreciation of tangible fixed assets (see note 11)	177,372	167,757
(Gain) / Loss on disposal of fixed assets	-	(26,567)
Amortisation of intangible fixed assets (see note 10)	46,992	38,020
Provisions for amount owed by subsidiary undertaking	44,108	42,009
Research and development expenses	1,913,760	1,671,734
Operating lease rentals (note 20)	242,751	246,176
Foreign exchange loss/ (gain)	24,191	(23,774)
Cost of stock recognised as an expense	948,857	491,065
	<u>948,857</u>	<u>491,065</u>

The analysis of the auditor's remuneration is as follows:

	2023	2022
	£	£
Fees payable to the Company's auditors for the audit of the Company's financial statements	45,073	64,529
	<u>45,073</u>	<u>64,529</u>

£nil was paid to the Company's auditors for non-audit services related to tax (2022 – £nil).

6. Net finance (costs) / income

	2023	2022
	£	£
Bank interest receivable	47,723	-
Convertible loan note interest	(473,926)	(188,990)
	<u>(426,203)</u>	<u>(188,990)</u>

7. Taxation

The tax credit comprises:

	2023	2022
	£	£
Current tax		
UK corporation tax credit	-	-
	<u>-</u>	<u>-</u>

The differences between the total tax credit shown above and the amount calculated by applying the standard rate of UK corporation tax 19% (2022: 19%) to the loss before tax are explained as follows:

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

7. Taxation (continued)

	2023 £	2022 £
Loss before tax	<u>(5,521,172)</u>	<u>(4,120,789)</u>
Tax on loss at standard UK corporation tax rate of 23.52% (2022: 19%)	(1,298,609)	(782,950)
Effects of:		
Expenses not deductible for tax purposes	650	16,233
Remeasurement of deferred tax for changes in tax rates	(80,126)	(241,570)
R&D expenditure credits	10,660	4,372
Deferred tax not recognised	1,353,988	1,006,542
Fixed assets differences	13,439	(2,627)
Total tax credit for year	<u>-</u>	<u>-</u>

Tax Rate Changes

The Finance Act 2021, which was substantively enacted on 10 June 2021, amended the main rate of corporation tax to 25% from 1 April 2023. As deferred tax assets and liabilities are measured at the rates that are expected to apply in the periods of the reversal, deferred tax balances at 31 December 2022 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Unrecognised Deferred Tax

There is an unrecognised deferred tax asset in relation to the trading losses carried forward of £7,195,355 (2022: £5,841,367). The unrecognised deferred tax asset would be recovered against future company taxable profit. In the opinion of the directors, there is insufficient evidence that the assets will be recovered as such the deferred tax asset has not been recognised in the financial statements.

8. Staff Costs

Particulars of employees (including executive directors) are shown below:

	2023 £	2022 £
Employee costs during the year amount to:		
Wages and salaries	3,047,161	2,118,747
Social security costs	280,231	251,375
Cost of defined pension contributions	121,619	97,563
	<u>3,449,010</u>	<u>2,467,685</u>

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

The average monthly number of persons (including executive directors) employed by the Company during the year was:

	2023	2022
	No.	No.
Production	7	7
Sales & Marketing	8	6
Research & Development	19	18
Corporate and Administrative	9	9
	<u>43</u>	<u>40</u>

9. Directors Emoluments

The amounts set out in staff costs includes remuneration in respect of the executive directors as follows:

	2023	2022
	£	£
Aggregate emoluments	190,806	167,756
Other pension costs	11,400	9,652
	<u>202,206</u>	<u>177,408</u>
	No.	No.
Number of directors accruing benefits under defined contribution pension schemes	<u>1</u>	<u>1</u>

1 Director (2022: 1) received emoluments directly from the Company for the amount of £202,206 (2022: £174,846).

2 Directors (2022: 2) received aggregate payments of £60,018 (2022: £62,887) – see note 22.

2 Directors (2022: 2) are also directors of fellow group companies and receive their remuneration directly from those companies, with no recharge being made. The directors do not believe that it is practicable to apportion their remuneration for services as directors of the Company and their services as directors of the other group companies.

1 Director (2022:1) receives no remuneration for services to the Company (2022: £nil).

In the year ended 31 December 2023 no director (2022: nil) made gains on the exercise of share options.

During the year 1 Director (2022: 1) received pension benefits.

The highest paid director's remuneration was as follows:	2023	2022
	£	£
Director's emoluments	190,806	167,756
Other pension costs	11,400	9,652
	<u>202,206</u>	<u>177,408</u>

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

	Patents & Trademarks £
Cost	
At 1 January 2023	421,932
Additions	106,929
At 31 December 2023	<u>528,861</u>
Accumulated amortisation	
At 1 January 2023	94,977
Charge for the year	46,992
At 31 December 2023	<u>141,969</u>
Net book value	
At 31 December 2023	<u>386,892</u>
At 31 December 2022	<u>326,955</u>

As of 31 December 2023, the Company had entered contractual obligations of £19,662 for the acquisition of intangible assets.

11. Tangible assets

	Leasehold improvements £	Laboratory equipment £	Office equipment £	Computer equipment £	Leased Assets £	Total £
Cost						
At 1 January 2023	610,499	581,071	67,924	60,125	37,091	1,356,710
Additions	91,117	28,693	10,471	9,514	11,379	151,174
At 31 December 2023	<u>701,616</u>	<u>609,764</u>	<u>78,395</u>	<u>69,639</u>	<u>48,470</u>	<u>1,507,884</u>
Accumulated depreciation						
At 1 January 2023	154,834	338,694	47,863	48,507	16,183	606,081
Charge for the year	69,779	75,316	10,396	8,279	13,602	177,372
At 31 December 2023	<u>224,613</u>	<u>414,010</u>	<u>58,259</u>	<u>56,786</u>	<u>29,785</u>	<u>783,453</u>
Net book value						
At 31 December 2023	<u>477,003</u>	<u>195,754</u>	<u>20,136</u>	<u>12,853</u>	<u>18,685</u>	<u>724,431</u>
At 31 December 2022	<u>455,665</u>	<u>242,377</u>	<u>20,061</u>	<u>11,618</u>	<u>20,908</u>	<u>750,629</u>

As of 31 December 2023, the Company had no contractual obligations of for the acquisition of tangible assets (2022: £42,346).

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

12. Investments

Subsidiary undertakings

Cost and carrying value

£

At 31 December 2023 and 2022

100

The Company has investments in the following subsidiary undertaking.

	Registered office address	Holding	%
28 North Discovery Limited	30 Upper Street, Thame, Oxfordshire	Ordinary Shares	100

28 North Discovery Limited is incorporated in the United Kingdom. The principal activity of the company is research and development into drug discovery. During the year the business did not perform any active research.

13. Inventory

	2023	2022
	£	£
Raw materials and consumables	475,240	582,160
Finished goods	84,904	164,177
	<u>560,144</u>	<u>746,337</u>

A provision of £22,800 (2022 £nil) has been made against stock for potential reworking.

14. Debtors

	2023	2022
	£	£
Trade debtors	1,317,534	487,242
Other debtors	89,625	86,807
Other taxation & social security	-	29,023
R&D tax credit	290,365	176,566
Prepayments and accrued income	273,860	338,285
	<u>1,971,384</u>	<u>1,117,923</u>

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

15. Creditors: Amounts falling due within one year

	2023 £	2022 £
Trade creditors	780,505	365,266
Other taxation and social security	100,227	72,431
Other creditors	103	1,119
Accruals and deferred income	1,340,628	482,558
Convertible loan notes	8,627,301	-
	<u>10,848,764</u>	<u>921,374</u>

The Company has issued convertible loan notes during the year. In June 2024 with an effective date of 30 April 2024 all the Convertible loan notes were redeemed, with £11.05m converted into equity and the balance of £78k repaid to the loan note holder.

In accordance with the accounting policies described in note 1, these convertible loan notes have been recognised as a financial instrument with an element split between financial liabilities and equity within these financial statements.

As at 31 December 2023 the Company had received convertible loans with a principal value of £10.2m, the initial maturity date was 31 December 2023 and this was extended to post year end to 31 December 2024. The loans are convertible into ordinary shares of the Company in the event of a fundraising round, convertible at 1 share per £94.80 and £115.00 loan note. Interest of 5% accrued up until conversion or redemption. Using an estimated market rate for similar debt (range 17.25% - 20.0%) the company has converted the principal and interest payable between the present value of the debt portion £8.6m and convertible option reserve £2.2m

16. Provisions

	2023 £	2022 £
At 1 January 2023	29,354	104,159
Additional provision in the year	-	-
Utilisation of provision	-	(53,869)
Release of provision	-	(20,936)
At 31 December 2023	<u>29,354</u>	<u>29,354</u>
Amounts falling due in one year	<u>29,354</u>	<u>29,354</u>
Amounts falling due after more than one year	-	-

The company provides warranties for certain products sold, under which the customer is entitled to repairs or replacement. The provision for warranties is recognised at the time the product is sold, based on past experience of the level of repairs and returns and is adjusted for changes in estimates. During 2021 a provision was recognised in respect of remediation costs relating to a product compliance issue. No expense was occurred in 2023 relating to this activity.

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

17. Creditors: Amounts falling due after more than one year

	2023 £	2022 £
Convertible loan notes	-	6,884,381
	<u>-</u>	<u>6,884,381</u>

18. Share-Based Payments – Share Option Scheme

The company operates a share option scheme for its employees, under which options to purchase ordinary shares are granted. The scheme allows employees to acquire shares in the company at a predetermined price, subject to certain vesting conditions. These include sale or Asset Sale, interposition of a holding company and listing on stock exchange.

	Number of Options	Weighted Average Exercise Price
Outstanding at beginning of the year	19,964	61.77
Granted during the year	12,000	94.8
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at year-end	<u>31,964</u>	<u>63.56</u>

19. Share Issue

During the year no shares were issued. (2022: nil)

20. Called up share capital

	2023 £	2022 £
Authorised, allotted, called-up and fully paid: 387,380 ordinary shares of £0.01 each (2022: 387,380)	3,874	3,874
	<u>3,874</u>	<u>3,874</u>

CN Bio Innovations Limited

Notes to the financial statements

For the year ended 31 December 2023

21. Financial commitments

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2023 £	2022 £
- within one year	259,184	259,184
- between 2 and 5 years	1,036,734	1,036,734
- greater than 5 years	229,182	486,413
	<hr/> <hr/>	<hr/> <hr/>

22. Employee benefits

Defined contribution schemes

The Company operates a defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to profit or loss in the year ended 31 December 2023 was £121,619 (2022: £97,563). The amount outstanding at the year-end was £nil (2022: £1,650).

23. Related party transactions

During the year the Company paid £40,906 (2022 - £41,163) to MedInnovate Ltd, a company of which M S H Coleman is a director, £11,999 was outstanding as at the year-end (2022 - £nil). During the year the Company paid £3,000 (2022: £nil) to PIR limited, a company of which M S H Coleman is a director, of which £nil was outstanding as at the year-end (2022: £3,000).

During the year the Company paid £19,112 (2022 - £21,724) to David Scales, £5,885 was outstanding as at the year-end (2022 - £6,221).

During the year the Company paid £6,468 (2022 - £nil) to Zoltrix Material(Guangzhou) Ltd, a subsidiary of CN Innovations Holdings Limited. There was no outstanding balance at the year-end.

24. Post Balance Sheet events

The Company completed on the initial Series B financing round. Equity investments were received in 2 tranches, in June 2024 £12.2M (\$15.5M)) investment was received and a follow-on financing in July 2024 of £4.3M was received.

The Company has issued convertible loan notes during the year. In June 2024 with an effective date of 30 April 2024 all the Convertible loan notes were redeemed, with £11.05m converted into equity and the balance of £78k repaid to the loan note holder

During 2024 short term loan of £3.5M was received from CN Innovations Holdings Limited, the loan has an interest rate of 8% and was fully repaid in July 2024 on completion of financing round.

25. Ultimate controlling party

CN Innovations Holdings Limited (incorporated in Cayman Islands) having its registered office at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, is regarded by the directors as being the ultimate controlling party of CN Bio Innovations Limited. The results of CN Bio Innovations Limited are not consolidated into any financial statements. The immediate parent company is CN Innovations Investments Limited, having its registered office at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, VG1110, British Virgin Islands.