sirnaomics

Advancing RNAi Therapeutics

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2257

2021 ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Yang Lu (*alias* Patrick Lu)
Chairman, President and Chief Executive Officer

Dr. Michael V. Molyneaux
Chief Medical Officer

Dr. David Mark Evans
Chief Scientific Officer

Non-Executive Directors

Dr. Xiaochang Dai
Mr. Mincong Huang
Mr. Da Liu
Mr. Jiajun Lai
Mr. Jiankang Zhang

Independent Non-Executive Directors

Dr. Cheung Hoi Yu, *JP*
Mr. Fengmao Hua
Ms. Monin Ung
Ms. Shing Mo Han, Yvonne
(*alias* Mrs. Yvonne Law), *BBS, JP*

AUDIT COMMITTEE

Ms. Shing Mo Han, Yvonne (Chairman)
Mr. Fengmao Hua
Mr. Mincong Huang

REMUNERATION COMMITTEE

Ms. Monin Ung (Chairman)
Dr. Xiaochang Dai
Dr. Cheung Hoi Yu

NOMINATION COMMITTEE

Mr. Fengmao Hua (Chairman)
Dr. Yang Lu
Dr. Cheung Hoi Yu

AUTHORIZED REPRESENTATIVES

Dr. Yang Lu
Mr. Leung Ting Cheung

JOINT COMPANY SECRETARIES

Ms. Yun Zhang
Mr. Leung Ting Cheung

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Corporate Information

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COMPANY WEBSITE

www.sirnaomics.com

STOCK CODE

2257

Chairman's Statement

Dear Shareholders,

I am pleased to report to you that on December 30, 2021, Sirnaomics has completed a historical great leap forward by successfully listing on the Main Board (as a Biotech Company under Chapter 18A) of the Stock Exchange. We also welcomed four distinguished independent non-executive Directors to our Board. On this occasion, I am pleased to present to you the Company's first annual report and to report on the Group's coming development plans.

Sirnaomics is a leading US headquartered RNA therapeutics biopharmaceutical company with subsidiaries in Suzhou and Guangzhou, China. Sirnaomics is the first biopharma company specialized in RNA therapeutics and vaccines to go public on the Stock Exchange. The Company developed and established strong RNA delivery platforms, and built an enriched product pipeline, addressing oncology, fibrosis diseases, viral infections and liver metabolic diseases. Sirnaomics' leading RNAi therapeutic candidate has demonstrated positive clinical results for treatment of non-melanoma skin cancer: isSCC and BCC. These unique advantages and characters have strengthened the Company's value proposition.

Successful listing and fundraising accelerate our expansion

Our successful debut in the Hong Kong capital market raising more than HK$460 million shows that global investors have profound recognition of our leading position in the RNA industry, our strategic business model, proprietary and novel drug delivery platforms, deep and broad portfolio of product candidates and experienced management team. Together with our Series E financing completed in July 2021 and a seed round financing in April 2021 for RNAimmune, our non-wholly owned subsidiary, we raised an aggregate amount of approximately HK$1.4 billion in 2021. The Company's cash reserve was approximately HK$1.7 billion by the end of December 2021. The fresh capital infusion accelerates the R&D of our RNA technology platforms and supports our transition into a clinical-stage biopharmaceutical company with multiple clinical trials in the U.S. and China.

Technology advancement

Sirnaomics has been continuing its efforts for advancing our PNP for siRNA drug payload delivery both in vitro and in vivo. Two drug product formulations using HKP and Histidine-Lysine Co-Polymer HKP(H) peptides have been evaluated for local therapeutic treatment (STP705) in clinical trials and systemic therapeutic treatment (STP707) in the IND enabling study. We were thrilled to see the efficacy and safety readouts of these two formulations, which demonstrate the clinical potential of our siRNA therapeutic candidates. To develop Sirnaomics' proprietary GalNAc technology platforms, we have advanced our GalAhead™ technology into IND-enabling study with a leading therapeutic candidate based on a positive readout from a 33-week non-human primate study. We also compared Sirnaomics' PDoV-GalNAc platform with an industry standard GalNAc structure using a mouse disease model. The study has indicated that PDoV-GalNAc platform exhibited an early activated endosome escape activity. Given the validation of both of our proprietary PNP and GalNAc technology platforms, Sirnaomics is well positioned for the development of novel RNAi therapeutics for broad disease treatment.

Product candidates and clinical studies

STP705: With the exceptional interim result of our BCC trial announced in February 2022, we expect to further expand the clinical development of our STP705 candidate on facial isSCC based upon recommendation from our key opinion leaders. This further validates the safety and efficacy profile of STP705 in the field of NMSC. Furthermore, based on the result of our Phase IIa clinical trial of isSCC in the U.S., we plan to launch a new clinical trial for the treatment for fat sculpting in Q2 2022. We expect that our current STP705 clinical trials for the treatment for isSCC, BCC, keloid, HTS, and liver cancer may provide multiple shots for success in the field of oncology and fibrosis.

STP707: In February 2022, we saw another notable milestone for our siRNA drug candidate STP707, marking the start of the Phase I clinical trial for the treatment of solid tumors in the U.S. for evaluating of the safety, tolerability, and anti-tumor activity of STP707. We have not only provided treatments to the first two patients using STP707 in clinical trial, but also received the "safe to proceed" letter from the FDA for IND application for STP707 in PSC and started dosing healthy subjects in March 2022. These STP707 trials are expected to validate our intravenous administration formulation of our proprietary PNP delivery system and to broaden our array of indications in the field of oncology and fibrosis.

STP122G: We take pride in our proprietary RNA delivery platforms, which differentiate the Company from our counterparts in the selection of therapeutic indications. In addition to our proprietary PNP delivery platform, our GalAhead™ delivery platform conjugates GalNAc moieties to unique RNAi trigger structures while our PDoV-GalNAc delivery platform conjugates GalNAc moieties to PDoV peptide linkers and up to two siRNAs conjugated to the peptide linker. The leading GalNAc-based therapeutic candidate, STP122G, is targeting coagulation Factor XI and has demonstrated long-lasting (>33 weeks) target knockdown and therapeutic benefit in a non-human primate study. We expect to advance STP122G towards IND stage in the second half of 2022, followed by several more in 2023.

RIM730: RNAimmune, our non-wholly owned subsidiary, uses advanced and proprietary delivery platform to develop mRNA-based vaccines and therapeutics, including prophylactic vaccine, tumor vaccine and therapeutics programs. While the COVID-19 pandemic has impacted on the progress and cost of our R&D, the pandemic has accelerated the verification of the capability of our mRNA delivery platform, which will bring significant advantages over traditional vaccines in terms of safety and efficacy/potency of immune response. RNAimmune has developed a panel of COVID-19 vaccine candidates with broad immune-responsiveness to multiple strains including, among other, Delta and Omicron. RIM730 is currently under IND-enabling study following FDA guidance based on a specific response after a pre-IND package was submitted by RNAimmune. We are expecting a U.S. IND filling during 2022.

Chairman's Statement

Preclinical research and development

Sirnaomics preclinical R&D activities are highly dynamic and well-orchestrated among the headquarters and subsidiaries. The technology platform advancement and product pipeline expansion are one of the key priorities for the management team. We currently have PNP-based RNAi therapeutic programs: STP355 and STP369 for multiple cancer treatment, STP908 for COVID-19 treatment, at the IND-enabling study stage. We also have GalAhead™-based programs: STP125G for hypertriglyceridemia and STP144G for complement-mediated disease, at IND-enabling study stage. The management team is very confident that we will have multiple clinical programs (new molecule entities) moving forward for clinical studies.

Acknowledgement

Building upon our success across financial and clinical fronts, we will continue to advance the Company by strengthening our management team and enhancing global business development effort. With the tremendous support from our dedicated investors and our seasoned management team, I strongly believe that we are well positioned as a major player in the rapidly growing and transformative RNA therapeutics market given our strong presence in China and the U.S., and that we are on the right track to becoming a fully-integrated international biopharmaceutical company.

Finally, on behalf of the Board, I would like to take the opportunity to extend my sincere gratitude to all employees for their hard work and commitment to the Group during 2021, as well as to our Shareholders for their long-term trust and continued support of the Group.

Yang (Patrick) Lu, Ph.D.
Chairman of the Board, Executive Director, President and Chief Executive Officer

A summary of the consolidated results and financial position of the Group for the last three financial years[1] is set out below:

	For the year ended December 31,		
	2021	2020	2019
	US$'000	US$'000	US$'000
Consolidated Results			
Other income	**350**	771	440
Other gains and losses	**(244)**	255	368
Changes in fair value of financial liabilities at fair value through profit or loss	**(146,038)**	(17,574)	(2,584)
Administrative expenses	**(16,120)**	(5,157)	(4,667)
Research and development expenses	**(40,673)**	(14,894)	(10,213)
Impairment losses reversed (recognized) under expected credit loss model, net	**—**	242	(242)
Listing expenses	**(12,192)**	(885)	—
Other expenses	**(678)**	(8,943)	—
Finance costs	**(339)**	(243)	(229)
Loss for the year	**(215,934)**	(46,428)	(17,127)

	As at December 31,		
	2021	2020	2019
	US$'000	US$'000	US$'000
Consolidated Financial Position			
Total non-current assets	**16,842**	5,047	3,410
Total current assets	**223,805**	105,137	21,413
Total current liabilities	**(16,228)**	(94,099)	(2,797)
Total non-current liabilities	**(14,131)**	(110,265)	(70,978)
Net assets/(liabilities)	**210,288**	(94,180)	(48,952)
Reserves/(deficits) attributable to owners of the Company	**211,615**	(94,433)	(51,754)
Non-controlling interests	**(1,327)**	253	2,802
Total equity/(deficits)	**210,288**	(94,180)	(48,952)

Note:

(1) Three-year financial summary is presented as the Shares were listed on the Main Board of the Stock Exchange under Chapter 18A of the Listing Rules on December 30, 2021.

Management Discussion and Analysis

BUSINESS OVERVIEW

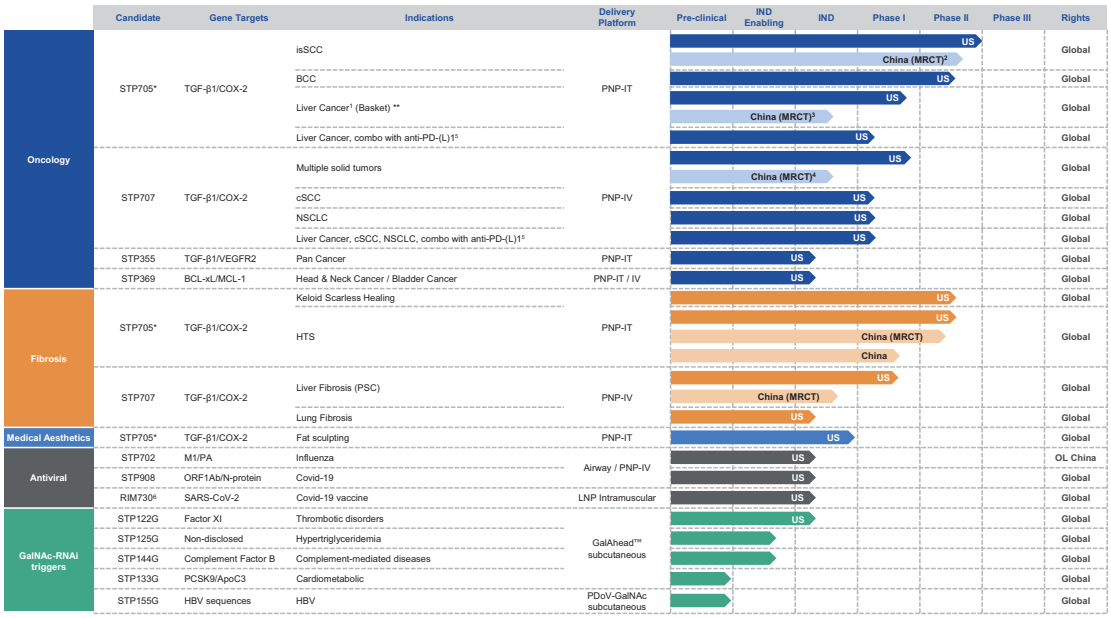
Founded in 2007, our mission is to become a fully-integrated international biopharmaceutical company, leveraging our deep experience in RNA therapeutics and novel delivery platform technologies to rapidly discover, develop and, if approved, commercialize a portfolio of transformative therapeutics and vaccines for patients suffering from a wide range of both rare and large market diseases. We intend to solidify our leadership position in RNA therapeutics by expanding the capabilities of our proprietary delivery platforms to overcome the current barriers to the delivery of RNAi triggers and mRNA and unlock their therapeutic potential.

We aim to focus initially on oncology and fibrosis, and then expand to anticoagulant therapies, cardiometabolic disease, complement mediated disease and viral infections. Our goal is to unlock the full potential of RNA therapeutics to address human diseases with high unmet medical need.

We have built an international professional team for discovery and development of RNAi therapeutics and mRNA vaccines and therapeutics based on our proprietary drug delivery technology platforms. Our target market is global with our current focus specifically on the U.S. and China markets, which are supported by our R&D capabilities and manufacturing facilities in both countries. We are adopting a clinical development strategy to conduct clinical trials for our product candidates initially in the U.S. and then to extend those trials globally.

Pipeline

Sirnaomics is advancing a deep and broad portfolio of product candidates, including our seven ongoing clinical trials in the U.S. for our two lead product clinical drug candidates, STP705 and STP707, and at least 16 other products currently in preclinical studies, of which seven are expected to be in clinical stage in the near future.



Notes: * denotes our core product ** denotes orphan drug

1. Liver cancer (basket) includes CCA, HCC, liver metastases etc.
2. We filed our IND in China in June 2021, which is currently awaiting approval from NMPA, for study sites in China. The study sites will be part of global multicenter clinical trials for our Phase IIb clinical trial for isSCC.
3. We expect to file the IND in China as part of the global multicenter clinical trials.
4. We expect to file the IND solely for HCC in China as part of the global multicenter clinical trials.
5. Studies in combination with anti-PD-(L)1 inhibitors conducted pursuant to collaborations with Innovent and Shanghai Junshi.
6. R&D conducted by RNAimmune.

Abbreviations: isSCC = squamous cell carcinoma in situ; BCC = basal cell carcinoma; cSCC = cutaneous squamous cell carcinoma; NSCLC = non-small cell lung cancer; CRC = colorectal carcinoma; HTS = hypertrophic scar; PSC = primary sclerosing cholangitis; PNP = our polypeptide nanoparticle (PNP) RNAi delivery platform; PNP-IT = PNP platform formulated for intratumoral administration; PNP-IV = PNP platform formulated for intravenous administration; GalAhead = our GalNAc RNAi delivery platform that conjugates GalNAc moieties to RNAi triggers; PDoV-GalNAc = our GalNAc RNAi delivery platform that conjugates GalNAc moieties to Peptide Docking Vehicle (PDoV) peptide linkers and up to two siRNAs to the peptide; LNP = lipid nanoparticle (LNP) formulation for delivery of mRNA; HPV = human papilloma virus; HBV = hepatitis B virus; OL China = out-licensed mainland China, Hong Kong, Macau and Taiwan rights under agreement with Walvax but we retain the rights for rest of the world; MRCT = multi regional clinical trial in which we will be the sponsor for all clinical trial sites; ID = Intradermal.

STP705

STP705 is a dual TGF-ß1/COX-2 inhibitor with intratumoral administration, intradermal and subcutaneous administration. TGF-ß1 and COX-2 are known in the scientific literature as gatekeeper targets for oncology and fibrosis disease drug development. TGF-ß1 regulates a broad range of cellular processes, including cell proliferation, differentiation, apoptosis, extracellular matrix production, angiogenesis, inflammation and immune response, while COX-2 is a proinflammatory and proliferative mediator. We are developing STP705 for Non-Melanoma Skin Cancers, including isSCC and BCC, keloid, HTS and solid liver tumors.

We may not be able to ultimately develop and market our core product STP705 successfully.

STP707

STP707 is a dual TGF-ß1/COX-2 inhibitor which is administered intravenously for treatment systemically, including solid tumors or fibrotic tissue in the liver or lung. We are also developing combination therapies with STP707 and immune check point inhibitors and other novel oncology drugs currently used as treatments for solid tumor, including liver cancer, metastatic cSCC and NSCLC.

Other Preclinical Candidates

We are developing a number of IND-enabling and preclinical candidates. We are evaluating seven of our innovative product candidates in IND-enabling preclinical studies and are evaluating more than seven of our product candidates in earlier stage studies.

Our pipeline currently in preclinical studies covers a range of therapeutic indications, including treatments for influenza, HBV, HPV and COVID 19 infections; treatments for cardiometabolic, blood and complement-mediated diseases; pancreatic cancer, colon cancer and other cancer treatments; and fat sculpting for medical aesthetics.

STP355

STP355 comprises siRNA simultaneously targeting TGF-ß1 and VEGFR2, a target gene well-validated for its involvement in tumor angiogenesis and metastasis, formulated using our PNP delivery platform for systemic administration. We are developing STP355 for the treatment of multiple cancer types, including breast cancer, melanoma and colorectal cancer.

STP908

STP908 comprises siRNA targeting the SARS-CoV-2 ORF1Ab and N-protein genes formulated with our PNP delivery platform. We have previously collaborated with researchers at the Boston University National Emerging Infectious Disease Laboratory on preclinical R&D relating to STP908. We are developing STP908 for the treatment of COVID-19 and other diseases caused by SARS coronaviruses for intravenous and inhalation administration. STP908 is directed to providing prophylactic options for uninfected people as well as therapeutic options for patients to both prevent hospitalization or treat hospitalized patients.

STP369

STP369 comprises siRNAs targeting BCL-xL and MCL-1, which are both validated tumorigenesis-associated genes, and formulated with our PNP delivery platform for intravenous or intra-tumoral injection administration. We are developing STP369 for the treatment of head and neck cancer and bladder cancer. We are also exploring use of STP369 in combination therapy with platinum-based chemotherapy (cisplatin) — due to its widespread use in treating patients — to evaluate the potential for STP369 to improve the efficacy of cisplatin or replace its use.

STP122G

STP122G comprises RNAi triggers targeting Factor XI and formulated with our GalAhead™ (GalNAc-based) delivery platform for subcutaneous administration. We are developing STP122G as an anticoagulant therapeutic.

STP125G

STP125G comprises RNAi triggers targeting formulated with our GalAhead™ delivery platform for subcutaneous administration. We are developing STP125G for use in treating hypertriglyceridemia. We maintain the global rights to develop and commercialize STP125G.

STP144G

STP144G comprises RNAi triggers targeting Complement Factor B, formulated with our GalAhead™ delivery platform for subcutaneous administration. We are developing STP144G for use in treating complement-mediated diseases. We maintain the global rights to develop and commercialize STP144G.

RIM730

RIM730, developed by RNAimmune, our non-wholly owned subsidiary, comprises mRNA coding for SARS-CoV-2 full length spike protein from the Delta variant formulated with LNP delivery technology for intramuscular administration.

Delivery Platforms

Our proprietary delivery platforms include our PNP delivery platform, useful for intratumoral or intravenous administration of RNAi therapeutics to targets beyond liver hepatocyte cells; our GalNAc RNAi delivery platforms for systemic administration of RNAi therapeutics to the liver hepatocytes; as well as our LNP and PLNP delivery platforms for administration of mRNA vaccines and therapeutics.

We exclusively in-licensed core patents covering our PNP delivery platform at an early stage and have conducted R&D in-house to enhance our PNP delivery platform and adapt it for formulating novel RNA therapeutics to treat a range of therapeutic indications. We obtained global rights for our PNP delivery technology. We have developed in-house and own the global rights to GalNAc RNAi delivery platforms.

We have also developed a proprietary platform that combines the well characterized therapeutic molecule Gemcitabine into the backbone of an siRNA that improves the potency and efficacy of Gemcitabine as an anticancer therapeutic. The molecule provides a single construct that can be delivered to a cell using our PNP or a targeted delivery agent. We have demonstrated potent effects against pancreatic tumor cells as xenografts when delivered intravenously (IV) and in other cancers such as triple negative breast cancer and ovarian cancer we have demonstrated potency and efficacy of the constructs in vitro studies.

Manufacturing

We have developed manufacturing processes that are capable of large, commercial-scale GMP-compliant manufacturing of our product candidates. Our protein nanoparticle manufacturing technology uses microfluidic technology that is scalable from R&D level to clinical supply as well as commercialization for multiple indications, delivering high-quality products at low cost. We are also continuing to explore partnerships on next generation mixing technologies for future commercial applications.

Our GalAhead™ platform relies on established and commercialized clinical production and commercial manufacturing platforms.

We have continued to expand our external capacity to include CDMO both in the U.S. and in China to meet both our clinical production as well as future commercial manufacturing needs. Our Guangzhou Facility was commissioned in late December 2021 and has commenced the production to support multiple programs in the first quarter of 2022, producing materials for both non-clinical and clinical programs.

BUSINESS REVIEW

Capitalizing on our drug delivery technology platforms, excellent proof of concept data from our Phase IIa clinical trial for the treatment of isSCC and financial support from our investors, Sirnaomics has expanded a number of clinical trials in the U.S.

Clinical Development

STP705

In January 2021, we performed dose administration for our first patient for the treatment of BCC in the U.S. Our Phase II clinical trial evaluates the safety and efficacy of intralesional injection in adult patients with cutaneous BCC confirmed with biopsy samples in an open-label, dose escalation study of at least 15 patients. Participants will receive injections of STP705 once a week for up to six weeks. The primary endpoint for the study is to evaluate patients for complete histological clearance of the tumor cells within the treated BCC lesion with secondary endpoints, evaluating subjects for investigational product treatment related adverse events, as well as serious adverse events, and cutaneous skin reactions. On February 23, 2022, we announced interim data from the trial, which examined results from three cohorts with 15 total subjects, showed a dose response with complete response, as well as improved or stable cosmetic result with no significant cutaneous skin reactions. Interim data also suggests a favorable safety profile as there are no drug related adverse events or serious adverse events.

In March 2021, we initiated a Phase I clinical trial in the U.S. to develop STP705 for the treatment of HCC and CCA using intra-tumoral injection via computerized tomography guided treatment. This is an open-label, dose escalation study of up to 50 patients who have previously failed multiple rounds of standard of care therapy. Up to 30 subjects will be enrolled (6 per cohort), and will be administered injections on day 1, 8, 15 of a 28-day cycle.

In April 2021, we initiated Phase I/II clinical trials with STP705 for the treatment of keloid scarless healing in the U.S. Our Phase I/II clinical trial for STP705 for keloid scarless healing will evaluate the safety and efficacy of various doses of STP705 when injected intradermally into a keloid excision site to prevent the recurrence of keloids in adult patients in a randomized, double-blind, multiple-arm, controlled study in 50 patients. The primary endpoint of this trial is to measure the rate of recurrence in patients who have undergone keloidectomy surgery alone (receiving placebo) versus surgery and administration of STP705 at three months, six months, and 12 months post-surgical excision. We performed dose administration for our first patient in the U.S. in May 2021.

We have obtained excellent readouts of Phase IIa clinical trial of STP705 for the treatment of isSCC. Overall, 76% of subjects across all groups (25 subjects) achieved complete histological clearance. Dosing groups 30 ug and 60 ug, (9/10 subjects), 90% of them have achieved complete histological clearance. No significant cutaneous skin reactions and no treatment related AE's or SAE's. Skin Response Scores improved in 4/5 dosing cohorts and there were no dose limiting toxicities noted in the study population. We initiated Phase IIb clinical trial for the treatment of isSCC in May 2021 in the U.S. Our Phase IIb clinical trial further evaluates the two most efficacious dosing regimens identified in our Phase IIa clinical trial in a randomized, double-blind, placebo-controlled study in up to 100 adult patients with isSCC. We have performed dose administration for our first patient in the U.S. in June 2021.

STP707

In November 2021, we filed an IND for PSC, a rare form of liver fibrosis in the U.S. In February 2022, we further announced the receipt of the "safe to proceed" letter from the FDA for the IND application for STP707 in PSC. The Phase I study is to evaluate the safety, tolerability, and pharmacokinetics of STP707, administered intravenously in healthy volunteers. We have performed dose administration for our first patient in March 2022.

In February 2022, we announced the launch of a Phase I clinical trial for the treatment of solid tumor in the U.S. The first three patients in the clinical trial have received treatment. The Phase I clinical trial, which is a multi-center, open label, dose escalation, and dose expansion study, evaluates the safety, tolerability and anti-tumor activity of STP707. Thirty participants with advanced solid tumors, who have been unresponsive to standard therapies, will be enrolled in dose escalation. Once maximum tolerated dose or recommended Phase II dose has been established, up to 10 additional patients will be enrolled to confirm safety and explore anti-tumor activities. The study encompasses five cohorts who will receive one of five escalating doses of STP707 through IV administration on a 28-day cycle. The primary endpoints are to determine maximum tolerated dose and establish dosage recommendations for future Phase II studies. Additional secondary endpoints are to determine the pharmacokinetics of STP707, and to observe preliminary anti-tumor activities.

STP707 takes advantage of a dual-targeted inhibitory property and a PNP-enhanced targeted delivery to solid tumors and metastatic tumors via intravenous administration. An initial preclinical study has demonstrated that simultaneously knocking down TGF-ß1 and COX-2 gene expression in the tumor microenvironment increases active T cell infiltration. A further combination study demonstrated synergistic anti-tumor activity between STP707 and a PD-L1 antibody using a mouse orthotopic liver cancer model.

Early-stage Assets Progress

We are developing a number of IND-enabling and preclinical candidates based on our proprietary delivery platforms including PNP delivery platform, GalNAc RNAi delivery platforms, LNP and PLNP delivery platforms.

Selected assets from PNP delivery platform	Expected time to file U.S. IND
STP355	1H 2023
STP908	1H 2023
STP369	1H 2023
Selected assets from GalNAc delivery platforms	
STP122G	2H 2022
STP125G	1H 2023
STP144G	1H 2023
Selected assets from RNAimmune	
RIM730	2H 2022

Establishment of our Fill and Finish Plant Facility in Guangzhou

In December 2021, our Guangzhou Facility completed its full commissioning tasks with the media fill simulation three times in succession followed by trial run success of STP705 product in lyophilized solid dose.

We have commenced GMP production starting in first quarter of 2022. The Guangzhou Facility is expected to be in full GMP-compliant manufacturing of our pipeline products, including formulation, fill and finish, test and releasing. An anticipated annual capacity of producing around 50,000 vials of lyophilized human injectables is sufficient to support clinical trials we have currently planned.

Intellectual Property

Our developments covering the PNP delivery platform itself (without regard to any particular product or product family) are covered by three pending patent applications that were filed in 2021 and are exclusively owned by us. Two of our licensed patents which are directed to and protect our PNP delivery platform expired in September 2021, however our strategy enables us to continue using our delivery platform in selected indications.

The GalAhead™ program is protected by multiple patent applications. Two families of internationally-filed patents protect the platform generally, while further applications protect embodiments of the platform directed to specific molecular targets. STP122G and STP144G are each protected by patent applications having claims that cover GalAhead™ constructs targeting Factor XI and Complement Factor B, respectively. STP125G is protected by patent applications having claims that cover compositions and methods for treating hypertriglyceridemia. One additional patent application has been filed having claims encompassing claims directed to an additional target.

Collaboration

In April 2021, Suzhou Sirnaomics, an indirect wholly-owned subsidiary of the Company, and US Sirnaomics, a wholly-owned subsidiary of the Company (Suzhou Sirnaomics and US Sirnaomics together, the "**Sirnaomics Party**") and Walvax entered into a co-development and license agreement to co-develop siRNA drugs targeting the influenza virus (the "**Target Drug**"). Walvax is a biopharmaceutical company specialized in R&D, manufacturing and distribution of vaccines and is an investor in our Series D Financing in 2020.

Under the co-development and license agreement, the Sirnaomics Party granted to Walvax the exclusive rights in the Target Drug in mainland China, Hong Kong, Macau and Taiwan (the "**Territory**"), including but not limited to clinical development, registration, manufacturing, and commercialization. The Sirnaomics Party retains non-exclusive rights to the relevant technologies developed in relevant fields of the Target Drug and to apply those technologies in the Territory for R&D purposes only. The Sirnaomics Party retains the exclusive rights for the Target Drug outside the Territory.

RNAimmune's Completion of Fundraising Rounds

In April 2021, RNAimmune secured a US$10 million Series Seed round to accelerate its R&D into mRNA vaccine and drug discovery focusing on infectious disease, cancer, and rare diseases.

In March 2022, RNAimmune announced the signing of definitive agreements for its approximately US$27 million Series A round fundraising to accelerate its R&D of mRNA vaccine and drug discovery focused on infectious disease, cancer, and rare diseases.

Fueled by the fresh capital, RNAimmune is also advancing its Pan-RAS tumor vaccine program in collaboration with the University of California, Los Angeles, and prophylactic HSV vaccine program in collaboration with the University of Houston.

Impact of COVID-19

The COVID-19 pandemic had some adverse impact on our business operations and financial performance for the year ended December 31, 2021, because there had been some material and prolonged disruption of our ongoing clinical or preclinical trials due to (i) special work arrangements of our R&D staff and relevant government authorities in China and in the U.S.; (ii) fewer patients attending hospitals or clinics for trials; as well as (iii) shortage and higher cost of laboratory monkeys driven by the pandemic-related research.

FUTURE AND OUTLOOK

At Sirnaomics, we endeavor to make a meaningful contribution to the biopharmaceutical value chain, lead the development of new classes of innovative treatments, and most importantly, measurably improve the lives and wellbeing of patients worldwide.

In 2022, we have set clearly defined business priorities and initiatives, which we describe below.

Advance development of our lead product candidates STP705 and STP707 through clinical trials toward market approvals in a broad range of indications in the U.S. and China

Our top priority is commercializing STP705 for the treatment of isSCC. While we are conducting trials in the U.S. and expecting Phase IIb interim data readout of STP705 for the treatment of isSCC in the second half of 2022, we are anticipating a roll-out of trials globally.

To prepare for the roll-out, we have already built our clinical team in China and started discussion with CROs. To get ready for market approvals for the STP705, we have started exploring potential partnership and establishing our in-house sales and marketing team to lead the sales effort.

To de-risk our STP705 candidate, we have expanded to treat other indications such as BCC, keloid, HTS and liver cancer and will be expanding to facial isSCC and fat sculpting in the U.S. We are expecting interim data for isSCC, liver cancer and final readout for BCC in the second half of 2022. The human clinical data from these trials will further validate our technology platform and selection of targets for STP705. We are electing to move forward with our HTS clinical trial program in China due to the larger pool of potential clinical trial subjects compared to the U.S. and expect to file an IND for HTS in China in the second half of 2022.

Sirnaomics' clinical strategy is to first obtain proof of concept data from STP705. With the accumulation of successful human clinical data from STP705 for the treatment for isSCC, we have commenced our clinical trials for STP707 which expand its therapeutic reach using systemic administration as a modality, opening up more opportunities to treat other oncology indications which could not be addressed by STP705.

We initiated patient dosing for STP707 for the treatment for multiple solid tumors in the first quarter of 2022 and we expect to release interim data in the second half of 2022.

We also further study the application of STP707 for treatment in patients with PSC, a rare disease with limited medical options. With the completion of an IND filing and the "safe to proceed" letter from the FDA, we have commenced a clinical trial of STP707 for the treatment of PSC in March and expect to release interim data in the first half of 2023.

Develop more innovative first-in-class preclinical asset into clinical stage

We are developing a number of IND-enabling and preclinical candidates in our rich pipeline. We are evaluating seven of our innovative product candidates in IND-enabling preclinical studies and are evaluating more than seven of our product candidates in earlier stage studies. We expect to bring STP122G and RIM730 to U.S. IND stage in second half of 2022.

STP122G will be the first representative candidate for GalAhead™ delivery platform to enter into clinical stage, targeting Factor XI for subcutaneous administration. We are developing STP122G as an anticoagulant therapeutic.

In addition, we are exploring partnership opportunities in relation to our GalAhead™ delivery platform which is a proven technology in the U.S. to accelerate the development of multiple assets on the platform.

The injection of fresh capital through the Series A round fundraising enables RNAimmune to advance to IND filing for RIM730 with the FDA in the second half of 2022 and accelerate the development of its novel PLNP delivery platform, modifying our PNP delivery platform to combine proprietary HK peptides with ionizable amino lipids for encapsulation of mRNA for novel mRNA vaccines and therapeutics.

We believe the combination of the HK polypeptide and liposome components in the PLNP improve the efficiency of cellular delivery of the mRNA cargo through better endosomal escape once the PLNP enters the cell.

Plan to establish a commercial site in China

To secure our product supply and meet potential business demands, we may adopt a hybrid manufacturing model in the future that primarily utilizes our in-house manufacturing capabilities while employing CMOs for the manufacturing of our drug products.

In that effort, we are exploring to build a commercial scale manufacturing facility in China which will supply products to meet future commercial needs.

Selectively pursue synergistic collaboration opportunities to maximize the potential of our clinical product candidates

Our strategy and business development team explores global and local cooperation opportunities with other industry players, specifically for our lead products STP705 and STP707, together with our preclinical assets, including STP122G, generated from our GalAhead™ delivery platform.

These opportunities may include co-development, in-licensing and out-licensing arrangements. We have a proven track record of collaborating with biopharmaceutical and biotechnology companies across the globe which underscores our industry recognition and paves the way for long-term collaborations.

We are evaluating partnership options to maximize market potential of our products. We intend to seek partners by setting comprehensive selection criteria, primarily including commercialization teams with extensive biopharmaceutical industry backgrounds, superior track record in commercialization partnership, and recognition of our vision and commitment to our pipeline products. We aim to gain market coverage by leveraging our current and future business partners' expertise and business network.

Impact of COVID-19

We cannot foresee when the COVID-19 pandemic will become completely under control and therefore the aforementioned impacts on our business will remain. We are monitoring the COVID-19 situation as well as various regulatory and administrative measures adopted by local governments closely and will adjust our strategy and precautionary measures accordingly.

FINANCIAL REVIEW

	2021 US$'000	2020 US$'000
Other income	**350**	771
Other gains and losses	**(244)**	255
Changes in fair value of financial liabilities at FVTPL	**(146,038)**	(17,574)
Administrative expenses	**(16,120)**	(5,157)
Research and development expenses	**(40,673)**	(14,894)
Impairment losses reversed under expected credit loss model, net	**–**	242
Listing expenses	**(12,192)**	(885)
Other expenses	**(678)**	(8,943)
Finance costs	**(339)**	(243)
Loss before tax	**(215,934)**	(46,428)
Income tax expense	**–**	–
Loss for the year	**(215,934)**	(46,428)

Overview

For the year ended December 31, 2021, the Group did not generate any revenue from product sales. The Group recorded a loss of US$215.9 million for the year ended December 31, 2021, as compared with US$46.4 million for the year ended December 31, 2020.

Substantially all of the Group's net losses resulted from changes in fair value of financial liabilities at FVTPL, research and development expenses, administrative expenses and listing expenses.

Revenue

For the year ended December 31, 2021, the Group did not generate any revenue from product sales and did not recognize revenue from the co-development and license agreement entered into with Walvax.

Other Income

The Group's other income primarily consists of: (i) government grants, primarily representing cash incentives to support the Group's research and development in the PRC, as well as the waiver of a governmental loan repayment in the U.S. as a result of the COVID-19 pandemic; (ii) interest income from restricted bank balances and bank balances; and (iii) consultancy income, which the Group generated mainly from providing research and development consultancy services.

For the year ended December 31, 2021, the other income of the Group decreased to US$0.4 million representing a reduction of US$0.4 million, or 55%, from US$0.8 million for the year ended December 31, 2020. The decrease was primarily because the Group obtained a waiver of governmental loan repayment of US$0.5 million in November 2020 as a result of the COVID-19 pandemic.

Other Gains and Losses

The Group's other gains and losses primarily consist of: (i) changes in fair value of structured deposits; and (ii) net foreign exchange gains or losses.

For the year ended December 31, 2021, the other gains and losses of the Group decreased to a loss of US$0.2 million representing a reduction of US$0.5 million, or 196%, from a gain of US$0.3 million for the year ended December 31, 2020. The decrease was primarily due to increase of net foreign exchange losses of US$0.5 million from US$0.1 million for the year ended December 31, 2020 to US$0.6 million for the year ended December 31, 2021.

Changes in Fair Value of Financial Liabilities at FVTPL

The Group's changes in fair value of financial liabilities at FVTPL mainly represent changes in fair value of: (i) preferred shares; (ii) Series C Warrants; (iii) convertible loans issued by Suzhou Sirnaomics to Series D investors; (iv) SAFE issued by RNAimmune to non-controlling shareholders of RNAimmune in August and September 2020; and (v) series seed preferred shares of RNAimmune.

For the year ended December 31, 2021, the loss on changes in fair value of financial liabilities at FVTPL of the Group increased to US$146.0 million, representing a growth of US$128.4 million, or 731%, from US$17.6 million for the year ended December 31, 2020, primarily due to the higher increase in the valuation of the preferred shares as a result of a higher increase in the valuation of the Company.

Administrative Expenses

The following table sets forth the components of the Group's administrative expenses for the years indicated:

	Year ended December 31,		
	2021	2020	Changes
	US$'000	US$'000	%
Directors' emolument and staff costs	**8,144**	1,931	322%
Professional and consultancy fees	**5,297**	1,738	205%
Traveling expenses	**400**	275	45%
Other office expenses	**913**	417	119%
Depreciation of property and equipment and right-of-use assets	**327**	224	46%
Marketing and business development	**215**	73	195%
Insurance	**207**	60	245%
Others	**617**	439	41%
Total	**16,120**	5,157	213%

The Group's administrative expenses primarily consist of: (i) directors' emolument and staff costs relating to the Group's administrative staff; and (ii) professional and consultancy fees, mainly representing financial accounting service fees and legal fees for patent-related and general corporate advisory services.

For the year ended December 31, 2021, the administrative expenses of the Group increased to US$16.1 million, representing a growth of US$10.9 million, or 213%, from US$5.2 million for the year ended December 31, 2020. The increase was primarily attributable to: (i) directors' emolument and staff costs in relation to the Group's administrative staff to support business expansion; and (ii) professional and consultancy fees.

Research and Development Expenses

The following table sets forth the components of the Group's research and development expenses for the years indicated:

	Year ended December 31,		
	2021	2020	Changes
	US$'000	US$'000	%
Directors' emolument and staff costs	**16,537**	4,419	274%
Chemistry, manufacturing and controls expenses	**6,665**	4,148	61%
Materials consumed	**3,239**	933	247%
Clinical trials expenses	**4,510**	1,266	256%
Preclinical test expenses	**5,845**	1,962	198%
Consultancy fee	**1,725**	1,115	55%
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	**1,303**	819	59%
Others	**849**	232	266%
Total	**40,673**	14,894	173%

The Group's research and development expenses primarily consist of: (i) directors' emolument and staff costs relating to the research and development staff; (ii) chemistry, manufacturing and controls expenses; (iii) clinical trials expenses, mainly in relation to the engagement of CROs; and (iv) preclinical test expenses, mainly in relation to the engagement of preclinical CROs.

For the year ended December 31, 2021, the research and development expenses of the Group increased to US$40.7 million, representing a growth of US$25.8 million, or 173%, from US$14.9 million for the year ended December 31, 2020. The increase was primarily attributable to: (i) directors' emolument and staff costs in relation to the Group's research and development staff; and (ii) clinical trials expenses and preclinical test expenses. Such increases were in line with the Group's continuous research and development efforts to support the Group's steadily advancing and expanding pipeline of drug candidates.

Listing Expenses

Listing expenses represent professional fees, underwriting commissions and other fees incurred in connection with the Listing on the Hong Kong Stock Exchange on December 30, 2021. For the years ended December 31, 2021 and 2020, the Group recorded listing expenses charged to profit or loss of US$12.2 million and US$0.9 million, respectively. Upon the Listing, listing expenses of US$4.1 million were capitalized.

Other Expenses

The following table sets out a breakdown of the Group's other expenses for the years indicated:

	Year ended December 31,	
	2021	2020
	US$'000	US$'000
Loss on terminating a collaboration agreement	**–**	7,679
Issuance costs of financial liabilities at FVTPL	**678**	1,246
Others	**–**	18
	678	8,943

The Group's other expenses primarily consist of: (i) loss on termination of a collaboration agreement ("**Collaboration Agreement**") in 2020, representing the payment to Xiangxue in 2020 upon the termination of the Collaboration Agreement; and (ii) issuance costs of financial liabilities at FVTPL, mainly professional and consultancy fees in relation to the issuance of convertible loans to the Series D investors, SAFE and Series E preferred shares.

For the year ended December 31, 2021, the other expenses of the Group decreased to US$0.7 million representing a reduction of US$8.2 million, or 92%, from US$8.9 million for the year ended December 31, 2020. The decrease was primarily attributable to the loss on termination of the Collaboration Agreement in 2020 while no such loss was incurred in 2021.

Finance Costs

The Group's finance costs were primarily interests on lease liabilities.

For the year ended December 31, 2021, the finance costs of the Group increased by US$0.1 million, or 40%, to US$0.3 million from US$0.2 million for the year ended December 31, 2020. This increase was primarily due to the increase in the interest on lease liabilities.

Income Tax Expense

No Hong Kong profits tax, U.S. corporate income and state taxes or China enterprise income tax were provided as the group entities had no assessable profits during the year ended December 31, 2021.

Loss for the Year

The Group's loss for the year increased from US$46.4 million for the year ended December 31, 2020 to US$215.9 million for the year ended December 31, 2021. Such increase in loss is primarily attributable to: (i) increase in loss on changes in fair value of financial liabilities at FVTPL; (ii) increase in research and development expenses; (iii) increase in administrative expenses; and (iv) increase in listing expenses.

Cash flows

	2021 US$'000	2020 US$'000
Net cash used in operating activities	**(56,973)**	(18,999)
Net cash (used in) from investing activities	**(6,035)**	8,393
Net cash from financing activities	**170,964**	100,368
Net increase in cash and cash equivalents	**107,956**	89,762
Cash and cash equivalents at January 1	**103,122**	9,949
Effect of foreign exchange rate changes	**916**	3,411
Cash and cash equivalents at December 31	**211,994**	103,122

Net cash used in operating activities for the year ended December 31, 2021 increased to US$57.0 million, representing an increase of US$38.0 million, or 200%, from US$19.0 million for the year ended December 31, 2020. This increase was primarily due to the expansion of the Group's research and development activities, general corporate and administrative activities and listing expenses incurred in connection with the Listing.

Net cash used in investing activities for the year ended December 31, 2021 amounted to US$6.0 million, which primarily consisted of purchase and deposits paid for: (i) property and equipment of US$5.1 million; and (ii) intangible assets of US$0.8 million. Net cash from investing activities for the year ended December 31, 2020 amounted to US$8.4 million, which primarily consisted of: (i) proceeds from redemption of structured deposits of US$88.8 million, partially offset by the placement of structured deposits of US$78.4 million; and (ii) purchase and deposits paid for property and equipment of US$2.1 million.

Net cash from financing activities for the year ended December 31, 2021 increased to US$171.0 million, representing an increase of US$70.6 million, or 70%, from US$100.4 million for the year ended December 31, 2020. This increase was primarily due to proceeds from issuance of Series E preferred shares of US$106.2 million and proceeds from the Listing of US$63.7 million raised during the year ended December 31, 2021, while proceeds from issuance of Series D preferred shares of US$104.0 million were raised during the year ended December 31, 2020.

Liquidity and Source of Funding and Borrowing

The Group's management monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations. The Group relies on equity and debt financing as the major source of liquidity. The Group had no bank borrowings as at December 31, 2021.

As at December 31, 2021, the Group had unutilized banking facilities of US$3.9 million.

As at December 31, 2021, the Group's cash and cash equivalents increased to US$212.0 million from US$103.1 million as at December 31, 2020. The increase primarily resulted from the proceeds from issuance of Series E preferred shares and proceeds from the Listing.

As at December 31, 2021, the current assets of the Group were US$223.8 million, including bank balances and cash of US$212.0 million and other current assets of US$11.8 million. As at December 31, 2021, the current liabilities of the Group were US$16.2 million, including trade and other payables of US$14.1 million, contract liability of US$0.8 million and lease liabilities of US$1.3 million.

As at December 31, 2021, the Group improved from its net liabilities position of US$94.2 million as of December 31, 2020 to net assets of US$210.3 million as of December 31, 2021, primarily due to (i) increase in bank balances and cash from US$103.1 million as of December 31, 2020 to US$212.0 million as of December 31, 2021; and (ii) decrease in financial liabilities at FVTPL from US$196.8 million as of December 31, 2020 to US$8.4 million as of December 31, 2021 primarily due to the conversion of preferred shares to ordinary shares of the Company upon the Listing.

Key Financial Ratios

The following table sets out the Group's key financial ratio as of the dates indicated:

	As at December 31,	
	2021	2020
	%	%
Current ratio	**1,379.1**	111.7

Note: Current ratio represents current assets divided by current liabilities as of the same date.

Material Investments

The Group did not make any material investments during the year ended December 31, 2021.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the year ended December 31, 2021.

Pledge of Assets

As at December 31, 2021, the Group had total US$63,000 of restricted bank deposits pledged to secure its banking facilities.

Contingent Liabilities

As at December 31, 2021, the Group did not have any material contingent liabilities.

Foreign Exchange Exposure

Certain bank balances, deposits and other receivables and trade and other payables denominated in foreign currency of respective group entities expose the Group to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration

As at December 31, 2021, the Group, including RNAimmune, had a total of 175 employees. The following table sets forth the total number of employees by function as of December 31, 2021:

	Number of Employees
Management	11
Research	82
Manufacturing	31
Clinical and Regulation	10
General and Administrative	41
Total	**175**

The total remuneration cost incurred by the Group for the year ended December 31, 2021 was US$24.7 million (including share-based payment expense of US$11.3 million), as compared to US$6.4 million (including share-based payment expense of US$1.0 million) for the year ended December 31, 2020. The remuneration of the employees of the Group comprises salaries and other allowances, retirement benefit scheme contributions, share-based payment expense as well as performance and discretionary bonus.

As required by relevant laws and regulations, the Group participates in various employee social security plans for the employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work-related injury insurance and unemployment insurance.

The Company has adopted the Pre-IPO Equity Incentive Plan to incentivize eligible employees, details of which are set out in the section headed "Report of the Directors — Pre-IPO Equity Incentive Plan" in this annual report.

EXECUTIVE DIRECTORS

Dr. Yang Lu (*alias* **Patrick Lu**) (陸陽) ("**Dr. Lu**"), aged 66, is the founder, the Chairman of the Board, an executive Director, the President and the Chief Executive Officer of the Group. Dr. Lu has led the Company from an early discovery effort to an siRNA therapeutics product company, with multiple programs currently at clinical stage. Dr. Lu participates in the decision-making on major issues concerning the Company through the Board. Dr. Lu is a member of the Nomination Committee.

Prior to establishing the Group, Dr. Lu served as a lab head and senior scientist at Genetic Therapy, Inc., a Novartis company in the U.S. from April 1994 to April 2000, and worked at Digene Corporation in the U.S. from May 2000 to May 2001. In June 2001, Dr. Lu co-founded Intradigm Corp. in the U.S. and served as the executive vice president and led research and development until January 2007.

Historically, Dr. Lu had also served as a senior scientific advisor for the South China Biotechnology Center, Sun Yat-sen University in Guangzhou in 1998, an adjunct professor (Industry) of Nanjing University from September 2009 to September 2012, the member of the task force to study nanobiotechnology by the governor of State of Maryland in the U.S. in 2010, and an adjunct professor of the South China Science and Technology University from December 2012 to November 2014. Dr. Lu has authored and co-authored more than 50 scientific publications, including a senior author for a research article in Nature Medicine, and is the inventor and/or co-inventor of more than 70 patents.

In 2008, Dr. Lu established Suzhou Sirnaomics to conduct research and development for RNAi based therapeutics in China. In 2012, Dr. Lu established Guangzhou Sirnaomics to conduct formulation and manufacture of its novel RNAi therapeutic product. Dr. Lu has received multiple awards and grants for his innovation effort and entrepreneurship from Suzhou Industry Park, Suzhou Municipal Government, Jiangsu Provincial Government, Guangzhou Economic Development Zone and Guangzhou Municipal Government. Dr. Lu has also served as the primary investigator and received grants for the National 11–5 and 12–5 key scientific programs in China.

Dr. Lu obtained a bachelor's degree in biology, a master's degree and a doctoral degree in botany from Sun Yat-sen University (中山大學) in the PRC in January 1982, December 1984 and June 1987, respectively. He also conducted postdoctoral research in molecular genetics at the University of Maryland at College Park in the U.S. from December 1987 to April 1990, where he was awarded a National Science Foundation Postdoctoral Fellowship Grant, and postdoctoral research in cancer at Georgetown University Medical Center in the U.S. from April 1990 to March 1992.

Dr. Michael V. Molyneaux ("**Dr. Molyneaux**"), aged 52, is an executive Director and the Chief Medical Officer of the Group. Dr. Molyneaux is responsible for the development of clinical operations, medical affairs and regulatory affairs; responsible for managing external vendors and consultants; and responsible for leading KOL engagement and activities to support multiple projects.

Dr. Molyneaux has unique experience of over 20 years in diverse clinical environments and industry, with proven results in clinical operations. Dr. Molyneaux currently holds the Board Certification granted by the College of Family Physicians of Canada and the American Board of Family Medicine Certification. Dr. Molyneaux is also a licensed physician in the State of California in the U.S.

Prior to joining the Group, Dr. Molyneaux served as an emergency room physician of Queen Elizabeth Hospital in Canada from 2002 to 2008. Dr. Molyneaux subsequently served at the Passavant Area Hospital in Illinois, U.S. as an emergency room physician and a medical director from 2008 to 2013. Dr. Molyneaux also served as a wound care physician of the Advance Wound Healing and Hyperbaric Center from 2008 to 2013. Dr. Molyneaux then served as the chief medical officer of Macrocure Inc. from March 2013 to November 2015.

Dr. Molyneaux obtained a bachelor's degree of science from the University of Prince Edward Island in Canada in May 1991 and a doctor of medicine degree from Dalhousie University in Canada in May 1996. He completed the residency training in family medicine of Dalhousie University in Canada in June 1998 and then obtained a master's degree of business administration in Washington University, St. Louis in the U.S. in May 2012.

Dr. David Mark Evans ("**Dr Evans**"), aged 59, is an executive Director and the Chief Scientific Officer of the Group. Dr. Evans is responsible for scientific, technological and Research operations in oncology and fibrosis. Dr. Evans served as an executive vice president of research and development of the Group from March 2008 to January 2013. Dr. Evans has rich experience in pharmaceutical research and focuses on the development of siRNA therapeutics in oncology and fibrosis.

Prior to joining the Group, Dr. Evans served as (i) the head of in vitro screening group at Frederick National Lab for Cancer Research, a federally funded research and development center sponsored by the National Cancer Institution in the U.S., from February 2013 to April 2018; (ii) the vice president of operations at Emerald Biostructures Inc. in the U.S. from February 2012 to December 2012; (iii) the senior director at Dharmacon Inc., a wholly owned subsidiary of Thermo Fisher Scientific Inc., a company listed on the New York Stock Exchange (stock code: TMO), in the U.S. in July 2016; and (iv) the senior investigator at the Translational Genomics Research Institute in the U.S. from June 2003 to December 2005. Dr. Evans also worked at Psychiatric Genomics Inc. in the U.S. in 2002.

Dr. Evans received a bachelor's degree of science in biochemistry, a degree of doctor in philosophy and a diploma in biochemistry from the Imperial College in the U.K. in August 1983, April 1988 and April 1988, respectively. He was also a postdoctoral scientist at the University of Maryland School of Medicine in the U.S. from November 1987 to December 1989 and a postdoctoral fellow at the Pharmacology Department of Saint Louis University School of Medicine in the U.S. from January 1990 to March 1993. Dr. Evans has authored and co-authored more than 20 scientific publications with the first one tracing back to 1986 and is the named inventor of more than 20 registered patents and patent applications.

NON-EXECUTIVE DIRECTORS

Dr. Xiaochang Dai (戴曉暢) ("**Dr Dai**"), aged 59, is a non-executive Director. Dr. Dai participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board. Dr. Dai is a member of the Remuneration Committee.

Dr. Dai currently serves as a professor at School of Chemical Science and Engineering, Yunnan University since 2000, the executive director of Value Measure Investments Limited since January 2011 and the executive director of Trinity Power Limited since March 2012, respectively. Dr. Dai also serves as a director of Shenzhen Yunda Technology Industry Co., Ltd. (深圳市雲大科技產業有限公司) since August 2001.

Prior to joining the Group, Dr. Dai served as the executive director, director of scientific advisory committee, director of postdoctoral workstation, chief scientist at Yunda Technology Co., Ltd. (雲大科技股份有限公司), a company used to be listed on Shanghai Stock Exchange (stock code: 600181) and delisted since June 1, 2007, from January 2000 to December 2001, the chairman and general manager of Dalian High-tech Biopharmaceutical Co., Ltd. (大連高新生物製藥有限公司) in 2001, the chairman of Yunnan Walvax Biopharmaceutical Co., Ltd. (雲南沃森生物製藥有限公司), the predecessor of Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300142) from 2002 to 2004, the managing director of Kunming Baker Norton Pharmaceutical Co., Ltd. (昆明貝克諾頓製藥有限公司) in 2005, and the president of Kunyao Group Co., Ltd. (昆藥集團股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 600422), from September 2015 to December 2017.

Dr. Dai obtained a bachelor's degree in chemistry in School of Chemistry, Yunnan Normal University in the PRC in July 1983, a master's degree in biochemistry in Shanghai Institute of Biochemistry, Chinese Academy of Sciences in the PRC in July 1988, and a doctoral degree in chemistry from The Scripps Research Institute in San Diego, California, U.S. in September 1998, respectively. He also conducted postdoctoral research in the laboratory of John N. Ablelson, Division of Biology and Biological Engineering, California Institute of Technology in the U.S. from November 1998 to December 1999.

Mr. Mincong Huang (黃敏聰) ("**Mr. Huang**"), aged 33, is a non-executive Director. Mr. Huang participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board. Mr. Huang is a member of the Audit Committee.

Mr. Huang has rich experience in investment management. Mr. Huang currently serves as the executive vice president of Shenzhen Oriental Land Group Co., Ltd. (深圳市東方置地集團有限公司) since March 2015, and the general manager of Shenzhen Oriental Ruijia Investment Partnership Enterprise Limited Partnership (深圳市東方瑞佳投資合夥企業有限合夥) since July 2016 and the director of Huang Family Capital since January 2019. Mr. Huang obtained his bachelor's degree in commerce from Macquarie University Australia in September 2013.

Mr. Da Liu (**柳達**) ("**Mr. Liu**"), aged 51, is a non-executive Director. Mr. Liu participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board.

Mr. Liu has rich experience in investment management. Mr. Liu currently serves as the managing director of CR-CP Life Science Fund since October 2019. Prior to that, Mr. Liu served as the business director of Strategic Department at China Resources (Holdings) Co., Ltd. from April 2016 to December 2019. Mr. Liu obtained his master's degree in business administration from Thunderbird School of Global Management in Arizona, the U.S. in May 2002.

Mr. Jiajun Lai (**賴嘉俊**) ("**Mr. Lai**"), aged 34, is a non-executive Director. Mr. Lai participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board.

Mr. Lai started his career at Guangzhou YUEXIU Industrial Investment Fund Management Co., Ltd. (廣州越秀產業投資基金管理股份有限公司) in December 2011, and currently serves as the managing director and head of equity investment department at Guangzhou YUEXIU Industrial Investment Fund Management Co., Ltd. since February 2021. Mr. Lai obtained his bachelor's degree in business management from Sun Yat-sen University in the PRC in July 2010 and his master's degree in economics from The Hong Kong University of Science and Technology in November 2011 in Hong Kong.

Mr. Jiankang Zhang (**章建康**) ("**Mr. Zhang**"), aged 64, is a non-executive Director. Mr. Zhang participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board.

Mr. Zhang has 39 years of professional experience in biotechnology industry and global public health field. From March 2017 to August 2019, Mr. Zhang worked as the executive vice president and chief operating officer in Ustar Biotechnologies (Hangzhou) Limited (杭州優思達生物技術有限公司). Prior to that, Mr. Zhang worked at the Program for Appropriate Technology in Health (PATH), a global non-profit health organization as the chief representative in China from January 2007 to May 2016. From July 1999 to October 2006, he served as the general manager of Haemonetics China (美國血液技術公司). He was an editor of the International Journal of Biologicals from January 1982 to August 1990, which was operated by Shanghai Institute of Biological Products (上海生物製品研究所), where Mr. Zhang was the medical information specialist, project manager, assistant managing director and the executive deputy managing director for operation from January 1982 to June 1999 successively.

Mr. Zhang concurrently holds the following positions outside the Company:

- independent director of Shanghai Serum Bio-technology Co., Limited (上海賽倫生物技術股份有限公司), a company listed on Shanghai Stock Exchange (stock code: 688163) since August 2018;
- vice president and director of Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300142) since June 2020; and
- president and director of Shanghai Zerun Biotechnology Co., Ltd. (上海澤潤生物科技有限公司) since June 2020.

Mr. Zhang obtained his master's degree of business administration from China Europe International Business School in April 2000. He obtained a master's degree in library and information sciences majored in medicine in January 1992 from Dominican University in Illinois, the U.S. He graduated from Fudan University in the PRC with a bachelor's degree of arts in French language and literature in January 1982. He also obtained a diploma in public health from Shanghai Health Bureau in September 1977. He obtained a professional title of associate research fellow in January 1995 from the former Ministry of Health, the PRC.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Hoi Yu (于常海) ("**Dr. Yu**"), *JP*, aged 67, is an independent non-executive Director. Dr. Yu participates in the decision-making on major issues concerning the Company through the Board. Dr. Yu is a member of the Remuneration Committee and the Nomination Committee.

Dr. Yu has rich experience in scientific research and business operations. In addition to his position in the Group, Dr. Yu also serves as (i) a director of CR-CP Life Science Fund Management Limited since May 2021; (ii) a member of the Biotech Advisory Panel of The Stock Exchange of Hong Kong Limited since April 2018; (iii) a member of the board of trustees of Gordon Research Conference, a group of international scientific conferences covering biological, chemical and physical sciences and the related technologies, since July 2014; (iv) a director at Asian Fund for Cancer Research since November 2012; and (v) a member of the Technology and Innovation Subsector of the Election Committee of Hong Kong since October 2021. Dr. Yu served as the chairman of the Hong Kong Council for Testing and Certification from January 2016 to December 2021. In addition to that, at Peking University (北京大學), Dr. Yu serves as (i) a professor and doctoral supervisor at the Neuroscience Research Institute (北京大學神經科學研究所) since January 2002, and its vice director since December 2006; (ii) a professor at the Infectious Disease Research Center (北京大學感染病中心) since September 2006; (iii) an vice director at the Key Neuroscience Laboratory designated by the Ministry of Education and Ministry of Health (教育部和衛計委神經科學重點實驗室); and (iv) the director at Translational Medicine Laboratory of the Institute of Systems Biomedicine (北京大學系統生物醫學研究所轉化醫學實驗室) since September 2010.

Dr. Yu founded the Hong Kong Biotechnology Organization (HKBIO) in September 2009 and the Guangdong — Hong Kong — Macau Greater Bay Area Biotechnology Alliance in December 2017, and has been serving as the president. Dr. Yu also founded Hong Kong DNA Chips Limited, presently Hai Kang Life Corporation Limited, in May 1999, and has been serving as the president of the board and chief executive officer. Dr. Yu was appointed as a Justice of the Peace in July 2016.

Dr. Yu obtained a bachelor's degree of science, a master's degree of science, and a doctoral degree of philosophy, from the University of Saskatchewan in Canada, in May 1976, October 1980 and May 1984, respectively. Dr. Yu has published more than 170 scientific papers and is the inventor of more than 70 global patents.

Mr. Fengmao Hua (華風茂) ("**Mr. Hua**"), aged 53, is an independent non-executive director. Mr. Hua participates in the decision-making on major issues concerning the Company through the Board. Mr. Hua is the chairman of the Nomination Committee and a member of the Audit Committee.

In addition to his position at the Group, Mr. Hua serves as the chairman of the board of China Finance Strategies Investment Holdings since August 2014, the chief executive officer of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149) since July 2021, and as independent non-executive director of (i) Lepu Biopharma Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 2157) since December 2021; and (ii) Ferretti S.p.A., a company listed on the Main Board of the Stock Exchange (stock code: 9638) since December 2021. Mr. Hua has more than 15 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

- prior to August 2005, Mr. Hua held various positions in various investment banks, including CLSA Capital Market Limited and Standard Chartered Securities Hong Kong Limited;

- from April 2008 to August 2014, Mr. Hua served as the head of direct investment department and the head of investment banking department in BOCOM International Holdings Company Limited; and

- from July 2018 to June 2021, Mr. Hua served as an executive Director and the chief financial officer of Viva Biotech Holdings, a company listed on the Stock Exchange (stock code: 1873).

Mr. Hua obtained his bachelor's degree in English from Shanghai International Studies University (上海外國語大學) in the PRC in July 1989. He obtained his master's degree in business administration from the International University of Japan in June 1997 in Japan.

Ms. Monin Ung (黃夢瑩) ("**Ms. Ung**"), aged 53, is an independent non-executive Director. Ms. Ung participates in the decision-making on major issues concerning the Company through the Board. Ms. Ung is the chairman of the Remuneration Committee.

In addition to her position at the Group, Ms. Ung also serves as a director at Adluux AI Group Limited operated out of Germany since November 2019. Ms. Ung is the legal adviser to the Greater Bay Area Biotech Alliance since June 2020 and she founded the Oxford Futurists group for futuristic forum discussions. Ms. Ung founded Mung7Art in January 2021, which is an art collective of digital artists across the world. Ms. Ung established the boutique legal practice of MUNG (黃夢瑩律師事務所) in July 2018 and has been serving as the managing partner since then. Prior to that, Ms. Ung held several positions in U.K. and U.S. international law firms where she advised clients on corporate finance and private equity transactions and intellectual property disputes.

Ms. Ung received a bachelor's degree of law (LL.B.) from Brunel University in the U.K. in July 1991, a master's degree of law (LL.M.) in Chinese and Comparative Law from the City University of Hong Kong in November 2001, and has been on the executive master's degree of business administration (EMBA) from Said Business School at the University of Oxford since January 2017. Ms. Ung became an advocate and solicitor in Singapore in May 1994, and a solicitor in Hong Kong in May 1997. She is also a recipient of the Hong Kong Chief Executive's Commendation for Community Service Award in July 2015.

Ms. Shing Mo Han, Yvonne (*alias* **Mrs. Yvonne Law**) (盛慕嫻) ("**Mrs. Yvonne Law**"), *BBS, JP*, aged 66, is an independent non-executive Director. Mrs. Yvonne Law participates in the decision-making on major issues concerning the Company through the Board. Mrs. Yvonne Law is the chairman of the Audit Committee.

In addition to her position at the Group, Mrs. Yvonne Law currently serves as the independent non-executive director of (i) China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3320) since August 2017; (ii) CSSC (Hong Kong) Shipping Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 3877) since May 2019; (iii) AEON Credit Service (Asia) Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 900) since June 2020; and (iv) China Merchants Energy Shipping Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 601872) since October 2020.

Mrs. Yvonne Law's current public appointments include being a member of the 10th, 11th and 12th Jiangsu Provisional Committee of the Chinese People's Political Consultative Conference since January 2008. She has been appointed to serve on the Board of Trustees of the Hong Kong Polytechnic University Superannuation Fund since May 2018, and a court member of the Hong Kong Polytechnic University since April 2016. She also serves as the advisor and finance committee member of Our Hong Kong Foundation since November 2015.

In the past, her appointments also include being the treasurer of the Council of the Hong Kong Academy for Performing Arts, Home Affairs Bureau, from January 2016 to December 2021, the chairperson of the Hospital Governing Committee of Shatin Hospital from April 2011 to March 2017, and a member of the Hong Kong Hospital Authority from December 2007 to November 2013.

Mrs. Yvonne Law was appointed as a Justice of the Peace in July 2013 and awarded the Bronze Bauhinia Star by the Hong Kong government in June 2017. She was named as one of the China's National Hundred Outstanding Women Entrepreneurs by China Association of Women Entrepreneurs (中國女企業家協會) in October 2006.

Mrs. Yvonne Law was a partner at Deloitte Touche Tohmatsu/Deloitte China from April 1990 to May 2016. She was admitted as an associate of the Hong Kong Institute of Certified Public Accountants (formerly known as the Hong Kong Society of Accountants) in April 1980, a fellow member of the Chartered Association of Certified Accountants in December 1984 and an associate member and a fellow member of the Institute of Chartered Secretaries and Administrators in October 1980 and September 2001, respectively. She is also a founding member and past president of the Association of Women Accountants Hong Kong.

Mrs. Yvonne Law obtained a higher diploma in accountancy from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in October 1977, and she was conferred University Fellow of The Hong Kong Polytechnic University in the year 2016/2017.

SENIOR MANAGEMENT

Dr. Yang Lu (*alias* **Patrick Lu**) (陸陽), aged 66, is the founder, the Chairman of the Board, an executive Director, the President and the Chief Executive Officer of the Group. See "Executive Directors" in this section for the biographical details of Dr. Lu.

Dr. Michael V. Molyneaux, aged 52, is an executive Director and the Chief Medical Officer of the Group. See "Executive Directors" in this section for the biographical details of Dr. Molyneaux.

Dr. David Mark Evans, aged 59, is an executive Director and the Chief Scientific Officer of the Group. See "Executive Directors" in this section for the biographical details of Dr. Evans.

Dr. Zhifeng Long (*alias* **Steven Long**), aged 59, is the Chief Development Officer of the Group. Dr. Long has more than 33 years industrial experience, including 30 years in directing translational research, drug development, preclinical pharmacotox studies, clinical research, molecular diagnostic assays, drug manufacturing, quality control and quality assurance. Prior to joining the Group, Dr. Long served as (i) the president and chief executive officer in Personal Diagnostix, Inc. from May 2010 to June 2018; (ii) the vice president of research and development and the vice president of manufacturing and quality control successively in AnGes, Inc. from March 2002 to May 2010; (iii) the director of clinical biosafety and quality control and the acting director of quality assurance from January 2000 to March 2002, the director of core technologies and molecular biology laboratories from February 1999 to January 2000, the unit head of clinical support and core technologies from February 1996 to January 1999, and the group leader of clinical support and core technologies from March 1994 and January 1996 in Genetic Therapy Inc., a Novartis Company; and (iv) the director of department of BioAnalytical Services from January 1994 to March 1994, the head of PCR core lab from January 1991 to January 1994, and the senior scientist from September 1989 to January 1991 in Quality Biotech, Inc. (now known as WuXi AppTec Co., Ltd., a company listed on the Stock Exchange (stock code: 2359)).

Dr. Long received his bachelor's degree of science in genetics and biology in July 1982 from Fudan University in China and his doctorate degree in molecular genetics in April 1987 from University of Leeds in the U.K. He also conducted postdoctoral research in molecular biology and biochemistry in the Roche Pharmaceuticals Corporation in New Jersey, the U.S. from March 1987 to February 1989 and in the University of Pennsylvania in the U.S. from February 1989 to September 1989.

Ms. Yun Zhang (*alias* **Monica Zhang**) (**張蘊**), aged 36, is the China Chief Operating Officer and board secretary of the Group and the joint company secretary of the Company. Ms. Zhang joined the Group in November 2015 as the deputy general manager of Guangzhou Sirnaomics and then served as the executive deputy general manager of Guangzhou Sirnaomics from January 2017 to November 2020. Ms. Zhang has been serving as the board secretary of the Group since March 2018, and was appointed as the Chief Operating Officer (Greater China) of the Group in November 2020. Prior to joining the Group, Ms. Zhang worked at the National Foundation for Cancer Research in Maryland, the U.S. from July 2009 to October 2015, with her last position serving as a program manager. Ms. Zhang is actively involved in the biopharmaceutical sectors in the U.S. and the PRC, serving as a director and the vice president of marketing and communication of the Chinese Biopharmaceutical Association in Maryland, the U.S. since January 2013, and the deputy general secretary of Guangzhou Biotechnology Organization (GZ-BIO) in the PRC since August 2017. Ms. Zhang is an active member of the Bayhelix Group.

Ms. Zhang obtained her bachelor's degree of English studies (Translation and Interpretation) from the Shanghai University of International Business and Economics in the PRC in June 2007 and her master's degree of international affairs from the American University in the U.S. in August 2009.

Mr. Yip Wing Kei (**葉永基**), aged 36, is the vice president of corporate finance and China Chief Financial Officer of the Group. Mr. Yip has rich experience in corporate finance for over 12 years. Prior to joining the Group, Mr. Yip served as an analyst in the merger and acquisition department of KPMG Corporate Finance Limited from August 2008 to April 2010, and an associate in the investment banking division of Rothschild (Hong Kong) Limited from May 2010 to August 2015. Mr. Yip worked in Credit Suisse (Hong Kong) Limited from October 2015 to October 2018 and successively served as an associate in Investment Banking Division and a vice president in Ultra High Net Worth Entrepreneur Coverage Department.

Mr. Yip received his bachelor's degree of economics and finance from the University of Hong Kong in November 2008.

Dr. Edward Yongxiang Wang, aged 69, is the Chief Production Officer of the Group. Prior to joining the Group, Dr. Wang served as (i) the senior scientist in the National Cancer Institute — Biopharmaceutical development program in the U.S. from January 2001 to December 2004; (ii) the technology director of Charter Medical Ltd. from January 2005 to December 2006; (iii) the deputy director of engineering in the US AERAS Global Tuberculosis Vaccine Foundation R&D Base (a non-profit organization affiliated with the Bill & Melinda Gates Foundation) from May 2007 to October 2011; (iv) the technology consultant of Parexel International in Ben Venue Laboratory of Boehringer Ingelheim from October 2011 to October 2012; (v) the vice president of technical operations at Wuxi Biological Base of WuXi AppTec Co., Ltd., a company listed on the Stock Exchange (stock code: 2359), from October 2012 to February 2014; (vi) the director of vaccine production in Newlink Genetics Inc. for a special project to fight the Ebola Epidemic from August 2014 to June 2016; and (vii) the deputy general manager at Shanghai Furen Medicine R&D Co., Ltd. (上海輔仁醫藥醫藥研發有限公司) from October 2016 to June 2018.

Dr. Wang received his bachelor's degree of biophysics in University of Science and Technology of China in the PRC in November 1976, his master's degree of biochemistry in Tokyo Institute of Technology in Japan in September 1983, and his doctoral degree of technology at the Department of Chemical Engineering in the Faculty of Engineering and Materials Science at the Helsinki University of Technology in Finland in December 1995.

JOINT COMPANY SECRETARIES

Ms. Yun Zhang (*alias* **Monica Zhang**) (**張蘊**), aged 36, is the China Chief Operating Officer of the Group and the joint company secretary of the Company. See "Senior Management" in this section for the biographical details of Ms. Zhang.

Mr. Leung Ting Cheung (*alias* **Leo Leung**) (**梁庭彰**), aged 38, is the joint company secretary of the Company. Mr. Leung has over 15 years of experience in accounting and corporate compliance. From January 2006 to January 2008, he worked as an audit assistant at Horwath Hong Kong CPA Limited (now known as BDO Limited), a company which engages in the provision of assurance services. He joined KPMG as an accountant in January 2008 and was promoted to assistant audit manager in July 2008. He was later promoted to audit manager in October 2011 and left KPMG in May 2012. Thereafter, from May 2012 to August 2015, he worked as a senior manager at World Smart Accounting Services Limited, a company which engages in the provision of accountancy and company secretarial services. From January 2016 to November 2018, he worked as a financial consultant for Sun Cheong Creative Development Holdings Limited, a company listed on the Stock Exchange (stock code: 1781). From November 2018 to April 2020, he worked as the financial controller and company secretary of EuroEyes International Eye Clinic Limited, a company listed on the Stock Exchange (stock code: 1846).

Mr. Leung has been a member and a fellow of the Hong Kong Institute of Certified Public Accountants since February 2010 and May 2017, respectively. Mr. Leung obtained his bachelor's degree in commerce with a major in accounting and finance from the University of Auckland, New Zealand in May 2004. He further obtained a graduate diploma in commerce with commercial law specialization in May 2005 from the same university.

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 15, 2020 as an exempted company with limited liability. The Shares were listed on the Main Board of the Stock Exchange on December 30, 2021.

BOARD OF DIRECTORS

The Board consists of 12 Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors.

The Directors during the year ended December 31, 2021 and up to the date of this annual report were:

Executive Directors

Dr. Yang Lu (*alias* Patrick Lu) *(Chairman of the Board, President and Chief Executive Officer)*	
Dr. Michael V. Molyneaux *(Chief Medical Officer)*	(appointed on January 25, 2021)
Dr. David Mark Evans *(Chief Scientific Officer)*	(appointed on July 12, 2021)

Non-executive Directors

Dr. Xiaochang Dai	(appointed on January 25, 2021)
Mr. Mincong Huang	(appointed on January 25, 2021)
Mr. Da Liu	(appointed on January 25, 2021)
Mr. Jiajun Lai	(appointed on January 25, 2021)
Mr. Jiankang Zhang	(appointed on July 12, 2021)

Independent non-executive Directors

Dr. Cheung Hoi Yu, *JP*	(appointed on December 20, 2021)
Mr. Fengmao Hua	(appointed on December 20, 2021)
Ms. Monin Ung	(appointed on December 20, 2021)
Ms. Shing Mo Han, Yvonne (*alias* Mrs. Yvonne Law), *BBS, JP*	(appointed on December 20, 2021)

Mr. Yunchun Li was appointed as a Director on January 25, 2021 and resigned on July 12, 2021. Mr. Mike M. Ghias was appointed as a Director on January 25, 2021 and was removed on July 12, 2021.

In accordance with Article 16.19 of the amended and restated Articles of Association of the Company, at every annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

In accordance with Article 16.2 of the amended and restated Articles of Association of the Company, any Director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election at that meeting.

Accordingly, at the forthcoming annual general meeting to be held on June 28, 2022, Dr. Yang Lu ("**Dr. Lu**") and all Directors (except for Dr. Lu) who were appointed by the Board, shall retire from office and have offered themselves for re-election at the annual general meeting. Details of the Directors to be re-elected at the forthcoming annual general meeting are set out in the circular to Shareholders of the Company which will be published in due course in accordance with the Listing Rules.

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 27 to 36 of this annual report.

Changes in Information of Directors

Save as disclosed in this annual report, there has been no change in information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the period from the Listing Date to December 31, 2021.

Confirmation of Independence of Independent Non-Executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors. The Company considers such Directors to be independent.

PRINCIPAL ACTIVITIES

We are an RNA therapeutics biopharmaceutical company with product candidates in preclinical and clinical stages that focuses on the discovery and development of innovative drugs for indications with medical needs and large market opportunities.

RESULTS

The results of the Group for the year ended December 31, 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 135 of this annual report.

BUSINESS REVIEW

A fair review of the business of the Group, including an analysis of the Group's financial performance, important events affecting the Group that have occurred since the end of the Reporting Period and an indication of likely future developments in the Group's business is set out in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report. These discussions form part of this report of the Directors.

PRINCIPAL RISKS AND UNCERTAINTIES

The following list is a summary of certain principal risks and uncertainties involved in the Group's operations, some of which are beyond our control:

Risks Relating to the Research and Development of Our Drug Candidates

- Our business and financial prospects depend substantially on the success of our clinical-stage and preclinical-stage drug candidates. If we are unable to successfully complete clinical development, obtain regulatory approvals or achieve commercialization for our drug candidates, or if we experience significant delays or cost overruns in doing any of the foregoing, our business and competitive position could be materially and adversely affected.

- Clinical drug development involves a costly and time-consuming process with an uncertain outcome, and we may encounter unexpected difficulties executing our clinical trials.

Risks Relating to Regulatory Approvals and Government Regulations

- All material aspects of the research, development and commercialization of biopharmaceutical products are heavily regulated, and the approval process is usually lengthy, costly and unpredictable. Any failure to comply with existing or future regulations and industry standards or any adverse actions by drug approval authorities against us could negatively impact our reputation and our business, financial condition, results of operations and prospects.

- The regulatory approval processes of the NMPA, the FDA and other comparable regulatory authorities are time-consuming and unpredictable. If we are unable to obtain without undue delay any regulatory approvals for our drug candidates in our targeted markets, our business may be subject to actual or perceived harm.

Risks Relating to Manufacturing of Our Drug Candidates

- We are exposed to various supply chain risks as we depend on a stable, adequate and quality supply of raw materials, technical services, equipment and infrastructure construction services, and any price increases or interruptions of such supply may have a material adverse effect on our business.

- Changes in U.S. and international trade policies, particularly with regard to China, may cause significant disruptions to our drug candidate manufacturing and other operations.

Risks Relating to Commercialization and Business Development of Our Drug Candidates

- The commercialization and business development of our drug candidates might not be in our full control.

Risks Relating to Our Financial Position and Need for Additional Capital

- We incurred net losses in the past and anticipate that we will continue to incur net losses for the foreseeable future.

- We had net cash outflow from operating activities since our inception. We may need to obtain additional financing to fund our operations. If we are unable to obtain such financing, we may be unable to complete the development and commercialization of our major drug candidates.

Risks Relating to Our Intellectual Property Rights

- If we are unable to obtain and maintain patent and other intellectual property protection for our drug candidates, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us, and our ability to successfully commercialize any product or technology may be adversely affected.

- Even if we are able to obtain patent protection for our drug candidates, the term of such protection, if any, is limited, and third parties could develop and commercialize products and technologies similar or identical to ours and compete directly against us after the expiration of our patent rights, if any, which would have a material adverse effect on our ability to successfully commercialize any product or technology.

Risks Relating to Our Reliance on Third Parties

- We work with various third parties to develop our drug candidates and may have limited control over them. If these third parties fail to duly perform their contractual obligations or meet expected timelines, we may be unable to obtain regulatory approvals for, or commercialize, our drug candidates, and our business, financial condition and results of operations could be materially and adversely affected.

- We have entered into collaborations with our partners and may form or seek additional collaborations or strategic alliances or enter into additional licensing arrangements in the future. We may not realize any or all benefits of such alliances or licensing arrangements, and disputes may arise between us and our current or future collaboration partners.

Risks Relating to Our Operations

- The loss of any key members of our senior management team or our inability to attract, retain and motivate highly qualified management, clinical and scientific personnel could delay or prevent the successful development of our drug candidates and result in a material and adverse effect on our business and results of operations.

- We are subject to the risks of doing business in multiple jurisdictions.

Risks Relating to Our Doing Business in the PRC

- We have historically received government grants and subsidies for our research and development activities and enjoyed preferential tax treatment in the past. Expiration of, or changes to, these incentives or policies, or our failure to satisfy any condition for these incentives, would have an adverse effect on our results of operations.

- The biopharmaceutical industry in the PRC is highly regulated and such regulations are subject to change, which may affect approvals and commercialization of our drug candidates.

- There are uncertainties regarding the interpretation and enforcement of Chinese laws, rules and regulations.

- Changes in the political and economic policies of the Chinese government may materially and adversely affect our business, financial condition, results of operations and prospects and may result in our inability to sustain our growth and expansion strategies.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment and giving back to community and achieving sustainable growth.

Further details of the Company's environmental policies and performance are set out in the section headed "Environmental, Social and Governance Report" in this annual report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2021, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

KEY RELATIONSHIPS WITH STAKEHOLDERS

The Group recognizes the importance of maintaining a good relationship with its stakeholders, including Shareholders, employees, suppliers, medical experts, patients and other business associates are key to the Group success. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

An account of the Company's key relationships with its major stakeholders is set out in the section headed "Environmental, Social and Governance Report" in this annual report.

PRE-IPO EQUITY INCENTIVE PLAN

On January 21, 2021, the Company adopted the Pre-IPO Equity Incentive Plan to, among others, attract and retain outstanding individuals to serve as directors, officers, employees, consultants, and advisors to the Company. Each Option granted under the Pre-IPO Equity Incentive Plan represents the right to purchase the Shares of the Company at a pre-determined exercise price, subject to vesting and other conditions provided for under the Pre-IPO Equity Incentive Plan. The Company issued and allotted 12,770,000 Shares in aggregate to a professional trustee which holds the Shares on trust under the Pre-IPO Equity Incentive Plan.

A summary of the principal terms of the Pre-IPO Equity Incentive Plan is set out in the section headed "Statutory and General Information – D. Incentive Plans" in Appendix IV to the Prospectus.

FINANCIAL SUMMARY

A summary of the audited consolidated results and financial position of the Group for the last three financial years is set out on page 7 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in note 35 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended December 31, 2021 are set out in note 17 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in the Company's share capital and reserves during the year ended December 31, 2021 are set out in notes 27 and 36 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company had US$516,841,000 distributable reserves.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2021.

CHARITABLE DONATIONS

The Group did not make charitable donations during the year ended December 31, 2021.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2021.

BANK BORROWINGS

Particulars of the Group's bank borrowings as at December 31, 2021 are set out in note 24 to the consolidated financial statements.

PERMITTED INDEMNITY

Pursuant to the Articles of Association and subject to the applicable laws and regulations, every Director shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by the Director as a Director in defending any proceedings, whether civil or criminal, in which judgement is given in the Director's favour, or in which the Director is acquitted.

Such permitted indemnity provision has been in force for the year ended December 31, 2021. The Company has arranged appropriate liability insurance coverage for the Directors since the Listing Date.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the individual performance and comparable market statistics.

Details of the emoluments of the Directors and the five highest paid individuals for the year ended December 31, 2021 are set out in notes 13 and 14 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year ended December 31, 2021.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

The Company has entered into a service contract with each of the executive Directors and non-executive Directors and a letter of appointment with each of the independent non-executive Directors. Each of the service contracts and the letters of appointment is for an initial fixed term of three years. All Directors are subject to retirement from office and re-election at the annual general meeting of the Company in accordance with the Memorandum and Articles of Association of the Company.

Save as disclosed above, none of our Directors has entered into, or has proposed to enter into, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended December 31, 2021.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party during or at the end of the year ended December 31, 2021.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended December 31, 2021, the Company had no controlling shareholder.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates had engaged in or had any interest in any business, apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended December 31, 2021.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at December 31, 2021, the interests and short positions of the Directors and the chief executive of the Company in any of the Shares, underlying Shares and debentures of the Company and its associated corporations, within the meaning of Part XV of the SFO, which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares

Name of Director or chief executive	Nature of interest	Number of Shares/ underlying Shares	Approximately percentage of interest in the Company [1]
Dr. Yang Lu	Beneficial Interest; Settlor of a discretional trust [2]	12,649,625 (L)	14.36%
Dr. Michael V. Molyneaux	Beneficial Interest [3]	1,510,000 (L)	1.71%
Dr. David Mark Evans	Beneficial Interest; Interest held jointly with another person [4]	1,061,538 (L)	1.21%
Dr. Xiaochang Dai	Interests in controlled corporations [5]	8,300,007 (L)	9.42%
Mr. Mincong Huang	Beneficial interest; Beneficiary of a trust [6]	1,227,801 (L)	1.39%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 88,066,780 issued Shares as at December 31, 2021.

(2) Dr. Yang Lu ("**Dr. Lu**") is the settlor of The Yang Lu Family Trust and the beneficiaries of The Yang Lu Family Trust are Zheng Joan Wang and Laura Yao Lu, being Dr. Lu's spouse and daughter, respectively. Zheng Joan Wang and Laura Yao Lu are co-trustees of The Yang Lu Family Trust. Therefore, Dr. Lu is deemed to be interested in the 2,500,000 Shares held by The Yang Lu Family Trust. Under the SFO, the deemed interest of Dr. Lu consists of (i) 2,500,000 Shares held by The Yang Lu Family Trust, (ii) 7,624,625 Shares held by Dr. Lu himself and (iii) options granted to Dr. Lu to subscribe for 2,525,000 Shares under the Pre-IPO Equity Incentive Plan.

(3) Dr. Michael V. Molyneaux is interested in options granted to him to subscribe for 1,510,000 Shares under the Pre-IPO Equity Incentive Plan.

(4) Dr. David Mark Evans is interested in options granted to him to subscribe for 970,000 Shares under the Pre-IPO Equity Incentive Plan and 91,538 Shares jointly held by him and his spouse, Julee Ann Evans.

(5) Value Measure Investments Limited and Trinity Power Limited are wholly-owned by Dr. Xiaochang Dai ("**Dr. Dai**"). Under the SFO, Dr. Dai is deemed to be interested in 7,850,007 Shares held by Value Measure Investments Limited and Trinity Power Limited. Dr. Dai is also interested in options granted to him to subscribe for 450,000 Shares under the Pre-IPO Equity Incentive Plan.

(6) Huang Family Capital Ltd owns 473,050 Shares. Soaring Star Ventures Limited owns 600,601 Shares. Huang Family Capital Ltd is wholly-owned by Soaring Star Ventures Limited and the Huang Family Trust is the beneficiary of Soaring Star Ventures Limited. Mr. Mincong Huang ("**Mr. Huang**") is the beneficiary of the Huang Family Trust. Mr. Huang also owns 154,150 Shares. Accordingly, Mr. Huang is deemed to be interested in 1,227,801 Shares.

Interests in associated corporations

Name of Director or chief executive	Nature of interest	Associated corporations	Number of shares	Approximately percentage of shareholding in the associated corporation [1]
Mr. Mincong Huang	Beneficiary of a trust [2]	RNAimmune, Inc.	1,851,851	8.92%

Notes:

(1) The calculation is based on the total number of 20,759,256 common shares issued by RNAimmune, Inc. as at December 31, 2021.

(2) Huang Family Capital Ltd owns 1,851,851 common shares of RNAimmune, Inc. Mr. Huang is the director of Huang Family Capital Ltd. The Huang Family Trust is the beneficiary of Huang Family Capital Ltd and Mr. Huang is the beneficiary of the Huang Family Trust. Accordingly, Mr. Huang is deemed to be interested in 1,851,851 common shares of RNAimmune, Inc. held by Huang Family Capital Ltd.

Save as disclosed above, as at December 31, 2021, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations, which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDER'S INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at December 31, 2021, so far as the Directors are aware, the following persons (other than the Directors and chief executive of the Company) had or were deemed or taken to have interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of substantial shareholders	Nature of interest	Number of Shares/ underlying Shares	Approximately percentage of interest in the shareholding [1]
Yu ZENG	Interest in a controlled corporation [2]	4,564,495 (L)	5.18%
Xialing YAN	Interest of spouse [3]	4,564,495 (L)	5.18%
Shenzhen Qianhai Rotating Boulder Fund Management Co., Ltd. ("**Rotating Boulder Fund**")	Interest in controlled corporations [2]	4,564,495 (L)	5.18%
Shenzhen Rotating Boulder Tiancheng The Second Investment Partnership (Limited Partnership) ("**Tiancheng The Second**")	Interest in a controlled corporation [2]	4,564,495 (L)	5.18%
Shenzhen Rotating Boulder Tiancheng The Third Investment Partnership (Limited Partnership) ("**Tiancheng The Third**")	Interest in a controlled corporation [2]	4,564,495 (L)	5.18%
Shanghai Chongshi Enterprise Management Partnership (LP) ("**Shanghai Chongshi**")	Beneficial Interest [2]	4,564,495 (L)	5.18%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 88,066,780 issued Shares as at December 31, 2021.

(2) Each of Rotating Boulder Fund (as general partner of Shanghai Chongshi), Tiancheng The Third (as a limited partner holding approximately 59.37% in Shanghai Chongshi), Tiancheng The Second (as a limited partner holding approximately 64.36% in Tiancheng The Third), and Yu ZENG (as the controlling shareholder of Rotating Boulder Fund) is deemed to be interested in the Shares held by Shanghai Chongshi under the SFO.

(3) Xialing YAN is the spouse of Yu ZENG, and was therefore deemed to be interested in the Shares in which Yu ZENG was interested under the SFO.

Save as disclosed above, as at December 31, 2021, the Company has not been notified of any other relevant interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2021 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2021, the Group had 175 employees. The Company has established the Remuneration Committee for reviewing the Group's remuneration policy and the remuneration structure of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

The remuneration package of our employees includes salaries, bonuses, contributions to retirement benefits plans, share option incentives, allowances and benefits in kind. We endeavor to attract and retain our employees by offering share options and employee benefits including but not limited to medical plan, dental plan and other benefits, providing tuition assistance and training opportunities, offering flexible worksite schedules and recognizing employee commitment and achievement by offering bonus and cash incentive award on performance basis and promotions based on annual performance appraisal process. Particulars of the retirement benefits plans are set out in note 29 to the consolidated financial statements.

The Company has adopted the Pre-IPO Equity Incentive Plan to incentivize eligible employees, details of which are set out in the section headed "Pre-IPO Equity Incentive Plan" as set out in this report of the Directors.

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Pre-IPO Equity Incentive Plan" as set out in this report of the Directors, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended December 31, 2021.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to December 31, 2021.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2021. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2021.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

USE OF PROCEEDS FROM THE LISTING

The Company's Shares were listed on the Hong Kong Stock Exchange on December 30, 2021 with gross proceeds of US$63.7 million raised. On January 21, 2022, the over-allotment option as described in the Prospectus was partially exercised by the Joint Representatives with gross proceeds of US$8.3 million raised on January 26, 2022. The net proceeds raised during the Global Offering (including the partial exercise of the over-allotment option) were approximately US$54.8 million with a total of 8,513,450 new Shares issued. There was no change in the intended use of net proceeds as previously disclosed in the Prospectus and the Company intends to utilize the additional net proceeds on a pro rata basis for the purposes as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company will gradually utilize the residual amount of the net proceeds in accordance with such intended purposes based on actual business needs.

The table below sets forth a detailed breakdown and description of the use of net proceeds as at December 31, 2021:

Purposes	% of use of net proceeds (as disclosed in the Prospectus)	Net proceeds received on Listing Date (US$ million)	Utilized net proceeds up to December 31, 2021 (US$ million)	Unutilized net proceeds up to December 31, 2021 (US$ million)	Net proceeds from partial exercise of over-allotment option (US$ million)	Total net proceeds from Global Offering (US$ million)	Estimated timeline for utilizing the net proceeds from Global Offering
To fund the development and commercialization of STP705	57.9%	26.9	—	26.9	4.8	31.7	By the end of 2023
To fund the development of STP707	15.6%	7.3	—	7.3	1.3	8.6	By the end of 2022
To fund our GalNAc Program yielded products such as STP122G, STP133G, and STP144G and other preclinical stage product candidates, and where such research and development will further advance our proprietary GalAhead and PDoV-GalNAc delivery platforms for development of novel product candidates	15.4%	7.1	—	7.1	1.3	8.4	By the end of 2022
To fund the research and development of our other preclinical drug candidates	7.3%	3.4	—	3.4	0.6	4.0	By the end of 2022
For general corporate and working capital purposes	3.8%	1.8	—	1.8	0.3	2.1	By the end of 2022
Total	**100.0%**	**46.5**	**—**	**46.5**	**8.3**	**54.8**	

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

The Company did not generate any revenue from product sales during the year ended December 31, 2021.

Major suppliers

For the year ended December 31, 2021, purchases from the five largest suppliers in the aggregate accounted for 44.3% of the Group's total purchases, while purchases from the largest supplier accounted for 13.4% of the Group's total purchases.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) has any direct/indirect interest in any of the Group's five largest suppliers during the year ended December 31, 2021.

RELATED PARTY TRANSACTIONS AND CONNECTED TRANSACTIONS

Details of material related party transactions of the Group undertaken in the normal course of business are set out in note 34 to the consolidated financial statements, none of which fall under the definition of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

On January 21, 2022, 973,450 ordinary shares of the Company were allotted and issued by the Company at HK$65.9 per share for gross proceeds of approximately HK$64,150,000 (equivalent to US$8,234,000) upon the partial exercise of the over-allotment option by the Joint Representatives as described and defined in the Prospectus.

In March 2022, RNAimmune entered into a definitive agreement for its series A round fundraising, pursuant to which US Sirnaomics, a wholly-owned subsidiary of the Company, and six other independent investors, conditionally agreed to subscribe for and RNAimmune conditionally agreed to allot and issue, in aggregate 8,802,589 series A preferred shares of RNAimmune, at the total consideration of approximately US$27 million (equivalent to approximately US$3.09 per series A preferred share).

Save as above and disclosed in this annual report, no important events affecting the Company occurred since December 31, 2021 and up to the date of this annual report.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the Corporate Governance Report, the Board is of the view that the Company has complied with the code provisions in the CG Code as set out in Appendix 14 of the Listing Rules during the Reporting Period. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the CG Code by the Company at any time during the Reporting Period.

For details of the Corporate Governance Report, please refer to pages 55 to 69 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The text of the environmental, social and governance report is set out on pages 70 to 129 of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to the existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information publicly available to the Company and within the knowledge of the Directors, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

AUDIT COMMITTEE

The Audit Committee had, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2021 and the accounting principles and policies adopted by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2021 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

Report of the Directors

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Tuesday, June 28, 2022. The notice of the annual general meeting will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Thursday, June 23, 2022 to Tuesday, June 28, 2022 (both days inclusive), during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, June 22, 2022.

On behalf of the Board

Dr. Yang Lu
Chairman

Hong Kong, March 31, 2022

The Board is pleased to present the corporate governance report of the Company for the period from the Listing Date to December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the code provisions of the CG Code set out in Appendix 14 of the Listing Rules. To the best knowledge of the Directors, except for code provision A.2.1 (which has been re-numbered as CG Code code provision C.2.1 since January 1, 2022) set out below, the Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to December 31, 2021.

The role of chairman of the Board and chief executive officer of our Company are currently performed by Dr. Yang Lu ("**Dr. Lu**"). In view of Dr. Lu's substantial contribution to the Group since our establishment and his extensive experience, we consider that having Dr. Lu acting as both our chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. Lu continues to act as both the chairman and chief executive officer, and therefore currently do not propose to separate the functions of chairman and chief executive officer. Details of which are set out on under the section headed "Chairman and Chief Executive Officer" of this Corporate Governance Report.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board consists of 12 Directors, including three executive Directors, five non-executive Directors and four independent non-executive Directors as follow:

Executive Directors

Dr. Yang Lu (*alias* Patrick Lu) *(Chairman of the Board, President and Chief Executive Officer)*
Dr. Michael V. Molyneaux *(Chief Medical Officer)*
Dr. David Mark Evans *(Chief Scientific Officer)*

Non-executive Directors

Dr. Xiaochang Dai
Mr. Mincong Huang
Mr. Da Liu
Mr. Jiajun Lai
Mr. Jiankang Zhang

Independent non-executive Directors

Dr. Cheung Hoi Yu, *JP*
Mr. Fengmao Hua
Ms. Monin Ung
Ms. Shing Mo Han, Yvonne (*alias* Mrs. Yvonne Law), *BBS, JP*

The biographies of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

None of the members of the Board is related to one another.

Throughout the period from the Listing Date to December 31, 2021, the Board has complied at all times with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing at least one-third of the Board and with at least one independent non-executive Director possesses appropriate professional qualifications or accounting or related financial management expertise.

The Board has received from each independent non-executive Directors a written annual confirmation that of such director's independence pursuant to Rule 3.13 of the Listing Rules, and the Nomination Committee has assessed the independence of each independent non-executive Director and the Company considers each of them to be independent.

To the best knowledge of the Company, the Directors do not have financial, business, family or other material/relevant relationships with each other.

Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") in order to enhance the effectiveness of our Board and to maintain high standard of corporate governance. The Board Diversity Policy sets out the criteria in selecting candidates to the Board, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Pursuant to the Board Diversity Policy, the Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually. The Nomination Committee monitors and evaluates the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female and male Directors ranging from 33 years old to 67 years old with experience from different industries and sectors. After an annual assessment by the Nomination Committee, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategies.

Induction and Continuing Professional Development

Each newly appointed Director is provided with necessary induction and information to ensure that the Director has a proper understanding of the Company's operations and businesses as well as the Director's responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Prior to the Listing, each of the Directors has attended training sessions conducted by the legal advisor of the Company. The content of such training related to the duties of directors and on-going obligations of listed companies.

Chairman and Chief Executive Officer

The role of chairman of the Board and chief executive officer of the Company are currently performed by Dr. Lu. Under code provision A.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. In view of Dr. Lu's extensive experience in the industry, we consider that having Dr. Lu acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. Lu continues to act as both our chairman and chief executive officer.

While this constitutes a deviation from code provision A.2.1 of the CG Code, the Directors believe that this structure will not impair the balance of power and authority between the Board and the management of the Company, given that: (i) there are sufficient checks and balances in the Board, as a decision to be made by our Board requires approval by at least a majority of our Directors, and the Board comprises four independent non-executive Directors, which is in compliance with the requirement under the Listing Rules; (ii) Dr. Lu and the other Directors are aware of and undertake to fulfil their fiduciary duties as Directors, which require, among other things, that Dr. Lu acts for the benefit and in the best interests of our Company and will make decisions for the Group accordingly; and (iii) the balance of power and authority is ensured by the operations of the Board which comprises experienced and high caliber individuals who meet regularly to discuss issues affecting the operations of the Company. Moreover, the overall strategic and other key business, financial, and operational policies of the Group are made collectively after thorough discussion at both Board and senior management levels. The Board will continue to review the effectiveness of the corporate governance structure of the Group in order to assess whether separation of the roles of chairman of the Board and chief executive officer is necessary.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

Corporate Governance Report

Directors' Responsibilities

The Board is responsible for the overall leadership of the Group, overseeing the Group's strategic decisions and monitors business and performance. To oversee particular aspects of the Company's affairs, the Board has established three Board committees including the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board committees responsibilities as set out in their respective terms of reference.

The non-executive Directors and independent non-executive Directors have diversified industry expertise and professional knowledge, and provide advisory, adequate check and balances for effective and constructive contribution to the executive Directors to safeguard the interests of the Company and the shareholders as a whole.

The Company has arranged appropriate liability insurance in respect of legal action against the Directors. The insurance coverage will be reviewed on an annual basis.

Delegation by the Board

The senior management, consisting of the executive Directors along with other senior executives, is delegated with authority and responsibilities for implementing strategies and directions as adopted by the Board and conducting day-to-day management and operation of the Group. The senior management meets regularly to review the performance of the businesses of the Group as a whole, co-ordinate overall resources and make financial and operational decisions. The Board gives clear directions as to their powers of management including circumstances where senior management should report back, and will review the delegation arrangements on a periodic basis to ensure that they remain appropriate to the needs of the Group.

Directors' Responsibilities in respect of the Financial Statements

The Directors acknowledge their responsibilities for preparing the consolidated financial statements of the Group in accordance with statutory requirements and applicable accounting standards and for timely financial disclosures under the Listing Rules and any other regulatory requirements.

The Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 130 to 134 of this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision D.3.1 of the CG Code, which includes but not limited to the following:

(a) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board and report to the Board on matters;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;

(d) to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report.

Appointment, Re-election, Rotation and Removal of Directors

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, monitoring and make recommendations to the Board on the appointment, re-election and succession planning of Directors, in particular the chairman of the Board and the chief executive officer of the Company.

Each of our executive Directors has entered into a service contract with the Company on December 16, 2021 for an initial term of three years with effect from the date their respective appointment, until the third annual general meeting of our Company since the Listing Date (whichever is sooner). Either party has the right to give not less than three months' written notice to terminate the agreement.

Each of the non-executive Directors has entered into a service contract with the Company on December 16, 2021. The initial term for their service contracts commenced from the date of their appointments and shall continue for three years after or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three month's prior notice in writing.

Each of the independent non-executive Directors has entered into an appointment letter with our Company on December 16, 2021. The initial term for their appointment letters shall be three years from the date of the Prospectus or until the third annual general meeting of the Company since the Listing Date, whichever is sooner, (subject always to re-election as and when required under the Articles of Association) until terminated in accordance with the terms and conditions of the appointment letter or by either party giving to the other not less than three months' prior notice in writing.

In accordance with the Articles of Association, the Company may by ordinary resolution remove any Director before the expiration of the Director's period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director. The Company may also by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed.

The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors.

At every annual general meeting of the Company, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Board Meetings and Board Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals, either in person or through electronic means of communications; and the Chairman of the Board at least annual holds meeting with the independent non-executive Directors with the presence of other Directors.

Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting. For other Board and Board committees meetings, reasonable notice is generally given. The agenda and accompanying board papers are sent to the Directors or Board committee members at least 3 days before the meetings, and all Directors have full and timely access to the senior management for any information to enable them to make informed decisions and perform their duties and responsibilities.

Minutes of the Board meetings and Board committees meetings are recorded in sufficient detail about the matters considered and decisions reached, including any concerns raised by the Directors. Draft and final versions of minutes of each meeting are sent to the Directors or Board committees members for their comments and records respective, within a reasonable time after the meeting is held. Minutes of the Board meetings and Board committees meetings are open for inspection by the Directors.

The Directors are authorized to seek independent professional advice from external consultants or experts at the Company's expense, to assist them perform their duties to the Company.

Code provision A.1.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications. As the Company was listed on December 30, 2021 shortly before the end of the Reporting Period, no Board meeting, Board committee meeting or general meeting was held, and the Chairman of the Board did not hold a meeting with the independent non-executive Directors during the period from the Listing Date to December 31, 2021. The Company expects to continue to convene at least four regular meetings in each financial year at approximately quarterly intervals in accordance with code provision A.1.1 of the CG Code.

A summary of the attendance records of each Director at Board meetings, committee meetings and general meetings from the Listing Date to December 31, 2021 is set out below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Dr. Yang Lu	0/0	N/A	N/A	0/0	0/0
Dr. Michael V. Molyneaux	0/0	N/A	N/A	N/A	0/0
Dr. David Mark Evans	0/0	N/A	N/A	N/A	0/0
Non-executive Directors					
Dr. Xiaochang Dai	0/0	N/A	0/0	N/A	0/0
Mr. Mincong Huang	0/0	0/0	N/A	N/A	0/0
Mr. Da Liu	0/0	N/A	N/A	N/A	0/0
Mr. Jiajun Lai	0/0	N/A	N/A	N/A	0/0
Mr. Jiankang Zhang	0/0	N/A	N/A	N/A	0/0
Independent non-executive Directors					
Dr. Cheung Hoi Yu	0/0	N/A	0/0	0/0	0/0
Mr. Fengmao Hua	0/0	0/0	N/A	0/0	0/0
Ms. Monin Ung	0/0	N/A	0/0	N/A	0/0
Ms. Shing Mo Han, Yvonne	0/0	0/0	N/A	N/A	0/0

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee and all of which are chaired by an independent non-executive Director to oversee particular aspects of the Company's affairs as set out below. Each committee is established with defined written terms of reference.

Audit Committee

The Audit Committee was established by the Board with its written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. As at the date of this annual report, the Audit Committee consists of one non-executive Director, being Mr. Mincong Huang, and two independent non-executive Directors, being Ms. Shing Mo Han, Yvonne and Mr. Fengmao Hua. Ms. Shing Mo Han, Yvonne is the chairperson of the Audit Committee.

The primary duties of the Audit Committee are set out in the written terms of reference which include reviewing and supervising the financial reporting process, risk management and internal control systems of the Group, and overseeing the audit process. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

As the Company was listed on December 30, 2021 shortly before the end of the Reporting Period, no Audit Committee meeting was held during the period from the Listing Date to December 31, 2021.

Subsequent to December 31, 2021 and up to the date of this annual report, the Audit Committee held one meeting with the external auditor of the Company to consider significant issues on the financial reporting and the scope of work of the external auditor; and held one meeting to, among other businesses, review the Group's consolidated financial statements for the year ended December 31, 2021 and the accounting principles and practices adopted by the Company, and discussed auditing, internal control and financial reporting matters.

Remuneration Committee

The Remuneration Committee was established by the Board with its written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code adopting the model to make recommendations to the Board on the remuneration packages of individual Directors and senior management. As at the date of this annual report, the Remuneration Committee consists of one non-executive Director, being Dr. Xiaochang Dai, and two independent non-executive Directors, being Ms. Monin Ung and Dr. Cheung Hoi Yu. Ms. Monin Ung is the chairperson of the Remuneration Committee.

The primary duties of the Remuneration Committee are set out in the written terms of reference which include making recommendations on the Company's remuneration policy and structure, determining, with delegated responsibility, the remuneration packages of individual executive Directors and senior management, and making recommendations on the remuneration of non-executive Directors. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Stock Exchange.

As the Company was listed on December 30, 2021 shortly before the end of the Reporting Period, no Remuneration Committee meeting was held during the period from the Listing Date to December 31, 2021.

Subsequent to December 31, 2021 and up to the date of this annual report, the Remuneration Committee held three meetings to, among other businesses, review the Group's existing remuneration policy and structure and to determine the remuneration packages of individual Directors and senior management.

Details of the Directors' remuneration for the Reporting Period are set out in note 13 to the consolidated financial statements.

The remuneration of the senior management (other than Directors) of the Group by band for the Reporting Period is set out below:

Remuneration bands (HK$)	**Number of individuals**
HK$5,000,001 to HK$5,500,000	1
HK$6,500,001 to HK$7,000,000	1
HK$7,500,001 to HK$8,000,000	1
HK$9,500,001 to HK$10,000,000	1
Total	4

Nomination Committee

The Nomination Committee was established by the Board with its written terms of reference in compliance with Rule 3.27A of the Listing Rules and the CG Code. As at the date of this annual report, the Nomination Committee consists of one executive Director, being Dr. Lu, and two independent non-executive Directors, being Mr. Fengmao Hua and Dr. Cheung Hoi Yu. Mr. Fengmao Hua is the chairperson of the Nomination Committee.

The primary duties of the Nomination Committee are set out in the written terms of reference which include reviewing the structure, size and composition of the Board, selecting and recommending individuals for directorship to the Board, and assessing the independence of the independent non-executive Directors. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

When selecting candidates for directorship, the Nomination Committee would consider the following criteria, including, among other things, character and integrity, qualifications (cultural and educational background, professional qualifications, skills, knowledge and experience and diversity aspects under the Board Diversity Policy), any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and diversity, and willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s).

The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship with a ranking of the candidates (if applicable) by order of preference based on the needs of the Company and reference check of each candidate.

As the Company was listed on December 30, 2021 shortly before the end of the Reporting Period, no Nomination Committee meeting was held during the period from the Listing Date to December 31, 2021.

Subsequent to December 31, 2021 and up to the date of this annual report, the Nomination Committee held one meeting to, among other businesses, review the existing structure, size and composition of the Board, consider the retirement and re-election of Directors and assess the independence of the independent non-executive Directors.

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions, which applies to all Directors and relevant employees of the Group who are likely to be in possession of unpublished price-sensitive information of the Company, on terms no less than the required standard indicated by the Model Code.

All Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code during the period from the Listing Date to December 31, 2021. No incident of non-compliance of the Model Code by the Directors and relevant employees was noted during the period from the Listing Date to December 31, 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Company has an internal audit function responsible for independently reviewing the adequacy and effectiveness of the risk management and internal control systems of the Company.

The audit committee assists the Board at least annually, in reviewing the design, implementation and monitoring of the risk management and internal control systems.

- **Risk management**

  The Company has conducted risk assessment by the senior management to identify and assess enterprise risks (including environmental, social and governance risks) with reference to the Company's business objectives and strategies. Key risks and the respective mitigation strategies have been discussed among senior management. The senior management reviews the action plans on an on-going basis which have been developed to further enhance the risk management capabilities of particular key risks as appropriate.

- **Internal control**

  The Company ensures internal controls are designed and implemented in all major aspects of the Company's operations and details of internal control activities are included in the operating policies and procedures. The senior management regularly revisits the policies and procedures and furnishes updates as necessary.

  In relation to the handling and dissemination of inside information, the Company has adopted a communication policy to ensure potential inside information being captured and confidentiality of such information being maintained until consistent and timely disclosure are made in accordance with the Listing Rules.

In preparation for the Listing, the Group engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of internal controls over financial reporting (the "**Internal Control Review**") for the period between January 1, 2020 and May 31, 2021. The selected areas of internal controls over financial reporting that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including procurement, accounts payable and payment, human resources and payroll, research and development project management, fixed assets and intangible assets, cash and treasury management, insurance, financial reporting and disclosure, expense management, taxes, information technology general controls, intellectual property rights/patents/trademark and clinical trial.

The Internal Control Consultant conducted follow-up assessment for the period between February 10, 2021 and July 15, 2021 (the "**Follow-up Review**") to review the status of the management actions taken by the Company to address the findings of the Internal Control Review. The Internal Control Consultant did not have any further recommendation in the Follow-up Review other than the appointment of independent non-executive Directors, establishment of Board committees and approval of the respective terms of reference, which were planned to be completed before the Listing.

Given the implementation of enhanced measures and the results of the Follow-up Review, the Directors were satisfied that the internal control system is adequate and effective for the current operational environment.

JOINT COMPANY SECRETARIES

Ms. Yun Zhang ("**Ms. Zhang**") and Mr. Leung Ting Cheung ("**Mr. Leung**") have been appointed as the Company's joint company secretaries. Ms. Zhang joined the Group in November 2015 and has gained a thorough understanding of the internal administration and business operation of the Group. Mr. Leung is a fellow of the Hong Kong Institute of Certified Public Accountants and meets the qualification requirements under Note 1 to Rule 3.28 of the Listing Rules, to assist Ms. Zhang in discharging her duties and responsibilities as a joint company secretary of the Company.

In compliance with Rule 3.29 of the Listing Rules, Ms. Zhang and Mr. Leung both undertook not less than 15 hours of professional training during the Reporting Period.

AUDITORS' REMUNERATION

The remuneration paid or payable to Deloitte Touche Tohmatsu, the external auditor of the Company, in respect of its audit and non-audit services provided to the Group during the Reporting Period is set out below:

Type of Services	Amount (USD'000)
Audit services (annual audit)	478
Audit services (as reporting accountant in connection with the Listing)	1,485
Non-audit services (tax advisory)	124
Non-audit services (internal control review)	60
Total	2,147

DIVIDEND POLICY

With respect to dividend policy, the Company currently expect to retain all future earnings for use in the operation and expansion of our business. Any future declarations and payments of dividends will be at the absolute discretion of the Directors and will depend on our actual and expected results of operations, cash flow and financial position, general business conditions and business strategies, expected working capital requirements and future expansion plans, legal, regulatory and other contractual restrictions, and other factors which the Directors consider relevant.

As at the date of this annual report, the Company has adopted a dividend policy that, in recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and future growth as well as its shareholder value. The Board would take into account the following factors of the Group when considering the declaration and payment of dividends:

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- general economic conditions and other internal or external factors which may have an impact on the business of the Group;
- amount of distributions (if any) received by the Company from its subsidiaries;
- capital requirements and expenditure plans;
- interests of the Shareholders;
- any legal/contractual restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

Pursuant to article 12.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office of the Company, specifying the objects of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Directors shall be reimbursed to them by the Company.

Putting Forward Proposals at General Meetings

There are no provisions under the Articles of Association regarding procedures for shareholders to put forward proposals at general meetings other than a proposal of a person for election as Director. Shareholders may follow the procedures set out above to convene an extraordinary general meeting for any business specified in such written requisition.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company. If a shareholder wishes to nominate a person to stand for election as a Director of the Company at the general meeting, the following documents must be addressed to the joint company secretaries of the Company and validly served at the registered office of the Company, namely (1) a notice of intention to propose a resolution at the general meeting; (2) a notice signed by the nominated candidate of the candidate's willingness to be elected; (3) the nominated candidate's information as required to be disclosed under Rule 13.51(2) of the Listing Rules; and (4) the nominated candidate's written consent to the publication of the candidate's personal data.

Enquiries to the Board

Shareholders who wish to make enquiries about the Company to the Board may send their enquiries to the Company's principal place of business in Hong Kong at 46/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong or by email at IR@sirnaomics.com. The Company will not normally deal with verbal or anonymous enquiries.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company believes that effective communication with the shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information, which will enable shareholders and investors to make informed investment decisions.

The annual general meeting provides opportunity for the shareholders to communicate directly with the Directors. The Chairman of the Board and the chairpersons of the Board committees will attend the annual general meeting to answer questions from shareholders. The Company's external auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the independent auditor's report, accounting policies and auditor independence.

To facilitate effective communication, the Company maintains a website at www.sirnaomics.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The amended and restated Memorandum and Articles of Association of the Company were adopted with effect from the Listing Date, and are available on the websites of the Company and the Stock Exchange. Save as disclosed above, there is no other change in constitutional documents of the Company during the period from the Listing Date to December 31, 2021.

Environmental, Social and Governance Report

INTRODUCTION

About this Report

This is the first Environmental, Social and Governance ("**ESG**") report (the "**ESG Report**") for the Group. This ESG Report demonstrates its commitment to sustainable development, and presents the Group's ESG approach, practices, and performance for the year ended December 31, 2021 (the "**Reporting Period**" or "**2021**"). This ESG Report should be read in conjunction with the Group's Annual Report 2021, which contains a comprehensive review of its financial performance and corporate governance frameworks and practices.

Reporting Scope

Unless otherwise stated, the reporting scope of this ESG Report mainly covers the Group's major subsidiaries which made a material contribution to the Group results of operations and operations that are under the Group's direct operational control, namely US Sirnaomics and RNAimmune located in the U.S. and Suzhou Sirnaomics, Guangzhou Sirnaomics and Guangzhou RNAimmune located in the PRC and HK Sirnaomics located in Hong Kong. The environmental data of HK Sirnaomics is excluded from this ESG Report due to its relatively small environmental footprint and unavailability of shared office data.

Reporting Framework

This ESG Report is prepared in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") of the Main Board Listing Rules of the Stock Exchange. This ESG Report has also been prepared in accordance with the Global Reporting Initiative ("**GRI**") Standards: Core option.

Given the ESG Reporting Guide that underpins the preparation of this ESG Report, the content of this ESG Report has been determined and summarized according to the principles of Materiality, Quantitative, and Consistency. The three principles are intended to underlie all aspects of the disclosed ESG information, and their meaningful application can ensure the content of this ESG Report is accurate, objective, transparent, comparable, and reliable.

Materiality: Materiality determines which relevant ESG topics are sufficiently important to be monitored, assessed, managed and disclosed. Materiality assessment and stakeholder engagement can help the Group define the focus of ESG reports, thereby more efficiently managing its ESG-related risks. As such, the Group applied the principle of materiality by performing a materiality assessment based on the online surveys conducted with stakeholders and carefully determining the material ESG topics. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.

Quantitative: In this ESG Report, the standards and methodologies used in the calculation of relevant data, as well as the applicable assumptions were disclosed. Quantitative information including environmental and social key performance indicators ("**KPIs**") disclosed in this ESG Report has been accompanied by a narrative, explaining its purpose and impacts. As this is the Group's first ESG report, comparative data will be provided in the future ESG reports.

Consistency: This ESG Report is the Group's first ESG report. Consistent methodologies and assumptions will be used in subsequent years to allow for meaningful comparison.

Contact Us

The Group welcomes comments and suggestions from its stakeholders. You may provide your comments on this ESG Report or towards the Group's performance in respect of sustainability via email to ESG@sirnaomics.com.

MESSAGE FROM THE CHAIRMAN

2021 is a fruitful year for the Group. The successful listing on the HKEX opened a new chapter of the Group's enterprise development. As a RNA therapeutics biopharmaceutical company with product candidates in preclinical and clinical stages, the Group focuses on the discovery and development of innovative drugs to cure diseases and benefit patients worldwide.

The Group insist on the innovation-driven strategy and carry out professional, efficient and reliable R&D. In 2021, the Group completed the overall construction and acceptance of the production plant of PNP nucleic acid drugs in Guangzhou, China and entered into the trial operation stage. The product pipeline of the Group has over a dozen of candidates for a wide range of therapeutic indications across rare diseases and diseases with large patient populations covering oncology, fibrosis, medical aesthetics, antiviral, cardiometabolic diseases and other fields.

Environmental, Social and Governance Report

The Group strives to maintain a balance between its development, environmental protection and social contribution. The Group has implemented the Work Plan for Greenhouse Gas Emission Control and taken different measures in response to rising concerns on climate change. The Group provides an equal and inclusive working environment for its employees, supports their growth and success holistically and helps them explore their potential. The Group also strives to cultivate talents and cares about the development of every employee.

The Board of Directors is committed to driving sustainable development in the Group. The Board has the overall responsibility for the Group's ESG strategy and continuously monitors the key risks affecting the sustainability of the Group's business. The ESG-related risk management and internal control systems provide a structured framework for the Board to formulate policies and ensure effective execution. More information about the Group's governance structure is stated in the section headed "Sustainability Strategy".

On behalf of the Board, I would like to express my gratitude to my fellow directors, the management team, all employees and stakeholders for their contributions to the Group's sustainable development.

Looking forward, the Board always plans and guides the Group's development with a long-term commitment and vision. The Group will continue to demonstrate its professional spirit amid the R&D of new drugs and contribute to human health and well-being.

Yang (Patrick) Lu, Ph.D.
Chairman of the Board, Executive Director, President and Chief Executive Officer

HIGHLIGHTS AND PERFORMANCE IN 2021

Environment Protection

- 100% compliance with environmental laws and regulations
- 0 environmental accidents

Research Innovation

- Obtained excellent readouts of Phase IIa clinical trial of STP705 for the treatment of isSCC
- Filed an IND for STP707 in PSC, a rare form of liver fibrosis in the U.S.
- Owned 9 issued patents in China, 9 in U.S. and 2 in Europe

Talent Care and Development

- 0 work-related fatalities and lost days due to work injury
- Certified as a Great Place to Work
- Achieved approximately 12.4 training hours per employee

Environmental, Social and Governance Report

ABOUT THE GROUP

The Group is an RNA therapeutics biopharmaceutical company with product candidates in preclinical and clinical stages that focuses on the discovery and development of innovative drugs for indications with medical needs and large market opportunities. The Group is the first company to achieve positive Phase IIa clinical outcomes in oncology for an RNAi therapeutics for the Group's core product, STP705, and the first clinical-stage RNA therapeutics company to have a strong presence in both China and the U.S. In 2021, none of the Group's drug candidates have been commercialized, and therefore, the Group did not generate any revenue from product sales during the Reporting Period.

The Group's key differentiating feature is the proprietary PNP technology for siRNA drug delivery. This technology allows accessing the tumor micro-environment, as well as various cell types in the liver. Currently, the clinical development pipeline is focused on oncology and fibrosis indications. Through internal research and collaborations with prominent laboratories, the Group is moving towards its mission to develop novel therapeutics to alleviate human suffering and advance patient care in areas of high unmet medical need.

The Group's mission is to develop novel therapeutics to alleviate human suffering and advance patient care in areas of high unmet medical need. The Group has developed a strong portfolio of intellectual property ("**IP**") with an enriched product pipeline by consistently focusing upon its two guiding principles: Innovation and Global Vision with a Patient Centered focus. Through the regular training to the Group's employees and supported by funding from institutional investors, corporate partnerships and government grants, the Group looks to accomplish its mission by partnering organizations that have the finest reputation for quality and by encouraging a real commitment from every employee.

Company Name:	Sirnaomics Ltd.
HKEX Stock Code:	2257
Global Headquarters:	Gaithersburg, Maryland, the U.S.
Year of Establishment:	2007
Company Size:	• 4 R&D centers, 1 manufacturing facility, 1 corporate administrative office. • A professional team of 175 people.

Key Milestones

Year	Milestones
2007	• Established US Sirnaomics
2008	• Established Suzhou Sirnaomics
2012	• Established Guangzhou Sirnaomics
2016	• Obtained IND clearance for STP705 for hypertrophic scar from FDA
2017	• Completed Series B financing raising US$10 million
	• Achieved the first approval in China of an IND for a class 1.1 drug for an RNAi therapeutic for our IND for HTS
2019	• Completed Series C financing raising approximately US$48 million
2020	• Commencement of operation of RNAimmune
	• Completed Series D financing raising approximately US$104 million
	• Completed Phase I/II clinical trial for STP705 for isSCC in the U.S.
	• Initiated Phase II clinical trial for STP705 for BCC in the U.S.
2021	• Established collaboration with Walvax, including out-licensing of STP702
	• Completed Series E financing raising approximately US$106.7 million
	• Initiated Phase IIb clinical trial for STP705 for isSCC in the U.S.
	• Initiated Phase II clinical trial for STP705 for Keloid scarless healing in the U.S.
	• Initiated Phase I clinical trial for STP705 for live cancer in the U.S.
	• Obtained acceptance for review for STP705 for isSCC from NMPA
	• Obtained IND clearance for STP707 from FDA
	• Completed building the pilot manufacturing facility in Guangzhou

Awards and Recognitions

The Group has received recognition for its R&D achievements. The table below sets forth the Group's selected awards and recognitions.

Year	Name of award or recognition	Awarding entity
2017	Small Giant Enterprise in Science and Technology of Guangzhou Province of 2016	Guangzhou Science Technology and Innovation Commission
2017	Third Prize of the Sixth National Innovation & Entrepreneurship Competition (Biopharmaceutical Growth Group)	National Innovation & Entrepreneurship Competition Committee
2017	National New and Advanced Technology Enterprise	National Office of Leading Group for Administration of Hi-tech Enterprise Recognition
2020	National New and Advanced Technology Enterprise	National Office of Leading Group for Administration of Hi-tech Enterprise Recognition

SUSTAINABILITY STRATEGY

Missions and Contribution to the Global Sustainability Development Goals

In September 2015, the United Nations officially adopted The 2030 Agenda for Sustainable Development, put forward 17 Sustainability Development Goals ("**SDGs**"), mobilizing global forces to eradicate poverty, protect the planet and improve the lives and future of all. As a socially responsible enterprise, the Group believes that supporting the achievement of the sustainable development goals will help the Group work together with the government and other enterprises to contribute to the national and even the world's sustainable development goals.

In the journey of sustainable development, the Group also adhere to its own mission that "developing novel therapeutics to alleviate human suffering and advance patient care in areas of high unmet medical need". After a comprehensive examination of the relevance of SDGs to the Group's sustainability practices, the Group has identified three key aspects of sustainable development and incorporated them into the Group's operational strategy.

Goal 3: Ensure healthy lives and promote well-being for all at all ages

Adhering to the Group's mission, the Group provides clinical trial services for new drug R&D to accelerate the marketing of innovative medical products. By doing so, the Group believes more patients can have access to safe, effective, and high-quality drugs. The sections headed "Commitment to Innovation and Quality", "Responsible Operation" and "Community Investment" illustrate the Group's commitment and actions to promote people's health and well-being.

Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The Group believes that the growth of an enterprise is inseparable from the hard work of every employee. The Group respects and appreciates its employees' acumen, diligence, wisdom and tolerance. Through individual efforts and team cooperation, the Group promotes the progress of the enterprise and shares the joy of success. The Group also advocates a harmonious corporate environment, aiming at creating a broad working space and operating platform, where wisdom and diligence will give full play to their best performance. See the section headed "Talent Care and Development" for more information.

Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

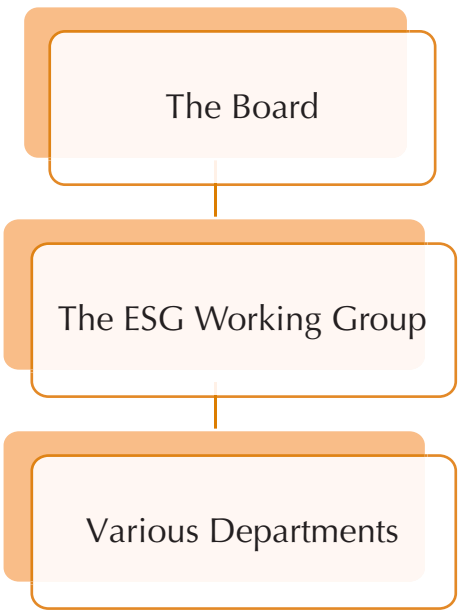
The Group firmly believes that scientific and technological innovation is the motive force and vitality of an enterprise. Since the Group was founded, it has made great achievements in medical innovation, and continue to promote industry development in a healthy and high-quality way, cultivate high-level talents, and support industry innovation. See the section headed "Commitment to Innovation and Quality" for more information.

Corporate Governance

The Group has established an ESG management structure consisting of the Board and the ESG Working Group. The ESG Working Group is comprised of senior management and general staff with adequate knowledge on ESG, its members span across different business departments, including but not limited to the Human Resources Department, Operation Department and Finance Department. The ESG Working Group is responsible for executing the Group's ESG measures, collecting ESG data and giving feedback to the Board on ESG issues. The ESG Working Group reports to the Board regularly to facilitate the evaluation of the risk management and internal control systems of the Group.

The Group strives to create values for its stakeholders. Therefore, the Group continuously communicates with its stakeholders to understand their concerns and fulfill their expectations. In 2021, the Group distributed questionnaires to stakeholder representatives to collect their views on the sustainability issues of the Group. Their opinions helped the Group understand its ESG performance and assess the importance of different ESG-related issues and risks. With reference to the stakeholders' opinions, the Board regularly evaluates the need to adjust the Group's sustainability strategies to live up with stakeholders' expectations while meeting the requirements of regulators.

The Group strives to enhance its ESG performance by setting multiple ESG-related targets. With the assistance of the ESG Working Group, the Board will conduct an annual review to follow up on the progress made on the Group's ESG-related targets. The Board will also make full use of the available ESG data to compare the performance between different years. Aiming to achieve the targets, the Group strives to promote sustainability and practice corporate social responsibility. The Board believes the ESG-related targets can raise employees' awareness of ESG, drive behavioral changes and facilitate the integration of ESG concepts into the Group's operation.



Stakeholder Engagement

The trust and support of stakeholders are crucial to the sustainable development of the Group. The Group identifies key stakeholders of the Group with due consideration of their level of dependency and influence on its business, establishes a normalized communication mechanism with all stakeholders, maintains two-way communication, deeply understands the opinions and values of all stakeholders, responds to their needs through relevant channels, and build a long-term relationship of loyalty and mutual trust.

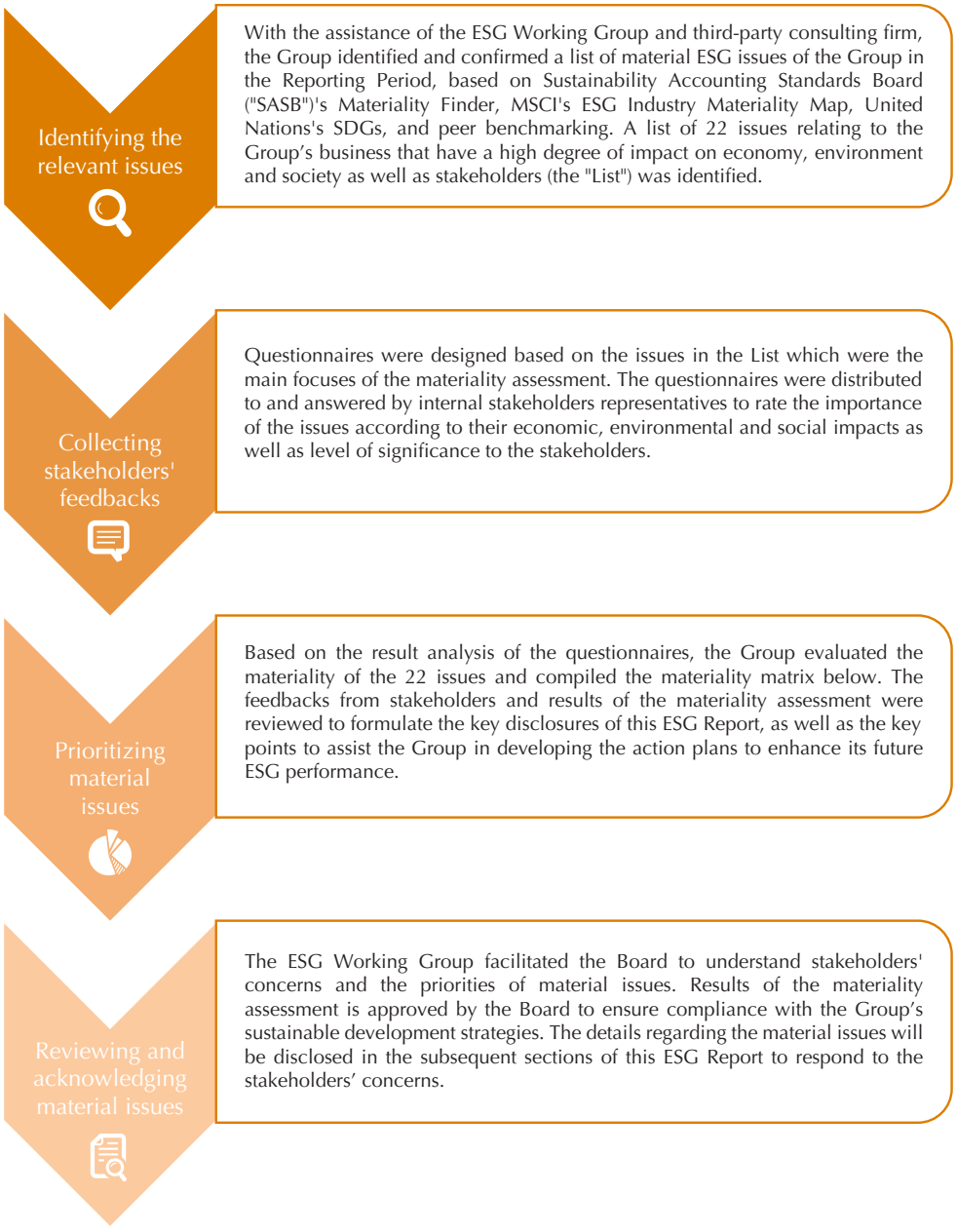
The Group takes different stakeholders into consideration, including individuals and organizations who affect or are affected by the Group's business directly and indirectly. The Group communicates with different stakeholders, including but not limited to the Board and senior management, shareholders and investors, employees, customers and clinical trial participants, suppliers, partners, government and regulatory bodies, as well as communities and the public, and proactively responds to the opinions and requests of stakeholders in practice. The Group's key stakeholders, their interests and concerns, communication channels with respective frequency are set out on the right.

Stakeholders	Expectations and concerns	Communication channels	Communication frequency
The Board and senior management 	• R&D progress	Training and seminars	Regularly
	• Compliance operation	Industrial seminars	Regularly
	• Financial performance	Meetings	Regularly
	• Risk management mechanism		
	• Stakeholder communication		
Shareholders and investor 	• Investment returns	Annual general meetings or extraordinary general meetings	Annually and when necessary
	• Risk management mechanism	Financial reports	Annually, biannually, and quarterly
	• Financial performance	Press releases and announcements	Regularly and when required
	• Business innovation	Company website	Regularly
	• R&D progress	Telephone hotline and email	Regularly
	• Anti-corruption		
	• Compliance operation		
Employees 	• Employee compensation and benefits	Employee notice boards	Daily
		Training activities, seminars, and briefing	Regularly
	• Equal employment opportunities	Daily communication and meetings	Daily
	• Occupational health and safety	Performance reviews	Annually
	• Employee development and training	Intranet and policies	Daily

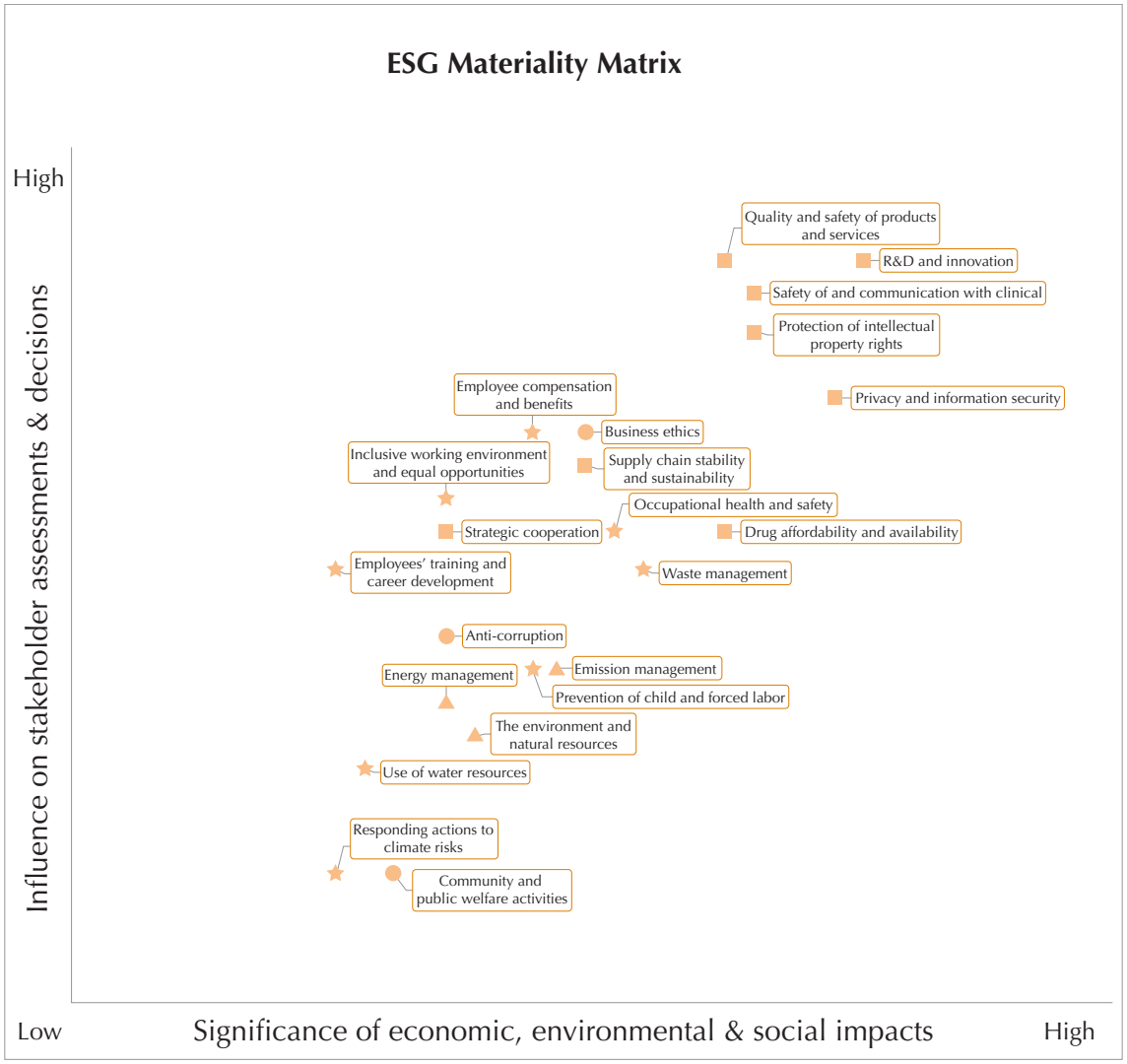
Stakeholders	Expectations and concerns	Communication channels	Communication frequency
Customers and clinical trial participants 	• Quality and safety of products and services	Routine communications	Regularly
		Company website	Regularly
	• Consumer rights and privacy protection	Feedback from front-line employees	Daily
	• Customer satisfaction and complaint handling	Patient services	Daily
		Informed consent form	Every clinical trial
	• Protection of animal rights		
	• Protection of IP rights		
	• Business integrity and ethics		
	• Responsible marketing and labelling		
Suppliers 	• On-time payment	Supplier management meetings and events	Regularly and when required
	• Fair and open procurement		
	• Stable business relationship	Tendering process	Regularly
		On-site visits	Annually and when necessary
		Routine communications	Regularly
Partners 	• Quality and safety of products and services	Regular communications and meetings	Regularly
	• Compliance operation	On-site coaching and inspection	Regularly and when required
	• R&D capabilities		
	• Exchange and cooperation	Performance evaluation	Annually and when required
	• Stable business relationship		
Government and regulatory bodies 	• Compliance operation	Company website	Regularly
	• Environmental protection	Written or electronic correspondences	Regularly
	• Production safety		
	• Quality and safety of products and services	Routine inspections	Regularly and when required
	• Equal employment opportunities		
	• Protection of IP rights		
Communities and the public 	• Environmental protection	Company website	Regularly
	• Social and public welfare	ESG reports	Annually
	• Timely and adequate information sharing	Press release and announcements	Regularly and when necessary
	• Industry development	Community activities	Regularly
	• Protection of animal rights		

Materiality Assessment

In order to understand stakeholders' areas of concern, identify key ESG issues, assess the importance of these issues to the Group's business and stakeholders, and formulate sustainable development strategies and guidelines, the Group continues to communicate with stakeholders and conduct annual materiality assessments. During the Reporting Period, the Group engaged a third-party consulting firm in conducting an internal materiality assessment. The specific working procedures performed during the Reporting Period are as follows:



Environmental, Social and Governance Report



- Environmental issues
- Employment practices
- Product development
- Corporate governance and social responsibility

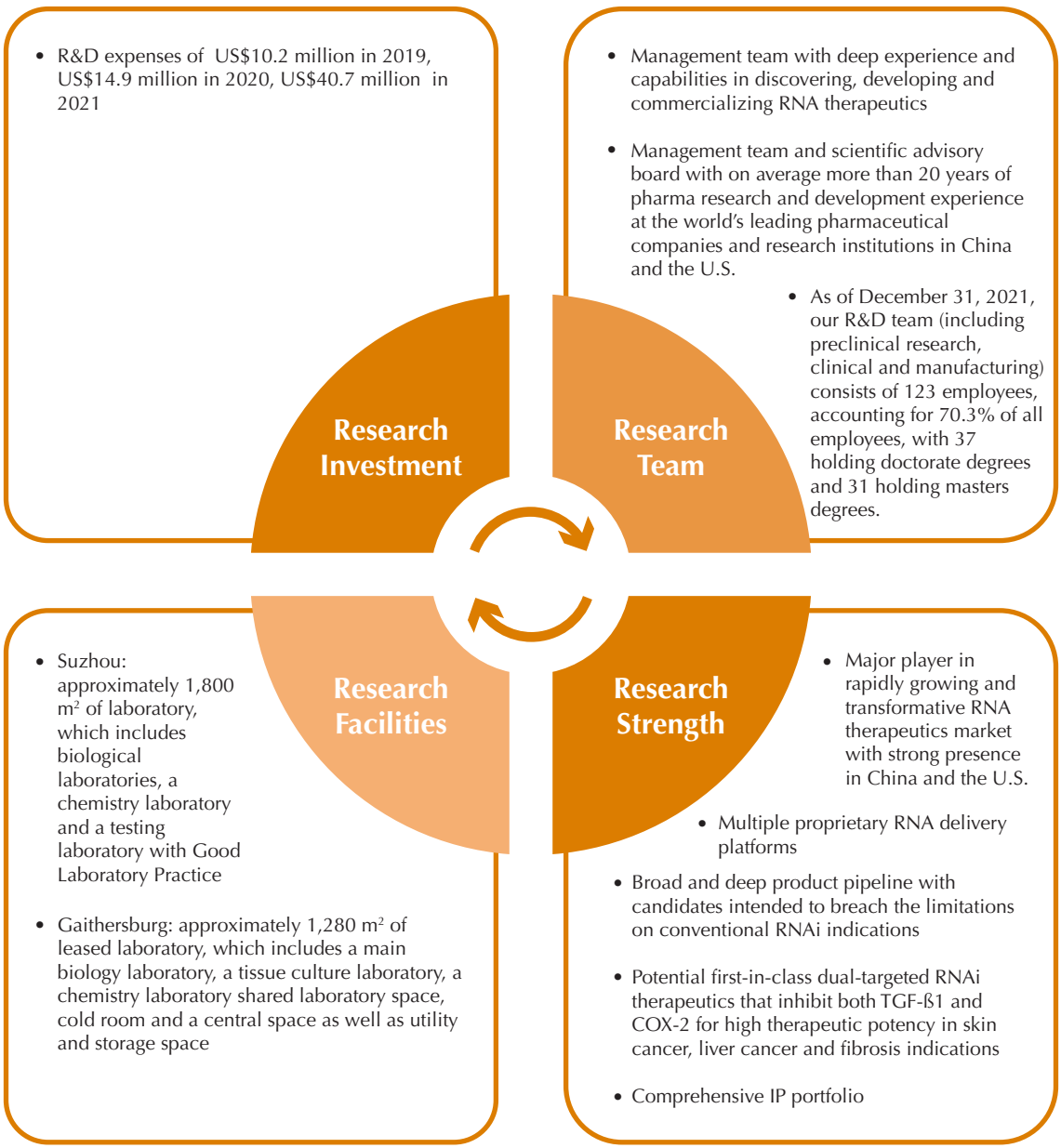
COMMITMENT TO INNOVATION AND QUALITY

R&D and Innovation

The Group is committed to developing innovative biopharmaceutical drugs leveraging its novel delivery platforms in a wide variety of disease indications, including oncology, fibrotic diseases and conditions, viral diseases and cardiometabolic diseases. The Group focuses on developing new delivery platforms for RNA therapeutics to maintain and broaden the scope of the Group's product pipeline, and to overcome the limitations of conventional RNA delivery tools. Once the Group's targets have been selected based on clear scientific rationale, the Group applies a proprietary algorithm based on our understanding of the biochemical mechanisms involved in RNA interference to identify promising candidate RNAi trigger sequences against the selected target gene and employ high throughput processes to design, screen and rigorously test future pipeline products.

The Group has built a pipeline through the in-house development of both its product candidates and its RNAi and mRNA delivery platforms. The Group believes the success of RNA-based therapeutics relies on three pillars: (1) the selection of the right targets; (2) the application of suitable delivery platforms; and (3) the selection of appropriate therapeutic indications. The Group has developed in-house and own the global rights to STP705 and STP707, the Group's lead product candidates, which demonstrates the Group's capabilities in designing novel RNA therapeutics based on the Group's innovative and adaptable delivery platforms and developing them into drugs to address unmet medical needs. The Group's proprietary delivery platforms include the PNP delivery platform, useful for local or systemic administration of RNAi therapeutics to targets beyond liver hepatocyte cells, the GalNAc RNAi delivery platforms for system administration of RNAi therapeutics to the liver, and our PLNP delivery platform for the administration of mRNA vaccines and therapeutics. The Group exclusively in-licensed core patents covering the PNP delivery platform at an early stage and has conducted research and development in-house to enhance its PNP delivery platform and adapt it for formulating novel RNA therapeutics to treat a range of therapeutic indications. The Group has developed in-house and owns the global rights to innovative GalNAc RNAi delivery platforms. The PNP and GalNAc RNAi delivery platforms fuel the Group's expanding pipeline of early-stage product candidates. The Group's non-wholly owned subsidiary RNAimmune develops mRNA-based vaccines and therapeutics.

Leveraging these in-house laboratories, the Group has research capabilities and engages in research activities such as rapid design and testing of siRNAs against selected targets in vitro and then migration of these products to in vivo testing. The Group also works closely with CROs for large scale production of its therapeutic candidates, validation of the efficacy of its products against an array of tumor types in vivo and toxicity testing in appropriate animal models.



Strategic Cooperation

In addition to the Group continuous investment in in-house research capacity building, the Group also strategically cooperate with different leading biotechnical or pharmaceutical enterprises as well as top research institutions and universities to enhance its capacity in innovative research as well as future market competitiveness.

- ***Licensing Arrangement with Walvax***

  In April 2021, Suzhou Sirnaomics, US Sirnaomics and Walvax entered into a co-development and license agreement to co-develop siRNA drugs STP702 targeting the influenza virus.

- ***Collaboration with Innovent***

  In January 2020, US Sirnaomics entered into a collaboration agreement with Innovent to develop a combination therapy consisting of STP705 and sintilimab, an anti-PD-1 monoclonal antibody, for use in advanced cancers, including NSCLC in the U.S.

- ***Collaboration with Shanghai Junshi***

  In January 2020, US Sirnaomics entered into a collaboration agreement with Shanghai Junshi to develop a combination therapy consisting of STP705 and Shanghai Junshi's anti-PD-1 monoclonal antibody, toripalimab for use in advanced melanoma, SCC and other agreed clinical applications in mainland China, Hong Kong, Macau, Taiwan and US..

- ***Licensing Arrangement with the University of Maryland***

  In December 2020, US Sirnaomics and the University of Maryland entered into a patent license agreement to license to US Sirnaomics certain patent rights related to a provisional patent application for improved delivery of mRNA with polymers.

- ***Licensing Arrangement with Mixson***

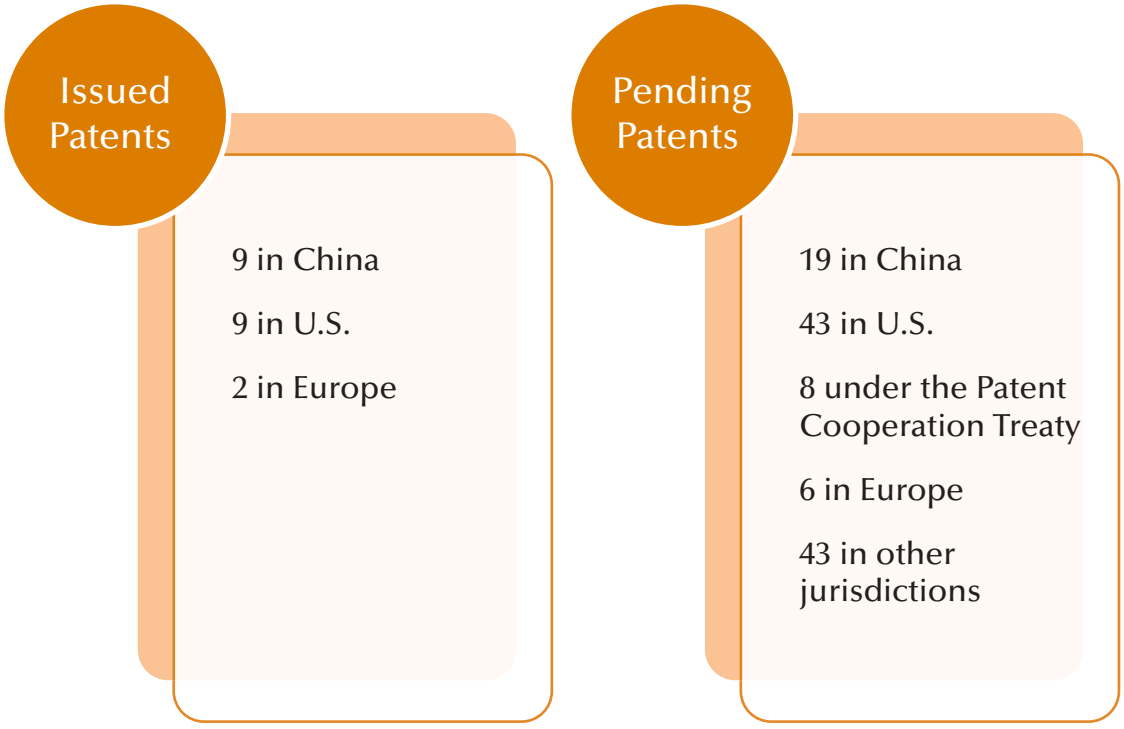
  In 2015 and 2019, US Sirnaomics and A. James Mixson ("**Mixson**") entered into a patent license agreements granting US Sirnaomics a license to certain patent rights relating to polymers used in the PNP formulations of US Sirnaomics.

IP Protection

IP rights, including patents and trade secrets, are critical to the Group's business and in biotechnology in general. In accordance with laws and regulations, the Group has established an IP management department and implemented various policies, including the Management System of Technical Secrets and Commercial Secrets, Procedures for the Administration of Intellectual Property Rights, Procedures for the Administration of Enterprise Patents, and procedures for obtaining and maintaining proprietary IP protection for the Group's drug candidates, discoveries, product development technologies, inventions, improvements and know-how, whether developed internally or acquired or licensed from third parties. The IP management department is responsible for examining and executing patent and trademark applications, handling IP disputes and lawsuits, establishing and managing IP archives, and organizing relevant training and knowledge-sharing for the Group's employees.

As part of the R&D process, the Group applies for patents on a timely basis to protect its valuable inventions. As part of this process, an inventor or designer fills in an Invention Disclosure Form and submits it to the IP management department for review, feedback and approval. The IP management department conducts global IP rights research on products and technologies to evaluate patentability and potential IP risks. After a patent filing is approved, the patent will be classified into three categories based on its economic value and market competitive value. Based on its category, patent applications are accordingly handled by internal patent agents or, where appropriate, by hired third-party patent counsel, to ensure the most appropriate scope of patent protection.

The Group also manages IP rights risks throughout the process of its business. The Group enters into Confidentiality, Intellectual Property, Non-competition and Non-Solicitation Agreements with its employees to provide stipulations regarding ownership of IP rights, protection of trade, operation, management and technology secrets, confidentiality obligations, and non-competition and non-solicitation. At the same time, when the Group enters into commercial or technical cooperation agreements with corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other relevant third parties, the Group stipulates detailed IP right clauses and clarifies the ownership of IP rights as part of these agreements. In addition to contractual measures, the Group tries to protect the confidential nature of its proprietary information through other appropriate precautions, such as physical and technological security measures. As such, the Group is able to protect its own IP rights and operate without infringing, misappropriating or otherwise violating IP rights of other parties.

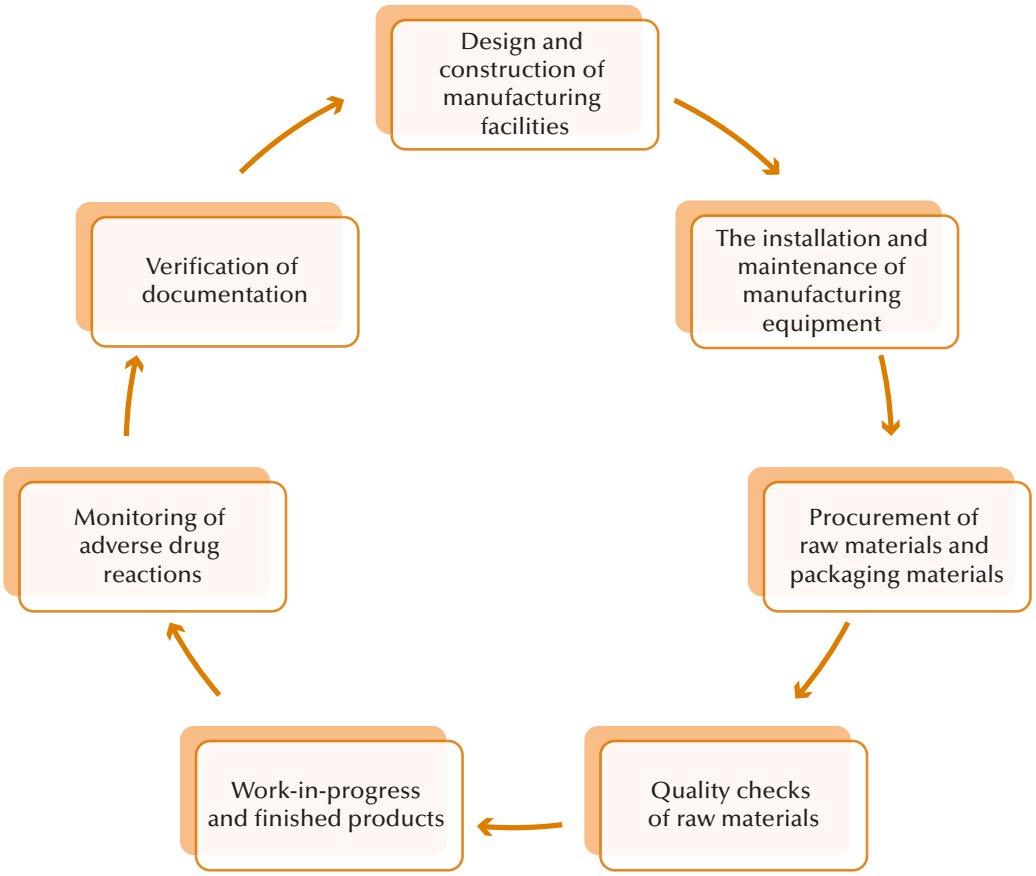


Quality and Safety Control of Products and Services

An important aspect of the Group's transition to a commercial-stage biopharmaceutical company is establishing in-house manufacturing capabilities. The Group has completed building the manufacturing facility in Guangzhou in 2021. As the Group did not launch any products in the market, it had no recalls due to safety and health issues during the Reporting Period. The Group has established relevant internal policies to provide high-quality and safe products and ensure the health and safety of the clinical patients.

Since the Group's inception, the Group has established an internal CMC team to build the Group's in-house manufacturing capacities. The Group's analytical science team implements a science-driven, phase-appropriate, and commercial-oriented approach to the development and application of both classic and state-of-the-art analytical techniques and tools throughout the development life cycle of each of the Group's product candidates. This includes but is not limited to the development and validation of analytical methods for drug substance and drug product: technical transfer of process and analytical methods; establishment of specifications; testing and releasing of each batch of the drug product; and quality control and assurance.

The Group has established a comprehensive quality control system and the Quality Control and Assurance team to test and verify the product quality with predefined standards. The Group's quality control system covers all aspects of the Group's manufacturing operations in the following diagram. The procedures and methodologies of the Group's quality control system are based on the GMP standards, and other applicable domestic and international standards.



When engaging with third parties in the process of clinical trial or manufacturing, such as CMOs, the Group has adopted procedures to ensure that the production qualifications, facilities and processes of its suppliers or contractors comply with the relevant regulatory requirements and the Group's internal guidelines. Before selecting any suppliers, the Group pays special attention to its product quality and qualifications during the standardized and comprehensive review.

RESPONSIBLE OPERATION

Business Ethic

Ethical standards in clinical trials

The Group designs and carries out clinical trials to resolve a legitimate scientific question or need. The Group selects clinical trial investigators based on factors including qualifications, research, clinical expertise in relevant fields, and the ability to conduct clinical trials in accordance with the Group's policies. All clinical trials, which involve the administration of the investigational product to humans, must be conducted under the supervision of one or more qualified investigators in accordance with Good Clinical Practices ("**GCPs**") and human subject research regulations, including the requirement that all research subjects provide informed consent in writing before their participation in any clinical trial. GCPs set forth standards for the processes of clinical trials to ensure that data and reported results are credible and accurate, and that the rights, safety, well-being, and confidentiality of trial participants are protected. Furthermore, an Institutional Review Board ("**IRB**") or other independent organizations must review and approve the plan for any clinical trial before it commences at any institution, and the IRB must conduct continuing review and reapprove the study at least annually.

In the U.S., the new clinical protocol and any amendments to the protocol of the Group will be submitted to FDA for review. An IRB can suspend or terminate approval of a clinical trial at its institution if the trial is not being conducted in accordance with the IRB's requirements or federal regulations governing human subject research, or if the product has been associated with unexpected serious harm to subjects such that the IRB determines patients are at risk.

On the other hand, different phases of clinical trials in China are required to receive ethics committee approval from NMPA and comply with the national GCPs. The Group strictly follows the latest national GCPs such that the sponsors of a clinical trial shall provide investigators and the clinical trial institution with legal and economic insurance or guarantee relating to the clinical trial and, ensure that such insurance or guarantee is appropriate to the nature and degree of risks of the clinical trial.

Ecological protection

The Group abides by laws and regulations in relation to experimental animals promulgated by regulatory authorities. To fulfill the Group's responsibility to protect the natural ecology, the Group strictly follows the animal research and testing standards in its daily operation. Using and breeding of experimental animals are closely monitored by the Group. The Group will perform experimentation on animals only when it has obtained a Certificate for Use of Laboratory Animals. All of the animal studies performed in the U.S. are performed at CROs with appropriate certifications and monitored by animal care committees within these entities.

Anti-corruption

Anti-corruption is one of the important focuses of the Group's compliance management. The Group upholds high standards of business ethics and strictly implements the Anti-Corruption, Anti-Bribery & Anti-Money Laundering Policies. Employees are not permitted to use their work to obtain personal benefit or business advantage through improper or illegal means. In addition, the Anti-Corruption, Anti-Bribery & Anti-Money Laundering Policies state that no employee should ever offer anything of value, including a gift or entertainment, to any government officials or their representatives to influence business decisions, or secure an unfair business advantage. To avoid money laundering activities, employees are required to conduct business with reputable customers, for legitimate business purposes, with legitimate funds.

The Anti-Corruption, Anti-Bribery & Anti-Money Laundering Policies prohibit the use of the Group's resources for personal political activities. Employees can participate in their communities, which may include political activities. However, employees are not allowed to use the Group's resources in any form for personal political activities, including contributions to political candidates or parties. Corporate political contributions are strictly regulated and must always be approved by the Group.

During the Reporting Period, the Group was not aware of any incidents of non-compliance with the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering. In addition, there were no legal proceedings concluded against the Group's issuer or its employees in relation to corrupt practices during the Reporting Period.

With the aim to enhance employees' awareness of integrity and anti-corruption, the Group shared knowledge on anti-corruption legislation with its employees and conveyed the Anti-Corruption, Anti-Bribery & Anti-Money Laundering Policies to all its employees.

In order to further eliminate unethical business practices and to allow employees and other parties with business relationships with the Group to report fraudulent behaviors, the Group's Audit Committee has established the Whistleblowing Policy. The Group will evaluate every report received to decide if a full investigation is necessary. If an investigation is warranted, an investigator from the Internal Audit and Control ("**IAC**") will be appointed to look into the matter, except where an employee of IAC is involved in the report. Where the report discloses a possible criminal offense, the Group will refer the matter to the Audit Committee. The Audit Committee, in consultation with the Group's General Counsel or external legal advisers, will decide if the matter should be referred to the authorities for further action. The Group will try to keep strictly confidential the identity of the whistle blower in order to safeguard the legitimate rights and interests of all internal and external parties.

To monitor the effectiveness of the Whistleblowing Policy, the IAC is responsible for reviewing all complaints received twice a year and reporting to the Audit Committee if any pattern of improprieties or alleged improprieties exist that need to be addressed.

Safety of and Communication with Clinical Trial Participants

In accordance with GCPs and human subject research regulations, the Group values and has taken various measures to ensure the safety of and communication with the clinical trial participants. Before the phase of screening of clinical trials and conducting the treatment, the Group's researchers explain the nature, importance, impacts and risks of the trial to the participants in detail. Before the participants join the trial, the researchers or their authorized representatives must obtain the participants' signed and dated informed consent, and communicate with the participants regarding the background, purpose and process of the clinical research project, to make sure the participants know the test drug dosage, drug cycle and possible side effects.

To protect the safety, health and well-being of clinical trial participants, the Group conducts regular clinical trial inspection and closely monitors the operation and archives documents related to the clinical trials. The Group ensures that insurance for the participants should be purchased by the sponsor of the clinical trial. In case of any negative events caused by the clinical trials, the cost of the treatment and reasonable economic compensation should be covered by the sponsor in accordance with the applicable laws and regulations.

Privacy and Information Security

Abiding by relevant laws and regulations, the Group attaches great importance to the data security and privacy protection for employees, clinical trial participants and other stakeholders, in respects of personal information, medical records and personal data in clinical trials and other sensitive information, etc.

The Group has implemented relevant internal procedures and controls to ensure that user data is protected and that leakage and loss of such data are avoided. The Group's IT Management Policy established detailed regulations on data protection, computer room safety management, account management, internal file decryption procedures, etc.

To enhance cybersecurity, the Group's Operation and Maintenance Department has established cybersecurity system and taken various measures to ensure the guarantee of security for the following three layers of matters.

Cybersecurity measures	Issues covered by the measure
Operational control	• Operation flow • Customer classification • Authority classification • Operation record • Remote management • Password management • Firewall technology • Data backup
Information system control	• Alarm handling • System testing • Performance analysis • Contingency plans
Equipment control	• Computer virus prevention system • Anti-virus software • Non-production application software

Employees are required to follow the Information Security Policy and safeguard the confidentiality of the Group's data and information. The Group provides information security training to its employees and conducts ongoing training and discusses any issues or necessary updates from time to time. Employees and relevant parties, such as suppliers, need to sign the Confidentiality Agreements to protect the core information assets of the Group.

During the Reporting Period, the Group did not experience any material information leakage or loss of user data.

Supply Chain Stability and Sustainability

The Group's suppliers are primarily reputable CROs, CMOs, CDMOs, and research and medical institutions with whom the Group collaborates on preclinical studies and clinical trials in China and U.S., and from whom the Group procures raw materials and equipment to support the manufacturing of its drug products. The Group is in charge of the full lifecycle management of the drug candidate including R&D, manufacturing and future commercialization. The Group makes key decisions regarding the overall development direction, clinical trial plans and procedures, and provide funding. The involvement and roles of third-party service providers in the development of novel molecule drug candidates are typically standardized and similar among different projects. The Group supervises these third-party service providers closely to ensure their compliance with the Group's quality control procedures and applicable laws and the integrity of the data resulting from our trials and studies.

The Group has established operating procedures such as the Procurement Management Policy to regulate the procurement processes. The Group in principle selects or invites three or more potential suppliers with relevant capabilities for comparison in the sourcing stage and selects the most qualified supplier after a comprehensive evaluation of factors such as quality, price, delivery time, after-sales service, reputation and customer base.

The Group will not engage those suppliers who are known to employ child labor or forced labor in their operations to provide products and services. The Group was not aware of any operation points or suppliers that have significant risks with laws and regulations relating to preventing child labor and forced labor during the Reporting Period and has implemented relevant policies and procedures to prevent child labor and forced labor along its supply chain and operations.

The Group has also established the Sustainable Supply Chain Policy and considers the social, ethical and environmental performance of its product suppliers during the procurement and tendering procedures. The supplier list is reviewed annually in accordance with the following principles:

- All suppliers are aware of the environmental, social and ethical issues relevant to their operations and have established minimum standards for these issues;
- The major suppliers and suppliers with higher risks shall have management systems in place to address associated issues and risks;
- Probity and accountability standards are maintained during the review;
- Discrimination is minimized against small and medium enterprises or local vendors, if such vendors could meet the needs of the Group;
- The accuracy of the information provided by suppliers is ensured through audit, third party verification or similar processes; and
- More environmentally and socially responsible suppliers who promote environmentally preferable products and services shall be selected, if all other conditions are equal for the Group.

Any material violation of environmental or other social laws and regulations may also lead to the termination of supplier contracts. Through the above review procedures, the Group is able to minimize the potential environmental and social risks in the supply chain. Such policies and practices are subject to regular review by corresponding departments and shall be updated when appropriate.

During 2021, the Group had 61 major suppliers, including 28 located in the U.S., 26 located in China and 7 located in other countries, and all major suppliers are subject to the above evaluation and monitoring regularly.

Drug Availability and Affordability

Although the Group is still in its transition to a commercialization stage of products, the Group understands that making medicine accessible and affordable to those in need aligns with the Group's mission and principles. If the Group succeeds in commercializing its products, we expect to facilitate academic engagement and education around our products by establishing relationships with key opinion leaders, hospitals, and renowned doctors through clinical trials, R&D collaboration, and academic conferences. Through these means, the Group could market its products in a responsible way and enhance the availability of its products. In addition, the Group will abide by the Patient Protection and Affordable Care Act in the U.S. and the Opinions on Advancing Drug Price Reform and the Opinions on the Reform of Review and Approval System for Drugs and Medical Devices in China, to boost the fair and reasonable pricing of drugs and improve patients' affordability.

TALENT CARE AND DEVELOPMENT

Inclusive Working Environment and Equal Opportunities

As an equal opportunity employer, the Group has implemented various policies, such as the Equal Employment Opportunity Policy, to regulate its daily corporate practices and prevent any activities that may violate the principles of equal opportunity and anti-discrimination. All aspects of employment in the Group, including but not limited to selection, job assignment, compensation, discipline, termination, and access to benefits and training are based upon each employee's qualifications and capabilities to perform the essential functions of a particular job and free from discrimination based upon race, color, religion, sex, sexual orientation, national origin, age, veteran status, physical or mental disability, marital status, genetic characteristics, traits historically associated with race such as hairstyle, or any other characteristic protected by law. The Group's employees are encouraged to report any instances of discrimination and the Group prohibits retaliation against any individual who reports discrimination or participates in an investigation of such report. Appropriate disciplinary action, up to and including immediate termination, may be taken against any employee who violates Equal Employment Opportunity Policy.

In order to maintain a harmonious work environment, the Group also encourages its employees to express concerns about work-related issues, including workplace communication, interpersonal conflict, and other working conditions. Employees who bring concerns forward may do so without fear of retaliation or reprisal. The Group will take action appropriate to the situation and may hold a meeting with those involved in the issue to achieve a reasonable resolution.

Recruitment and Termination

The Group has established a standard recruiting process in the Employee's Handbook and Human Resources Management Procedures to standardize the procedure and requirement of the Group's recruitment work. The Human Resources Department will interview the candidate and assess the candidate's overall technical skills, competencies, personality and occupational orientation. As at December 31, 2021, the Group had 175 employees, more information about the Group's workforce can be found in the section headed "Quantitative Performance Summary".

The Group abides by applicable laws and regulations, the Employee Handbook and Human Rights Policies and strictly prohibits any child labor and forced labor. Before signing a labor contract, the candidate's background information including the identity document and qualification certificate will be checked and verified by the Human Resources Department, to avoid the risk of child labor or forced labor. If child labor or forced labor is found to have been wrongly employed, the Group will immediately terminate the contract with such person and follow up the situation.

The Group strictly complies with applicable laws and regulations, and Employee Handbook in the termination procedure. In order to continuously improve talent retention and development, the Group contracts an exit interview with employees to understand their reason for resignation. The overall employee turnover rate in 2021 was 12.0%, more information about the Group's turnover rate can be found in the section headed "Quantitative Performance Summary".

Working Hours and Holidays

In order to protect employees' rights to rest and leave, the Group has stipulated relevant provisions on working hours, rest and leave, labor protection and working conditions in the labor contract and Employee Handbook. The Group does not encourage unnecessary overtime working and do not allow forced labor. When any non-compliance is identified, the Group will promptly investigate and report the investigation to management for appropriate disciplinary action or dismissal. If necessary, the Group will further improve relevant policies or practices in prevention of future non-compliance.

On the other hand, the Group provides its employees with work-life balance opportunities and also assure adequate resources to support their personal development. The various holidays are granted to the Group's employees, including the national holidays, paid annual leave, sick leave, bereavement leave, study leave, maternity and parental leave, work injury leave, domestic abuse leave and other holidays.

The Group strictly abides by relevant employment laws and regulations. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labor related laws and regulations that would have a significant impact on the Group.

Remuneration and Benefits

The Group places great importance on the retention of staff and talent. The Group endeavors to attract and retain its employees by offering its full-time employees stock options and employee benefits including but not limited to medical plan, dental plan, and other benefits, providing tuition assistance and training opportunities, offering flexible worksite schedules. The Group also recognizes employee commitment and achievement by offering bonus and cash incentive award on performance basis and promotions based on annual performance appraisal process. As required by China's laws and regulations, the Group has participated in various employee social security plans for its employees that are administered by local governments, including housing provident fund, pension insurance, medical insurance, maternity insurance, work related injury insurance and unemployment insurance.

During the Reporting Period, the Group is certified as a Great Place to Work, 90% of its employees say the Group is a great place to work.

Occupational Health and Safety

Work Safety

The Group attaches great importance to the occupational safety and health of its employees. In compliance with applicable laws and regulations, the Group has formulated the Safety Standardization Policy to guide the daily work health and safety management. The Group has established the Safety Committee and clearly define the safety responsibilities of leaders at all levels, relevant functional departments and production staff, so as to form a comprehensive safety management system that covers the whole process of its research and trial production. The Group has also established a risk assessment and management system to identify, evaluate, and classify potential safety risks, therefore effectively controlling and managing different safety risks based on their risk level. Based on such risk assessment, the Group sets safety production targets for corresponding departments and conducts performance appraisal to ensure that the safety standardization work can be implemented continuously and effectively as well as to take timely corrective measures when safety problems are detected.

For those key safety hazards, especially hazardous chemicals, the Group has implemented the Hazardous Chemicals Management Policy, Laboratory Maintenance & Safety Management and Chemical Hygiene Plan to monitor and manage the purchases, transport, storage, and disposal process. Other relevant policies and manuals are also established and under regular review to manage issues such as fire safety, special operations, and contractor safety. The Group's Safety Committee is responsible for monitoring and enforcing the compliance of the Group's operations with environment, health and safety ("**EHS**") laws and regulations. Upon identification of any EHS risks, the Group's Safety Committee will make filings with local governmental authority if required under local laws and regulations, and take all applicable measures to reduce the impact of such risks or incidents.

Occupational Health

In addition, the Group has launched the Occupational Health Management Policy and Management System for Evaluating Occupational Hazard Factors in Workplaces to prevent, control and eliminate all adverse impacts on human health, as well as prevent occupational diseases. The Group provides protection equipment to its employees, conducts periodic inspection of its operational facilities, conducts special health or medical examinations for employees who may have contact with hazards. In addition, the Group provides education and training to enhance their health and safety awareness, including:

- Education on self-protection for new hires to strengthen employees' knowledge or skills on the toxicity of chemicals, the proper use of protective equipment, first-aid training on poisons, fire control etc.; and

- Regular on-the-job training on occupational-health-related procedures and hazard protection measures at least once a year.

In addition, occupational health related inspections are conducted every year to identify potential hazardous diseases in the Group's employees, and will be rectified accordingly.

Combat the Impact of Coronavirus Disease 2019 ("COVID-19") Pandemic

Facing the sudden outbreak of COVID-19, the Group strictly followed the important instructions from the government and the Group's leaders. The Group was able to take prompt response, formulated the Epidemic Prevention And Control Plan as well as Novel Coronavirus Emergency Plan, and set up emergency team to strengthen prevention and control work.

During the Reporting Period, the Group took effective epidemic prevention and control. The Group provided its employees with necessary training on the prevention of COVID-19 and sufficient epidemic prevention equipment, including but not limited to disinfectant, hand sanitizer, masks, and disposable gloves. The Group monitored updates on national and local government policy changes regularly and implemented necessary response plans. When the epidemic was particularly serious, the Group implemented temperature checks twice a day and daily reporting of health status and travel history for all employees, as well as a stringent visitor's policy. The Group significantly increased the frequency of disinfection for all the Group's facilities, and implemented policies on social distancing and facility ventilation.

There were no work-related fatalities occurred in the past three years including the Reporting Period, nor there were any lost days due to work injury. During the Reporting Period, the Group was also not aware of any material non-compliance with health and safety related laws and regulations that would have a significant impact on the Group.

Training and Development

The Group recognizes the importance of continuous development of talents. The Group has adopted the Employee Training Policy, provided regular and specialized training tailored to the needs of the Group's employees in different departments, and encouraged the employees to enroll in external training courses to improve employees' knowledge as well as to support their personal growth. The Group also regularly organizes training sessions conducted by senior employees or third-party consultants covering various aspects of the Group's business operations including overall management, project execution and technical know-how.

- ***Clinical Trial Training***

  During the Reporting Period, some employees in clinical trial department of the Group participated the training titled "Creating Qualitative Changes in Clinical Trials Through Technological Changes — How AI Facilitates Clinical Trial Development", in which well-known experts in the field of clinical trials in China trained participants on the cutting-edge knowledge and progress of GCP, and focused on the digital development and intelligent management of clinical trials. The employees participated learned how they could facilitate knowledge sharing and cooperation with biomedical enterprises, clinical trial institutions and scientific research institutions with the assistance of artificial intelligence, cloud, big data and other technologies.

- ***New Employee Training***

  New employee training is organized for the Group's new joiners, which aims to help employees have quick learning and integration to the Company's development, missions and principles, organization setting, core products, and provide essential training such as work safety and occupational health, procurement, and compliance, etc.

- ***Anti-workplace Sexual Harassment Training***

  During the Reporting Period, the Group engaged with a law firm to conduct an anti-workplace sexual harassment training in order to raise employees' awareness on workplace sexual harassment, the necessary response and appropriate actions to take when witnessing and confronting such issues, in accordance with the Group's internal procedures.

In 2021, the average number of training hours was 12.4 hours and 81.7% of the Group's employees received training. More information about the average number of training hours for the Group's employees and percentage of employees who received training can be found in the section headed "Quantitative Performance Summary".

CO-BUILD A GREEN ENVIRONMENT

The Group is dedicated to contributing to the sustainable development of society, it actively mitigates the environmental impacts of its operation. The Group has formulated and adhered to the Environmental Management System to supervise and manage the activities in the Group's operating sites, including R&D centers, offices and trial production plants.

To fulfill the requirements of laws and regulations, all new construction, reconstruction and expansion projects must strictly abide by the national regulations on environmental protection, comply with national standards and local industry standards for pollutant discharge, and requirements of the state about curbing total emissions of key pollutants.

The Group actively adopts clean technology with low energy consumption, low resource consumption and low pollutant generation. It adheres to its Environmental Management System to control the R&D and trial production process in a scientific way. Moreover, the Group is committed to improving the employees' awareness of environmental protection through reminding and encouraging its employees to avoid unnecessary energy consumption.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to air and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Prior to the commercialization of its product candidates, the Group is anticipating an expansion in its commercial sites to enhance its production capacity. Therefore, the Group has set the following environmental targets:

Environmental aspects	Targets	Steps taken to achieve
GHG emissions Waste management Energy consumption Water consumption	• Set more specific environmental targets upon large scale production • Regular review on the update of environmental standards and regulations	• Establishing a comprehensive data collection mechanism to monitor the Group-wide GHG emissions, waste generation, energy consumption and water consumption before the commencement of large scale production • Reviewing updates of environmental standards and regulations semi-annually to analyze, monitor, and minimize the associated environmental impacts of the Group's operation

Emission Management

The emission of the Group includes exhaust gas, GHG, waste and sewage. The Group strictly control the impact of its operation on the environment. During the Reporting Period, The Group insisted on environmental protection measures, committed to the emission limit standards, and minimized the potential negative environmental impact of its operation process. The Group carefully identifies the emission sources of various pollutants. With reference to the environmental protection laws and regulations in China and the U.S., The Group has formulated the Exhaust Gases Management System. The Group effectively manages the emissions in the process of R&D and trial production, and strengthen its waste management by continuously improving the environmental management system and promoting process optimization. In addition, the Group regularly conducts on-site inspections and collects samples in operating sites where emissions are incurred to monitor the level of emissions.

Exhaust gas

The exhaust gas generated by the Group is mainly emissions associated with vehicles and the use of chemicals in R&D centers. The major types of exhaust gas include nitrogen oxides ("**NO_x**"), sulphur oxides ("**SO_x**"), particulate matters ("**PM**") and volatile organic compounds ("**VOC**"). During the Reporting Period, the air pollutant emissions of the Group included approximately 2.90 kg of NO_x, 0.10 kg of SO_x, 0.21 kg of PM and 160.80 kg of VOC. The Group strictly abides by relevant laws and regulations to control the emission of exhaust gas and reduces the impact of exhaust gas on the ecological environment.

The data of air pollutant emission is set out as below:

Indicators	Unit	2021
NO_x	kg	2.90
SO_x	kg	0.10
PM	kg	0.21
VOC	kg	160.80

Case Study: Exhaust Gas Treatment in Suzhou Sirnaomics

The organic waste gas generated in the R&D center in Suzhou, China is collected by a fume hood, connected to an activated carbon adsorption facility by a pipeline for treatment, and then discharged through a 15-meter-high exhaust pipe. The collection efficiency of the fume hood is up to 95%, with a designed capacity of 1,000 m^3/hour. Due to the small quantity of organic waste gas, the activated carbon adsorption and removal efficiency is 80%.

GHG emissions

During the Reporting Period, the GHG emissions intensity was approximately 3.25 tCO_2e/employee. The Group continues to increase investment in energy conservation and emission reduction related technologies, strengthen the publicity of emission reduction concept within the Group, and strive to use cleaner energy to reduce GHG emissions.

The GHG emissions of the Group are set out below:

Indicators[1]	Unit	2021
Direct (Scope 1) GHG emissions[2]	tCO_2e	17.28
Energy indirect (Scope 2) GHG emissions[3]	tCO_2e	551.33
Total GHG emissions	tCO_2e	568.61
GHG emissions intensity[4]	tCO_2e/employee	3.25

Notes:

1. GHG emissions data is presented in terms of tonnes of carbon dioxide equivalent and are based on, including but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report — Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, 2015 National Average Emission Factors for Mainland China and emission factor for the U.S.

2. Direct (Scope 1) GHG emissions include GHG emissions from direct combustion of unleaded gasoline in company-owned vehicles.

3. Energy indirect (Scope 2) GHG emissions include GHG emissions from the generation of purchased electricity consumed by the Group.

4. As at December 31, 2021, the total number of employees of the Group was 175. This data is also used for calculating other intensity data.

Hazardous Waste

The majority of the Group's hazardous waste is the chemical waste generated in the process of R&D experimentation and trial production, waste activated carbon from the exhaust gas treatment equipment and pharmaceutical waste.

The Group has implemented the Hazardous Waste Management System to control the generation, storage, transfer and disposal of hazardous waste from its operational activities. In the process of disposal, all hazardous waste is handled in accordance with the required procedures. To avoid accidents caused by improper waste management, employees are offered necessary protection in the course, and they are responsible for ensuring that waste chemicals are accumulated in appropriate containers. Waste containers shall be identified as "Hazardous Waste" with the specific components of the waste written on the container or an accumulation form linked to the container. The responsible personnel will transfer the labeled hazardous waste to a temporary storage room and engage qualified agencies for disposal.

During the Reporting Period, the amount of hazardous waste generated by the Group was approximately 3.49 tonnes and the hazardous waste intensity was approximately 0.02 tonnes/employee. To reduce waste, laboratory staff are required to follow the Group's Standard Operation Procedure to utilize prudent chemical purchasing practices, avoid ordering excess amount of chemicals and rotate chemical stocks in order to use chemicals before their self-lives expire.

Non-hazardous waste

Non-hazardous waste produced by the Group is mainly office solid waste. During the Reporting Period, the amount of non-hazardous waste generated by the Group was approximately 73.98 tonnes and the non-hazardous waste intensity was approximately 0.42 tonnes/employee. The Group has adopted measures such as advocating double-sided printing to minimize the production of office solid waste. In addition, the Group has engaged qualified third-party to recycle office solid waste, where recyclable waste such as carton boxes and metal waste are collected and recycled regularly.

The hazardous and non-hazardous waste generated by the Group are set out below:

Indicators	Unit	2021
Hazardous waste generated	tonnes	3.49
• Hazardous waste intensity	tonnes/employee	0.02
Non-hazardous waste generated[1]	tonnes	73.98
• Non-hazardous waste intensity	tonnes/employee	0.42

Note:

1. The non-hazardous waste generated has excluded the one-off renovation waste of 48 tonnes.

Sewage

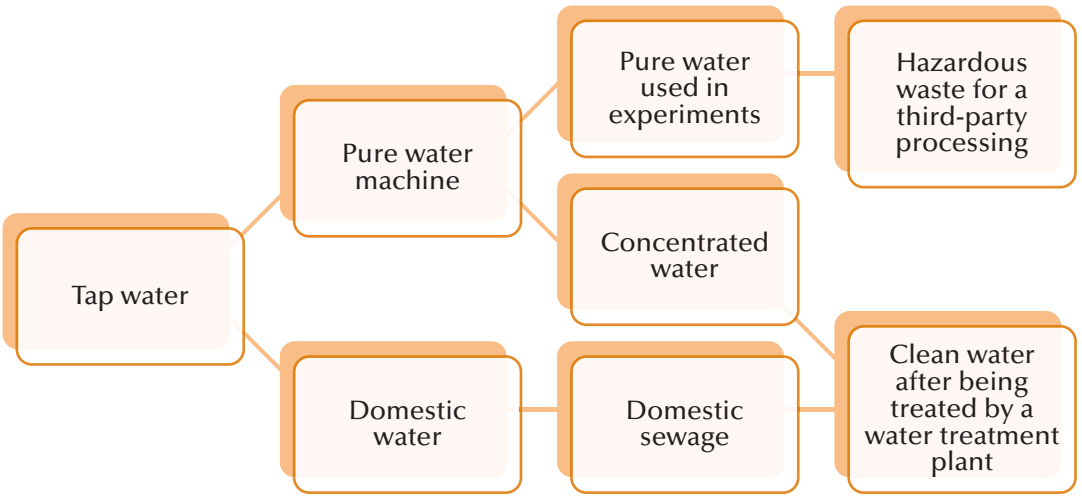
Sewage generated by the Group, including domestic wastewater and experimental wastewater, is sent to wastewater treatment facilities and appropriately treated before being discharged to the municipal pipeline network. The wastewater treatment facilities adopt biodegradation, as well as physical and chemical processes to ensure the discharge of water complies with laws and regulations. A monitoring system for major water pollutants is also in place so that the level of pollutants including chemical oxygen demand, suspended solids, ammoniac nitrogen and total phosphorus can be monitored constantly.

The Group has formulated the Wastewater Management Regulations to control the discharge, treatment and inspection of wastewater to ensure that sewage is discharged only after being treated by the wastewater treatment facilities to reduce the adverse impact of sewage on the surrounding environment and the health of employees.

Case Study: Sewage Treatment in Suzhou Sirnaomics

The Group engages a sewage treatment plant in an industrial park with a treatment capacity of 350,000 m^3 per day, to process the experimental sewage from an R&D center. The quality of the treated wastewater reaches the Discharge Standard of Pollutants for Municipal Wastewater Treatment Plants Class A Standard and meets the requirements of the Regulations of Jiangsu Province on Prevention and Control of Water Pollution in the Taihu Lake (2018 Revision) and Regulation on the Administration of the Taihu Lake Basin. When reaching the standards, the treated water will be discharged to Wusong River. The sewage treatment plant can also monitor the sewage in real time, mainly over chemical oxygen demand, suspended solid, ammoniac nitrogen and total phosphorus, so as to ensure the effective management of water quality.

The procedures for experimental sewage treatment are as follows:



Utilization of Resources

Through the implementation of Environmental Protection Methods, the Group identifies the environmental impact in its business and manages the use of resources, including energy, water and raw materials, throughout its operations.

In accordance with the Group's Environmental Protection Methods, the Group enhances the utilization rate of energy and water resources, take energy-saving measures, and reduce the use of non-environmentally friendly packaging materials.

In the Group's offices, the Group promotes green office practices and encourages the optimization of the use of resources through initiatives such as digitalizing clerical work and adopting energy-efficient electrical appliances at the Group's offices.

Energy consumption

The energy directly or indirectly consumed in the operations of the Group includes a small amount of fuel for company-owned vehicles and purchased electricity.

The Group adheres to the policy of Environmental Protection Methods to ensure reasonable use of energy. During experimentation and trial production, the Group saves energy by standardizing the daily operating procedures and monitoring the electricity consumption regularly. For fuel consumption, the Group reminds employees to properly plan the driving routes of vehicles and monitors its expenses on fuels.

During the Reporting Period, the energy consumption intensity was approximately 6.11 MWh/employee. The Group strictly controls the use of energy, including electricity and fuel. It also eliminates obsolete electrical appliances with undue power consumption.

The total energy consumption of the Group is set out below:

Indicators	Unit	2021
Direct energy consumption[1]	MWh	62.96
Indirect energy consumption	MWh	1,006.76
Total energy consumption	MWh	1,069.72
Energy consumption intensity	MWh/employee	6.11

Note:

1. Energy conversion is base on the Energy Statistics Manual published by the International Energy Agency.

Water consumption

Water conservation is one of the Group's environmental protection focuses. The Group strictly follows local laws and regulations, as well as its Environmental Protection Methods, to use water resources only as needed.

During the Reporting Period, the Group mainly used municipal water. The Group does not take water from areas of high water stress and all its operating sites have sufficient water supply. The Group therefore does not have any issues in sourcing water that is fit for purpose.

During the Reporting Period, the water consumption intensity was approximately 7.68 m^3/employee. The Group improves the utilization rate of water resources and avoids unnecessary use of water through technical improvements of equipment. In addition, the Group has encouraged its employees to make proper use of water in areas such as laboratory testing, cleaning and living.

The total water consumption of the Group is set out as below:

Indicators	Unit	2021
Total water consumption	m^3	1,343.63
Water consumption intensity	m^3/employee	7.68

Use of raw materials

The Group thoroughly evaluates the procedures of the experiments that are carried out during R&D and identifies resource conservation measures to avoid wasting raw materials in its daily operation. Scientific experiments are performed according to the Group's Standard Operation Procedure to ensure safety, reliability of R&D results and efficient use of chemicals.

During the Reporting Period, the Group used approximately 26.74 g of chemicals for R&D purposes. The total raw material consumption of the Group is set out below:

Indicators	Unit	2021
Total raw material consumption		
• chemicals	g	26.74

Packaging material consumption

During the Reporting Period, the Group is principally engaged in R&D, so the amount of packaging materials consumed by the Group's operation was insignificant.

The Environment and Natural Resources

The Group is committed to achieving a harmonious coexistence between humans and nature, and closely monitors the environmental impact of its operation. The Group adopts a well-established environmental management system to enhance emissions control, makes rational use of resources and continuously advocates environmentally friendly practices. By adopting specialized environmental protection measures, the Group strives to effectively reduce the impact of the Group's operation on the surrounding environment.

Green Chemistry

The Group has been tracking the latest research of green chemistry in academia. The Group has been exploring more efficient and environmentally friendly methods for experimentation and clinical trials. Through the application of green chemistry technology to laboratory testing and clinical trial processes, the Group endeavors to enhance the utilization rate of chemicals and avoid depleting natural resources.

Noise Management

The Group conducts geographical investigations before the construction of new projects. When the Group plans to set up its R&D and clinical trials centers, it avoids selecting sites near noise-sensitive areas such as residential areas and schools. The Group strictly complies with the relevant regulations and standards for noise pollution control. For example, The Group's R&D center in Suzhou, China met the Class 2 standard in the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348–2008) during the Reporting Period.

When purchasing equipment, the Group prefers equipment that generates relatively less noise. If the Group uses louder noise emitting equipment, the Group will take adequate noise reduction measures. The Group regularly engages qualified third-party institutions to carry out environmental impact assessments to monitor the Group's environmental performance, including its noise emissions.

Responding Actions to Climate Change

As a global challenge, climate change has a far-reaching impact on economic and social development. An array of actions has been taken by different entities to tackle climate change. The Paris Agreement, a legally binding agreement on GHG reduction was officially adopted in 2015. In addition, China puts forward the targets of reaching a carbon peak before 2030 and going carbon neutral before 2060.

As a biopharmaceutical company striving to promote healthy lives, the Group closely monitors the impact of climate change on human health and the potential climate-related risks in the Group's operation. The Group has formulated the Work Plan for Greenhouse Gas Emission Control to set out the Group's measures to address the identified impact of its operation on climate and the environment. As the Group is aware of the physical risks brought by climate change and acknowledges that extreme weather events tend to be more frequent and severe due to climate change, it may disrupt the Group's operation and the work of employees. It has implemented the Natural Disaster Contingency Plan to minimize the loss caused by extreme weather.

In terms of transition risks, the Group expects that the laws and regulations related to climate change will be more stringent. For example, local governments may adopt more aggressive policies and measures to limit GHG emissions. Therefore, the Group might be exposed to legal risks and may have to incur higher operating costs to comply with regulatory changes. In response to possible legal risks, the Group has taken a series of measures. First, the Group closely monitors any changes in laws or regulations. Second, the Group has consulted compliance advisors to manage legal risks. Third, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing GHG emissions. As the Group goes beyond current compliance requirements, the Group has higher adaptability to tighter regulations that may arise.

The Group will continue to refer to the recommendations of Task Force on Climate-related Financial Disclosures ("**TCFD**") to explore potential climate-related risks and opportunities, and improve its risk management mechanisms related to climate change.

The Group's Climate Change Management System

Governance	• Formulate policies including the Work Plan for Greenhouse Gas Emission Control and Natural Disaster Contingency Plan to manage climate-related risks. • The Board has the overall responsibility for the Group's ESG affairs, including climate-related issues.
Metrics and Targets	• Measure and report the Group's GHG emissions in accordance with global standards including the Greenhouse Gas Protocol. • Establish a comprehensive data collection mechanism to monitor the Group-wise GHG emissions, waste generation, energy consumption and water consumption before the commencement of large scale production.
Strategy	• The Group will take account of climate-related risk in its internal control and risk management processes. • Identify and assess the climate-related risks based on scientific matrices with the likelihood of occurrence and level of impact considered.
Risk Management	• Mitigate the Group's environmental impacts by conserving resources and reduce emissions. • Increase the Group's adaptability to climate change with adequate preparation for the potential impacts of climate change.

Actions taken by the Group

Identify sources of carbon emissions	• Direct (Scope 1) GHG emissions of vehicles in the process of gasoline consumption of vehicles. • Energy indirect (Scope 2) GHG emissions in the process of electricity consumption.
Reduce GHG emissions	• The Group actively promotes efficient use of energy by: — Avoiding the use of obsolete electrical appliances with undue power consumption; — Actively promoting energy conservation; — Enhancing emissions control; — Encouraging low-carbon lifestyle; and — Implementing green office practices.

COMMUNITY INVESTMENT

The Group is devoted to the R&D of drugs to cure diseases while contributing to the health of all mankind. The Group is a leading RNA therapeutics biopharmaceutical company that focuses on the discovery and development of innovative drugs. In the future, the Group will continue to develop novel therapeutics to alleviate human suffering and advance patient care in areas of high unmet medical need. During the Reporting Period, the Group made community investment through partnering with different parties and sharing of our professional knowledge. The Group will continue to explore different means to benefit the community in the future.

Collaboration with the academia

Investment in scientific research helps to build the future innovators and scientists that the world will need to tackle global challenges, including climate change and diseases. The Group seeks to achieve excellence in science and innovation. It does so by supporting and collaborating with research institutes. With expertise in RNAi technologies, the Group collaborated with the National Institutes of Health, NAVY MRC, the Johns Hopkins University, the Duke University, the University of Maryland and the University of Pennsylvania. Through partnerships, the Group has greatly advanced its R&D projects and clinical development strategy.

Popularization of Clinical Research Knowledge

The Group regularly posts and shares publicity materials on medical and healthcare knowledge on its WeChat public account and official website. Through science education, the Group hopes to build the scientific literacy of citizens and raise health awareness, which is critical to the industry, society, and public health.

Contributions to the biopharmaceutical industry

The Group understands that the long-term prospect of an enterprise correlates with the development of the industry. Thus, the Group always pays close attention to the industry development trends. During the Reporting Period, the Group actively attended industry activities, strengthened the cooperation with peers in the industry, and was committed to contributing to the growth of the entire industry.

Participated in the 19th Annual South Beach Symposium Medical Dermatology Summit

In February 2021, the Group presented the results from a recently completed Phase 2a clinical study of its lead drug candidate, STP705, for treatment of squamous cell skin cancer, at the 19th Annual South Beach Symposium Medical Dermatology Summit.

Formed partnership to co-develop antiviral RNAi therapeutic product

In April 2021, Suzhou Sirnaomics and US Sirnaomics entered into a partnership agreement with Walvax for the co-development of STP702, an anti-influenza siRNA therapeutic product candidate.

As drug-resistant viruses and new pathogenic viruses are continuously discovered, there is an ongoing need for new anti-influenza treatments. The newly established partnership between the Group and Walvax will specifically focus on the development of the siRNA-based anti-influenza therapeutic candidate STP702. According to the viral-challenged mouse models, STP702 has a more potent anti-influenza effect than the marketed chemo drugs: Ribavirin and Tamiflu.

QUANTITATIVE PERFORMANCE SUMMARY

Environmental

Indicators	Unit	2021
Major air pollutant emissions		
NO_x	kg	2.90
SO_x	kg	0.10
PM	kg	0.21
VOC	kg	160.80
GHG emissions		
Direct (Scope 1) GHG emissions	tCO_2e	17.28
Energy indirect (Scope 2) GHG emissions	tCO_2e	551.33
Total GHG emissions	tCO_2e	568.61
GHG emissions intensity	tCO_2e/employee	3.25
Waste		
Hazardous waste generated	tonnes	3.49
Hazardous waste intensity	tonnes/employee	0.02
Non-hazardous waste generated	tonnes	73.98
Non-hazardous waste intensity	tonnes/employee	0.42
Utilization of resources		
Direct energy consumption	MWh	62.96
Indirect energy consumption	MWh	1,006.76
Total energy consumption	MWh	1,069.72
Energy consumption intensity	MWh/employee	6.11
Total water consumption	m^3	1,343.63
Water consumption intensity	m^3/employee	7.68
Total raw materials consumption	g	26.74

Employment

Indicators	2021
Number of employees	175
Number and percentage of employees	
By gender	
Female	76 (43.4%)
Male	99 (56.6%)
By age group	
Below 30	57 (32.6%)
30 to 50	94 (53.7%)
Over 50	24 (13.7%)
By geographical region	
China	103 (58.9%)
The U.S.	69 (39.4%)
Hong Kong	3 (1.7%)
By employment type	
Full-time	173 (98.9%)
Part-time	2 (1.1%)
By employee category	
Senior management	15 (8.6%)
Middle management	33 (18.9%)
General staff	127 (72.5%)

New Hires

Indicators	2021
Number and rate (%) of new hires[1]	118 (67.4%)
By gender	
Female	52 (68.4%)
Male	66 (66.7%)
By age group	
Below 30	71 (124.6%)
30 to 50	44 (46.8%)
Over 50	3 (12.5%)
By geographical region	
China	71 (68.9%)
The U.S.	46 (66.7%)
Hong Kong	1 (33.3%)

Note:

1. The calculation method of the rate of new hires: the total number of newly hired in that year ÷ total number of employees at the end of the year × 100%.

Employee Turnover

Indicators	2021
Number and rate (%) of employee turnover[1]	21 (12.0%)
By gender	
Female	11 (14.5%)
Male	10 (10.1%)
By age group	
Below 30	10 (17.5%)
30 to 50	10 (10.6%)
Over 50	1 (4.2%)
By geographical region	
China	18 (17.5%)
The U.S.	3 (4.3%)
Hong Kong	– (–)

Note:

1. The calculation method of the rate of employee turnover: the total number of departures in that year ÷ total number of employees at the end of the year × 100%.

Diversity of governance bodies

Indicators	2021
Number of governance bodies members	12
Number and percentage of individuals within the Group's governance bodies	
By gender	
Female	2 (16.7%)
Male	10 (83.3%)
By age group	
Below 30	– (–)
30 to 50	2 (16.7%)
Over 50	10 (83.3%)

Occupational Health and Safety

Indicators	2021
Number of work-related injuries	–
Rate of work-related injuries	–
Number of workdays lost due to work-related injuries	–
Lost day rate	–
Work-related fatality (%)	–
Work-related fatality rate (%)	–

Parental Leave

Indicators	2021
Total number of employees that were entitled to parental leave	114
By gender	
Female	47
Male	67
Total number of employees that took parental leave	2
By gender	
Female	–
Male	2
Total number of employees that returned to work in the reporting period after parental leave ended	2
By gender	
Female	–
Male	2

Training and Development

Indicators	2021
Total number of hours of training received by employees	2,172.5
Total number of employees who received training	143
Average training hours per employee[1] and percentage of employees who received training[2]	12.4 (81.7%)
By gender[3, 4]	
Female	10.8 (40.6%)
Male	13.6 (59.4%)
By employee category[3, 4]	
Senior management	1.1 (6.3%)
Middle management	37.7 (24.5%)
General staff	7.2 (69.2%)

Notes:

1. The calculation method of the average training hours: total number of training hours ÷ total number of employees as at the end of the year.

2. The calculation method of the percentage of employees trained: employees who took part in training ÷ number of employees as at the end of the year × 100%.

3. The calculation method of the average training hours for employees in relevant categories: total number of training hours for employees in the specified category ÷ number of employees in the specified category as at the end of the year.

4. The calculation method of the percentage of employees trained in relevant categories: employees in the specified category who took part in training ÷ employees who took part in training × 100%.

Supply Chain Management

Indicators	2021
Total number of key suppliers	61
By region	
The U.S.	28
China	26
Other regions (including Canada, the United Kingdom, Japan, Singapore and Taiwan)	7
Proportion of spending on local suppliers	
The U.S.	66.7%
China	87.8%

Indicators	2021
Total number of qualified key suppliers	61
The number of key suppliers that have assessed the social impact	61
The number of key suppliers with significant actual or potential negative impacts has been identified	–
Number of key suppliers that have conducted environmental impact assessment	61
The number of key suppliers that have a significant actual or potential negative impact on the environment has been identified	–

Anti-corruption

Indicators	Unit	2021
Number of corruption cases reported by employees	case	–
Number of concluded corruption cases filed against the issuer or its employees	case	–
Total number and percentage of employees that the organization's anti-corruption policies and procedures have been communicated to	%	100%

LIST OF COMPLIANCE LAWS AND REGULATIONS

Field	Applicable Laws and Regulations Abided by Sirnaomics		Compliance
	PRC	U.S.	
Environments Protection	the Environmental Protection Law of the People's Republic of China, the Solid Waste Environmental Pollution Prevention and Control Law of the People's Republic of China, the Water Pollution Prevention and Control Law of the People's Republic of China, the Atmospheric Pollution Prevention and Control Law of the People's Republic of China, the Emission Standard of Air Pollutants of the People's Republic of China, the Emission Standard for Industrial Enterprises Noise at Boundary (GB12348–2008), etc.	the Energy Policy Act of 2005 of the U.S., the Federal Clean Air Act of the U.S. and the Federal Clean Water Act of the U.S., The Energy Policy Act of 2005 in the U.S., etc.	No Violation
Employment and Labor Standards	Labor Contract Law of the People's Republic of China, Labor Law of the People's Republic of China, Social Insurance Law of the People's Republic of China, Provisions on Special Protection for Minor Workers, Provisions on the Prohibition of Using Child Labor, etc.	Uniformed Services Employment and Reemployment Rights Act in the U.S., Employee Rights for Workers with Disabilities Paid at Special Minimum Wages in the U.S., Pay Transparency Nondiscrimination Provision in the U.S., etc.	No Violation
Occupational Health and Safety	the Work Safety Law of the People's Republic of China, Emergency Response Law of the People's Republic of China, etc.	Occupational Safety and Health Act of the U.S., etc.	No Violation

Field	Applicable Laws and Regulations Abided by Sirnaomics		Compliance
	PRC	U.S.	
Product and Service Quality	Guidelines for the Development of the Ethics Review Committee for Clinical Research Involving Human Beings, Guidance for the Ethical Review of Pharmaceutical Clinical Trials, Regulations for the Administration of Affairs Concerning Experimental Animals, the Administrative Measures on Good Practice of Experimental Animals, the Administrative Measures on the Certificate for Experimental Animals (Trial), etc.	Good Laboratory Practice and human subject regulations, The Animal Welfare Act in the U.S., Public Health Service Policy on Humane Care and Use of Laboratory Animals in the U.S., etc.	No Violation
Intellectual Property Protection	Patent Law of the People's Republic of China, Trademark Law of the People's Republic of China and Copyright Law of the People's Republic of China, etc.	Health Insurance Portability and Accountability Act, etc.	No Violation
Anti-corruption	Company Law of the People's Republic of China, Criminal Law of the People's Republic of China, Anti-Unfair Competition Law of the People's Republic of China, Anti-money Laundering Law of the People's Republic of China, etc.	Foreign Corrupt Practices Act in the U.S., etc.	No Violation

GRI CONTENT INDEX

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<tr><td>China</td><td>103</td><td>–</td></tr>
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<tr><th rowspan="2">Gender</th><th colspan="2">Employment type</th></tr>
<tr><th>Full-time</th><th>Part-time</th></tr>
<tr><td>Female</td><td>74</td><td>2</td></tr>
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<tr><td>102–9</td><td>Supply chain</td><td>Supply Chain Stability and Sustainability</td></tr>
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GRI Indicator	Description	Report chapter/Website reference and notes
102–10	Significant changes to the organization and its supply chain	Key Milestones There are no significant changes to the Group's supply chain.
102–11	Precautionary principle or approach	Quality and Safety Control of Products and Services; The Environment and Natural Resources; Responding Actions to Climate Change
102–12	External initiatives	Nil
102–13	Membership of associations	Nil
102–14	Statement from senior decision-maker	Message from the Chairman
102–16	Values, principles, standards, and norms of behavior	About the Group
102–18	Governance structure	Corporate Governance
102–40	List of stakeholder groups	Stakeholder Engagement
102–41	Collective bargaining agreements	None in 2021. The Group respects the employees' right to form and join labor unions and will work with legitimate employee representative bodies in accordance with the applicable laws and regulations.
102–42	Identifying and selecting stakeholders	Stakeholder Engagement
102–43	Approach to stakeholder engagement	Stakeholder Engagement
102–44	Key topics and concerns raised	Stakeholder Engagement; Materiality Assessment
102–45	Entities included in the consolidated financial statements	Annual Report 2021
102–46	Defining report content and topic Boundaries	Reporting Scope
102–47	List of material topics	Materiality Assessment
102–48	Restatements of information	Not applicable. This ESG Report is the first ESG Report issued by the Group.
102–49	Changes in reporting	Not applicable. This ESG Report is the first ESG Report issued by the Group.

GRI Indicator	Description	Report chapter/Website reference and notes
102–50	Reporting period	About this Report
102–51	Date of most recent report	This ESG Report is the first ESG Report issued by the Group.
102–52	Reporting cycle	Annual
102–53	Contact point for questions regarding the report	Contact Us
102–54	Claims of reporting in accordance with the GRI Standards	Reporting Framework
102–55	GRI content index	GRI Content Index
102–56	External assurance	This ESG Report was subject to internal audit process. No external assurance was conducted in 2021.
GRI 203: Indirect Economic Impacts 2016		
103–1	Explanation of the material topic and its Boundary	Community Investment
103–2	The management approach and its components	Community Investment
103–3	Evaluation of the management approach	Community Investment
203–1	Infrastructure investments and services supported	Community Investment
GRI 204: Procurement Practices 2016		
103–1	Explanation of the material topic and its Boundary	Supply Chain Stability and Sustainability
103–2	The management approach and its components	Supply Chain Stability and Sustainability
103–3	Evaluation of the management approach	Supply Chain Stability and Sustainability
204–1	Proportion of spending on local suppliers	Quantitative Performance Summary

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 205: Anti-corruption 2016		
103–1	Explanation of the material topic and its Boundary	Anti-corruption
103–2	The management approach and its components	Anti-corruption
103–3	Evaluation of the management approach	Anti-corruption
205–1	Operations assessed for risks related to corruption	Anti-corruption
205–2	Communication and training about anti-corruption policies and procedures	Anti-corruption
205–3	Confirmed incidents of corruption and actions taken	Anti-corruption
GRI 302: Energy 2016		
103–1	Explanation of the material topic and its Boundary	Utilization of Resources
103–2	The management approach and its components	Utilization of Resources
103–3	Evaluation of the management approach	Utilization of Resources
302–1	Energy consumption within the organization	Utilization of Resources
302–3	Energy consumption intensity	Utilization of Resources
302–4	Reduction of energy consumption	Utilization of Resources

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 303: Water and Effluents 2018		
103–1	Explanation of the material topic and its Boundary	Emission Management; Utilization of Resources
103–2	The management approach and its components	Emission Management; Utilization of Resources
103–3	Evaluation of the management approach	Emission Management; Utilization of Resources
303–1	Interactions with water as a shared resource	Emission Management; Utilization of Resources
303–2	Management of water discharge-related impacts	Emission Management
303–3	Water withdrawal	Utilization of Resources
303–4	Water discharge	Emission Management
303–5	Water consumption	Utilization of Resources
GRI 305: Emissions 2016		
103–1	Explanation of the material topic and its Boundary	Emission Management
103–2	The management approach and its components	Emission Management
103–3	Evaluation of the management approach	Emission Management
305–1	Direct (Scope 1) GHG emissions	Emission Management
305–2	Energy indirect (Scope 2) GHG emissions	Emission Management
305–3	Other indirect (Scope 3) GHG emissions	Emission Management
305–4	GHG emissions intensity	Emission Management
305–7	Nitrogen oxides (NO_x), sulfur oxides (SO_x), and other significant air emissions	Emission Management

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 306: Waste 2020		
103–1	Explanation of the material topic and its Boundary	Emission Management
103–2	The management approach and its components	Emission Management
103–3	Evaluation of the management approach	Emission Management
306–1	Waste generation and significant waste-related impacts	Emission Management
306–2	Management of significant waste-related impacts	Emission Management
306–3	Waste generated	Emission Management
GRI 307: Environmental Compliance 2016		
103–1	Explanation of the material topic and its Boundary	Co-build a Green Environment
103–2	The management approach and its components	Co-build a Green Environment
103–3	Evaluation of the management approach	Co-build a Green Environment
307–1	Non-compliance with environmental laws and regulations	Co-build a Green Environment; List of Compliance Law and Regulations
GRI 308: Supplier Environmental Assessment 2016		
103–1	Explanation of the material topic and its Boundary	Supply Chain Stability and Sustainability
103–2	The management approach and its components	Supply Chain Stability and Sustainability
103–3	Evaluation of the management approach	Supply Chain Stability and Sustainability
308–2	Negative environmental impacts in the supply chain and actions taken	Supply Chain Stability and Sustainability; Quantitative Performance Summary

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 401: Employment 2016		
103–1	Explanation of the material topic and its Boundary	Inclusive Working Environment and Equal Opportunities
103–2	The management approach and its components	Inclusive Working Environment and Equal Opportunities
103–3	Evaluation of the management approach	Inclusive Working Environment and Equal Opportunities
401–1	New employee hires and employee turnover	Inclusive Working Environment and Equal Opportunities; Quantitative Performance Summary
401–2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Remuneration and Benefits
GRI 403: Occupational Health and Safety 2018		
103–1	Explanation of the material topic and its Boundary	Occupational Health and Safety; Training and Development
103–2	The management approach and its components	Occupational Health and Safety; Training and Development
103–3	Evaluation of the management approach	Occupational Health and Safety; Training and Development
403–1	Occupational health and safety management system	Occupational Health and Safety
403–2	Hazard identification, risk assessment, and incident investigation	Occupational Health and Safety
403–3	Occupational health services	Occupational Health and Safety
403–4	Worker participation, consultation, and communication on health and safety	Occupational Health and Safety; Training and Development
403–5	Worker training on occupational health and safety	Occupational Health and Safety; Training and Development
403–6	Promotion of worker health	Occupational Health and Safety
403–7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Occupational Health and Safety

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 404: Training and Education 2016		
103–1	Explanation of the material topic and its Boundary	Training and Development
103–2	The management approach and its components	Training and Development
103–3	Evaluation of the management approach	Training and Development
404–1	Average hours of training per year per employee	Quantitative Performance Summary
404–2	Programs for upgrading employee skills and transition assistance programs	Training and Development
GRI 405: Diversity and Equal Opportunity 2016		
103–1	Explanation of the material topic and its Boundary	Inclusive Working Environment and Equal Opportunities
103–2	The management approach and its components	Inclusive Working Environment and Equal Opportunities
103–3	Evaluation of the management approach	Inclusive Working Environment and Equal Opportunities
405–1	Diversity of governance bodies and employees	Quantitative Performance Summary
GRI 408: Child Labor 2016		
103–1	Explanation of the material topic and its Boundary	Recruitment and Termination
103–2	The management approach and its components	Recruitment and Termination
103–3	Evaluation of the management approach	Recruitment and Termination
408–1	Operations and suppliers at significant risk for incidents of child labor	Supply Chain Stability and Sustainability; Recruitment and Termination

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 409: Forced or Compulsory Labor 2016		
103–1	Explanation of the material topic and its Boundary	Recruitment and Termination
103–2	The management approach and its components	Recruitment and Termination
103–3	Evaluation of the management approach	Recruitment and Termination
409–1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Supply Chain Stability and Sustainability; Recruitment and Termination
GRI 414: Supplier Social Assessment 2016		
103–1	Explanation of the material topic and its Boundary	Supply Chain Stability and Sustainability
103–2	The management approach and its components	Supply Chain Stability and Sustainability
103–3	Evaluation of the management approach	Supply Chain Stability and Sustainability
414–1	New suppliers that were screened using social criteria	Supply Chain Stability and Sustainability
414–2	Negative social impacts in the supply chain and actions taken	Supply Chain Stability and Sustainability; Quantitative Performance Summary
GRI 416: Customer Health and Safety 2016		
103–1	Explanation of the material topic and its Boundary	Quality and Safety Control of Products and Services
103–2	The management approach and its components	Quality and Safety Control of Products and Services
103–3	Evaluation of the management approach	Quality and Safety Control of Products and Services
416–2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality and Safety Control of Products and Services

GRI Indicator	Description	Report chapter/Website reference and notes
GRI 418: Customer Privacy 2016		
103–1	Explanation of the material topic and its Boundary	Privacy and Information Security
103–2	The management approach and its components	Privacy and Information Security
103–3	Evaluation of the management approach	Privacy and Information Security
418–1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Privacy and Information Security
GRI 419: Socioeconomic Compliance 2016		
103–1	Explanation of the material topic and its Boundary	IP Protection; Anti-corruption; Privacy and Information Security; Recruitment and Termination; Remuneration and Benefits; Occupational Health and Safety
103–2	The management approach and its components	IP Protection; Anti-corruption; Privacy and Information Security; Recruitment and Termination; Remuneration and Benefits; Occupational Health and Safety
103–3	Evaluation of the management approach	IP Protection; Anti-corruption; Privacy and Information Security; Recruitment and Termination; Remuneration and Benefits; Occupational Health and Safety
419–1	Non-compliance with laws and regulations in the social and economic area	IP Protection; Anti-corruption; Privacy and Information Security; Recruitment and Termination; Remuneration and Benefits; Occupational Health and Safety; List of Compliance Laws and Regulations

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF SIRNAOMICS LTD.
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Sirnaomics Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 135 to 250, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standard Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

KEY AUDIT MATTER (Continued)

Key audit matter	How the matter was addressed in our audit

Cut-off of outsourcing research and development expenses

During the year ended December 31, 2021, the Group incurred research and development ("**R&D**") expenses of approximately US$40,673,000, out of which approximately US$17,020,000 or 42% were attributable to the outsourcing R&D expenses payable to outsourced service providers including contract research organizations, contract manufacturing organizations, and contract development and manufacturing organizations (collectively referred to as the "**Outsourced Service Providers**").

These Outsourced Service Providers provided supports to the Group's various R&D activities in the form of R&D services. And these services are typically performed across the financial reporting periods.

We identified the cut-off of outsourcing R&D expenses as a key audit matter due to its significance and risk of not recording the outsourcing R&D expenses in the appropriate financial reporting period.

Our procedures in relation to the cut-off of outsourcing R&D expenses included:

- Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses including those payable to Outsourced Service Providers;
- Confirming with the Outsourced Service Providers in respect of the progress of the outsourcing R&D projects, on a sample basis, for the year ended December 31, 2021; and
- Performing cut-off testing for the outsourcing R&D expenses recorded before and after the year end date, on a sample basis, by checking to relevant supporting documents including invoices and contracts to determine whether the outsourcing R&D expenses were recorded in the appropriate financial reporting period.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. 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.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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 solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs 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 these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting 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 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 consolidated 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 to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the consolidated financial statements of the current period and is therefore the key audit matter. We describe the matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Fung Suet Ngan.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 31, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	2021 US$'000	2020 US$'000
Other income	7	**350**	771
Other gains and losses	8	**(244)**	255
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")	26	**(146,038)**	(17,574)
Administrative expenses		**(16,120)**	(5,157)
Research and development expenses		**(40,673)**	(14,894)
Impairment losses reversed under expected credit loss model, net	32	**—**	242
Listing expenses		**(12,192)**	(885)
Other expenses	9	**(678)**	(8,943)
Finance costs	10	**(339)**	(243)
Loss before tax		**(215,934)**	(46,428)
Income tax expense	11	**—**	—
Loss for the year	12	**(215,934)**	(46,428)
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**141**	(71)
Other comprehensive income (expense) for the year		**141**	(71)
Total comprehensive expense for the year		**(215,793)**	(46,499)
Loss for the year attributable to:			
Owners of the Company		**(213,071)**	(43,772)
Non-controlling interests		**(2,863)**	(2,656)
		(215,934)	(46,428)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(212,989)**	(43,833)
Non-controlling interests		**(2,804)**	(2,666)
		(215,793)	(46,499)
Loss per share	16		
— Basic and diluted (US$)		**(14.30)**	(3.17)

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS			
Property and equipment	17	**7,862**	2,931
Right-of-use assets	18	**6,855**	1,520
Intangible assets	19	**1,069**	349
Deposits	20	**1,056**	247
		16,842	5,047
CURRENT ASSETS			
Prepayments, deposits and other receivables	20	**11,748**	1,954
Restricted bank balances	21	**63**	61
Bank balances and cash	21	**211,994**	103,122
		223,805	105,137
CURRENT LIABILITIES			
Trade and other payables	22	**14,098**	4,667
Contract liability	23	**784**	—
Lease liabilities	25	**1,346**	443
Financial liabilities at FVTPL	26	**—**	88,989
		16,228	94,099
NET CURRENT ASSETS		**207,577**	11,038
TOTAL ASSETS LESS CURRENT LIABILITIES		**224,419**	16,085
NON-CURRENT LIABILITIES			
Financial liabilities at FVTPL	26	**8,437**	107,827
Bank borrowings	24	**—**	1,134
Lease liabilities	25	**5,694**	1,304
		14,131	110,265
NET ASSETS (LIABILITIES)		**210,288**	(94,180)

Consolidated Statement of Financial Position

As at December 31, 2021

	NOTES	2021 US$'000	2020 US$'000
CAPITAL AND RESERVES (DEFICITS)			
Share capital	27	**88**	14
Reserves (deficits)		**211,527**	(94,447)
Equity (deficits) attributable to owners of the Company		**211,615**	(94,433)
Non-controlling interests	28	**(1,327)**	253
TOTAL EQUITY (DEFICITS)		**210,288**	(94,180)

The consolidated financial statements on pages 135 to 250 were approved and authorized for issue by the Board of Directors on March 31, 2022 and are signed on its behalf by:

Dr. Yang Lu
DIRECTOR

Dr. Michael V. Molyneaux
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to owners of the Company											
	Share capital US$'000	Shares held for share option scheme US$'000	Share premium US$'000	Capital reserve US$'000 (Note iii)	Other reserves US$'000 (Note i)	Treasury share reserve US$'000	Translation reserve US$'000	Share option reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2020	13	–	–	1,149	(3,881)	(239)	(1,539)	2,271	(49,528)	(51,754)	2,802	(48,952)
Loss for the year	–	–	–	–	–	–	–	–	(43,772)	(43,772)	(2,656)	(46,428)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(61)	–	–	(61)	(10)	(71)
Total comprehensive expense for the year	–	–	–	–	–	–	(61)	–	(43,772)	(43,833)	(2,666)	(46,499)
Repurchase of ordinary shares of US Sirnaomics (Note ii)	–	–	–	–	–	(614)	–	–	–	(614)	–	(614)
Recognition of share-based payment	–	–	–	–	–	–	–	1,186	–	1,186	4	1,190
Forfeiture of share options	–	–	–	–	–	–	–	(234)	234	–	–	–
Issue of shares of US Sirnaomics under share option scheme	1	–	–	1,246	–	–	–	(592)	–	655	–	655
Capital contribution to RNAimmune (as defined in note i) from non-controlling shareholders (Note 35.1(a))	–	–	–	–	(73)	–	–	–	–	(73)	113	40
At December 31, 2020	14	–	–	2,395	(3,954)	(853)	(1,600)	2,631	(93,066)	(94,433)	253	(94,180)
Loss for the year	–	–	–	–	–	–	–	–	(213,071)	(213,071)	(2,863)	(215,934)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	82	–	–	82	59	141
Total comprehensive expense for the year	–	–	–	–	–	–	82	–	(213,071)	(212,989)	(2,804)	(215,793)
Effect of conversion of SAFE (as defined in Note i) to a subsidiary's ordinary shares (Note 35.1(a))	–	–	–	–	1,356	–	–	–	–	1,356	1,406	2,762
Cancellation of treasury shares of US Sirnaomics (Note ii)	–	–	–	(853)	–	853	–	–	–	–	–	–
Exercise of stock purchase warrants by US Sirnaomics (Note 35.1(a))	–	–	–	–	(302)	–	–	–	–	(302)	302	–
Exercise of Series C Warrants (as defined in Note i) granted to non-controlling shareholders and conversion of their equity interests in a subsidiary to the Company's preferred shares	–	–	–	–	189	–	269	–	–	458	(458)	–
Issuance of shares arising from Group Reorganization (as defined in Note 2)	–	–	10,178	(1,542)	(8,636)	–	–	–	–	–	–	–
Acquisition of interest in a subsidiary from a non-controlling shareholder (Note 35.1 (b))	–	–	–	–	(303)	–	–	–	–	(303)	(47)	(350)
Recognition of share-based payment	–	–	–	–	–	–	–	11,259	–	11,259	21	11,280
Lapse of share options	–	–	–	–	–	–	–	(20)	20	–	–	–
Forfeiture of share options	–	–	–	–	–	–	–	(91)	91	–	–	–
Issue of shares of the Company under share option scheme	1	–	326	–	–	–	–	(155)	–	172	–	172
Issue of shares pursuant to initial public offering ("**IPO**") (Note 27)	7	–	63,699	–	–	–	–	–	–	63,706	–	63,706
Transaction costs directly attributable to issue of new shares in the IPO	–	–	(4,076)	–	–	–	–	–	–	(4,076)	–	(4,076)
Automatic conversion of preferred shares to ordinary shares upon IPO (Note 26)	53	–	446,714	–	–	–	–	–	–	446,767	–	446,767
Issue of shares held on trust (Note 27)	13	(13)	–	–	–	–	–	–	–	–	–	–
At December 31, 2021	88	(13)	516,841	–	(11,650)	–	(1,249)	13,624	(306,026)	211,615	(1,327)	210,288

Notes:

i Other reserves included 1) effect of series C warrants ("**Series C Warrants**") granted to non-controlling shareholders to convert their registered capital in a subsidiary, Sirnaomics Biopharmaceuticals (Suzhou) Co., Ltd.* 聖諾生物醫藥技術(蘇州)有限公司 (formerly known as Suzhou Sirnaomics Biopharmaceuticals Co., Ltd.* 蘇州聖諾生物醫藥技術有限公司) ("**Suzhou Sirnaomics**") to preferred shares of its holding company, namely, Sirnaomics, Inc. ("**US Sirnaomics**"), 2) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of issuance of subsidiary's equity and the relevant proceeds received, 3) differences between the carrying amounts of net assets attributable to the additional non-controlling interests at the date of conversion of Simple Agreements for Future Equity ("**SAFE**") shares to ordinary shares of a subsidiary, RNAimmune, Inc. ("**RNAimmune**"), 4) differences between the decrease in the carrying amounts of net assets attributable to the non-controlling shareholders and the relevant consideration paid in the acquisition and 5) effect of Group Reorganization (as defined in Note 2).

ii In 2020, US Sirnaomics repurchased 390,900 ordinary shares from existing shareholders at total consideration of US$614,000, and recognized the amounts as treasury share reserve. On May 31, 2021, the board of directors of US Sirnaomics resolved that all the shares of common stock held in treasury by US Sirnaomics were cancelled and retired and then transferred to capital reserve.

iii Capital reserve represents the share premium of US Sirnaomics, which was transferred to other reserves upon the completion of the Group Reorganization.

* The English names are for identification purpose only.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTES	2021 US$'000	2020 US$'000
OPERATING ACTIVITIES			
Loss for the year		**(215,934)**	(46,428)
Adjustments for:			
Amortization of intangible assets		**64**	37
Interest income		**(213)**	(80)
Changes in fair value of structured deposits		**(312)**	(391)
Changes in fair value of financial liabilities at FVTPL		**146,038**	17,574
Depreciation of property and equipment		**791**	543
Depreciation of right-of-use assets		**775**	463
Gain on disposal of property and equipment		**(3)**	—
Issuance costs of financial liabilities at FVTPL		**678**	1,246
Impairment losses reversed under expected credit loss model, net		**—**	(242)
Finance costs		**339**	243
Government grants		**—**	(485)
Share-based payment expense	30	**11,280**	992
Loss on terminating a collaboration agreement	9	**—**	7,679
Operating cash outflows before movements in working capital		**(56,497)**	(18,849)
(Increase) decrease in prepayments, deposits and other receivables		**(10,034)**	91
Increase (decrease) in trade and other payables		**8,774**	(241)
Increase in contract liability		**784**	—
NET CASH USED IN OPERATING ACTIVITIES		**(56,973)**	(18,999)
INVESTING ACTIVITIES			
Interest received		**213**	80
Proceeds from redemption of structured deposits		**171,298**	88,831
Placement of structured deposits		**(170,986)**	(78,368)
Proceeds from disposal of property and equipment		**6**	—
Purchase and deposits paid for intangible assets		**(795)**	(63)
Purchase and deposits paid for property and equipment		**(5,079)**	(2,087)
Payment for rental deposit		**(692)**	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES		**(6,035)**	8,393

	2021 US$'000	2020 US$'000
FINANCING ACTIVITIES		
Interest paid on lease liabilities	**(319)**	(243)
Interest paid on bank and other borrowings	**(72)**	(6)
Accrued issue costs paid	**(2,747)**	(30)
Capital contribution from non-controlling shareholders	**—**	40
Proceeds from bank and other borrowings	**2,093**	1,557
Repayment of bank borrowings	**(3,240)**	—
Repayment of lease liabilities	**(707)**	(397)
Issuance costs of financial liabilities at FVTPL paid	**(1,784)**	(139)
Proceeds from exercise of share options	**172**	655
Consideration paid for acquiring non-controlling interest of Guangzhou Sirnaomics (as defined in Note 2)	**(350)**	—
Consideration paid for acquiring the non-controlling interests of Suzhou Sirnaomics upon exercise of the Series C Warrants	**(24,712)**	—
Repayment to holders of Convertible Loans (as defined in Note 26) upon exercise of Series D Warrants (as defined in Note 26)	**(93,230)**	—
Proceeds from issuance of financial liabilities at FVTPL	**232,154**	99,545
Payments for repurchase of ordinary shares of US Sirnaomics	**—**	(614)
Proceeds from IPO	**63,706**	—
NET CASH FROM FINANCING ACTIVITIES	**170,964**	100,368
NET INCREASE IN CASH AND CASH EQUIVALENTS	**107,956**	89,762
CASH AND CASH EQUIVALENTS AT JANUARY 1	**103,122**	9,949
Effect of foreign exchange rate changes	**916**	3,411
CASH AND CASH EQUIVALENTS AT DECEMBER 31, represented by bank balances and cash	**211,994**	103,122

1. GENERAL INFORMATION

Sirnaomics Ltd. (the "**Company**") was incorporated in the Cayman Islands as an exempted company with limited liability on October 15, 2020 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") effective from December 30, 2021. The respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively, referred to as the "**Group**") are clinical stage biotechnology companies engaged in developing and commercializing of ribonucleic acid interference ("**RNAi**") technology and multiple therapeutics. Details of particulars of the Company's subsidiaries are disclosed in note 35.

The consolidated financial statements are presented in US$, which is the same as the functional currency of the Company.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and the conventions applicable for group reorganization as detailed below.

Prior to the incorporation of the Company and the completion of the group reorganization, the principal operation of the Group has been operated by US Sirnaomics and its subsidiaries, Suzhou Sirnaomics, Sirnaomics Biopharmaceuticals (Guangzhou) Co., Ltd.* 聖諾生物醫藥技術(廣州)有限公司 (formerly known as Guangzhou Nanotides Pharmaceuticals Co. Ltd.* 廣州納泰生物醫藥技術有限公司) ("**Guangzhou Sirnaomics**"), Sirnaomics (Hong Kong) Limited ("**HK Sirnaomics**") and RNAimmune.

* The English names are for identification purpose only.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In preparation for the listing of the Company's shares on the Hong Kong Stock Exchange, the companies comprising the Group underwent a group reorganization (the "**Group Reorganization**") and the major steps of the Group Reorganization include the following:

(i) The Company was incorporated under the laws of Cayman Islands as an exempted company with limited liability on October 15, 2020. The authorized share capital of the Company was US$150,000, which was initially divided into 150,000,000 shares with par value of US$0.001 each at the date of incorporation. At the time of incorporation, one ordinary share was transferred to the initial subscribing shareholder and on the same day, the ordinary share was transferred to Dr. Yang Lu, a director and chief executive officer ("**CEO**") of the Company.

(ii) On January 21, 2021, the authorized share capital of the Company was divided into 100,000,000 ordinary shares of US$0.001 par value each and 50,000,000 preferred shares ("**Preferred Shares**") of a par value of US$0.001 each, of which 2,024,860 were designated "Series A Preferred Shares", 7,374,632 were designated "Series B Preferred Shares", 14,600,142 were designated "Series C Preferred Shares" and 16,249,174 were designated "Series D Preferred Shares".

(iii) On January 21, 2021, US Sirnaomics, the then shareholders of US Sirnaomics, the holders of Series C Warrants and Series D Warrants and the Company entered into a share exchange agreement, pursuant to which, the then shareholders of US Sirnaomics transferred all their shares in US Sirnaomics to the Company, and in exchange for such transfer, the Company issued corresponding ordinary shares of the Company, Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares to the then shareholders of US Sirnaomics to mirror their shareholding in US Sirnaomics. The holders of Series C Warrants and Series D Warrants exchanged their Series C Warrants and Series D Warrants of US Sirnaomics for Series C Preferred Share Purchase Warrants and Series D Preferred Share Purchase Warrants of the Company, respectively.

After completion of the above steps of Group Reorganization, the Company became the holding company of the Group on January 21, 2021.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As the shares were proportionately issued to the ordinary equity owners of the Company, which involved interspersing the Company between US Sirnaomics and its then shareholders, the Group comprising the Company, US Sirnaomics and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity throughout the year, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2021 and 2020 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganization had been in existence throughout the years ended December 31, 2021 and 2020, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statement of financial position of the Group as at December 31, 2020 has been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Group Reorganization had been in existence at that date taking into account the respective dates of incorporation, where applicable.

3. APPLICATION OF AMENDMENTS TO IFRSs

The Group has consistently applied all the new and amendments to IFRSs, International Accounting Standards ("**IASs**"), and interpretations issued by the IASB which are effective for the accounting periods beginning on January 1, 2021.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]

3. APPLICATION OF AMENDMENTS TO IFRSs (Continued)

Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after April 1, 2021
2 Effective for annual periods beginning on or after January 1, 2022
3 Effective for annual periods beginning on or after January 1, 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for Amendments to IAS 1 and IAS 12 mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current*

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognizes the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

3. APPLICATION OF AMENDMENTS TO IFRSs (Continued)

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* (Continued)

As at December 31, 2021, the Group's outstanding preferred shares which include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified the liabilities as current or non-current based on the earliest date in which the Group has the obligation to redeem preferred shares through cash settlement. These instruments were designated as financial liabilities at FVTPL with carrying amounts of US$8,437,000 as at December 31, 2021 and are classified as non-current. Upon the application of the amendments, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the preferred shares. Given that the conversion options are exercisable at the holders' discretions, the preferred shares designated as financial liabilities at FVTPL amounting to US$8,437,000 would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 4, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognize a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to US$6,855,000 and US$7,040,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognized as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values, at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.1 Basis of preparation of consolidated financial statements (Continued)

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporates the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

Revenue from contracts with customers

The Group recognizes revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Except for granting of license that is distinct from other promised goods or services, control is transferred over time and revenue is recognized over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognized at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9 *Financial Instruments* ("**IFRS 9**"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For license fee income and research and development service fee income that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration (Continued)

At the end of the reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notwithstanding the above criteria, the Group shall recognize revenue for a sales-based or usage-based royalty promised in exchange for a license of intellectual property only when (or as) the later of the following events occurs:

- the subsequent sale or usage occurs; and
- the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases of offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis over the lease term.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use asset.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognized at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. US$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

In relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognized for benefits accruing to employees, such as wages and salaries, after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share option reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share option reserve. For shares that vest immediately at the date of grant, the fair value of the shares granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognized in share option reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in share option reserve will be transferred to accumulated losses.

An expense is recognized for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification. Where the modification reduces the fair value of the equity instruments granted, measured immediately before and after the modification, the decrease in fair value will not be recognized. The amount recognized for services received continues to be measured based on the grant date fair value of the instrument originally granted. Where the modification reduces the number of equity instruments granted to an employee, the reduction is accounted for as a cancelation of that portion of the grant. Where the modification of vesting conditions is a manner that is not beneficial to the employee, the amount recognized for services received shall not take the modified vesting conditions into account and continues to be measured based on the grant date vesting conditions of the instrument originally granted.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to non-employees

Equity-settled share-based payments transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service. The fair values of the goods or services received are recognized as expenses (unless the services qualify for recognition as assets).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from loss before tax because of income or expense that are taxable or deductible in other years/periods and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Property and equipment

Property and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Assets under construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognized if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any).

Impairment on property and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its property and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Impairment on property and equipment, right-of-use assets and intangible assets (Continued)

The recoverable amounts of property and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Impairment on property and equipment, right-of-use assets and intangible assets (Continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15 *Revenue from Contracts with Customers*. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("**FVTOCI**"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial asset at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets which are subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including other receivables and deposits, restricted bank balances and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL for its financial instruments, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets which are subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets which are subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets which are subject to impairment assessment under IFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Groups recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Preferred Shares, Convertible Loans, SAFE and Series Seed Preferred Shares (note 26)

The Preferred Shares, Convertible Loans, SAFE and Series Seed Preferred Shares, which contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL.

The amount of change in the fair value of the financial liability measured at FVTPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the financial liability measured at FVTPL is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 26.

Series C and D Warrants of the Company

Series C and D Warrants of the Company are accounted for as derivatives and are recognized as fair value upon initial recognition.

Prior to the exercise of the Series C and D Warrants, the changes in fair value are recognized in the profit or loss.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables are subsequently measured at amortized cost, using the effective interest method.

4. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

4.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Derecognition/modification of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, 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 considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized 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.

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Research and development expenditures

Development expenses incurred on the Group's product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determines that the Group's product pipelines do not meet the above said capitalization criteria. During the year, all the development costs are expensed when incurred.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option, specifically, the leases relating to office. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Critical judgement in applying accounting policies (Continued)

Determination on lease term of contracts with renewal options (Continued)

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- the extent of leasehold improvements undertaken by Group;
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs);

As at December 31, 2021, the Group is not reasonably certain to exercise of the renewal option.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainty (Continued)

Fair value of financial liabilities at FVTPL

The Group had issued a series of Preferred Shares, Series C Warrants and Convertible Loans, SAFE and Series Seed Preferred Shares to a group of investors prior to and during the reporting period as set out in note 26. The Group recognized these financial instruments as financial liabilities at FVTPL in which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation based on the Black-Scholes Option Pricing Model ("**OPM**") involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) or RNAimmune, possibilities under different scenarios, such as qualified initial public offering, redemption, liquidation and other inputs, such as time to liquidation, risk-free interest rate, expected volatility value and dividend yield, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

Should any of the estimates and assumptions change, it may lead to a change in the fair value of financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL of the Group as at December 31, 2021, representing Series Seed Preferred Shares of RNAimmune, were approximately US$8,437,000 (2020: US$196,816,000, representing Series A, B, C and D Preferred Shares, Series C Warrants and Convertible Loans and SAFE of the Group).

6. REVENUE AND SEGMENT INFORMATION

Revenue

The Group has not generated any revenue during the year.

Segment information

For the purpose of resource allocation and assessment of performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

6. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The Group's operations and non-current assets are mainly located at the United States of America (the "**U.S.**") and the mainland of the People's Republic of China (the "**PRC**"). Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Non-current assets excluding financial instruments	
	2021	2020
	US$'000	US$'000
The U.S.	**7,885**	1,930
The PRC	**8,243**	3,028
Hong Kong	**5**	1
	16,133	4,959

7. OTHER INCOME

	2021	2020
	US$'000	US$'000
Government grants (Note)	**34**	527
Interest income from restricted bank balances and bank balances	**213**	80
Consultancy income	**37**	121
Others	**66**	43
	350	771

Note: For both years, government grants include cash incentives specifically for research and development activities, which are recognized upon compliance with the relevant conditions where applicable.

For the year ended December 31, 2020, government grants also include waiver of governmental loan repayment of US$485,000 as a result of COVID-19 pandemic obtained by the Group in November 2020.

8. OTHER GAINS AND LOSSES

	2021 US$'000	2020 US$'000
Net foreign exchange losses	**(559)**	(136)
Gain on disposal of property and equipment	**3**	—
Changes in fair value of structured deposits	**312**	391
	(244)	255

9. OTHER EXPENSES

	2021 US$'000	2020 US$'000
Loss on terminating a collaboration agreement (Note)	**—**	7,679
Issuance costs of financial liabilities at FVTPL	**678**	1,246
Others	**—**	18
	678	8,943

Note: In October 2020, Suzhou Sirnaomics entered into an agreement with Xiangxue Pharmaceutical Co., Ltd. ("**Xiangxue**"), a non-controlling shareholder of Guangzhou Sirnaomics, to terminate the collaboration agreement signed in 2010 under which both parties agreed to jointly participate in a research, development, commercialization and marketing of a scar-free skin wound healing drug candidate in the PRC, for a consideration in aggregate of Renminbi ("**RMB**") 57,840,000 (equivalent to approximately US$8,379,000), including the settlement of advances from Xiangxue of RMB4,830,000 (equivalent to approximately US$700,000). RMB12,000,000 (equivalent to approximately US$1,738,000) of the consideration was settled by cash and the remaining consideration was settled by issuance of Convertible Loans amounting to RMB45,840,000 (equivalent to approximately US$6,750,000) during the year ended December 31, 2020 which constituted as a non-cash transaction. The Convertible Loans were converted into the Series D Preferred Shares of the Company during the year ended December 31, 2021 as disclosed in note 26.

10. FINANCE COSTS

	2021 US$'000	2020 US$'000
Interest on bank and other borrowings	**72**	6
Interest on lease liabilities	**319**	243
Total borrowing costs	**391**	249
Less: amounts capitalized in the cost of qualifying assets	**(52)**	(6)
	339	243

11. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from the Cayman Islands income tax.

Hong Kong Profits Tax of HK Sirnaomics is calculated at 8.25% on the first Hong Kong Dollar ("**HK$**") 2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Under the U.S. Tax Cuts and Jobs Act, the U.S. corporate income tax rate has charged at flat rate of 21% during the year. In addition, under the relevant rules of state taxes in Florida, Virginia, California, Massachusetts and Maryland of the U.S., the state tax rates are charged at ranging from 3.535% to 8.84% during the year.

Under the law of the PRC on Enterprise Income Tax (the "**EIT Law**") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

Guangzhou Sirnaomics has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangzhou City and relevant authorities in June 2017, and has been registered with the local tax authorities for enjoying the reduced Enterprise Income Tax ("**EIT**") rate at 15% in 2017, 2018 and 2019. The latest approval for Guangzhou Sirnaomics enjoying this tax benefit was obtained in December 2020 for the financial years of 2020, 2021 and 2022.

No Hong Kong Profits Tax, U.S. corporate income and state taxes and EIT were provided as the group entities had no assessable profits during the year.

11. INCOME TAX EXPENSE (Continued)

The income tax expense during the year is reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 US$'000	2020 US$'000
Loss before tax	**(215,934)**	(46,428)
Tax at the U.S. corporate income tax rate of 21% (Note i)	**(45,346)**	(9,750)
Tax effect of expenses not deductible for tax purposes	**35,334**	4,114
Additional tax reduction on research and development expenses (Note ii)	**(824)**	(499)
Tax effect of tax losses not recognized	**12,522**	10,152
State taxes enacted by local authorities	**(1,558)**	(3,495)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(128)**	(522)
Income tax expense for the year	**—**	—

Notes:

(i) The domestic tax rate (which is U.S. corporate income tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

(ii) Pursuant to Caishui 2018 circular No. 99, the PRC subsidiaries enjoy super deduction of 175% on qualifying research and development expenditures throughout the year.

Upon the implementation of the U.S. Tax Cuts and Jobs Act in 2018, net operating losses, losses incurred in business pursuits, can be carried forward indefinitely as a result of the U.S. Tax Cuts and Jobs Act.

As at December 31, 2021, the Group had unused tax losses of approximately US$137,130,000 (2020: US$85,230,000) for offset against future profits. No deferred tax asset has been recognized in respect of tax losses due to the unpredictability of future profit streams. Included in unrecognized tax losses as at December 31, 2021 are the amounts of US$54,530,000 (2020: US$42,350,000) which will expire from 2022 to 2037. Other losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR

	2021 US$'000	2020 US$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration	**488**	37
Outsourcing service fees included in research and development expenses	**17,020**	7,377
Amortization of intangible assets	**64**	37
Depreciation of property and equipment	**791**	543
Depreciation of right-of-use assets	**775**	463
	1,630	1,043
Analyzed as:		
— charged in administrative expenses	**327**	224
— charged in research and development expenses	**1,303**	819
	1,630	1,043
Directors' remuneration (Note 13)	**6,661**	1,366
Other staff costs		
— Salaries and other allowances	**9,537**	3,935
— Retirement benefit scheme contributions	**647**	165
— Share-based payment expense	**6,065**	699
— Performance and discretionary bonus (Note)	**1,771**	185
	24,681	6,350
Analyzed as:		
— charged in administrative expenses	**8,144**	1,931
— charged in research and development expenses	**16,537**	4,419
	24,681	6,350

Note: Performance and discretionary bonus is determined at the end of each reporting period based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Details of the emoluments paid to the individuals, who were appointed as the directors and chief executives of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended December 31, 2021

	Date of appointment as director of the Company	Fees US$'000	Salaries and other allowances US$'000	Retirement benefit schemes contributions US$'000	Share-based payment expenses US$'000	Performance and discretionary bonus US$'000	Total US$'000
Name of directors							
CEO and executive director:							
Dr. Yang Lu	October 15, 2020	–	379	18	3,694	138	4,229
Executive directors:							
Dr. Michael V. Molyneaux, chief medical officer ("**CMO**")	January 25, 2021	–	398	18	412	108	936
Dr. David Mark Evans, chief scientific officer ("**CSO**")	July 12, 2021	–	297	17	480	69	863
		–	695	35	892	177	1,799
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	18	–	18
Dr. Xiaochang Dai	January 25, 2021	–	–	–	611	–	611
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	629	–	629
Independent non-executive directors:							
Dr. Cheung Hoi Yu	December 20, 2021	1	–	–	–	–	1
Mr. Fengmao Hua	December 20, 2021	1	–	–	–	–	1
Ms. Monin Ung	December 20, 2021	1	–	–	–	–	1
Ms. Shing Mo Han, Yvonne	December 20, 2021	1	–	–	–	–	1
		4	–	–	–	–	4
Total		4	1,074	53	5,215	315	6,661

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

Year ended December 31, 2020

	Date of appointment as director of the Company	Fees US$'000	Salaries and other allowances US$'000	Retirement benefit schemes contributions US$'000	Share-based payment expenses US$'000	Performance and discretionary bonus US$'000	Total US$'000
Name of directors							
CEO and executive director:							
Dr. Yang Lu	October 15, 2020	–	276	14	60	20	370
Executive directors:							
Dr. Michael V. Molyneaux, CMO	January 25, 2021	–	355	32	72	70	529
Dr. David Mark Evans, CSO	July 12, 2021	–	269	17	99	20	405
		–	624	49	171	90	934
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	31	–	31
Dr. Xiaochang Dai	January 25, 2021	–	–	–	31	–	31
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	62	–	62
Total		–	900	63	293	110	1,366

Note: Mr. Mike M. Ghias and Mr. Yunchun Li resigned as non-executive directors of the Company on July 12, 2021.

The executive directors' and non-executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no arrangement under which a director of the Company or the chief executives waived or agreed to waive any remuneration during the year.

No emolument was paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

During the year, certain directors were granted share options in respect of their services to the Group under the share option scheme of US Sirnaomics and the Company. Details of the share option scheme are set out in note 30.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included 2 directors of the Company for the year ended December 31, 2021 (2020: 3 directors), and details of whose remuneration are set out above. Details of the remuneration for the remaining 3 (2020: 2) highest paid employees for year ended December 31, 2021 are as follows:

	2021	2020
	US$'000	US$'000
Salaries and other allowances	**784**	448
Retirement benefits schemes contributions	**39**	28
Share-based payment expense	**2,166**	308
Performance and discretionary bonus (Note)	**403**	35
Total	**3,392**	819

Note: Performance and discretionary bonus is determined at the end of each reporting period based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

The emoluments of these employees (excluding the directors) are within the following bands:

	2021	2020
HK$2,000,001 to HK$2,500,000	**—**	1
HK$4,000,001 to HK$4,500,000	**—**	1
HK$7,500,001 to HK$8,000,000	**1**	—
HK$8,500,001 to HK$9,000,000	**1**	—
HK$9,500,001 to HK$10,000,000	**1**	—
Total	**3**	2

During the year, certain non-director and non-chief executives highest paid employees were granted share options in respect of their services to the Group under the share option scheme of US Sirnaomics and the Company. Details of the share option scheme are set out in note 30.

15. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2021, nor has any dividend been proposed since the end of the reporting period.

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	2021	2020
Loss for the year attributable to owners of the Company for the purpose of basic and diluted per share (US$'000)	**(213,071)**	(43,772)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**14,897,047**	13,805,513

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Group Reorganization as disclosed in note 2 had been effected since January 1, 2020.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended December 31, 2021 and 2020, the different series of Preferred Shares issued by the Company, US Sirnaomics and RNAimmune, the Series C Warrants and Convertible Loans (note 26) and share options issued by the Company, US Sirnaomics and RNAimmune outstanding (note 30) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. In addition, for the year ended December 31, 2021, the exercise of the Company's over-allotment options granted pursuant to the listing of the Company's shares on the Hong Kong Stock Exchange was not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2021 and 2020 are the same as basic loss per share for the respective year.

17. PROPERTY AND EQUIPMENT

	Leasehold improvement US$'000	Furniture and fixtures US$'000	Laboratory equipment US$'000	Vehicles US$'000	Equipment and computers US$'000	Assets under construction US$'000	Total US$'000
COST							
At January 1, 2020	178	220	1,544	85	106	—	2,133
Additions	—	19	369	—	24	1,584	1,996
Written off	—	—	—	—	(1)	—	(1)
Exchange adjustments	12	9	57	6	7	91	182
At December 31, 2020	190	248	1,970	91	136	1,675	4,310
Additions	631	39	3,096	116	165	1,587	5,634
Transfer	—	—	2,773	—	—	(2,773)	—
Disposals/written off	—	—	(19)	(32)	(3)	—	(54)
Exchange adjustments	12	3	70	4	4	19	112
At December 31, 2021	833	290	7,890	179	302	508	10,002
ACCUMULATED DEPRECIATION							
At January 1, 2020	88	124	470	56	53	—	791
Provided for the year	51	28	433	7	24	—	543
Eliminated on written off	—	—	—	—	(1)	—	(1)
Exchange adjustments	9	7	22	4	4	—	46
At December 31, 2020	148	159	925	67	80	—	1,379
Provided for the year	46	28	620	22	75	—	791
Eliminated on disposals/ written off	—	—	(18)	(30)	(3)	—	(51)
Exchange adjustments	4	2	10	2	3	—	21
At December 31, 2021	198	189	1,537	61	155	—	2,140
CARRYING VALUES							
At December 31, 2021	635	101	6,353	118	147	508	7,862
At December 31, 2020	42	89	1,045	24	56	1,675	2,931

The above items of property and equipment, other than assets under construction, are depreciated on a straight-line basis, after taking into account the residual value, at the rate per annum as follows:

Leasehold improvement	Over the term of the lease
Furniture and fixtures	5 years
Laboratory equipment	3–10 years
Vehicles	4–5 years
Equipment and computers	3 years

18. RIGHT-OF-USE ASSETS

	Equipment US$'000	Leased properties US$'000	Total US$'000
Carrying amount			
At January 1, 2020	—	1,824	1,824
Additions	—	118	118
Depreciation charge for the year	—	(463)	(463)
Exchange adjustment	—	41	41
At December 31, 2020	—	1,520	1,520
Additions	103	5,941	6,044
Depreciation charge for the year	(47)	(728)	(775)
Exchange adjustment	—	66	66
At December 31, 2021	56	6,799	6,855

	2021 US$'000	2020 US$'000
Expenses relating to short-term leases	**138**	91
Total cash outflows for leases	**1,164**	731

During the year, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed term of one to ten years (2020: one to six years). The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office use. As at December 31, 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short term leases to which the short-term lease expense disclosed above.

The Group has extension options in one lease for its office (2020: Nil). This is used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The extension option held are exercisable only by the Group and not by the lessor.

18. RIGHT-OF-USE ASSETS (Continued)

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarized below:

	Lease liabilities recognized as at December 31, 2021	Potential future lease payments not included in lease liabilities (undiscounted) as at December 31, 2021
	US$'000	US$'000
Office — the U.S.	3,846	21,474

During the year ended December 31, 2021, the Group has not recognized any additional lease liabilities as the Group did not exercise any extension option.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2020: Nil).

19. INTANGIBLE ASSETS

	Patent rights US$'000
COST	
At January 1, 2020	125
Additions (Note)	261
At December 31, 2020	386
Additions (Note)	775
Exchange adjustment	9
At December 31, 2021	1,170
ACCUMULATED AMORTIZATION	
At January 1, 2020	—
Provided for the year	37
At December 31, 2020	37
Provided for the year	64
At December 31, 2021	101
CARRYING VALUE	
At December 31, 2021	1,069
At December 31, 2020	349

The above intangible assets represent patent rights which are amortized over a period of 10 years to 16.2 years (2020: 16.2 years) on a straight-line basis. The useful lives of patent rights were determined based on (i) the license period in accordance with the license agreement entered into between the Group and the patent owners and (ii) the expiration date of the relevant patent.

Note: During the year ended December 31, 2020, the Group settled the acquisition costs of patent rights by share options issued by US Sirnaomics with fair value of US$198,000 and the remaining acquisition costs of US$63,000 were settled in cash.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2021 US$'000	2020 US$'000
Staff advance	**10**	8
Prepayments to suppliers for research and development services	**6,392**	1,562
Prepayments for financial advisory service	**3,900**	—
Prepayments for legal and other professional services	**801**	35
Deposits paid for purchase of property and equipment	**327**	159
Deposit paid for purchase of intangible assets	**20**	—
Rental deposits	**756**	88
Deferred issue costs (Note)	**—**	262
Others receivables, net of allowance of credit losses	**598**	87
	12,804	2,201
Analyzed as:		
Current	**11,748**	1,954
Non-current	**1,056**	247
	12,804	2,201

Note: Deferred issue costs represent the qualifying portion of issue costs incurred up to the end of the reporting period, which has been charged to equity of the Group as share issue costs in respect of the issue of ordinary shares of the Company upon IPO during the year ended December 31, 2021.

Details of impairment assessment of other receivables and deposits are set out in note 32.

21. RESTRICTED BANK BALANCES/BANK BALANCES AND CASH

Restricted bank balances

The restricted bank deposits represent bank deposits restricted by certain banks for bank facilities. The deposits carry at prevailing market rates ranging from 0% to 1.75% (2020: 0% to 1.75%) per annum.

Bank balances

Bank balances carry interest at prevailing market rates ranging from 0.001% to 1.25% (2020: 0.001% to 1.25%) per annum.

Details of impairment assessment of restricted bank balances and bank balances are set out in note 32.

22. TRADE AND OTHER PAYABLES

	2021 US$'000	2020 US$'000
Trade payables	**1,484**	782
Payables for issuance costs of financial liabilities at FVTPL	**—**	1,107
Accruals for listing expenses and issuance costs	**6,858**	1,025
Accruals for staff costs	**2,028**	386
Accruals for outsourcing research and development fees	**1,765**	697
Accruals for other research and development expenses	**21**	67
Accruals for other operating expenses	**1,228**	563
Payables for acquisition of property and equipment	**714**	40
	12,614	3,885
	14,098	4,667

The credit period on purchase of materials or receiving services for research and development activities is usually within 30 days (2020: 30 days). The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2021 US$'000	2020 US$'000
0 to 30 days	**1,397**	644
31 to 60 days	**3**	3
Over 60 days	**84**	135
	1,484	782

23. CONTRACT LIABILITY

During the year ended December 31, 2021, the Group entered into a license agreement (the "**Agreement**") with Walvax Biotechnology Co., Ltd. ("**Walvax**"), the parent company of Shanghai Walga Biotechnology Limited, a Series D Preferred Shares holder of the Company, to co-develop small interfering RNA drugs targeting the influenza virus. Pursuant to the Agreement, the Group will grant the exclusive rights of license in the target drug in the territory covering Mainland China, Hong Kong, Macau and Taiwan plus research and development services to Walvax. The license and the research and development service are not distinct and they are accounted for as a performance obligation that is satisfied over time using input method. The consideration of the Agreement includes an upfront payment of RMB5,000,000 (approximately US$784,000), service payment for preclinical research and development services of RMB36,500,000 (approximately US$5,723,000), and variable considerations including milestone payments up to an aggregate amount of RMB100,000,000 (approximately US$15,680,000) and a sales based royalty.

As at December 31, 2021, the Group had received an upfront fee of RMB5,000,000 which was recognized as a contract liability until the services have been delivered to the customer.

The directors of the Company expected the contract liability to be settled within normal operating cycles. Therefore, the amount is classified under current liabilities.

24. BANK BORROWINGS

As at December 31, 2020, the bank borrowings amounting to US$1,134,000, was unsecured, guaranteed by a subsidiary of the Company, carried at variable interest rate of 4.15% and repayable within a period of more than two years but not exceeding five years based on schedule repayment dates set out in the loan agreements and shown under non-current liabilities. The bank borrowings were repaid during the year ended December 31, 2021.

The interest rates of bank borrowings as at December 31, 2020 were with reference to the PRC benchmark lending rate plus a specific margin of the relevant banks and reset every 12 months.

25. LEASE LIABILITIES

	2021 US$'000	2020 US$'000
Lease liabilities payable:		
Within one year	**1,346**	443
Within a period of more than one year but not exceeding two years	**1,390**	494
Within a period of more than two years but not exceeding five years	**3,016**	810
Exceeding five years	**1,288**	—
	7,040	1,747
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,346)**	(443)
Amount due for settlement after 12 months shown under non-current liabilities	**5,694**	1,304

As at December 31, 2021, the weighted average incremental borrowing rates applied to lease liabilities ranged from 6.1% to 18.3% (2020: 11.8% to 18.3%).

26. FINANCIAL LIABILITIES AT FVTPL

(i) Preferred Shares

Before the completion of Group Reorganization, US Sirnaomics was authorized to issue 50,000,000 preferred shares of US$0.001 par value per share, of which 2,024,860, 7,374,632, 18,000,000 and 18,000,000 authorized Preferred Shares were designated as Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares, respectively. The remaining 4,600,508 authorized Preferred Shares had not been designated at December 31, 2020. Other than Tranche 4 of Series C Preferred Shares and Tranche 2 of Series D Preferred Shares which had been issued by the Company upon completion of ODI during the year ended December 31, 2021, the independent investors held the same number of preferred shares issued by the Company as detailed below upon completion of step (iii) of Group Reorganization as disclosed in note 2.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

Preferred Shares	Year of issue	Number of investor(s)	Total number of Preferred Shares issued	Subscription price per Preferred Share US$	Total consideration US$'000
Series A	2009	1	2,024,860	0.325	659
Series B					
— Tranche 1	2016	2	3,687,316	1.356	5,000
— Tranche 2	2017	2	3,687,316	1.356	5,000
			7,374,632		10,000
Series C					
— Tranche 1	2018	1	375,375	2.66	1,000
— Tranche 2	2018	4	3,003,005	3.33	10,000
— Tranche 3	2019	2	3,603,605	3.33	12,000
— Tranche 4 (Note)	2021	5	7,618,157	3.33	25,368
			14,600,142		48,368
Series D					
— Tranche 1	2020	3	2,343,750	6.4	15,000
— Tranche 2 (Note)	2021	8	13,905,424	6.4	88,995
			16,249,174		103,995
Series E	2021	20	12,628,334	8.45	106,709
			52,877,142		269,731

Note: During the year ended December 31, 2021, the holders of Series C Warrants and Convertible Loans had exercised/converted their Series C Warrants and Convertible Loans into the Company's 7,618,157 Series C Preferred Shares and 13,905,424 Series D Preferred Shares, respectively.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

The key terms of the Series A, B, C, D and E Preferred Shares of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) are as follows:

(a) Voting Right

The voting, dividend and liquidation rights of ordinary shares are subject to the rights, powers and preferences of Preferred Shares. Ordinary shares are entitled to one vote per share at all meetings of stockholders. There is no cumulative voting. On any matter presented to stockholders of the Company or US Sirnaomics for their action or consideration at any meeting of stockholders, each holder of outstanding Preferred Shares is entitled to the number of votes equal to the number of whole shares of ordinary shares into which Preferred Shares are convertible. Holders of Preferred Shares shall vote together with the holders of ordinary shares as a single class.

At any time when 12,000,000 or more shares of Series D Preferred Shares are outstanding, holders of outstanding Series D Preferred Shares, exclusively and as a separate class, shall be entitled to elect one director ("**Series D Director**"). At any time when 12,000,000 or more shares of Series C Preferred Shares are outstanding, holders of outstanding Series C Preferred Shares, exclusively and as a separate class, are entitled to elect two directors ("**Series C Directors**"). At any time when 6,000,000 or more but less than 12,000,000 shares of Series C Preferred Shares are outstanding, holders of outstanding Series C Preferred Shares, exclusively and as a separate class, are entitled to elect one Series C Director. At any time when 6,000,000 or more shares of Series B Preferred Shares are outstanding, holders of outstanding Series B Preferred Shares, exclusively and as a separate class, are entitled to elect two directors ("**Series B Directors**"). At any time when 4,000,000 or more but less than 6,000,000 shares of Series B Preferred Shares are outstanding, holders of outstanding Series B Preferred Shares, exclusively and as a separate class, are entitled to elect one Series B Director. Holders of ordinary shares, exclusively and as a separate class, are entitled to elect three directors of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization). Holders of ordinary shares and of any other class or series of voting stock (including Preferred Shares), voting together as a single class, are entitled to elect the balance of the total number of directors of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization).

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

(b) Dividends

When, as and if declared by the board of directors of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) ("**Board of Directors**"), outstanding Series E Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$1.2675 per share. After payment in full on Series E Preferred Shares, outstanding Series D Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$0.9594 per share. After payment in full on Series D and E Preferred Shares, outstanding Series C Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$0.4995 per share. After payment in full on Series C, D and E Preferred Shares, outstanding Series B Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on Series A Preferred Shares and ordinary shares at the rate per annum of US$0.2034 per share. After payment in full on Series B, C, D and E Preferred Shares, outstanding Series A Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on ordinary shares at the rate per annum of US$0.0260 per share. A dividend is payable only when funds are legally available and only when, as and if declared by the Board of Directors. During both years, the Board of Directors has not declared any dividends.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

(c) Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization), or a deemed liquidation event as defined in the First Amended and Restated Memorandum of Association of the Company or restated certificate of incorporation of US Sirnaomics, outstanding Preferred Shares are entitled to be paid in full out of the Company's or US Sirnaomics' assets available for distribution before payment on ordinary shares in the following order: (i) on Series E Preferred Shares, the sum of (I) US$8.45, and (II) any dividends accrued or declared but unpaid; (ii) on Series D Preferred Shares, the sum of (I) US$6.40, and (II) any dividends accrued or declared but unpaid; (iii) on Series C Preferred Shares, the sum of (I) US$2.66 or US$3.33, and (II) any dividends accrued or declared but unpaid; (iv) on Series B Preferred Shares, the sum of (I) US$1.356, and (II) any dividends accrued or declared but unpaid; and (v) on Series A Preferred Shares, the sum of (I) US$0.325, and (II) any dividends accrued or declared but unpaid. If the Company's or US Sirnaomics' assets available for distribution are insufficient to pay the full amount on a series of outstanding Preferred Shares, such series of Preferred Shares shall share ratably in any distribution of the assets available for distribution.

After payment of all preferential amounts on outstanding Preferred Shares, the remaining Company's or US Sirnaomics' assets are distributed among Preferred Shares and ordinary shares, pro rata, as if all such securities converted to ordinary shares. A deemed liquidation event means, unless majority of Preferred Shares (as if all such securities converted to ordinary shares), elect otherwise, (i) certain mergers and consolidations, and (ii) sales, leases, transfers, exclusive licenses or other dispositions of all or substantially all of the assets of the Company or US Sirnaomics and its subsidiaries. The Company or US Sirnaomics has no power to effect a deemed liquidation event, unless it ensures that the consideration payable to stockholders is allocated properly.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

(d) Optional Conversion

Holders of Preferred Shares have conversion rights. Each series of Preferred Shares is convertible, at holder's option, without payment of additional consideration, into ordinary shares as determined by dividing the conversion price for such series (as disclosed in below) in effect at the time of conversion. In order for a holder of Preferred Shares to convert Preferred Shares into ordinary shares, such holder provides written notice to the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) that such holder elects to convert all or any portion of Preferred Shares. In general, Preferred Shares which have been surrendered for conversion are no longer deemed to be outstanding, and all rights with respect to such Preferred Shares cease and terminate at the conversion time. Any Preferred Shares so converted are retired and cancelled and may not be reissued.

(e) Conversion Price/Anti-Dilution Protection

The conversion price for each series of Preferred Shares is adjusted on a weighted-average basis if the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) issues additional shares of ordinary shares or ordinary shares equivalents (other than for stock option grants and other customary exclusions) at a purchase price less than the applicable conversion price, subject to appropriate adjustments in the First Amended and Restated Memorandum of Association of the Company or certificate of incorporation of US Sirnaomics. The initial "Series A conversion price" is US$0.325 per share, the initial "Series B conversion price" is US$1.356 per share, the initial "Series C conversion price" is US$2.66 or US$3.33 per share, the initial "Series D conversion price" is US$6.40 per share and the initial "Series E conversion price" is US$8.45 per share, which also represents the original issue price of Series A, B, C, D and E Preferred Shares, respectively.

If the Company or US Sirnaomics, after the original issue date for a series of Preferred Shares, issues additional shares of ordinary shares or ordinary shares equivalents, without consideration or for a consideration per share less than the conversion price for such series in effect immediately prior to such issue, then the conversion price for such series is reduced, concurrently with such issue, to a price determined in accordance with the formula set forth in the First Amended and Restated Memorandum of Association of the Company or restated certificate of incorporation of US Sirnaomics filed to the State's Secretary's Office in the U.S.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(i) Preferred Shares (Continued)

(e) Conversion Price/Anti-Dilution Protection (Continued)

No adjustment in the conversion price for a series of Preferred Shares is made if the Company or US Sirnaomics receives written notice from holders of a majority of such series of Preferred Shares then outstanding agreeing that no such adjustment should be made as the result of the issuance or deemed issuance of additional shares of ordinary shares or ordinary shares equivalents.

(f) Conversion

Upon a firm commitment underwritten public offering as defined in the First Amended and Restated Memorandum of Association of the Company or the restated certificate of incorporation of US Sirnaomics or upon the day and time specified by vote or written consent by majority holders of respective series of Preferred Shares, then all outstanding Preferred Shares of respective series would be automatically converted into ordinary shares of the Company. In general, all rights with respects to a series of Preferred Shares converted terminate at the mandatory conversion time for such series. Such converted shares of such series of Preferred Shares shall be retired and cancelled and may not be reissued as shares of such series.

(g) Redemption for Series B/Series C/Series D/Series E Preferred Shares

If the Company or US Sirnaomics fails to close an initial public offering pursuant to an effective registration statement under U.S. Securities Act of 1933, or in an initial public offering in the PRC, or in Hong Kong, on or before (the "**QIPO**") the proposed QIPO due date, the Company or US Sirnaomics may be required to redeem the outstanding Series B, C, D and E Preferred Shares at a price per share calculated in the formulae as stipulated in the Memorandum of Association of the Company or restated certificate of incorporation of US Sirnaomics, in three annual installments commencing on or before 90th day after the Company's or US Sirnaomics' receipt from holders of a majority of outstanding Series B, C, D and E Preferred Shares, of written notice requesting redemption of all Series B, C, D and E Preferred Shares.

The initial proposed QIPO due date was December 31, 2021. Upon the issuance of Series D Preferred Shares, the proposed QIPO due date associated with Series B and C Preferred Shares was extended to June 30, 2022. The proposed QIPO due date of Series B, C and D Preferred Shares was further extended to June 30, 2024 upon issuance of Series E Preferred Shares.

No redemption rights were held by the holders of Series A Preferred Shares.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series C Warrants

(a) Stock Purchase Warrants for Series C Preferred Shares

Overseas direct investment (the "**ODI**") into foreign entities by certain investors located in the PRC (the "**Series C Chinese Investors**") is not allowed until an approval for ODI is obtained from the applicable authorities in the PRC, including Chinese National Development and Reform Commission, Chinese Ministry of Commerce, and State Administration of Foreign Exchange. In 2018, in order to raise funds from a number of Series C Chinese Investors who were not allowed to hold direct investments in foreign entities, US Sirnaomics issued Series C Warrants.

Pursuant to the investment agreement and the stockholders agreement in 2018, the Series C Chinese Investors received 7,618,157 Series C Warrants for their investment in aggregate of RMB160,000,000 (equivalent to US$25,396,000) in Suzhou Sirnaomics, which represented 20.25% equity interest in Suzhou Sirnaomics in 2018. Series C Warrants are presented as financial liabilities at FVTPL on the consolidated statement of financial position.

During the year ended December 31, 2021, the Series C Chinese Investors have obtained the ODI approval, exercised the Series C Warrants and converted the Series C Warrants into Series C Preferred Shares.

(b) Conversion of Series C Warrants

The holders of the Series C Warrants shall convert the Series C Warrants into 7,618,157 shares of Series C Preferred Shares upon the holders receiving the ODI approval for direct investment into foreign entities (i.e. the holders are entitled to options for subscribing same number of Series C Preferred Shares upon the receipt of ODI approval). The exercise price of the Series C Warrants is US$3.33, which is the same as the original issue price of Series C Preferred Shares.

After the holders have obtained such ODI approvals, the Company or US Sirnaomics is required to assist the holders of Series C Warrants in disposing their investment in Suzhou Sirnaomics through equity transfer, reduction of registered capital or other transaction. The Company or US Sirnaomics has the contractual obligation to repurchase the equity interest in Suzhou Sirnaomics from holders of Series C Warrants at initial subscription price and issue 7,618,157 Series C Preferred Shares of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) to the warrant holders.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series C Warrants (Continued)

(b) Conversion of Series C Warrants (Continued)

In accordance with the Series C Warrants, the Company or US Sirnaomics and the other parties thereto will execute the stockholders agreement, pursuant to which, from the date thereof until termination or expiration of the Series C Warrants or of the exercise of the warrants, the holders of the Series C Warrants are entitled to the rights specified in the stockholder agreements.

The Series C Warrants would be terminated only upon one of the following events: (1) the Series C Warrants have been completely exercised; (2) a deemed liquidation event as defined in the First Amended and Restated Memorandum of Association of the Company or the restated certificate of incorporation of US Sirnaomics.

(c) Investors Withdrawal

If any Series C Chinese Investor fails to obtain the ODI approval, or fails to exercise the Series C Warrants, or fails to obtain the Series C Preferred Shares of the Company or US Sirnaomics as a result of exercise of the Series C Warrants, due to changes in policies and regulations or any other circumstances that the Series C Chinese Investors are not responsible for, each Series C Chinese Investor may withdraw from the Company or US Sirnaomics and Suzhou Sirnaomics under the following conditions:

New Purchaser

Each Series C Chinese Investor is entitled to have a third party, which shall be incorporated and existing offshore of the PRC and shall be acceptable to the Company or US Sirnaomics, to purchase an amount of Series C Preferred Shares of the Company or US Sirnaomics exercisable under the Series C Warrants, at the price agreed by the Series C Investor and the Company or US Sirnaomics.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series C Warrants (Continued)

(c) Investors Withdrawal (Continued)

Redemption Feature

If the Company or US Sirnaomics fails to close an initial public offering ("**IPO**") by June 30, 2024, all or part of the Series C Preferred Shares shall be redeemed by the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) after the Company's or US Sirnaomics's receipt from any Series C Chinese Investor of written notice requesting redemption at a price stipulated in the stockholders agreement.

Withdrawal Upon IPO (i.e. if the ODI Approval is Not Yet Completed Upon Successful IPO)

Immediately prior to an IPO of securities of any member of the Group, if, in the formal written opinion of the IPO advisers, not obtaining the ODI approvals will materially and adversely affect the IPO, the parties shall effect a withdrawal of the Series C Chinese Investors by effecting certain specific steps as outlined in the stockholder agreement.

Withdrawal Upon Liquidation

In the event that the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) experiences a liquidation event (i.e. the Company or US Sirnaomics goes for liquidation) or a deemed liquidation event (e.g. sale of the Company or US Sirnaomics and its subsidiaries or merge with other corporation), the Series C Chinese Investors shall be entitled, in accordance with their respective shareholding portion of Series C Preferred Shares, to be paid out of the distributable liquidation assets of the Company or US Sirnaomics in the amount equal to the sum of: (i) its total investment amount (the aggregate total investment amount paid by each Series C investor) and (ii) any dividends accrued on the shares of the Company or US Sirnaomics or any declared but unpaid thereon.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(iii) Convertible Loans

Overseas direct investment into foreign entities by the certain investors located in the PRC (the "**Series D Chinese Investors**") is not allowed until the ODI approval is obtained. On September 30, 2020, the Series D Chinese Investors entered into an investment agreement with US Sirnaomics, of which the Series D Chinese Investors shall invest into equity interest of Suzhou Sirnaomics for a consideration in aggregate of US$88,994,714 (equivalent to RMB604,425,400), and US Sirnaomics shall issue 13,905,424 stock purchase warrant for Series D Preferred Shares (the "**Series D Warrants**") to the Series D Chinese Investors (the "**Series D Investment Agreement**").

On November 30, 2020, the Series D Chinese Investors entered into an amendment to the Series D Investment Agreement (the "**Amended Series D Investment Agreement**"), according to which, the Series D Chinese Investors provided interest-free convertible loans to Suzhou Sirnaomics with a consideration in aggregate of US$88,994,714 (equivalent to RMB604,425,400) (the "**Convertible Loans**") instead of investing into equity interest of Suzhou Sirnaomics.

(a) Stock Purchase Warrants for Series D Preferred Shares

US Sirnaomics issued Series D Warrants to Series D Chinese Investors to purchase Series D Preferred Shares from the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization). Pursuant to the Series D Warrants, the Amended Series D Investment Agreement, the Series D Chinese Investors received 13,905,424 Series D Warrants in connection with the Convertible Loans. Convertible Loans are presented as financial liabilities at FVTPL on the consolidated statement of financial position.

(b) Conversion of Series D Warrants

The holders of the Series D Warrants shall convert the Series D Warrants into 13,905,424 shares of Series D Preferred Shares upon the holders receiving the ODI approval for direct investment into foreign entities. The exercise price of the Series D Warrants is the same as the original issue price of Series D Preferred Share.

The Series D Warrants will be terminated on the earlier of the Series D Warrants has been exercised, or a deemed liquidation event (e.g. sale of the Company or US Sirnaomics and its subsidiaries or merge with other corporation).

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(iii) Convertible Loans (Continued)

(b) Conversion of Series D Warrants (Continued)

During the year ended December 31, 2021, the Series D Chinese Investors have obtained the ODI approval and exercised the Series D Warrants. The Convertible Loans have been repaid by Suzhou Sirnaomics to the Series D Chinese Investors who applied the proceed to subscribe for the Series D Preferred Shares.

(iv) SAFE issued by RNAimmune

In August and September 2020, RNAimmune issued SAFE to non-controlling shareholders of RNAimmune at a total consideration of US$2,300,000. In February 2021, these non-controlling shareholders converted their SAFE into 4,259,256 ordinary shares of RNAimmune. Key terms of SAFE are as follows:

(a) Voting Right

The SAFE holders are not entitled by virtue of holding this SAFE to be deemed a holder of the RNAimmune's ordinary shares for any purpose, nor will anything contained in this SAFE be construed to confer on the SAFE holders any of the rights of a shareholder of RNAimmune or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise until conversion shares have been issued.

(b) Priority under dissolution

In the event of a dissolution while this SAFE is outstanding, RNAimmune will pay the SAFE holders an amount equal to the investment amount immediately prior to, or concurrently with, the consummation of the dissolution. RNAimmune's obligation to make the repayment will rank senior in right of payment to RNAimmune's ordinary shares and rank the same with any convertible debt of RNAimmune.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(iv) SAFE issued by RNAimmune (Continued)

(c) Conversion features

There are 2 situations in which SAFE will be converted as i) ordinary shares of RNAimmune; ii) any securities conferring the right to purchase ordinary shares of RNAimmune; or iii) any securities directly or indirectly convertible into, or exchangeable for ordinary shares of RNAimmune (collectively refers as "**Equity Securities**"). The 2 situations are as follows:

Next Equity Financing Conversion

This SAFE will be converted mandatorily into the Equity Securities upon the closing of the next equity financing of RNAimmune. The number of the Equity Securities that RNAimmune issues upon such conversion will equal the quotient (rounded down to the nearest whole share) obtained by dividing the investment amount by the applicable conversion price.

Corporate Transaction Conversion

In the event of a corporate transaction prior to the conversion of this SAFE, at the closing of such corporate transaction, the SAFE holders may elect either: (a) that RNAimmune will pay the SAFE holders an amount equal to the investment amount; or (b) that this SAFE will convert into that number of conversion shares equal to the quotient (rounded down to the nearest whole share) obtained by dividing the investment amount by the applicable conversion price.

(v) Series Seed Preferred Shares issued by RNAimmune

On March 29, 2021, RNAimmune is authorized to issue 50,000,000 preferred shares of US$0.00001 par value per share. 15,000,000 of the authorized preferred shares are designated as Series Seed Preferred Shares and the remaining 35,000,000 shares of authorized preferred shares have not been designated by RNAimmune as of December 31, 2021. RNAimmune entered into share purchase agreements of Series Seed Preferred Shares with US Sirnaomics and independent investors to issue 1,587,302 and 6,349,207 Series Seed Preferred Shares at a consideration of US$2,000,000 and US$8,000,000, respectively on March 29, 2021. Out of the 15,000,000 designated Series Seed Preferred Shares, 7,936,509 are issued and outstanding.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(v) Series Seed Preferred Shares issued by RNAimmune (Continued)

No redemption rights are held by the holders of Series Seed Preferred Shares and the other key terms of the Series Seed Preferred Shares of RNAimmune are as follows:

(a) Voting Right

The voting, dividend and liquidation rights of ordinary shares are subject to and qualified by the rights, powers and preferences of Series Seed Preferred Shares. Ordinary shares are entitled to one vote per share at all meetings of stockholders and there is no cumulative voting. On any matter presented to stockholders of RNAimmune for their action or consideration at any meeting of stockholders, each holder of outstanding Series Seed Preferred Shares is entitled to the number of votes equal to the number of whole shares of ordinary shares into which Series Seed Preferred Shares are convertible. Holders of Series Seed Preferred Shares shall vote together with the holders of ordinary shares as a single class.

Holders of ordinary shares and Series Seed Preferred Shares vote together as a single class shall be entitled to elect the balance of the total number of directors of RNAimmune.

(b) Dividends

RNAimmune shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock, unless holders of Series Seed Preferred Shares shall first receive a dividend in an amount at least equal to:-

- the product of (A) the dividend payable as if all shares had been converted into ordinary shares and (B) the number of shares of ordinary shares issuable upon conversion of a share of preferred shares calculated on the record date for determination of holders entitled to receive such dividend; or

- in the case of a dividend that is not convertible into ordinary shares, at a rate per share of preferred shares determined by (A) dividing the amount of the dividend payable on each share of such class by the Original Issuance Price (defined below) and (B) multiplying such fraction by an amount equal to Original Issue Price.

The Original Issuance Price shall mean with respect of each share of Series Seed Preferred Shares, the original issue price that is subject to appropriate adjustment in the event of any stock dividend, stock split, combination or similar recapitalisation.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(v) Series Seed Preferred Shares issued by RNAimmune (Continued)

(b) Dividends (Continued)

A dividend is payable only when funds are legally available therefore and only when, as and if declared by the board of directors. RNAimmune is not obligated to pay a dividend. During the year ended December 31, 2021, the board of directors of RNAimmune has not declared any dividends.

(c) Liquidation Preference

In the event of any liquidation, dissolution or winding up of RNAimmune, or a deemed liquidation event as defined in the certificate of incorporation of RNAimmune, outstanding preferred shares are entitled to be paid in full out of RNAimmune's assets available for distribution before payment on ordinary shares. If RNAimmune's assets available for distribution are insufficient to pay the full amount on a series of outstanding preferred shares, such series of preferred shares shall share ratably in any distribution of the assets available for distribution.

After payment of all preferential amounts on outstanding preferred shares, the remaining RNAimmune's assets are distributed among preferred shares and ordinary shares, pro rata based on the number of share held by each holder as if they had been converted to ordinary share immediately prior to such liquidation, dissolution or winding up of RNAimmune or deemed liquidation event.

(d) Optional Conversion

Holders of Series Seed Preferred Shares have conversion rights. Each series of preferred shares is convertible, at holder's option, without payment of additional consideration, into number of fully paid ordinary shares of RNAimmune as determined by dividing the Original Issue Price for such series by the conversion price.

In order for a holder of preferred shares to convert preferred shares into ordinary shares, such holder provides written notice to RNAimmune that such holder elects to convert all or any portion of preferred shares. In general, preferred shares which have been surrendered for conversion are no longer deemed to be outstanding, and all rights with respect to such preferred shares cease and terminate at the conversion time. Any preferred shares so converted are retired and cancelled and may not be reissued.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(v) Series Seed Preferred Shares issued by RNAimmune (Continued)

(e) Conversion Price/Anti-Dilution Protection

The conversion price for each Series Seed Preferred Shares is adjusted on a weighted-average basis if RNAimmune issues additional shares of ordinary shares or ordinary shares equivalents (other than for stock option grants and other customary exclusions) at a purchase price less than the applicable conversion price, subject to appropriate adjustments in the certificate of incorporation.

If RNAimmune, after the original issue date for a series of preferred shares, issues additional shares of ordinary shares or ordinary shares equivalents, without consideration or for a consideration per share less than the conversion price for such series in effect immediately prior to such issue, then the conversion price for such series is reduced, concurrently with such issue, to a price determined in accordance with the formula set forth in the restated certificate of incorporation.

No adjustment in the conversion price for a series of preferred shares is made if RNAimmune receives written notice from holders of a majority of such series of preferred shares then outstanding agreeing that no such adjustment should be made as the result of the issuance or deemed issuance of additional shares of ordinary shares or ordinary shares equivalents.

(f) Mandatory Conversion

Upon (i) the closing of the sale of ordinary shares of RNAimmune to the public in a firm-commitment underwritten public offering resulting in at least US$20,000,000 of aggregate proceeds, net of the underwriting discount and commissions, the ordinary shares of RNAimmune is listed for trading on Nasdaq Stock Market's National Market, Hong Kong Stock Exchange, or another stock exchange approved by the board of directors of RNAimmune or (ii) the date and time, or the occurrence specified by vote or written consent of requisite holders, then all outstanding shares of Series Seed Preferred Shares of RNAimmune shall be converted automatically into ordinary shares of RNAimmune, at the effective conversion price and such shares may not be reissued by RNAimmune.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

(v) Series Seed Preferred Shares issued by RNAimmune (Continued)

(f) Mandatory Conversion (Continued)

With respect to each series of preferred shares of RNAimmune, all holders of such series of preferred shares are sent written notice of the mandatory conversion time and the place designated for mandatory conversion of all such series. In general, all rights with respect to a series of preferred shares of RNAimmune converted, including the rights, if any, to receive notices and vote (other than as a holder of ordinary shares of RNAimmune), terminate at the mandatory conversion time for such series. Such converted shares of such series of preferred shares shall be retired and cancelled and may not be reissued as shares of such series.

Presentation and Classification

The directors of the Company considered that the Preferred Shares, Series C Warrants and Convertible Loans issued by the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) or Suzhou Sirnaomics and SAFE and Series Seed Preferred Shares issued by RNAimmune are accounted for as financial liabilities measured at FVTPL.

The directors of the Company also considered that the changes in the fair value of the Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares not attributable to the change in credit risk of the financial liabilities are charged to profit or loss and presented as "changes in fair value of financial liabilities at FVTPL".

On January 21, 2021, US Sirnaomics, its then shareholders, the holders of Series C Warrants and Series D Warrants and the Company entered into the Share Exchange Arrangement as described in note 2(iii). The directors of the Company considered that the Share Exchange Arrangement does not constitute as substantial modification of the financial liabilities at FVTPL under IFRS 9 and does not result in derecognition and no adjustment to the carrying amount of the financial liabilities at FVTPL is recognized in profit or loss at the date of modification.

The Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Avista Valuation Advisory Limited ("**Avista Valuation**"), which has appropriate qualifications and experiences in valuation of similar instruments. The address of Avista Valuation is 23rd Floor, Siu On Center, No.188 Lockhart Road, Wanchai, Hong Kong.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification (Continued)

The directors of the Company used the back-solve method to determine the underlying share value of the Company or US Sirnaomics (before completion of step (iii) of Group Reorganization) and RNAimmune and performed an equity allocation based on OPM to arrive the fair value of the Preferred Shares, Series C Warrants, SAFE, Series Seed Preferred Shares and Convertible Loans at December 31, 2020.

In addition to the underlying share value of the Company or US Sirnaomics determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value of Preferred Shares, Series C Warrants and Convertible Loans are as follows:

	At December 31, 2020
Time to liquidation	1.50 years
Risk-free interest	0.1%
Expected volatility value	64%
Dividend yield	0%
Possibilities under liquidation scenario	50%
Possibilities under redemption scenario	20%
Possibilities under IPO scenario	30%

In addition to the underlying share value of RNAimmune determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value of SAFE and Series Seed Preferred Shares are as follows:

(a) SAFE

	At December 31, 2020	At February 8, 2021*
Time to liquidation	0.3–5 years	0–5 years
Risk-free interest	0.05% to 0.5%	0.01% to 0.5%
Expected volatility value	63% to 76%	65% to 76%
Dividend yield	0%	0%
Possibilities under liquidation scenario	10% to 100%	20% to 100%
Possibilities under equity financing scenario	0% to 90%	0% to 80%

* Represented the date that the holders of SAFE converted their SAFE into 4,259,256 ordinary shares of RNAimmune.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification (Continued)

(b) Series Seed Preferred Shares

	At December 31, 2021
Time to liquidation	4.3 years
Risk-free interest	1.20%
Expected volatility value	70%
Dividend yield	0%
Possibilities under liquidation scenario	100%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Government Bond with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Expected volatility value was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Dividend yield, possibilities under different scenario and time to liquidation are estimated based on management estimation at the valuation dates.

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

	Preferred Shares US$'000	Series C Warrants US$'000	Convertible Loans US$'000 (Note (i))	SAFE issued by RNAimmune US$'000	Series Seed Preferred Shares issued by RNAimmune US$'000	Total US$'000
At January 1, 2020	43,220	26,141	—	—	—	69,361
Issuance of Series D Preferred Shares and Convertible Loans	15,000	—	88,995	—	—	103,995
Issuance of SAFE	—	—	—	2,300	—	2,300
Unrealized changes in fair value	14,960	5,761	(3,592)	445	—	17,574
Exchange adjustments	—	—	3,586	—	—	3,586
At December 31, 2020	73,180	31,902	88,989	2,745	—	196,816
Conversion of SAFE to a subsidiary's ordinary shares	—	—	—	(2,762)	—	(2,762)
Issuance of Series Seed Preferred Shares	—	—	—	—	8,000	8,000
Issuance of Preferred Shares upon exercising Series C Warrants and Series D Warrants upon completion of ODI	122,958	(33,845)	(89,113)	—	—	—
Issuance of Series E Preferred Shares	106,212	—	—	—	—	106,212
Automatic conversion into ordinary shares upon IPO (Note (ii))	(446,767)	—	—	—	—	(446,767)
Unrealized changes in fair value	—	—	—	—	437	437
Realized changes in fair value	144,417	1,943	(776)	17	—	145,601
Exchange adjustments	—	—	900	—	—	900
At December 31, 2021	—	—	—	—	8,437	8,437

26. FINANCIAL LIABILITIES AT FVTPL (Continued)

Notes:

(i) The Convertible Loans were classified as current liabilities at December 31, 2020 as the holders had the option to convert their Convertible Loans into the Preferred Shares of the Company within twelve months from the end of the reporting period.

(ii) Upon completion of the IPO on December 30, 2021, the Preferred Shares were automatically converted into 52,877,142 ordinary shares of the Company. As a result of the automatic conversion, Preferred Shares were measured at fair value amounting to US$446,767,000 and change in fair value amounting to US$144,417,000 was recognized immediately with reference to the offer price of IPO of HK$65.90 per ordinary share of the Company on the same date.

27. SHARE CAPITAL

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganization as disclosed in note 2, the balance at January 1, 2020 represented the share capital of US Sirnaomics.

The share capital as at December 31, 2020 represented the combined issued share capital of the Company and US Sirnaomics. The share capital as at December 31, 2021 represents the issued share capital of the Company.

Details of the share capital of the Company are as follows:

	Number of shares	Share capital US$
Ordinary shares of US$0.001 each		
Authorized		
At October 15, 2020 (date of incorporation) and December 31, 2020	150,000,000	150,000
Increase on June 20, 2021	80,000,000	80,000
Reclassification and re-designation on issuance of Preferred Shares in relation to Group Reorganization		
— Series A	(2,024,860)	(2,025)
— Series B	(7,374,632)	(7,375)
— Series C	(14,600,142)	(14,600)
— Series D	(16,249,174)	(16,249)
— Series E	(18,000,000)	(18,000)
— undesignated	(21,751,192)	(21,751)
Automatic conversion of Preferred Shares upon IPO	80,000,000	80,000
At December 31, 2021	230,000,000	230,000

27. SHARE CAPITAL (Continued)

	Number of shares	Share capital US$
Issued and fully paid		
At October 15, 2020 (date of incorporation) and December 31, 2020	1	— *
Issuance of ordinary shares in relation to Group Reorganization	14,349,637	14,350
Exercise of share options	530,000	530
Issuance of ordinary shares pursuant to IPO (Note (i))	7,540,000	7,540
Automatic conversion of Preferred Shares upon IPO	52,877,142	52,877
Issuance of ordinary shares held on trust (Note (ii))	12,770,000	12,770
At December 31, 2021	88,066,780	88,067

* Less than US$1

Notes:

(i) In connection with the Company's IPO, 7,540,000 ordinary shares of US$0.001 each were issued at HK$65.90 per ordinary share of the Company for the total gross cash consideration of HK$496,886,000 (equivalent to US$63,706,000) on December 30, 2021.

(ii) On December 30, 2021, the Company allotted and issued 12,770,000 ordinary shares to Maples Trustee Services (Cayman) Limited, held on trust for the benefit of eligible participants under the equity-settled share option scheme of the Company.

28. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries US$'000	Share option reserve of subsidiaries US$'000	Total US$'000
At January 1, 2020	2,802	—	2,802
Share of loss for the year	(2,656)	—	(2,656)
Exchange differences arising on translation of foreign operations	(10)	—	(10)
Recognition of share-based payment	—	4	4
Capital contribution from non-controlling shareholders	113	—	113
At December 31, 2020	249	4	253
Share of loss for the year	(2,863)	—	(2,863)
Exchange differences arising on translation of foreign operations	59	—	59
Exercise of stock repurchase warrants by US Sirnaomics (Note 35.1(a))	302	—	302
Effect of conversion of SAFE to a subsidiary's ordinary shares (Note 35.1(a))	1,406	—	1,406
Exercise of Series C Warrants granted to non-controlling shareholders and conversion of their equity interests in a subsidiary to the Company's preferred shares	(458)	—	(458)
Acquisition of interest in a subsidiary from a non-controlling shareholder (Note 35.1(b))	(47)	—	(47)
Recognition of share-based payment	—	21	21
At December 31, 2021	(1,352)	25	(1,327)

29. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK$1,500 per month. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group maintains multiple qualified contributory saving plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S. These plans are defined contribution plans covering employees employed in the U.S. and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation.

During the year ended December 31, 2021, the total contribution charged to the consolidated statement of profit or loss and other comprehensive income amount to US$700,000 (2020: US$228,000).

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of US Sirnaomics

2008 Stock Incentive Plan

Effective on March 18, 2008, US Sirnaomics adopted the "2008 Stock Incentive Plan" pursuant to which the Group was authorized to grant stock options, stock appreciation rights and restricted stock to directors, officers, employees, consultants and other nonemployee individuals of US Sirnaomics. Under the 2008 Stock Incentive Plan, a total of 10 million shares of ordinary shares was reserved for issuance. Options may be granted as incentive stock options or non-qualified stock options. Stock options were granted with an exercise price not less than the fair market value of the US Sirnaomics's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of US Sirnaomics, and are subject generally to a continued service relationship. Effective on June 10, 2016, the Group terminated the 2008 Stock Incentive Plan, meaning that, while no additional awards of stock options, stock appreciation rights, or restricted stock were permitted thereunder, all outstanding awards continued to be governed by their existing terms.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of US Sirnaomics (Continued)

2016 Stock Incentive Plan

Effective on June 10, 2016, US Sirnaomics adopted the "2016 Stock Incentive Plan" pursuant to which US Sirnaomics is authorized to grant stock options, stock appreciation rights, and restricted stock to directors, officers, employees, consultants and other nonemployee individuals of US Sirnaomics. Under the 2016 Stock Incentive Plan, a total of 12.7 million shares of ordinary shares was reserved for issuance. Options may be granted as incentive stock options or non-qualified stock options. Stock options are to be granted with an exercise price not less than the fair market value of US Sirnaomics' ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of US Sirnaomics, and are subject generally to a continued service relationship.

Effective on January 21, 2021, the Group terminated the 2016 Stock Incentive Plan, meaning that, while no additional awards of stock options, stock appreciation rights, or restricted stock were permitted thereunder, all outstanding awards continued to be governed by their existing terms.

Substitution of ordinary shares of US Sirnaomics to the Company's ordinary shares under 2008 Stock Incentive Plan and 2016 Stock Incentive Plan

As part of the Share Exchange Arrangement as detailed in note 2, US Sirnaomics would i) substitute 1 share of ordinary share of US Sirnaomics under the 2008 Stock incentive Plan and 2016 Stock incentive Plan to 1 share of ordinary share of the Company and ii) assume on the same terms and conditions as the 2008 Stock incentive Plan and the 2016 Stock incentive Plan for issuance of stock options, stock appreciation rights, and restricted stock under the 2021 Stock Incentive Plan as defined and detailed below. The directors of the Company considered that the modification of terms of 2008 Stock Incentive Plan and 2016 Stock Incentive Plan have no material change in fair value of the share options at the date of modification.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of US Sirnaomics (Continued)

Substitution of ordinary shares of US Sirnaomics to the Company's ordinary shares under 2008 Stock incentive Plan and 2016 Stock Incentive Plan (Continued)

The following table discloses movements of the share options held by director and employees during the year under 2008 Stock Incentive Plan:

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2020	Exercised during the year	Lapsed/ Forfeited during the year	At December 31, 2020	Exercised during the year	Lapsed/ Forfeited during the year	At December 31, 2021
Director										
Tranche 2010–1	2014	2020	0.325	720	(62)	(658)	–	–	–	–
Employees										
Tranche 2010–1	2014	2020	0.325	2,645	(1,905)	(140)	600	(530)	(70)	–
Tranche 2011–1	2015	2021	0.325	50	(50)	–	–	–	–	–
				2,695	(1,955)	(140)	600	(530)	(70)	–
				3,415	(2,017)	(798)	600	(530)	(70)	–
Exercisable at the end of the reporting period							600			–
Weighted average exercise price				0.325	0.325	0.325	0.325	0.325	0.325	NA

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of US Sirnaomics (Continued)

Substitution of ordinary shares of US Sirnaomics to the Company's ordinary shares under 2008 Stock incentive Plan and 2016 Stock Incentive Plan (Continued)

The following table discloses movements of the share options held by directors, senior management, employees and non-employee during the year ended December 31, 2021 under 2016 Stock Incentive Plan:

				Number of share options ('000)					
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2020	Granted during the year	Forfeited during the year	At December 31, 2020	Forfeited during the year	At December 31, 2021
Directors									
Tranche 2017–3	2019	2025	1.36	110	—	—	110	—	110
Tranche 2016–1	2020	2025	1.36	600	—	—	600	—	600
Tranche 2017–1	2019	2022	1.50	200	—	—	200	—	200
Tranche 2017–2	2021	2025	1.36	400	—	—	400	—	400
Tranche 2018–1	2022 (Note (ii))	2022	1.60	400	—	—	400	—	400
Tranche 2018–2	2022 (Note (ii))	2027	1.45	900	—	—	900	(200)	700
Tranche 2020–1	2024 (Note (ii))	2029	2.35	—	675	—	675	—	675
Tranche 2020–2	Milestones (Note (i))	2029	1.75	—	700	—	700	—	700
				2,610	1,375	—	3,985	(200)	3,785
Senior management									
Tranche 2017–3	2019	2025	1.36	20	—	—	20	—	20
Tranche 2017–4	2020	2025	1.36	—	—	—	—	—	—
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	—	—	100	—	100
Tranche 2018–3	2022 (Note (ii))	2027	1.60	260	—	—	260	—	260
Tranche 2019–1	2023 (Note (ii))	2027	1.60	—	—	—	—	—	—
Tranche 2019–2	2023 (Note (ii))	2028	1.75	100	—	—	100	—	100
Tranche 2020–2	Milestones (Note (i))	2029	1.75	—	200	—	200	—	200
Tranche 2020–3	2024 (Note (ii))	2029	1.75	—	100	—	100	—	100
Tranche 2020–5	2024 (Note (ii))	2029	2.35	—	320	—	320	—	320
				480	620	—	1,100	—	1,100

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of US Sirnaomics (Continued)

Substitution of ordinary shares of US Sirnaomics to the Company's ordinary shares under 2008 Stock incentive Plan and 2016 Stock Incentive Plan (Continued)

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2020	Granted during the year	Forfeited during the year	At December 31, 2020	Forfeited during the year	At December 31, 2021
Employees									
Tranche 2016–2	2018	2025	1.36	800	—	—	800	—	800
Tranche 2017–5	2018	2025	1.36	100	—	(100)	—	—	—
Tranche 2017–3	2019	2025	1.36	616	—	—	616	(5)	611
Tranche 2017–2	2021	2025	1.36	78	—	(50)	28	—	28
Tranche 2017–4	2020	2025	1.36	100	—	—	100	—	100
Tranche 2018–2	2022 (Note (ii))	2027	1.45	715	—	—	715	—	715
Tranche 2018–3	2022 (Note (ii))	2027	1.60	10	—	—	10	—	10
Tranche 2019–1	2023 (Note (ii))	2027	1.60	60	—	(60)	—	—	—
Tranche 2019–2	2023 (Note (ii))	2028	1.75	105	—	(25)	80	—	80
Tranche 2019–3	2019	2028	1.75	50	—	—	50	—	50
Tranche 2019–4	2020	2028	1.75	50	—	—	50	—	50
Tranche 2020–1	2020	2029	1.75	—	300	—	300	—	300
Tranche 2020–2	Milestones (Note (i))	2029	1.75	—	600	—	600	—	600
Tranche 2020–3	2024 (Note (ii))	2029	1.75	—	15	(15)	—	—	—
Tranche 2020–4	2021	2029	2.35	—	125	—	125	—	125
Tranche 2020–5	2024 (Note (ii))	2029	2.35	—	345	—	345	—	345
				2,684	1,385	(250)	3,819	(5)	3,814
Non-employee									
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	—	—	100	—	100
Tranche 2020–1	2020	2029	1.75	—	300	—	300	—	300
				100	300	—	400	—	400
				5,874	3,680	(250)	9,304	(205)	9,099
Exercisable at the end of the reporting period							4,553		9,099
Weighted average exercise price				1.44	1.97	1.48	1.65	1.45	1.66

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of US Sirnaomics (Continued)

Substitution of ordinary shares of US Sirnaomics to the Company's ordinary shares under 2008 Stock incentive Plan and 2016 Stock Incentive Plan (Continued)

Notes:

(i) Milestone-based share options are vested conditionally upon the achievement of a specified performance target including but not limited to, the completion of the Company's IPO, Series D financing by the fourth quarter in 2020 or achievement of drug project related milestones.

(ii) The unvested portion of share options having an original vesting year of 2022 or later are vested immediately upon fulfilment of milestone of completion of the Company's IPO during the year.

Equity-settled share option scheme of the Company

2021 Stock Incentive Plan

Effective on January 21, 2021, the Company adopted the "2021 Stock Incentive Plan" pursuant to which the Company is authorized to grant stock options, stock appreciation rights and restricted stock to directors, officers, employees, consultants, advisers and individuals who provide services to the Company and its affiliates. Under the 2021 Stock Incentive Plan, a total of 13.3 million ordinary shares of the Company were reserved for issuance. Options may be granted as incentive stock options or non-qualified stock options. Stock options are to be granted with an exercise price not less than the fair market value of the Company's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of the Company, and are subject generally to a continued service relationship.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

2021 Stock Incentive Plan (Continued)

The following table discloses movements of the Company's share options held by directors, senior management and employees during the year under 2021 Stock Incentive Plan since January 21, 2021:

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2021	Granted during the year	Forfeited during the year	At December 31, 2021
Directors							
Tranche 2021–4	2025 (Note (ii))	2030	2.35	—	20	—	20
Tranche 2021–5	2025 (Note (ii))	2030	3.5	—	1,500	—	1,500
Tranche 2021–6	2025 (Note (ii))	2030	3.55	—	150	—	150
				—	1,670	—	1,670
Senior management							
Tranche 2021–5	2025 (Note (ii))	2030	3.5	—	800	—	800
Employees							
Tranche 2021–1	2021	2030	2.35	—	50	(42)	8
Tranche 2021–2	Milestone (Note (i))	2030	2.35	—	8	—	8
Tranche 2021–3	Milestone (Note (i))	2030	2.35	—	8	—	8
Tranche 2021–4	2025 (Note (ii))	2030	2.35	—	489	(288)	201
Tranche 2021–5	2025 (Note (ii))	2030	3.5	—	686	—	686
Tranche 2021–6	2025 (Note (ii))	2030	3.55	—	289	(6)	283
				—	1,530	(336)	1,194
				—	4,000	(336)	3,664
Exercisable at the end of the reporting period				—			3,664
Weighted average exercise price				—	3.34	2.37	3.43

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of the Company (Continued)

2021 Stock Incentive Plan (Continued)

Notes:

(i) Milestone-based share options are vested conditionally upon the achievement of a specified performance target including but not limited to, the execution of a collaboration, development, joint venture, or partnership agreement or completion of achievement of drug project related milestones.

(ii) The unvested portion of share options having an original vesting year of 2022 or later are vested immediately upon fulfilment of milestone of completion of the Company's IPO during the year.

Equity-settled share option scheme of RNAimmune

2020 Stock Incentive Plan

Effective on March 8, 2020, RNAimmune adopted the "2020 Stock Incentive Plan" pursuant to which RNAimmune is authorized to grant stock options, stock appreciation rights and restricted stock to directors, officers, employees, consultants, advisers and individuals who provide services to RNAimmune and its affiliates. Under the 2020 Stock Incentive Plan, a total of seven million ordinary shares of RNAimmune were reserved for issuance. Options may be granted as incentive stock options or non-qualified stock options. Stock options are to be granted with an exercise price not less than the fair market value of RNAimmune's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of RNAimmune, and are subject generally to a continued service relationship.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of RNAimmune (Continued)

2020 Stock Incentive Plan (Continued)

The following table discloses movements of RNAimmune's share options held by senior management and employees during the year ended December 31, 2021 under 2020 Stock Incentive Plan:

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2020	Granted during the year	Forfeited during the year	At December 31, 2020	Granted during the year	Forfeited during the year	At December 31, 2021
Senior management										
Tranche 2020–1	Milestones (note)	2029	0.11	–	–	–	–	–	–	–
Tranche 2020–2	Milestones (note)	2029	0.10	–	200	–	200	–	(8)	192
Tranche 2021–1	Milestones (note)	2030	1.26	–	–	–	–	800	(200)	600
				–	200	–	200	800	(208)	792
Employees										
Tranche 2020–1	Milestones (note)	2029	0.11	–	2,800	(280)	2,520	–	(420)	2,100
Tranche 2020–2	Milestones (note)	2029	0.10	–	1,000	(80)	920	–	(150)	770
Tranche 2021–2	2024	2030	1.26	–	–	–	–	50	(25)	25
Tranche 2021–3	2025	2030	1.26	–	–	–	–	75	–	75
				–	3,800	(360)	3,440	125	(595)	2,970
				–	4,000	(360)	3,640	925	(803)	3,762
Exercisable at the end of the reporting period				–			948			2,742
Weighted average exercise price				–	0.11	0.11	0.11	1.26	0.43	0.32

Note: Milestone based share options are vested conditionally including but not limited to upon closing a seed round financing on or before December 31, 2020, first filing of an Investigational New Drug application with the U.S. Food and Drug Administration for an infectious disease indication on or before December 31, 2021 or obtaining an approval of non-dilutive government or foundation funding on or before June 30, 2021.

30. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

The fair value of services received in return for share options under 2008 Stock Incentive Plan, 2016 Stock Incentive Plan, 2020 Stock Incentive Plan and 2021 Stock Incentive Plan is measured by reference to the fair value of share options granted. Back-solve method was used to determine the equity fair value of the ordinary shares of the Company, US Sirnaomics and RNAimmune at grant date and the estimated fair value of the share options granted is measured based on the OPM. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with reference to valuation reports carried out by Avista Valuation. The value of an option varies with different variables of certain subjective assumptions.

The key inputs of the model were as follows:

	2016 Stock Incentive Plan of US Sirnaomics	2020 Stock Incentive Plan of RNAimmune	2021 Stock Incentive Plan of the Company
Share price	US$1.11 – US$2.08	US$0.03	US$2.09 – US$3.47
Exercise price	US$1.36 – US$2.35	US$0.1 – US$1.26	US$2.35 – US$3.55
Expected volatility	70% – 75%	74%	75% – 76%
Risk-free rate	0.31% – 2.32%	0.48%	0.68% – 1.18%
Expected dividend yield	0%	0%	0%
Time-to-maturity	4.7 – 6.0 years	4.8 years	4.9 – 6.0 years

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Government Bond with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The time-to-maturity used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. The Group recognized the total expense of US$11,280,000 (2020: US$992,000) in relation to share options granted by the Company, US Sirnaomics and RNAimmune.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes lease liabilities, bank borrowings and financial liabilities at FVTPL, and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new ordinary share/preferred share issues, share repurchase as well as the issue of new debts and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2021 **US$'000**	2020 US$'000
Financial assets		
Amortized cost	**213,411**	103,358
Financial liabilities		
Amortized cost	**12,070**	5,415
Designated as at FVTPL	**8,437**	196,816
Lease liabilities	**7,040**	1,747

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, restricted bank balances, bank balances and cash, trade and other payables, lease liabilities and financial liabilities at FVTPL. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures was implemented on a timely and effective manner.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk

(i) Currency risk

Certain bank balances, deposits and other receivables and trade and other payables denominated in foreign currency of respective group entities expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities and intra-group balances at the end of each reporting period are mainly as follows:

	2021	2020
	US$'000	US$'000
Assets		
US$	**2,532**	1,146
HK$	**57,193**	—
Liabilities		
US$	**1,102**	578
HK$	**—**	65

The management of the Group considers that as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and no sensitivity analysis was presented.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate restricted bank balances, bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of The People's Bank of China benchmark rates and being regularly monitored and evaluated by reference to anticipated changes in market interest rate by the Group.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Total interest income from financial assets (including rental deposit, restricted bank balances and bank balances) that are measured at amortized cost for the year ended December 31, 2021 was approximately US$213,000 (2020: US$80,000).

Interest charges on financial liabilities not measured at FVTPL:

	2021 US$'000	2020 US$'000
Bank borrowings	**72**	6
Lease liabilities	**319**	243
	391	249

No sensitivity analysis was presented as the management considers that the exposure to cash flow interest rate risk for variable-rate restricted bank balances, bank balances and bank borrowings are insignificant because the current market interest rates are relatively low and stable during the year.

(iii) Other price risk

The Group is exposed to other price risk arising from Preferred Shares, Series C Warrants, SAFE and Convertible Loans as at December 31, 2020 and Series Seed Preferred Shares as at December 31, 2021 which were classified as financial liabilities at FVTPL.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

The Company or US Sirnaomics (before completion of step (iii) of Group Reorganization)

If the equity value of US Sirnaomics as at December 31, 2020 had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended December 31, 2020 would increase by approximately US$8,436,000 and decrease by approximately US$8,494,000.

RNAimmune

If the equity value of RNAimmune had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended December 31, 2021 would increase by approximately US$291,000 (2020: US$56,000) and decrease by approximately US$293,000 (2020: US$55,000).

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to restricted bank balances, bank balances and deposits and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believes that there are no significant increase in credit risk of the deposits and other receivables since initial recognition and the Group provided impairment based on 12m ECL.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Restricted bank balances and bank balances

Credit risk on restricted bank balances and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for restricted bank balances and bank balances by reference to information relating to probability of default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank balances and bank balances is considered to be insignificant.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Debtor frequently repays after due dates but settle the amounts in full	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group have no realistic prospect of recovery	Amount is written off

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal/external credit rating	12m or lifetime ECL	December 31, 2021 Gross carrying amount US$'000	December 31, 2020 Gross carrying amount US$'000
Financial assets at amortized cost					
Restricted bank balances	21	A1	12m ECL	63	61
Bank balances	21	A3-Aa1	12m ECL	211,994	103,122
Deposits and other receivables	20	Low risk (Notes 1 and 2)	12m ECL	1,354	175
				213,411	103,358

Notes:

1. For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition:

At December 31, 2021

	Past due US$'000	No fixed repayment terms US$'000	Total US$'000
Deposits and other receivables	—	1,354	1,354

At December 31, 2020

	Past due US$'000	No fixed repayment terms US$'000	Total US$'000
Deposits and other receivables	—	175	175

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes: (Continued)

2. The following table shows the reconciliation of loss allowances that has been recognized for credit-impaired other receivables of the Group:

	Lifetime ECL-credit-impaired US$'000
As at January 1, 2020	242
Changes due to other receivables recognized as at January 1, 2020 — impairment losses reversed	(242)
As at December 31, 2020 and December 31, 2021	—

Changes in the loss allowance for other receivables of the Group are mainly due to the settlement from the counterparty during the year ended December 31, 2020.

32. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 30 days US$'000	31 days to 180 days US$'000	181 days to 365 days US$'000	> 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At December 31, 2021							
Trade and other payables	—	12,070	—	—	—	12,070	12,070
Lease liabilities	9.26	131	650	841	18,711	20,333	7,040
		12,201	650	841	18,711	32,403	19,110

	Weighted average interest rate %	On demand or less than 30 days US$'000	31 days to 180 days US$'000	181 days to 365 days US$'000	> 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At December 31, 2020							
Trade and other payables	—	4,281	—	—	—	4,281	4,281
Bank borrowings	4.15	—	24	24	1,296	1,344	1,134
Financial liabilities at FVTPL	17.74	—	91,955	—	111,665	203,620	188,591
Lease liabilities	12.97	54	269	321	1,526	2,170	1,747
		4,335	92,248	345	114,487	211,415	195,753

Note: The amounts as at December 31, 2021 shown in the above table have excluded the carrying amounts of Series Seed Preferred Shares amounting to US$8,437,000 (2020: Series A Preferred Shares, and SAFE total of which amounting to US$8,225,000) as these instruments do not contain any redemption rights.

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). There were no transfers out of Level 3 during the year.

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	2021 US$'000	2020 US$'000				
Financial liabilities						
Financial liabilities at FVTPL – Preferred Shares	**–**	73,180	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation, redemption and IPO scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa (notes a).
Financial liabilities at FVTPL – Series C Warrants	**–**	31,902	Level 3			
Financial liabilities at FVTPL – Convertible Loans	**–**	88,989	Level 3			
Financial liabilities at FVTPL – SAFE	**–**	2,745	Level 3			
Financial liabilities at FVTPL- Series Seed Preferred Shares	**8,437**	–	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa (note b).

Notes:

(a) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Preferred Shares, Series C Warrants, Convertible Loans and SAFE issued by the Group as at December 31, 2020 by US$885,000, US$208,000, US$3,000 and US$22,000, respectively and US$(820,000), US$(164,000), US$(3,000) and US$(22,000), respectively.

(b) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Series Seed Preferred Shares issued by the Group as at December 31, 2021 by US$4,500 and US$(4,900) respectively.

32. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

The reconciliation of Level 3 measurements of financial liabilities at FVTPL are set out in note 26 and fair value losses on financial liabilities at FVTPL are presented as "changes in fair value of financial liabilities at FVTPL".

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL US$'000	Bank and other borrowings US$'000	Accrued issue costs US$'000	Lease liabilities US$'000	Total US$'000
At January 1, 2020	69,361	—	—	1,985	71,346
Financing cash flows	99,545	1,551	(169)	(640)	100,287
Non-cash changes					
Issuance of Convertible Loans for terminating contract with Xiangxue (Note 9)	6,750	—	—	—	6,750
New leases entered/lease modified	—	—	—	118	118
Finance costs	—	6	—	243	249
Waiver for loan repayment	—	(485)	—	—	(485)
Accrued issuance costs of financial liabilities at FVTPL	—	—	1,246	—	1,246
Deferred share issue costs	—	—	262	—	262
Change in fair value	17,574	—	—	—	17,574
Exchange adjustments	3,586	62	—	41	3,689
At December 31, 2020	196,816	1,134	1,339	1,747	201,036
Financing cash flows	114,212	(1,219)	(4,531)	(1,026)	107,436
Non-cash changes					
New leases entered/lease modified	—	—	—	5,968	5,968
Finance costs	—	72	—	319	391
Accrued issuance costs of financial liabilities at FVTPL	—	—	678	—	678
Deferred share issue costs	—	—	3,814	—	3,814
Change in fair value	146,038	—	—	—	146,038
Conversion of SAFE to a subsidiary's ordinary shares	(2,762)	—	—	—	(2,762)
Automatic conversion of preferred shares upon IPO	(446,767)	—	—	—	(446,767)
Exchange adjustments	900	13	18	32	963
At December 31, 2021	8,437	—	1,318	7,040	16,795

34. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with its related parties during the year.

	2021 US$'000	2020 US$'000
Jiangsu Better Time Biotechnology Co., Ltd. ("**BTM**") 江蘇佳時泰醫藥生物科技有限公司(Note)		
Consultancy services provided by a related party	**168**	—

Note: BTM is a company controlled by Dr. Xiaochang Dai, a director of the Company, who also has 100% beneficial interest in BTM.

Compensation of key management personnel

The remuneration of the directors of the Company and key management personnel of the Group during the year were as follows:

	2021 US$'000	2020 US$'000
Salaries and other allowances	**2,152**	1,532
Retirement benefits schemes contributions	**106**	79
Share-based payment expense	**7,071**	432
Performance and discretionary bonus (Note)	**571**	170
	9,900	2,213

Note: Performance and discretionary bonus is determined based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

35.1 General information of subsidiaries

Details of subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of incorporation or establishment/ operation	Issued and fully paid share capital/ paid-up capital	Effective equity interest attributable to the Group As at December 31, 2021	2020	Principal activities
Directly owned subsidiary					
US Sirnaomics (note a)	The U.S. February 12, 2007	US$1 (2020: US$14,350)	**100%**	100%	Developing and commercializing of RNAi technology and multiple therapeutics
Indirectly owned subsidiaries					
RNAimmune (note a)	The U.S. May 5, 2016	US$208 (2020: US$145)	**60%**	61%	Technical research and development of mRNA delivery platform and mRNA-based drug and vaccine
HK Sirnaomics	Hong Kong March 8, 2019	HK$10,000	**100%**	100%	Investment holding
Suzhou Sirnaomics (note b)	The PRC March 10, 2008	RMB336,771,270 (2020: RMB12,539,683)	**100%**	79.75%	Technical research, development, service and transfer of nucleic acid drugs
Guangzhou Sirnaomics (note b)	The PRC May 8, 2012	RMB70,000,000 (2020: RMB30,000,000)	**100%**	76.42%	Manufacturing and development of drug products
RNAimmune Vaccine (Guangzhou) Co., Ltd. 達冕疫苗(廣州)有限公司 ("**GZ RNAimmune**")	The PRC January 28, 2021	RMB10,846,037	**60%**	N/A	Manufacturing and development of vaccines

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

35.1 General information of subsidiaries (Continued)

Notes:

a. On May 5, 2016, RNAimmune was incorporated in the U.S. by Dr. Yang Lu being the sole director but has not issued any shares nor commenced any business since its incorporation. On February 1, 2020, RNAimmune issued 6,250,000 shares with par value of US$0.00001 each to US Sirnaomics for US$250,000 and on March 8, 2020, RNAimmune further issued 2,600,000, 575,000, 275,000, 275,000, 275,000 shares with par value of US$0.00001 each for US$40,000 to the founders and management of RNAimmune, and the Group held 61% of equity interests in RNAimmune upon allotment of these shares and as at December 31, 2020.

In February 2021, the SAFE investors of RNAimmune converted their SAFE into ordinary shares of RNAimmune and the Group's equity interests in RNAimmune has decreased to 43% upon this conversion.

Pursuant to the written resolution dated May 31, 2021, the Company exercised the conversion option of all the Preferred Shares of US Sirnaomics and converted them into 18,725,227 ordinary shares with par value of US$0.001 of US Sirnaomics on a 1:1 ratio. It has also been resolved that the 33,074,865 ordinary shares of US Sirnaomics were combined into 1,000 ordinary shares.

On July 12, 2021, US Sirnaomics exercised the stock purchase warrant to purchase 6,250,000 additional shares of RNAimmune at the purchase price of US$0.11 and the Group's equity interests in RNAimmune has increased to 60%.

b. On January 22, 2021, Suzhou Sirnaomics acquired the 4.17% equity interests held by a non-controlling shareholder in Guangzhou Sirnaomics at total consideration of RMB2,231,000 (equivalent to US$350,000).

As part of ODI arrangement, after a capital reduction took place on March 1, 2021 and the acquisition mentioned above, Suzhou Sirnaomics and Guangzhou Sirnaomics were wholly owned by US Sirnaomics.

All subsidiaries are limited liability companies and have adopted December 31, as their financial year end date.

Other than the financial instruments set out in note 26, none of the subsidiaries had issued any debt securities at the end of the year.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiaries	Place of establishment and principal place of business	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		As at December 31,		For the year ended December 31,		As at December 31,	
		2021	2020	**2021**	2020	**2021**	2020
				US$'000	US$'0000	**US$'000**	US$'000
Suzhou Sirnaomics	The PRC	**Nil**	20.25%	**(95)**	(2,221)	**—**	491
RNAimmune	The U.S.	**40%**	39%	**(2,731)**	(421)	**(1,308)**	(304)
Individually immaterial subsidiary with non-controlling interests				**(37)**	(14)	**(19)**	66
				(2,863)	(2,656)	**(1,327)**	253

Summarized financial information in respect of the Group's subsidiaries that had material non-controlling interests are set out below. The summarized financial information below represents amounts before the elimination of intra-group transactions.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

(a) Suzhou Sirnaomics

	At December 31, 2020 US$'000
Current assets	88,413
Non-current assets	4,420
Current liabilities	(90,332)
Non-current liabilities	(79)
Net assets	2,422
Total equity attributable to	
— owners of the Company	1,931
— non-controlling interests	491
	2,422

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

(a) Suzhou Sirnaomics (Continued)

	For the four months ended April 30, 2021 US$'000 (Note)	For the year ended December 31, 2020 US$'000
Expenses and loss for the period/year	**(471)**	(10,968)
Loss for the period/year attributable to		
— owners of the Company	**(376)**	(8,747)
— non-controlling interests	**(95)**	(2,221)
	(471)	(10,968)
Other comprehensive income (expense) for the period/year attributable to		
— owners of the Company	**225**	(147)
— non-controlling interests	**57**	(37)
	282	(184)
Total comprehensive expense for the period/year attributable to		
— owners of the Company	**(151)**	(8,894)
— non-controlling interests	**(38)**	(2,258)
	(189)	(11,152)
Net cash outflow from operating activities	**(2,124)**	(7,765)
Net cash (outflow) inflow from investing activities	**(265)**	9,094
Net cash (outflow) inflow from financing activities	**(74,284)**	82,245
Net cash (outflow) inflow	**(76,673)**	83,574

Note: Suzhou Sirnaomics became a wholly-owned subsidiary of US Sirnaomics upon the non-controlling shareholders of Suzhou Sirnaomics exercised the Series C Warrants in April 2021. As a result, the above financial information covers the four months ended April 30, 2021 only.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

35.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

(b) RNAimmune

	2021 US$'000	2020 US$'000
Current assets	**5,572**	2,031
Non-current assets	**2,756**	2
Current liabilities	**(1,050)**	(67)
Non-current liabilities	**(10,563)**	(2,745)
Net liabilities	**(3,285)**	(779)
Total deficit attributable to		
— owners of the Company	**(1,977)**	(475)
— non-controlling interests	**(1,308)**	(304)
	(3,285)	(779)

	For the year ended December 31, 2021 US$'000	For the period from February 1, 2020 to December 31, 2020 US$'000 (Note)
Expenses and loss for the year/period	**(6,006)**	(1,080)
Loss and total comprehensive expenses for the year/period attributable to		
— owners of the Company	**(3,275)**	(659)
— non-controlling interests	**(2,731)**	(421)
	(6,006)	(1,080)
Net cash outflow from operating activities	**(5,146)**	(706)
Net cash (outflow) inflow from investing activities	**(2,642)**	33
Net cash inflow from financing activities	**10,652**	2,590
Net cash inflow	**2,864**	1,917

Note: On February 1, 2020, RNAimmune issued 6,250,000 shares with par value of US$0.00001 each to US Sirnaomics for US$250,000 and became a subsidiary of US Sirnaomics. As a result, the above financial information covers from February 1, 2020.

36. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2021 US$'000	2020 US$'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**103,731**	—
Loan to a subsidiary	**205,063**	—
	308,794	—
CURRENT ASSETS		
Prepayments and other receivables	**4,486**	262
Bank balances	**68,229**	—
	72,715	262
CURRENT LIABILITY		
Other payables	**8,600**	1,147
NET CURRENT ASSETS (LIABILITIES)	**64,115**	(885)
NET ASSETS (LIABILITIES)	**372,909**	(885)
CAPITAL AND RESERVES (DEFICITS)		
Share capital	**88**	— *
Reserves (deficits) (Note)	**372,821**	(885)
TOTAL EQUITY (DEFICITS)	**372,909**	(885)

* Less than US$1,000

36. STATEMENT OF FINANCIAL POSITION AND RESERVE OF THE COMPANY (Continued)

Note: The movements in the reserves of the Company are as follows:

	Shares held for share option scheme US$'000	Share premium US$'000	Share option reserve US$'000	Accumulated losses US$'000	Total US$'000
At October 15, 2020 (date of incorporation)	—	—	—	—	—
Loss and total comprehensive expense for the period	—	—	—	(885)	(885)
At December 31, 2020	—	—	—	(885)	(885)
Loss and total comprehensive expense for the year	—	—	—	(156,820)	(156,820)
Recognition of share-based payment	—	—	11,230	—	11,230
Lapse of share options	—	—	(20)	20	—
Forfeiture of share options	—	—	(91)	91	—
Issuance of shares arising from Group Reorganization	—	10,178	—	—	10,178
Transfer of share option reserve from US Sirnaomics to the Company	—	—	2,623	—	2,623
Issue of shares under share option scheme	—	326	(155)	—	171
Issue of shares pursuant to IPO	—	63,699	—	—	63,699
Transaction costs directly attributable to issue of new shares in the IPO	—	(4,076)	—	—	(4,076)
Automatic conversion of preferred shares to ordinary shares upon IPO	—	446,714	—	—	446,714
Issue of shares held on trust	(13)	—	—	—	(13)
At December 31, 2021	(13)	516,841	13,587	(157,594)	372,821

37. CAPITAL COMMITMENTS

	2021 US$'000	2020 US$'000
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the consolidated financial statements	**11,357**	499

38. PLEDGE OF ASSETS

The Group's bank facilities have been secured by the pledge of the Group's assets and the carrying amounts of the assets are as follows:

	2021 US$'000	2020 US$'000
Restricted bank deposits	**63**	61

Restrictions on assets

In addition, lease liabilities of approximately US$7,040,000 (2020: US$1,747,000) are recognized with related right-of-use assets of approximately US$6,855,000 (2020: US$1,520,000) as at December 31, 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor and the relevant leased assets may not be used as security for borrowing purposes.

39. MAJOR NON-CASH TRANSACTIONS

Saved for disclosed elsewhere in the consolidated financial statements, the Group has the following major non-cash transactions during the year:-

Lease arrangements

During the year ended December 31, 2021, the Group entered into new lease agreements and renewed the existing leases for the use of leased properties for two years to ten years (2020: two years to four years). On the lease commencement during the year ended December 31, 2021, the Group recognized US$5,968,000 (2020: US$118,000) of right-of-use assets and US$5,968,000 (2020: US$118,000) of lease liabilities.

40. EVENTS AFTER THE REPORTING PERIOD

(a) On January 21, 2022, 973,450 ordinary shares of the Company were allotted and issued by the Company at HK$65.9 per share for gross proceeds of approximately HK$64,150,000 (equivalent to US$8,234,000) upon the partial exercise of the over-allotment option by the Joint Representatives as described and defined in the prospectus of the Company dated December 20, 2021.

(b) In March 2022, RNAimmune entered into a definitive agreement for its series A round fundraising, pursuant to which US Sirnaomics, a wholly-owned subsidiary of the Company, and six other independent investors, conditionally agreed to subscribe for and RNAimmune conditionally agreed to allot and issue, in aggregate 8,802,589 series A preferred shares of RNAimmune, at the total consideration of approximately US$27 million (equivalent to approximately US$3.09 per series A preferred share).

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"affiliate"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"Articles" or "Articles of Association"	the amended and restated articles of association of the Company with effect from the Listing Date
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"CG Code"	the Corporate Governance Code set out in Appendix 14 of the Listing Rules
"China", "mainland China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, except where the context requires, references in this annual report to "China", "mainland China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Company", "our Company" or "the Company"	Sirnaomics Ltd., an exempted company incorporated in the Cayman Islands with limited liability on October 15, 2020
"core product"	STP705, the designated "core product" as defined under Chapter 18A of Listing Rules
"EHS"	environment, health and safety
"ESG"	Environmental, Social and Governance
"ESG Report"	Environmental, Social and Governance report
"ESG Reporting Guide"	Environmental, Social and Governance Reporting Guide
"Director(s)"	the director(s) of the Company
"FDA"	U.S. Food and Drug Administration
"GCPs"	Good Clinical Practices
"GHG"	greenhouse gas

Definitions

"Global Offering"	the Hong Kong Public Offering and the International Offering
"GRI"	Global Reporting Initiative
"Group", "our Group", "the Group", "we", "us" or "our"	the Company, its subsidiaries or, where the context so requires, in respect of the period prior to the Company becoming the holding company of its present subsidiaries, such subsidiaries as if they were subsidiaries of the Company at the relevant time
"Guangzhou Facility"	our manufacturing facility in Guangzhou
"Guangzhou RNAimmune"	RNAimmune Vaccine (Guangzhou) Co., Ltd. (達冕疫苗(廣州)有限公司), a company incorporated under the laws of the PRC on January 28, 2021 with limited liability, an wholly-owned subsidiary of RNAimmune
"Guangzhou Sirnaomics"	Sirnaomics Biopharmaceuticals (Guangzhou) Co., Ltd. (聖諾生物醫藥技術(廣州)有限公司), a company incorporated under the laws of the PRC on May 8, 2012 with limited liability, an indirect wholly-owned subsidiary of the Company and formerly known as Guangzhou Nanotides Pharmaceuticals Co. Ltd. (廣州納泰生物醫藥技術有限公司)
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong dollars", "HK dollars", "HKD" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong Stock Exchange" or "Stock Exchange"	The Stock Exchange of Hong Kong Limited
"HK Sirnaomics"	Sirnaomics (Hong Kong) Limited (聖諾(香港)有限公司), a company incorporated under the laws of Hong Kong on March 8, 2019 with limited liability, an indirect wholly-owned subsidiary of the Company
"IAC"	Internal Audit and Control

"IFRSs"	International Financial Reporting Standards
"ID"	Intradermal
"Independent Third Party(ies)"	an individual(s) or a company(ies) who or which is/are not connected person(s) (within the meaning of the Listing Rules) of the Company
"IP"	intellectual property
"IRB"	Institutional Review Board
"KPIs"	key performance indicators
"Listing"	the listing of the Shares on the Main Board
"Listing Date"	December 30, 2021, on which the Shares are listed on the Hong Kong Stock Exchange and from which dealings in the Shares are permitted to commence on the Hong Kong Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
"Memorandum" or "Memorandum of Association"	the amended and restated memorandum of association of the Company (as amended from time to time), with effect from the Listing Date
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"NMPA"	National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"OL China"	out-licensed mainland China, Hong Kong, Macau and Taiwan rights under agreement with Walvax but we retain the rights for rest of the world

Definitions

"Pre-IPO Equity Incentive Plan"	the pre-IPO equity incentive plan which was adopted on January 21, 2021 to, among others, attract and retain outstanding individuals to serve as directors, officers, employees, consultants, and advisors to the Company
"Prospectus"	the prospectus of the Company dated December 20, 2021, issued in connection with the Hong Kong Public Offering
"R&D"	research and development
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	for the year ended December 31, 2021
"RMB" or "Renminbi"	Renminbi, the lawful currency of China
"RNAimmune"	RNAimmune, Inc., a company incorporated under the laws of Delaware, U.S. on May 5, 2016, a controlled subsidiary of the Company
"SAFE"	Simple Agreements for Future Equity
"SASB"	Sustainability Accounting Standards Board
"SDGs"	Sustainability Development Goals
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.001 each
"Shareholder(s)"	holder(s) of our Shares
"Suzhou Sirnaomics"	Sirnaomics Biopharmaceuticals (Suzhou) Co., Ltd. (聖諾生物醫藥技術(蘇州)有限公司), a company incorporated under the laws of the PRC on March 10, 2008 with limited liability, an indirect wholly- owned subsidiary of the Company and formerly known as Suzhou Sirnaomics Biopharmaceuticals Co., Ltd. (蘇州聖諾生物醫藥技術有限公司)

"TCFD"	Task Force on Climate-related Financial Disclosures
"U.S. dollars", "USD" or "US$"	U.S. dollars, the lawful currency of the United States of America
"U.S. Securities Act"	The United States Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder
"United States", "U.S." or "US"	the United States of America
"US Sirnaomics"	Sirnaomics, Inc., a company incorporated under the laws of Delaware, U.S. on February 12, 2007, a wholly-owned subsidiary of the Company
"Walvax"	Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300142), one of our collaborators and an Independent Third Party
"Xiangxue"	Xiangxue Pharmaceutical Co., Ltd. (廣州市香雪製藥股份有限公司), a company listed on Shenzhen Stock Exchange (stock code: 300147), an Independent Third Party

Glossary of Technical Terms

This glossary contains explanations of certain technical terms used in connection with the Company and its business.

"AE"	adverse event, which may be mild, moderate, or severe, any untoward medical occurrences in a patient administered a drug or other pharmaceutical product during clinical trials and which do not necessarily have a causal relationship with the treatment
"BCC"	basal cell carcinoma, a type of non-melanoma skin cancer
"cardiometabolic diseases"	include cardiovascular diseases, such as heart attack, stroke, angina and other disorders of the vascular system, as well as insulin resistance, diabetes and non-alcoholic fatty liver disease. High triglyceride, high low density lipoprotein (LDL) cholesterol, low high density lipoprotein (HDL) cholesterol and elevated blood pressure levels are all risk factors for cardiometabolic diseases
"CCA"	Cholangiocarcinoma is tumor that is occurring with increasing frequency and develops from bile duct epithelium found within the intrahepatic and extrahepatic biliary tree, excluding the ampulla or gallbladder
"CDMO"	contract development and manufacturing organization, a pharmaceutical company that develops and manufactures drugs for other pharmaceutical companies on a contractual basis
"CFDA"	China Food and Drug Administration
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"CMO"	contract manufacturing organization, a company that specializes in manufacturing drug products for pharmaceutical companies on a contract basis
"cohort"	a group of patients as part of a clinical trial who share a common characteristic or experience within a defined period and who are monitored over time

Glossary of Technical Terms

"combination therapy"	a treatment modality that combines two or more therapeutic agents administered separately in two or more different pharmaceutical products or in a fixed-dose combination product comprising the two or more therapeutic agents
"COVID-19"	Coronavirus disease 2019 is an infectious disease
"COX-2"	Cyclooxygenase-2 is a membrane-bound, short-living, and rate-limiting enzyme
"CRC"	colorectal carcinoma
"CRO"	contract research organization, a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"cSCC"	cutaneous squamous-cell skin cancer is a common form of skin cancer that develops in the squamous cells that make up the middle and outer layers of the skin
"delivery platform"	The platform is used for the delivery of drugs to target sites of pharmacological actions
"endosomal escape"	escaping from being hindered by entrapment and subsequent degradation in acidic compartments of the endo/lysosomal pathway
"Factor XI"	a plasma glycoprotein that is primarily synthesized in the liver and is part of the coagulation cascade, playing a role in clot stabilization and expansion
"GalNAc"	N-Acetylgalactosamine, GalNAc is a sugar molecule that can recognize and bind to a cell surface protein, the asialoglycoprotein receptor
"global rights"	rights of a commercial nature to develop or commercialize a product, which may include rights in know-how and rights in patents and patent applications, in each case, directed to the drug product, drug composition and/or methods of use thereof or in the drug delivery platform

Glossary of Technical Terms

"GMP"	a system for ensuring that products are consistently produced and controlled according to quality standards, which is designed to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final product. It is also the practice required in order to conform to the guidelines recommended by agencies that control the authorization and licensing of the manufacture and sale of pharmaceutical products
"HBV"	hepatitis B virus
"HCC"	Hepatocellular carcinoma is a type of primary liver cancer
"hepatitis B"	The hepatitis B virus is a DNA virus that is transmitted parenterally, or by intimate, often sexual, contact
"HKP"	Histidine-lysine peptides can be as carriers of nucleic acids
"HPV"	Human papillomavirus
"HTS"	hypertrophic scar is a thickened, wide, often raised scar that develops where skin is injured
"in vitro"	Latin for "within the glass", studies using components of an organism that has been isolated from their usual biological surroundings, such as microorganisms, cells or biological molecules
"in vivo"	Latin for "within the living", studies in vivo are those in which the effects of various biological or chemical substances are tested on whole, living organisms including animals, humans and plants, as opposed to a partial or dead organism, or those done in vitro
"IND"	investigational new drug or investigational new drug application, also known as clinical trial application in China or the U.S
"isSCC"	squamous cell carcinoma in situ

Glossary of Technical Terms

"KOL"	Key Opinion Leader; a trusted, well-respected influencer with proven experience and expertise in a particular field
"LNP"	Lipid nanoparticles are spherical vesicles made of ionizable lipids, which are positively charged at low pH (enabling RNA complexation) and neutral at physiological pH (reducing potential toxic effects, as compared with positively charged lipids, such as liposomes)
"mRNA"	Messenger RNA is a large family of RNA molecules that are complimentary to DNA molecules and convey genetic information from the DNA to be translated by ribosomes into proteins
"metastasis"	the spread of cancer from the primary site (place where it started) to other places in the body
"microfluidic"	Microfluidics is the science of manipulating and controlling fluids, usually in the range of microliters (10–6) to picoliters (10–12), in networks of channels with dimensions from tens to hundreds of micrometers
"MRCT"	multi-regional clinical trial, clinical trials across multiple regions of the world
"NO_x"	nitrogen oxides
"NMSC"	non-melanoma skin cancer
"NSCLC"	non-small cell lung cancer is any type of epithelial lung cancer other than small cell lung cancer
"PM"	particulate matters
"PCSK9"	Proprotein convertase subtilisin/kexin type 9 is an enzyme encoded by the PCSK9 gene in humans on chromosome 1
"PD-1"	programmed cell death protein 1, an immune checkpoint receptor expressed on T cells, B cells and macrophages
"PD-L1"	PD-1 ligand 1, which is a protein on the surface of a normal cell or a cancer cell that binds to its receptor, PD-1, on the surface of the T cell that causes the T cell to turn off its ability to kill the cancer cell

Glossary of Technical Terms

"PDoV"	Peptide Docking Vehicle, a linker which contains a therapeutic compound, such as an siRNA molecule, and a targeting ligand
"PDoV-GalNAc"	our GalNAc RNAi delivery platform that conjugates GalNAc moieties to PDoV peptide linkers and up to two siRNAs to the peptide
"Phase I clinical trials"	study in which a drug is introduced into healthy human subjects or patients with the target disease or condition and tested for safety, dosage tolerance, absorption, metabolism, distribution, excretion, and if possible, to gain an early indication of its effectiveness
"Phase I/II clinical trials"	Phase I/II clinical trials combine Phase I and Phase II into one trial. The clinical trial design may adaptively use data from all previous patients to make decisions and select the best dose for each new cohort
"Phase II clinical trials"	study in which a drug is administered to a limited patient population to identify possible adverse effects and safety risks, to preliminarily evaluate the efficacy of the product for specific targeted diseases, and to determine dosage tolerance and optimal dosage
"Phase IIa clinical trials"	Phase IIa clinical trials are usually pilot studies designed to demonstrate clinical efficacy or biological activity
"Phase IIb clinical trials"	Phase IIb clinical trials determine the optimal dose at which the drug shows biological activity with minimal side-effects
"Phase III clinical trials"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PLNP"	polypeptide-lipid nanoparticle, a proprietary polypeptide nanoparticle combined with LNP

Glossary of Technical Terms

"PNP"	Polypeptide nanoparticle is composed of a branched Histidine Lysine polymer
"PNP-IT"	PNP platform formulated for intratumoral administration
"PNP-IV"	PNP platform formulated for intravenous administration
"preclinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"PSC"	Primary sclerosing cholangitis is a chronic, or long-term, disease that slowly damages the bile ducts
"RNA"	Ribonucleic acid is a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes
"RNAi"	RNA interference is a biological process in which RNA molecules are involved in sequence-specific suppression of gene expression by double-stranded RNA, through translation or transcriptional repression
"SAE"	serious AE, any medical occurrence in human drug trials that at any dose: results in death; is life-threatening; requires inpatient hospitalization or causes prolongation of existing hospitalization; results in persistent or significant disability/incapacity; may have caused a congenital anomaly/birth defect, or requires intervention to prevent permanent impairment or damage
"siRNA"	Small interference RNA are double-stranded RNA molecules comprised of two oligonucleotides of about 20nt-long guide (antisense) and passenger (sense) strands; the RNA-Induced Silencing Complex (RISC) incorporates the guide strand and binds mRNA target molecules to generate its cleavage or inhibit protein translation from it

Glossary of Technical Terms

"solid tumors"	an abnormal mass of tissue that usually does not contain cysts or liquid areas. Solid tumors may be benign (not cancer), or malignant (cancer). Different types of solid tumors are named for the type of cells that form them
"SO_x"	sulphur oxides
"SCC"	Squamous cell carcinoma is an uncontrolled growth of abnormal cells arising from the squamous cells in the epidermis, the skins outermost layer
"standard of care"	treatment that is accepted by medical experts as a proper treatment for a certain type of disease and that is widely used by healthcare professionals
"TßRI/TGF-ß1"	Transforming growth factor beta 1 or TGF-ß1 is a polypeptide member of the transforming growth factor beta superfamily of cytokines, which activates Smad and non-Smad signaling pathways
"VOC"	volatile organic compounds