sirnaomics

Advancing RNAi Therapeutics

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2257

2022 INTERIM 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

Dr. Xiaochang Dai
Scientific and Strategic Director

Non-Executive Directors

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 *(Chairperson)*
Mr. Fengmao Hua
Mr. Mincong Huang

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUTHORIZED REPRESENTATIVES

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Mr. Leung Ting Cheung

JOINT COMPANY SECRETARIES

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Mr. Leung Ting Cheung

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Corporate Information

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COMPANY WEBSITE

www.sirnaomics.com

STOCK CODE

2257

Management Discussion and Analysis

BUSINESS OVERVIEW

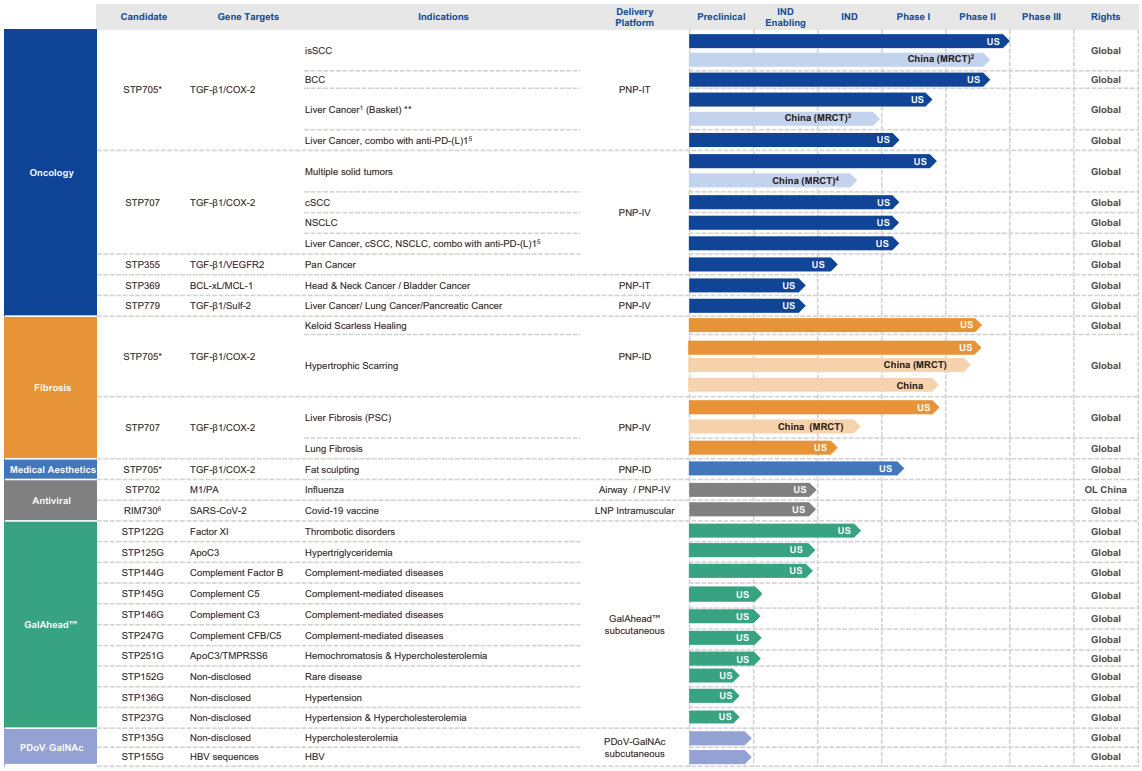
Founded in 2007, our mission is to become a fully-integrated international biopharmaceutical company, leveraging our deep experience in RNA therapeutics and novel delivery platform technologies. We seek to rapidly discover, develop and, if approved, commercialize a portfolio of transformative therapeutics 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 and unlock their therapeutic potential by expanding the capabilities of our proprietary delivery platforms to overcome the current barriers to the delivery of RNAi triggers and mRNA.

We aim to focus initially on oncology and fibrosis, and then expand to anticoagulant therapies, cardiometabolic disease, complement mediated diseases and viral infections (influenza, HBV, HPV and COVID-19).

We have built an international professional team for discovery and development of RNAi therapeutics, mRNA vaccines and therapeutics based on our proprietary drug delivery technology platforms. Our target market is global with a 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 extend those trials globally.

Product Pipeline

Sirnaomics is advancing a broad portfolio of product candidates, including our seven ongoing clinical trials in the U.S. for our two lead clinical drug candidates, STP705 and STP707.



Notes:

* denotes our core product

** denotes orphan drug

1. Liver cancer (basket) includes CCA, HCC, and liver metastases.
2. We filed our IND in China in June 2021, which is currently awaiting approval from the 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 Greater 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.

Clinical Programs

STP705

STP705 is a sterile drug product that has two small interfering RNAs that target transforming growth factor beta-1 (TGF-ß1) and cyclooxygenase-2 (COX-2), formulated using our proprietary polypeptide nanoparticle carrier for intratumoral, intradermal, peridermal and subcutaneous administration. TGF-ß1 and COX-2 are well-known 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 the treatment of NMSC, including isSCC and BCC, recurrent keloids after keloidectomy, HTS and solid liver tumors, as well as for medical aesthetics.

STP707

STP707 is a sterile drug product that contains the same two siRNAs as STP705, formulated with a different proprietary nanoparticle carrier facilitates intravenous infusion for systemic treatment. The product is currently being investigated in two clinical studies for treatment of solid tumors and PSC, and potentially lung fibrosis. We also aim to develop combination therapies with STP707, immune check point inhibitors, other oncology drugs currently used as treatments for solid tumors, including liver cancer, metastatic cSCC and NSCLC.

We may not be able to ultimately develop and market our core product STP705 and STP707 successfully.

Other Late-Stage Preclinical Candidates

We are evaluating multiple innovative siRNA molecules as candidates that employ different targeting, utilizing our established proprietary PNP delivery platform, our two unique and newly developed GalNAc platforms and, through RNAimmune, proprietary PLNP delivery platform. We will advance promising candidates into clinical studies that support submission of investigational drug applications to conduct initial human clinical trials in multiple countries.

Preclinical Drug Candidates Using the PNP Platform

STP355

STP355 comprises siRNAs simultaneously targeting TGF-ß1 and VEGFR2 that are validated for their involvement in tumor angiogenesis and metastasis. STP355 is formulated for systemic administration with our polypeptide nanoparticle (PNP) delivery platform. The therapeutic potential of STP355 includes multiple types of cancer including breast cancer, melanoma, and colorectal cancer.

STP369

STP369 comprises siRNAs targeting BCL-xL and MCL-1, which are both validated tumorigenesis-associated genes, formulated with our PNP delivery platform for intravenous or intra-tumoral injection administration. STP369 has potential 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) to evaluate the potential for STP369 to improve the efficacy of cisplatin.

STP779

STP779 comprises siRNAs targeting TGF-ß1 and Sulf-2, formulated with our PNP delivery platform for intravenous administration. This compound has been validated for its anti-tumor activity both in vitro and in vivo, showing strong tumor growth inhibition activity with a mouse xenograft model of human hepatocellular carcinoma.

Preclinical Drug Candidates Using the GalAhead™ Platform

STP122G

STP122G comprises mxRNA RNAi triggers targeting Factor XI. It is formulated with our GalAhead™ mxRNA technology for subcutaneous administration. We are developing STP122G as a potential anticoagulant therapeutic. We maintain the global rights to develop and commercialize STP122G. Using a non-human primate model, we have demonstrated long-lasting target silencing activity, up to 28-week with only one dose administration.

STP125G

STP125G comprises mxRNA RNAi triggers targeting Apolipoprotein C3 (ApoC3) and is formulated with our GalAhead™ delivery platform for subcutaneous administration. We are developing STP125G for potential use in treating hypertriglyceridemia. After successful efficacy studies with cell culture and animal models, we have pushed this siRNA drug candidate to an Early Selected Compound (ESC) status and initiated an IND-enabling GLP toxicity studies.

STP144G

STP144G comprises RNAi triggers targeting Complement Factor B, formulated with our GalAhead™ mxRNA™ technology for subcutaneous administration. We are developing STP144G for potential use in treating complement-mediated immunologic diseases. After successful efficacy studies with cell culture and animal models, we have pushed this siRNA drug candidate to an ESC status and initiated an IND-enabling study.

STP145G

STP145G comprises RNAi triggers targeting Complement Factor C5, formulated with our GalAhead™ mxRNA™ technology for subcutaneous administration. We are developing STP145G for potential use in treating complement-mediated immunologic diseases.

STP146G

STP146G comprises RNAi triggers targeting Complement Factor C3, formulated with our GalAhead™ mxRNA™ technology for subcutaneous administration. We are developing STP146G for potential use in treating complement-mediated immunologic diseases.

STP247G

STP247G comprises RNAi triggers simultaneously targeting Complement Factor C5 and Complement Factor B, formulated with our GalAhead™ muRNA™ technology for subcutaneous administration. We are developing STP247G for potential use in treating complement-mediated immunologic diseases.

STP251G

STP251G comprises RNAi triggers simultaneously targeting TMPRSS6 and ApoC3, formulated with our GalAhead™ muRNA™ technology for subcutaneous administration. We are developing STP251G for potential use in treating patients suffering simultaneously from hemochromatosis and hypertriglyceridemia.

Preclinical Drug Candidates Using PDoV-GalNAc™ Platform

Several novel siRNA drug product candidates are currently under development. STP135G is targeting hepatocyte-expressed PCSK9 for hypercholesterolemia, STP155G is targeting HBV viral mRNA for hepatitis, and STP165G is targeting angiotensinogen (AGT) for hypertension.

mRNA Vaccine Products

RIM730, developed by RNAimmune, our non-wholly owned subsidiary, comprises mRNA coding for a 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 for administration of RNA-based therapeutics are the foundation of our product pipeline: (1) PNP delivery platform for both local and systemic administration of RNAi therapeutics to target the activated endothelial cells beyond liver hepatocyte cells; (2) our unique GalNAc-based RNAi delivery platforms (GalAhead™ and PDoV-GalNAc™), which were developed for subcutaneous administration of siRNA drugs to liver hepatocytes; and (3) through RNAimmune, our subsidiary, we have jointly developed the proprietary PLNP delivery platform for administration of mRNA vaccines and therapeutics.

In the early days of the Company, we exclusively in-licensed an academic PNP nucleic acid delivery method. After a more than 15-year R&D effort, we are able to advance PNP as a therapeutic delivery technology. It serves as an excipient as part of our drug products to meet all pharmaceutical requirements for large scale manufacturing to successfully test in humans in multiple clinical studies. We obtained exclusive global rights for our PNP delivery technology. In addition, we have also developed, through our in-house efforts, and held the global exclusive rights to our unique GalNAc-based RNAi delivery technologies.

The GalAhead™ Delivery system is a proprietary technology platform for RNAi therapeutics, discovered and developed by Sirnaomics. The targeted delivery technology has demonstrated specific liver hepatocyte targeting via a cell surface receptor: ASGPR. Based upon this technology, we have developed a series of siRNA drug candidates, validated with cell culture and animal models, including non-human primate efficacy and safety studies.

PDoV™ leverages our expertise for enhancement of GalNAc-conjugated siRNA drug delivery. The selected small peptide not only possesses an active endosomal escape property but also provides two binding sites for conjugations of dual-siRNA inhibitors. PDoV-GalNAc has demonstrated both in cell culture and animal models an enhanced release of siRNA much more rapidly than GalNAc alone — presumably due to the more rapid endosomal escape afforded by the small PDoV. In these studies, the time required for maximal knockdown of the gene being targeted decreased from approximately three weeks, with only direct GalNAc conjugation to the siRNA, to about one week when the PDoV was introduced. Sirnaomics holds a global exclusive right for the technology with multiple patent protections.

Furthermore, the PDoV-GalNAc delivery technology can be efficiently adapted for dual-targeted siRNA therapeutics with the conjugation of two different siRNAs targeting different regions of the same mRNA or different mRNA sequences of two different drug targets. The dual-targeted PDoV-GalNAc siRNA constructs have demonstrated an ability to increase delivery efficacy 3–5 fold compared with the single siRNA.

Our proprietary PLNP platform combines polypeptides and lipids to generate nanoparticles comprised of both to provide encapsulation of both non-amplifying and self-amplified mRNA, allowing for efficient cellular delivery through better endosomal escape for novel mRNA vaccines and therapeutics. Our PLNP platform has less complex manufacturing than LNP delivery platforms due to fewer components, and does not include polyethylene glycol, which is used in current LNP delivery platforms and is thought to cause severe adverse effects in some patients. Products formulated using our PLNP platform are stable at ambient temperatures, thus eliminating distribution costs associated with cold chain storage of LNP-based products.

Manufacturing

We have developed clinical scale GMP-compliant manufacturing processes that are capable of being further developed into commercial-scale manufacturing. Our PNP manufacturing process uses microfluidic technology which we are continuously improving to support our current pipeline. In addition, we are continuously improving and exploring other PNP manufacturing processes to meet our expanded pipeline, which will be capable of supporting multiple indications. We are continuing to expand our industrial partnerships to support our global supply-chain oriented manufacturing approach including active pharmaceutical ingredients, excipients to support our PNP franchise, and clinical and commercial fill and finish facilities aimed at delivering high-quality products at low cost. For commercialization of late-stage products, our approach is global, including parallel commercial production in different markets by leveraging both existing CDMOs and by establishing commercial production sites of our own. A multi-country pre-commercialization process performance and qualification (PPQ) effort has already begun. We are also continuing to explore partnerships on next generation PNP formulation technologies for future commercial applications.

Our GalAhead™ delivery platform utilizes well-established CDMO partners which we are currently in the process of expanding, which includes early phase discussions with potential external commercial manufacturing facilities.

We built our clinical manufacturing facility in Guangzhou (Guangzhou Facility) in 2021 to further enhance our in-house manufacturing capacity. Within the first six months of 2022, the Guangzhou Facility has produced eight batches of drug products to support our preclinical tox studies and early stage of clinical studies.

BUSINESS REVIEW

In the first half of 2022 and up to the date of this interim report, we continued to make significant progress with respect to our pipeline development and business development, including the following milestones and achievements to become a multi-program clinical-stage company:

Clinical Development

STP705

STP705 demonstrates positive Phase II clinical results for the treatment of BCC

After receiving positive results for STP705 from a Phase IIa clinical study for the treatment of isSCC in early 2021, in February 2022 we announced interim data from a Phase II clinical trial of STP705 for the treatment of BCC. The interim data examines results from three cohorts with 15 total subjects and shows a dose-dependent increase of the complete response patient numbers, with an improved cosmetic result with no significant cutaneous skin reactions. In August 2022, with further expansion of the clinical study, we announced achieving a 100% complete response using a 180 ug dosage with an excellent safety profile. The latest results from the Phase II clinical study of STP705 for the treatment of BCC demonstrated an incredible efficacy without any drug related AEs and SAEs, further validating the broad potential of this drug candidate for the treatment of non-melanoma skin cancers and beyond. Based on the successes of both BCC and isSCC clinical studies, Sirnaomics is spearheading in development of the novel polypeptide-based siRNA therapeutics for various types of cancers.

STP705 is in a medical aesthetic Phase I clinical study for fat sculpting

In May 2022, we launched the Phase I clinical trial of RNAi therapeutic STP705 in adults undergoing abdominoplasty for submental fat reduction. This study is our first activity to apply an RNAi therapeutic candidate for medical aesthetics treatment. Non-invasive fat reduction is a procedure to decrease or eliminate stubborn fat pockets in specific areas of the body; the current methods include cryolipolysis, radio frequency, and laser lipolysis. The Phase I trial is a dose-ranging, randomized, double-blind, vehicle-controlled study that will enroll up to 10 patients to evaluate the safety and tolerability of STP705, which will be delivered via subcutaneous injection. The primary endpoints are to assess injection comfort, characterize local and systemic safety, and evaluate histological changes of subcutaneous doses of STP705, and to compare the safety and tolerability of three different concentrations of STP705 to select dosages for future studies. We hope to use the information from this study to expand into the treatment of submental fat reduction and other areas of non-invasive fat sculpting. This Phase I study will serve as a blueprint for future studies of STP705 in the medical aesthetics category.

STP705 clinical trial in Taiwan for liver cancer treatment

In July 2022, we received regulatory clearance from the Taiwan Ministry of Health and Welfare (TMHW) of our IND application to commence a Phase I trial of STP705 for the treatment of patients with advanced liver tumors. The Phase I, multicenter, open-label, dose escalation study in Taiwan is part of a global study of STP705 designed to evaluate safety, tolerability, pharmacokinetics (PK), and anti-tumor activity. The study was started in the U.S. in March 2021, and is expected to migrate to Taiwan for more efficient patient enrollment and is expected to begin enrollment in the fourth quarter.

STP705 Phase IIb clinical study for isSCC and Phase I/II clinical study for facial isSCC

Based on the positive results from the Phase IIa clinical study, we have started a Phase IIb study, including two stages (40 patients and 60 patients, respectively) and three dosing groups with placebo group controls. We are expecting to report the clinical readouts in the second half of 2022. In addition, the Company has initiated a Phase I/II clinical study of STP705 for the treatment of patients with facial isSCC. The expansion into facial isSCC is evidence of the excellent safety of STP705, demonstrated in our Phase IIa clinical study for the treatment of isSCC, to ensure good cosmetic results. We also believe that there will be more push from patients to have scarless procedures on the face than other parts of the body.

STP707

STP707 Phase I clinical trial for the treatment of solid tumors

In February 2022, we launched the Phase I clinical trial of STP707 for the treatment of solid tumors in the U.S. The Phase I clinical trial, which is a multicenter, 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 the dose escalation study. Once maximum tolerated dose or the 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 the maximum tolerated dose and establish dosage recommendations for future Phase II studies. Additional secondary endpoints are to determine the PK of STP707, and to observe preliminary anti-tumor activities.

IND filing for STP707 for the treatment of multiple solid tumors in Taiwan (as part of the global multicenter clinical trial) is expected to take place in the fourth quarter of 2022. Enrollment is expected to be in the first quarter of 2023. We are expanding our oncology clinical studies in Asia-Pacific area where there is a high unmet need for innovative therapies.

STP707 Phase I clinical trial for the treatment of PSC

In April 2022, we launched a Phase I clinical trial in the U.S. to evaluate the safety, tolerability, and PK of a single ascending dose of STP707 for the treatment of liver fibrosis in PSC. The Phase I clinical trial is a single-center, randomized, dose-escalation, sequential cohort study. The primary endpoints are to evaluate the safety and tolerability of STP707 when administered intravenously (IV) in healthy subjects. Additional secondary endpoints are to evaluate the PK of STP707 when administered via IV in healthy subjects. Our data suggest that STP707 drives a robust response in preclinical models, and we expect that the upcoming Phase I clinical trial will allow us to gain further insights into the potential dosing and safety of this therapeutic candidate for the treatment of PSC.

IND Enabling Studies and Expected Clinical Studies

We are expecting to file a U.S. IND for STP122G. Based on the current progress of IND enabling studies for both efficacy and toxicity evaluation, drug formulation and CMC, the IND package is in development, and we are on track to file the clinical study application later this year.

We are expecting to file a U.S. IND for RIM730 in the second half of 2022. Based on the current progress of IND enabling studies for both efficacy and toxicity evaluation, drug formulation, CMC and the previous guidance from the FDA, in collaboration with RNAimmune, we are on track to file the clinical study application later this year.

Meanwhile, we are on track to file an IND in the U.S. for STP355, STP125G and STP144G in 2023.

Establishment of our Fill and Finish (F&F) Plant Facility in Guangzhou

In December 2021, our Guangzhou Facility successfully completed its full commissioning tasks with media fill simulation three times in succession, followed by trial run success of STP705 in a lyophilized solid dose. Production and the facility have been in full operation during the Reporting Period. It provided flexibility for optimizing our clinical strategy in China and adapting production to our current needs. The Guangzhou Facility is expected to be in full GMP-compliant manufacturing of our pipeline products, including formulation, fill and finish, testing and releasing. An anticipated annual capacity of around 50,000 vials of lyophilized human injectables is sufficient to support clinical trials we have currently planned.

In the first half of 2022, the Guangzhou Facility has supported the production of lyophilized tox lots for STP707, STP355 and STP369 programs.

RNAimmune's Series A Round Fundraising

In March 2022, RNAimmune announced its US$27 million Series A round of fundraising to accelerate its R&D of mRNA vaccines and drug discovery focused on infectious diseases, 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 Reporting Period because there had been some material and prolonged disruption of our ongoing clinical and 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; and (iii) shortage and higher cost of non-human primates driven by pandemic-related research. However, our global presence in the U.S. and China offered us the flexibilities to work with vendors less impacted by the COVID-19 pandemic in different parts of the world to ensure seamless development of our preclinical drug candidates.

FUTURE AND OUTLOOK

At Sirnaomics, we are advancing an enriched drug product pipeline of innovative RNA-based medicine to improve the lives and wellbeing of patients worldwide. Based on our proprietary technology platforms, world-leading clinical programs, highly experienced management team and well-established R&D and manufacturing facilities in both the U.S. and China, the Company is well positioned to develop novel RNAi therapeutics for cancer, fibrosis diseases, viral infection, liver-metabolic diseases and medical aesthetics.

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

Sirnaomics' clinical strategy is to first obtain proof of concept human data from STP705. With the accumulation of successful human clinical data from STP705 for the treatment of isSCC, we have expanded our STP705 asset for the treatment of BCC, liver cancer and recurrent keloids after keloidectomy, followed by 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.

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 successfully set up our Beijing office and built our clinical team in China, which has helped us to obtain an IND approval from TMHW for an STP705 oncology clinical program. To get ready for market approvals for STP705, we have started exploring potential partnerships 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, recurrent keloids after keloidectomy and liver cancer, and have launched new clinical trials for the treatment for facial isSCC and fat sculpting in the U.S. in the second half of 2022. We are expecting interim data for isSCC and solid tumor study, and interim 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.

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

We are evaluating multiple innovative candidate siRNA molecules that employ different targeting and nanoparticle technologies in preclinical studies. Promising candidates advance into clinical studies that will support submission of investigational drug applications to conduct initial human clinical trials in multiple countries.

STP355 comprises siRNAs simultaneously targeting TGF-ß1 and VEGFR2 that are validated for their involvement in tumor angiogenesis and metastasis, and is expected to file IND with the FDA in 2023. STP355 is formulated for systemic administration with our polypeptide nanoparticle (PNP) delivery platform. The therapeutic potential of STP355 includes multiple types of cancer including breast cancer, melanoma, and colorectal cancer.

STP122G, targeting Factor XI for subcutaneous administration, is expected to be the first representative candidate for GalAhead™ delivery platform to enter clinical stage in 2023. We are developing STP122G as a potential anticoagulant therapeutic and STP144G for a novel RNAi drug candidate for treatment of complement-related diseases. Following these two drug candidates, we will have a set of earlier candidates: STP145G, STP146G, STP247G and STP251G, from our GalAhead™ delivery platform to be filed for IND in the next two years.

RNAimmune, our subsidiary, is expected 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.

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

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

Our strategy and business development team explores global and local partnership and cooperation opportunities with other industry players, specifically for our lead products STP705 and STP707, together with our GalAhead™ delivery platform and preclinical assets, including, but not limited to, STP122G, STP125G and STP144G. Such partnerships and cooperation are expected to help accelerating the development of multiple preclinical and clinical assets.

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 have currently engaged in partnership discussions, under confidential agreement, with two global pharmaceutical companies. We are also in a licensing-out discussion with one Chinese company.

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

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
Other income	**858**	113
Other gains and losses	**(489)**	(149)
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")	**(2,877)**	(12,338)
Administrative expenses	**(11,107)**	(5,154)
Research and development expenses	**(32,109)**	(12,337)
Listing expenses	**—**	(3,533)
Finance costs	**(376)**	(128)
Loss before tax	**(46,100)**	(33,526)
Income tax expense	**—**	—
Loss for the period	**(46,100)**	(33,526)

Overview

For the six months ended June 30, 2022, the Group did not generate any revenue from product sales. The Group recorded a loss of US$46.1 million for the six months ended June 30, 2022, as compared with US$33.5 million for the six months ended June 30, 2021.

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

Revenue

For the six months ended June 30, 2022, 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, including cash incentives to support the Group's research and development in the PRC and upon completion of Listing; and (ii) interest income from restricted bank balances and bank balances.

For the six months ended June 30, 2022, the other income of the Group increased to US$0.9 million representing a growth of US$0.8 million, or 659%, from US$0.1 million for the six months ended June 30, 2021. The increase was primarily because the Group obtained government grants of US$0.6 million upon completion of Listing on the Hong Kong Stock Exchange.

Other Gains and Losses

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

For the six months ended June 30, 2022, the other gains and losses of the Group increased to a loss of US$0.5 million representing a growth of US$0.4 million, or 228%, from a loss of US$0.1 million for the six months ended June 30, 2021. The increase was primarily due to decrease in the gain on changes in fair value of structured deposits of US$0.3 million from US$312,000 for the six months ended June 30, 2021 to US$22,000 for the six months ended June 30, 2022.

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 and Series A preferred shares of RNAimmune.

For the six months ended June 30, 2022, the loss on changes in fair value of financial liabilities at FVTPL of the Group decreased to US$2.9 million, representing a reduction of US$9.4 million, or 77%, from US$12.3 million for the six months ended June 30, 2021, primarily due to automatic conversion of the Company's preferred shares to ordinary shares upon completion of Listing on December 30, 2021.

Administrative Expenses

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

	For the six months ended June 30,		
	2022	2021	Changes
	US$000	US$000	%
Director's emolument and staff costs	**2,980**	1,771	68%
Professional and consultancy fees	**5,195**	2,312	125%
Traveling expenses	**219**	99	121%
Other office expenses	**547**	287	91%
Depreciation of property and equipment and right-of-use assets	**568**	130	337%
Marketing and business development	**1,007**	111	807%
Insurance	**127**	105	21%
Others	**464**	339	37%
Total	**11,107**	5,154	116%

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 six months ended June 30, 2022, the administrative expenses of the Group increased to US$11.1 million, representing a growth of US$5.9 million, or 116%, from US$5.2 million for the six months ended June 30, 2021. 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 periods indicated:

	For the six months ended June 30,		
	2022	2021	Changes
	US$000	US$000	%
Directors' emolument and staff costs	**7,170**	3,420	110%
Chemistry, manufacturing and controls expenses	**8,686**	2,358	268%
Materials consumed	**4,184**	1,302	221%
Clinical trials expenses	**3,524**	1,842	91%
Preclinical test expenses	**5,954**	1,840	224%
Consultancy fee	**575**	763	(25)%
Depreciation of property and equipment and right-of-use assets and amortization of intangible assets	**1,192**	490	143%
Others	**824**	322	156%
Total	**32,109**	12,337	160%

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) materials consumed; (iv) clinical trials expenses, mainly in relation to the engagement of CROs; and (v) preclinical test expenses, mainly in relation to the engagement of preclinical CROs.

For the six months ended June 30, 2022, the research and development expenses of the Group increased to US$32.1 million, representing a growth of US$19.8 million, or 160%, from US$12.3 million for the six months ended June 30, 2021. The increase was primarily attributable to: (i) directors' emolument and staff costs in relation to the Group's research and development staff; (ii) chemistry, manufacturing and controls expenses and materials consumed; and (iii) 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 and other fees incurred in connection with the Listing on the Hong Kong Stock Exchange on December 30, 2021. For the six months ended June 30, 2021, the Group recorded listing expenses charged to profit or loss of US$3.5 million.

Finance Costs

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

For the six months ended June 30, 2022, the finance costs of the Group increased by US$0.3 million, or 194%, to US$0.4 million from US$0.1 million for the six months ended June 30, 2021. 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 six months ended June 30, 2022.

Loss for the Period

The Group's loss for the period increased from US$33.5 million for the six months ended June 30, 2021 to US$46.1 million for the six months ended June 30, 2022. Such increase in loss was primarily attributable to the increase in research and development expenses and administrative expenses, partly compensated by the decrease in loss on changes in fair value of financial liabilities at FVTPL and listing expenses.

Cash flows

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
Net cash used in operating activities	**(45,382)**	(19,372)
Net cash used in investing activities	**(9,128)**	(1,243)
Net cash from financing activities	**12,944**	35,248
Net (decrease)/increase in cash and cash equivalents	**(41,566)**	14,633
Cash and cash equivalents at January 1	**211,994**	103,122
Effect of foreign exchange rate changes	**(729)**	1,419
Cash and cash equivalents at June 30	**169,699**	119,174

Net cash used in operating activities for the six months ended June 30, 2022 increased to US$45.4 million, representing an increase of US$26.0 million, or 134%, from US$19.4 million for the six months ended June 30, 2021. This increase was primarily due to the expansion of the Group's research and development activities, general corporate and administrative activities.

Net cash used in investing activities for the six months ended June 30, 2022 increased to US$9.1 million, representing an increase of US$7.9 million, or 634%, from US$1.2 million for the six months ended June 30, 2021. This increase was primarily due to increase in purchase and deposits paid for property and equipment of US$7.4 million.

Net cash from financing activities for the six months ended June 30, 2022 decreased to US$12.9 million, representing a decrease of US$22.3 million, or 63%, from US$35.2 million for the six months ended June 30, 2021. This decrease was primarily due to proceeds from the exercise of the over-allotment option of US$8.2 million and proceeds from issuance of Series A preferred shares of RNAimmune of US$6.1 million raised during the six months ended June 30, 2022, while proceeds from issuance of Series E preferred shares of US$32.1 million and Series Seed preferred shares of RNAimmune of US$4.8 million raised during the six months ended June 30, 2021.

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. As at June 30, 2022, the Group's cash and cash equivalents were mainly denominated in United States Dollars, Renminbi and Hong Kong Dollars. The Group relies on equity and debt financing as the major source of liquidity. The Group had no bank borrowings as at June 30, 2022.

As at June 30, 2022, the Group had unutilized banking facilities of US$3.7 million.

As at June 30, 2022, the Group's cash and cash equivalents decreased to US$169.7 million from US$212.0 million as at December 31, 2021. The decrease primarily resulted from the expansion of the Group's research and development activities, general corporate and administrative activities.

As at June 30, 2022, the current assets of the Group were US$183.3 million, including bank balances and cash of US$169.7 million and other current assets of US$13.6 million. As at June 30, 2022, the current liabilities of the Group were US$15.0 million, including trade and other payables of US$12.5 million, contract liability of US$0.7 million and lease liabilities of US$1.8 million.

As at June 30, 2022, the Group's net assets decreased to US$171.4 million from US$210.3 million as at December 31, 2021, primarily due to (i) decrease in bank balances and cash from US$212.0 million as of December 31, 2021 to US$169.7 million as of June 30, 2022; and (ii) increase in financial liabilities at FVTPL from US$8.4 million as of December 31, 2021 to US$17.4 million as of June 30, 2022 primarily due to issuance of Series A preferred shares of RNAimmune in 2022, partly compensated by the increase in property and equipment from US$7.9 million as of December 31, 2021 to US$17.4 million as of June 30, 2022.

Key Financial Ratios

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

	As at June 30, 2022 %	As at December 31, 2021 %
Current ratio	**1,222.7**	1,379.1

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

As at June 30, 2022, the Group's gearing ratio, which was calculated by bank and other interest-bearing borrowings less restricted bank balances, bank balances and cash divided by total equity, was 0% since the Group had no bank or other interest-bearing borrowings.

Material Investments

The Group did not make any material investments during the six months ended June 30, 2022.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, consolidated affiliated entities or associated companies for the six months ended June 30, 2022.

Pledge of Assets

As at June 30, 2022, the Group had total US$60,000 of restricted bank deposits pledged to secure its banking facilities.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this interim report, there was no specific plan for material investments or capital assets as at June 30, 2022.

Contingent Liabilities

As at June 30, 2022, 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. During the six months ended June 30, 2022, the Group did not have or use any financial instruments for hedging purpose. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration

As at June 30, 2022, the Group, including RNAimmune, had a total of 225 employees. The following table sets forth the total number of employees by function as of June 30, 2022:

	Number of Employees
Management	12
Research	112
Manufacturing	38
Clinical and Regulation	13
General and Administration	50
Total	225

The total remuneration cost incurred by the Group for the six months ended June 30, 2022 was US$10.2 million, as compared to US$5.2 million for the six months ended June 30, 2021. 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, the Restricted Share Unit Scheme and the Share Option Scheme to incentivize eligible employees, details of which are set out in the section headed "Corporate Governance and Other Information — Pre-IPO Equity Incentive Plan, Restricted Share Unit Scheme and Share Option Scheme" in this interim report.

PRE-IPO EQUITY INCENTIVE PLAN, RESTRICTED SHARE UNIT SCHEME AND SHARE OPTION SCHEME

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.

Restricted Share Unit Scheme

On April 22, 2022, the Board approved the adoption of the Restricted Share Unit Scheme to incentivize skilled and experienced personnel, and to recognize the contributions of the eligible participants of the Group. The Restricted Share Unit Scheme is initially valid and effective for the period commencing on the adoption date (i.e. April 22, 2022) and ending on the business day immediately prior to the 10th anniversary of the adoption date. The Restricted Share Unit Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules. No shareholders' approval was required to adopt the Restricted Share Unit Scheme.

A summary of the principal terms and conditions of the Restricted Share Unit Scheme is set out in the Company's announcement dated April 22, 2022 and in the Company's circular dated June 13, 2022.

Share Option Scheme

On April 22, 2022, the Board resolved to propose the adoption of the Share Option Scheme for the approval by the Shareholders. The Share Option Scheme constitutes a share option scheme under Chapter 17 of the Listing Rules, and the adoption of the Share Option Scheme was approved by the Shareholders on June 28, 2022.

A summary of the principal terms and conditions of the Share Option Scheme is set out in the Company's circular dated June 13, 2022.

No share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme since its adoption and up to the date of this interim report.

CHANGES IN THE INFORMATION OF DIRECTORS OR CHIEF EXECUTIVE OF THE COMPANY

The changes in the information of Directors or chief executive of the Company since the date of the Company's 2021 annual report are set out below:

1. Dr. Xiaochang Dai was re-designated from a non-executive Director to an executive Director and was appointed as scientific and strategic director, with effect from July 19, 2022;

2. On July 19, 2022, Mr. Jiajun Lai tendered his resignation to resign as a non-executive Director due to his desire to devote more time to his other commitments, with effect from August 31, 2022;

3. On August 23, 2022, Mr. Da Liu tendered his resignation to resign as a non-executive Director due to his desire to devote more time to his other commitments, with effect from September 30, 2022;

4. On August 23, 2022, the letters of appointment of two non-executive Directors, Mr. Mincong Huang and Mr. Jiankang Zhang, were amended to entitle each of them a director's fee of US$2,500 per regular quarterly board meeting and any other ad hoc board meeting that requires significant contribution from the board members.

Save as disclosed above, as of the date of this interim report, there is no change in information of the Directors or chief executive of the Company which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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

As at June 30, 2022, 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 Hong Kong 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 Hong Kong 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	Approximate percentage of interest in the Company [1]
Dr. Yang Lu	Beneficial interest; Settlor of a discretional trust [2]	12,649,625 (L)	14.21%
Dr. Michael V. Molyneaux	Beneficial interest [3]	1,510,000 (L)	1.70%
Dr. David Mark Evans	Beneficial interest; Interest held jointly with another person [4]	1,061,538 (L)	1.19%
Dr. Xiaochang Dai	Beneficial interest; Interests in controlled corporations [5]	8,300,007 (L)	9.32%
Mr. Mincong Huang	Beneficial interest; Beneficiary of a trust [6]	764,551 (L)	0.86%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 89,040,230 issued Shares as at June 30, 2022.

(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) Soaring Star Ventures Limited owns 600,601 Shares. The Huang Family Trust is the beneficiary of Soaring Star Ventures Limited and Mr. Mincong Huang ("**Mr. Huang**") is the beneficiary of the Huang Family Trust. Mr. Huang also owns 163,950 Shares. Accordingly, Mr. Huang is deemed to be interested in 764,551 Shares.

Interests in associated corporations

Name of Director or chief executive	Nature of interest	Associated corporations	Number of shares	Approximate percentage of shareholding in the associated corporations
Mr. Mincong Huang	Beneficiary of a trust [(1)]	RNAimmune, Inc.	1,851,851	8.92%[(2)]
Dr. Michael V. Molyneaux	Beneficial interest	EDIRNA Inc.	250,000	25.00%[(3)]

Notes:

(1) 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.

(2) The calculation is based on the total number of 20,759,256 common shares issued by RNAimmune, Inc. as at June 30, 2022.

(3) The calculation is based on the total number of 1,000,000 common shares issued by EDIRNA Inc. as at June 30, 2022.

Save as disclosed above, as at June 30, 2022, 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 Hong Kong Stock Exchange pursuant to the Model Code.

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

As at June 30, 2022, 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 Hong Kong 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	Approximate percentage of interest in the shareholding [1]
Yu ZENG	Interest in a controlled corporation [2]	4,564,495 (L)	5.13%
Xialing YAN	Interest of spouse [3]	4,564,495 (L)	5.13%
Shenzhen Qianhai Rotating Boulder Fund Management Co., Ltd. ("**Rotating Boulder Fund**")	Interest in controlled corporations [2]	4,564,495 (L)	5.13%
Shenzhen Rotating Boulder Tiancheng The Second Investment Partnership (Limited Partnership) ("**Tiancheng The Second**")	Interest in a controlled corporation [2]	4,564,495 (L)	5.13%
Shenzhen Rotating Boulder Tiancheng The Third Investment Partnership (Limited Partnership) ("**Tiancheng The Third**")	Interest in a controlled corporation [2]	4,564,495 (L)	5.13%
Shanghai Chongshi Enterprise Management Partnership (LP) ("**Shanghai Chongshi**")	Beneficial interest [2]	4,564,495 (L)	5.13%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 89,040,230 issued Shares as at June 30, 2022.

(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 June 30, 2022, 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 Hong Kong 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.

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 six months ended June 30, 2022.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the six months ended June 30, 2022. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the six months ended June 30, 2022.

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 overallotment 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 June 30, 2022:

Purposes	**% of use of net proceeds (as disclosed in the Prospectus)**	**Net proceeds from Global Offering** (US$ million)	**Utilized net proceeds during the Reporting Period and up to June 30, 2022** (US$ million)	**Unutilized net proceeds up to June 30, 2022** (US$ million)	**Estimated timeline for utilizing the net proceeds from Global Offering**
To fund the development and commercialization of STP705	57.9%	31.7	4.7	27.0	By the end of 2023
To fund the development of STP707	15.6%	8.6	2.0	6.6	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%	8.4	6.1	2.3	By the end of 2022
To fund the research and development of our other preclinical drug candidates	7.3%	4.0	4.0	—	—
For general corporate and working capital purposes	3.8%	2.1	2.1	—	—
Total	**100.0%**	**54.8**	**18.9**	**35.9**	

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 C.2.1 of the CG Code set out below, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period.

Code provision C.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. The role of chairman of the Board and chief executive officer of our Company are currently performed by 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. 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.

COMPLIANCE WITH THE MODEL CODE

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 Reporting Period. No incident of non-compliance of the Model Code by the Directors and relevant employees was noted during the Reporting Period.

AUDIT COMMITTEE

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 Audit Committee had, together with the management of the Company, reviewed the unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2022 and the accounting principles and policies adopted by the Group.

REVIEW OF THE UNAUDITED INTERIM RESULTS

The unaudited condensed consolidated financial statements of the Group for the six months ended June 30, 2022 have been reviewed by the independent auditor of the Company, Deloitte Touche Tohmatsu, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Hong Kong Institute of Certified Public Accountants.

INTERIM DIVIDEND

The Board did not recommend the distribution of any interim dividend for the Reporting Period.

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 22 to the unaudited condensed 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

Save as disclosed in this interim report, no important events affecting the Company occurred since June 30, 2022 and up to the date of this interim report.

On behalf of the Board
Dr. Yang Lu
Chairman

Hong Kong, August 30, 2022

Report on Review of Condensed Consolidated Financial Statements

Deloitte. 德勤

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

Introduction

We have reviewed the condensed consolidated financial statements of Sirnaomics Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 36 to 77, which comprise the condensed consolidated statement of financial position as of June 30, 2022, and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("**IAS 34**") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion 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.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Report on Review of Condensed Consolidated Financial Statements

Other Matter

The comparative condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period ended June 30, 2021 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 30, 2022

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	NOTES	For the six months ended June 30, 2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Other income	5	858	113
Other gains and losses	6	(489)	(149)
Changes in fair value of financial liabilities at fair value through profit or loss ("**FVTPL**")	18	(2,877)	(12,338)
Administrative expenses		(11,107)	(5,154)
Research and development expenses		(32,109)	(12,337)
Listing expenses		—	(3,533)
Finance costs	7	(376)	(128)
Loss before tax		(46,100)	(33,526)
Income tax expense	8	—	—
Loss for the period	9	(46,100)	(33,526)
Other comprehensive (expense) income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		(1,061)	12
Other comprehensive (expense) income for the period		(1,061)	12
Total comprehensive expense for the period		(47,161)	(33,514)
Loss for the period attributable to:			
Owners of the Company		(41,880)	(32,431)
Non-controlling interests		(4,220)	(1,095)
		(46,100)	(33,526)
Total comprehensive expense for the period attributable to:			
Owners of the Company		(42,920)	(32,478)
Non-controlling interests		(4,241)	(1,036)
		(47,161)	(33,514)
Loss per share	11		
— Basic and diluted (US$)		(0.55)	(2.26)

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	NOTES	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	12	17,391	7,862
Right-of-use assets	13	7,351	6,855
Intangible assets		987	1,069
Deposits	14	1,760	1,056
		27,489	16,842
CURRENT ASSETS			
Prepayments, deposits and other receivables	14	13,520	11,748
Restricted bank balances	15	60	63
Bank balances and cash	15	169,699	211,994
		183,279	223,805
CURRENT LIABILITIES			
Trade and other payables	16	12,473	14,098
Contract liability	17	745	784
Lease liabilities		1,772	1,346
		14,990	16,228
NET CURRENT ASSETS		168,289	207,577
TOTAL ASSETS LESS CURRENT LIABILITIES		195,778	224,419
NON-CURRENT LIABILITIES			
Financial liabilities at FVTPL	18	17,414	8,437
Lease liabilities		6,970	5,694
		24,384	14,131
NET ASSETS		171,394	210,288
CAPITAL AND RESERVES			
Share capital	19	89	88
Reserves		176,862	211,527
Equity attributable to owners of the Company		176,951	211,615
Non-controlling interests		(5,557)	(1,327)
TOTAL EQUITY		171,394	210,288

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	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 (Note ii)	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, 2021 (audited)	14	–	–	2,395	(3,954)	(853)	(1,600)	2,631	(93,066)	(94,433)	253	(94,180)
Loss for the period	–	–	–	–	–	–	–	–	(32,431)	(32,431)	(1,095)	(33,526)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(47)	–	–	(47)	59	12
Total comprehensive expense for the period	–	–	–	–	–	–	(47)	–	(32,431)	(32,478)	(1,036)	(33,514)
Effect of conversion of SAFE (as defined in Note i) to a subsidiary's ordinary shares	–	–	–	–	1,356	–	–	–	–	1,356	1,406	2,762
Cancellation of treasury shares of US Sirnaomics (Note ii)	–	–	–	(853)	–	853	–	–	–	–	–	–
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	–	–	–	–	(303)	–	–	–	–	(303)	(47)	(350)
Recognition of share-based payment	–	–	–	–	–	–	–	684	–	684	19	703
At June 30, 2021 (unaudited)	14	–	10,178	–	(11,348)	–	(1,378)	3,315	(125,497)	(124,716)	137	(124,579)
At January 1, 2022 (audited)	88	(13)	516,841	–	(11,650)	–	(1,249)	13,624	(306,026)	211,615	(1,327)	210,288
Loss for the period	–	–	–	–	–	–	–	–	(41,880)	(41,880)	(4,220)	(46,100)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(1,040)	–	–	(1,040)	(21)	(1,061)
Total comprehensive expense for the period	–	–	–	–	–	–	(1,040)	–	(41,880)	(42,920)	(4,241)	(47,161)
Recognition of share-based payment	–	–	–	–	–	–	–	17	–	17	11	28
Issue of shares upon the exercise of the over-allotment option (Note iv)	1	–	8,238	–	–	–	–	–	–	8,239	–	8,239
At June 30, 2022 (unaudited)	89	(13)	525,079	–	(11,650)	–	(2,289)	13,641	(347,906)	176,951	(5,557)	171,394

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 ("**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 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.

iv On January 26, 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$8,239,000) pursuant to the exercise of the over-allotment option on January 21, 2022 by the Joint Representatives as described and defined in the prospectus of the Company dated December 20, 2021.

* The English names are for identification purpose only.

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
NET CASH USED IN OPERATING ACTIVITIES	(45,382)	(19,372)
INVESTING ACTIVITIES		
Interest received	125	58
Proceeds from redemption of structured deposits	12,376	170,953
Placement of structured deposits	(12,354)	(170,641)
Purchase and deposits paid for property and equipment	(9,036)	(1,604)
Proceeds from disposal of property and equipment	—	6
Payment for rental deposit	(239)	(15)
NET CASH USED IN INVESTING ACTIVITIES	(9,128)	(1,243)
FINANCING ACTIVITIES		
Interest paid on lease liabilities	(207)	(115)
Interest paid on bank and other borrowings	—	(26)
Accrued issue costs paid	(1,318)	(631)
Proceeds from bank and other borrowings	—	2,093
Repayment of bank borrowings	—	(705)
Receipt of lease allowance	812	—
Repayment of lease liabilities	(682)	(250)
Issuance costs of financial liabilities at FVTPL paid	—	(1,106)
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 provided to Suzhou Sirnaomics ("**Convertible Loans**") upon exercise of series D warrants ("**Series D Warrants**")	—	(93,230)
Proceeds from issuance of financial liabilities at FVTPL	6,100	154,280
Proceeds from the exercise of the over-allotment option	8,239	—
NET CASH FROM FINANCING ACTIVITIES	12,944	35,248
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(41,566)	14,633
CASH AND CASH EQUIVALENTS AT JANUARY 1	211,994	103,122
Effect of foreign exchange rate changes	(729)	1,419
CASH AND CASH EQUIVALENTS AT JUNE 30, represented by bank balances and cash	169,699	119,174

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 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.

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") "Interim Financial Reporting" issued by the International Accounting Standards Board ("**IASB**") as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION

Prior to the incorporation of the Company and the completion of the group reorganization (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 ("**Guangzhou Sirnaomics**"), Sirnaomics (Hong Kong) Limited ("**HK Sirnaomics**") and RNAimmune.

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 of the Company. 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 "Sirnaomics 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".

2. GROUP REORGANIZATION AND BASIS OF PREPARATION (Continued)

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, Sirnaomics 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 Group Reorganization, the Company became the holding company of the Group on January 21, 2021.

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 period, regardless of the actual date when they legally form part of a group.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months ended June 30, 2021 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 six months ended June 30, 2021, or since their respective dates of incorporation, where there is a shorter period.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs, International Accounting Standards ("**IASs**"), and interpretations issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue

The Group has not generated any revenue during the period.

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.

4. 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	
	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
The U.S.	16,390	7,885
The PRC	10,144	8,243
Hong Kong	5	5
	26,539	16,133

5. OTHER INCOME

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Government grants (Note)	697	17
Interest income from restricted bank balances and bank balances	123	58
Others	38	38
	858	113

Note:

For both periods, government grants include cash incentives specifically for research and development activities, which are recognized upon compliance with the relevant conditions where applicable. For the six months ended June 30, 2022, government grants also include a cash incentive of US$620,000 upon completion of listing of the Company's shares on the Hong Kong Stock Exchange.

6. OTHER GAINS AND LOSSES

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Net foreign exchange losses	(511)	(464)
Gain on disposal of property and equipment	—	3
Changes in fair value of structured deposits	22	312
	(489)	(149)

7. FINANCE COSTS

	For the six months ended June 30,	
	2022 US$'000 (Unaudited)	2021 US$'000 (Unaudited)
Interest on bank and other borrowings	—	26
Interest on lease liabilities	376	115
Total borrowing costs	376	141
Less: amounts capitalized in the cost of qualifying assets	—	(13)
	376	128

8. 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 period. 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 5.5% to 8.84% during the period (six months ended June 30, 2021: 3.5% to 8.84%).

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 six months ended June 30, 2022.

9. LOSS FOR THE PERIOD

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Loss for the period has been arrived at after charging:		
Outsourcing service fees included in research and development expenses	**18,164**	6,040
Amortization of intangible assets	**45**	17
Depreciation of property and equipment	**795**	336
Depreciation of right-of-use assets	**920**	267
	1,760	620
Analyzed as:		
— charged in administrative expenses	**568**	130
— charged in research and development expenses	**1,192**	490
	1,760	620
Staff costs (including directors' remuneration)		
— Salaries and other allowances	**9,305**	4,175
— Retirement benefit scheme contributions	**664**	272
— Share-based payment expense	**28**	703
— Performance and discretionary bonus (Note)	**153**	41
	10,150	5,191
Analyzed as:		
— charged in administrative expenses	**2,980**	1,771
— charged in research and development expenses	**7,170**	3,420
	10,150	5,191

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.

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. 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:

	For the six months ended June 30,	
	2022 (Unaudited)	2021 (Unaudited)
Loss for the period attributable to owners of the Company for the purpose of basic and diluted interest per share (US$'000)	**(41,880)**	(32,431)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**76,135,776**	14,349,638

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, 2021.

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 six months ended June 30, 2022 and 2021, the different series of preferred shares issued by the Company, US Sirnaomics and RNAimmune, the Series C Warrants and Convertible Loans and, the over-allotment option granted by the Company to the International Underwriters as described and defined in the prospectus of the Company dated December 20, 2021 and the share options issued by the Company, US Sirnaomics and RNAimmune outstanding were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

12. 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 December 31, 2021 (audited)	833	290	7,890	179	302	508	10,002
Additions	329	173	1,793	127	93	8,121	10,636
Disposals/written off	—	—	(53)	—	(20)	—	(73)
Exchange adjustments	(53)	(13)	(271)	(14)	(11)	(17)	(379)
At June 30, 2022 (unaudited)	1,109	450	9,359	292	364	8,612	20,186
ACCUMULATED DEPRECIATION							
At December 31, 2021 (audited)	198	189	1,537	61	155	—	2,140
Provided for the period	52	24	644	22	53	—	795
Eliminated on disposals/ written off	—	—	(53)	—	(20)	—	(73)
Exchange adjustments	(12)	(6)	(37)	(4)	(8)	—	(67)
At June 30, 2022 (unaudited)	238	207	2,091	79	180	—	2,795
CARRYING VALUES							
At June 30, 2022 (unaudited)	871	243	7,268	213	184	8,612	17,391
At December 31, 2021 (audited)	635	101	6,353	118	147	508	7,862

For the six months ended June 30, 2021, the Group acquired property and equipment of approximately US$1,380,000 which mainly consisted of laboratory equipment and assets under construction.

13. RIGHT-OF-USE ASSETS

	Equipment US$'000	Leased properties US$'000	Total US$'000
As at January 1, 2022 (audited)			
Carrying amount	56	6,799	6,855
As at June 30, 2022 (unaudited)			
Carrying amount	30	7,321	7,351

During the six months ended June 30, 2022, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed term of one to ten years (six months ended June 30, 2021: 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.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Staff advance	1	10
Prepayments to suppliers for research and development services	10,505	6,392
Prepayments for financial advisory service	1,950	3,900
Prepayments for legal and other professional services	571	801
Deposits paid for purchase of property and equipment	790	327
Deposit paid for purchase of intangible assets	20	20
Rental deposits	983	756
Other receivables, net of allowance of credit losses	460	598
	15,280	12,804
Analyzed as:		
Current	13,520	11,748
Non-current	1,760	1,056
	15,280	12,804

15. 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 interest at prevailing market rates ranging from 0% to 1.75% per annum as at June 30, 2022 (December 31, 2021: 0% to 1.75%).

Bank balances

Bank balances carry interest at prevailing market rates ranging from 0.001% to 1.80% per annum as at June 30, 2022 (December 31, 2021: 0.001% to 1.25%).

16. TRADE AND OTHER PAYABLES

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Trade payables	2,721	1,484
Accruals for listing expenses and issuance costs	—	6,858
Accruals for staff costs	792	2,028
Accruals for outsourcing research and development fees	5,041	1,765
Accruals for other research and development expenses	—	21
Accruals for other operating expenses	1,104	1,228
Payables for acquisition of property and equipment	2,815	714
	9,752	12,614
	12,473	14,098

16. TRADE AND OTHER PAYABLES (Continued)

The credit period on purchase of materials or receiving services for research and development activities is usually within 30 days (2021: 30 days). The following is an aging analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
0 to 30 days	1,103	1,397
31 to 60 days	1,121	3
Over 60 days	497	84
	2,721	1,484

17. CONTRACT LIABILITY

In 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$745,000 (December 31, 2021: US$784,000)), service payment for preclinical research and development services of RMB36,500,000, and variable considerations including milestone payments up to an aggregate amount of RMB100,000,000 and a sales based royalty.

As at June 30, 2022, 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.

18. FINANCIAL LIABILITIES AT FVTPL

(i) Preferred Shares

RNAimmune was authorized to issue 50,000,000 preferred shares of US$0.00001 par value per share, of which 7,936,509 and 15,000,000 authorized preferred shares were designated as series seed preferred shares ("**Series Seed Preferred Shares**") and series A preferred shares ("**Series A Preferred Shares**"), respectively. The remaining 27,063,491 authorized preferred shares had not been designated as at June 30, 2022.

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 Seed Preferred Shares	2021	7	7,936,509	1.26	10,000
Series A Preferred Shares	2022	6	3,527,500	3.09	10,900
			11,464,009		20,900

(ii) Series Seed Preferred Shares and Series A Preferred Shares issued by RNAimmune

On March 29, 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. As at June 30, 2022 and December 31, 2021, 7,936,509 Series Seed Preferred Shares were issued and outstanding.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series Seed Preferred Shares and Series A Preferred Shares issued by RNAimmune (Continued)

On March 10, 2022, RNAimmune entered into share purchase agreements of Series A Preferred Shares with US Sirnaomics and independent investors to issue 2,588,997 and 6,213,592 Series A Preferred Shares at a consideration of US$8,000,000 and US$19,200,000, respectively. As at June 30, 2022, out of the 6,213,592 Series A Preferred Shares which the independent investors agreed to purchase, 1,974,110 preferred shares with a total consideration of US$6,100,000 were issued and outstanding.

No redemption rights are held by the holders of Series Seed Preferred Shares and Series A Preferred Shares and the other key terms of the Series Seed Preferred Shares and Series A 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 and Series A 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 and Series A 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 and Series A Preferred Shares are convertible. Holders of Series Seed Preferred Shares and Series A Preferred Shares shall vote together with the holders of ordinary shares as a single class.

Holders of ordinary shares, voting exclusively and as a separate class, shall be entitled to elect four directors of RNAimmune. Holders of ordinary shares, Series Seed Preferred Shares and Series A Preferred Shares vote together as a single class shall be entitled to elect the balance of the total number of directors of RNAimmune.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series Seed Preferred Shares and Series A Preferred Shares issued by RNAimmune (Continued)

(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 and Series A 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.

The dividend payable to holders of preferred shares pursuant to shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest dividend to, first, holders of Series A Preferred Shares and, second, holders of Series Seed Preferred Shares.

A dividend is payable only when funds are legally available therefore and only when, as and if declared by the board of directors of RNAimmune. RNAimmune is not obligated to pay a dividend. During the six months ended June 30, 2022, 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 amended and restated certificate of incorporation of RNAimmune, outstanding Series Seed Preferred Shares and Series A Preferred Shares are entitled to be paid in full out of RNAimmune's assets available for distribution before payment on ordinary shares in the following order: (i) on Series A Preferred Shares, the sum of (I) US$3.09 and (II) any dividends accrued or declared but unpaid and (ii) on Series Seed Preferred Shares, the sum of (I) US$1.26 and (II) any dividends accrued or declared but unpaid. 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 rateably 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.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series Seed Preferred Shares and Series A Preferred Shares issued by RNAimmune (Continued)

(d) Optional Conversion

Holders of Series Seed Preferred Shares and Series A 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 original issue price by the conversion price for each 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 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.

(e) Conversion Price/Anti-Dilution Protection

The conversion price for each Series Seed Preferred Shares and Series A 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. The initial "Series Seed conversion price" and "Series A conversion price" is US$1.26 per share and US$3.09 per share, which also represents the original issue price of Series Seed Preferred Shares and Series A Preferred Shares, respectively.

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.

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

(ii) Series Seed Preferred Shares and Series A Preferred Shares issued by RNAimmune (Continued)

(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$50,000,000 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 and Series A 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.

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 Series Seed Preferred Shares and Series A 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 Series Seed Preferred Shares and Series A Preferred Shares attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Series Seed Preferred Shares and Series A 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".

18. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification (Continued)

The Series Seed Preferred Shares and Series A 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 Suites 2401-06, 24/F, Everbright Centre, No. 108 Gloucester Road, Wan Chai, Hong Kong.

The directors of the Company used the back-solve method to determine the underlying share value of RNAimmune and performed an equity allocation based on Black-Scholes Option Pricing Model ("**OPM**") to arrive the fair value of the Series Seed Preferred Shares and Series A Preferred Shares at June 30, 2022.

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 Series Seed Preferred Shares and Series A Preferred Shares are as follows:

(a) Series Seed Preferred Shares and Series A Preferred Shares

	At June 30, 2022
Time to liquidation	3.8 years
Risk-free interest	3.01%
Expected volatility value	69%
Dividend yield	0%
Possibilities under liquidation scenario	90%
Possibilities under initial public offering ("**IPO**") scenario	10%

18. 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 equal 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 scenarios and time to liquidation are estimated based on management estimation at the valuation dates.

19. SHARE CAPITAL

The details of the movement of the Company's authorized and issued ordinary shares during the reporting period are set out as below:

	Number of shares	Share capital US$
Ordinary shares of US$0.001 each		
Authorized		
At as January 1, 2021 (audited)	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)
As at June 30, 2021 (unaudited)	150,000,000	150,000
At as January 1, 2022 (audited) and June 30, 2022 (unaudited)	230,000,000	230,000

19. SHARE CAPITAL (Continued)

	Number of shares	Share capital US$
Issued and fully paid		
At as January 1, 2021 (audited)	1	— *
Issuance of ordinary shares in relation to Group Reorganization	14,349,637	14,350
At as June 30, 2021 (unaudited)	14,349,638	14,350
At as January 1, 2022 (audited)	88,066,780	88,067
Exercise of the over-allotment option (Note)	973,450	973
As at June 30, 2022 (unaudited)	89,040,230	89,040

* Less than US$1

Note:

On January 26, 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$8,239,000) pursuant to the exercise of the over-allotment option on January 21, 2022 by the Joint Representatives as described and defined in the prospectus of the Company dated December 20, 2021.

20. 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.

20. 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, 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.

20. 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 employees during the six months ended June 30, 2022 under 2008 Stock Incentive Plan:

				Number of share options ('000)							
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2021	Exercised during the period	Forfeited during the period	At June 30, 2021	At January 1, 2022	Exercised during the period	Forfeited during the period	At June 30, 2022
Employees											
Tranche 2010–1	2014	2020	0.325	600	–	–	600	–	–	–	–
Exercisable at the end of the reporting period							600				–
Weighted average exercise price				0.325	NA	NA	0.325	NA	NA	NA	NA

20. 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 six months ended June 30, 2022 under 2016 Stock Incentive Plan:

				Number of share options ('000)							
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2021	Exercised during the period	Forfeited during the period	At June 30, 2021	At January 1, 2022	Exercised during the period	Forfeited during the period	At June 30, 2022
Directors											
Tranche 2017–3	2019	2025	1.36	110	–	–	110	110	–	–	110
Tranche 2016–1	2020	2025	1.36	600	–	–	600	600	–	–	600
Tranche 2017–1	2019	2022	1.50	200	–	–	200	200	–	–	200
Tranche 2017–2	2021	2025	1.36	400	–	–	400	400	–	–	400
Tranche 2018–1	2022 (Note (ii))	2022	1.60	400	–	–	400	400	–	–	400
Tranche 2018–2	2022 (Note (ii))	2027	1.45	900	–	–	900	700	–	–	700
Tranche 2020–1	2024 (Note (ii))	2029	2.35	675	–	–	675	675	–	–	675
Tranche 2020–2	Milestones (Note (i))	2029	1.75	700	–	–	700	700	–	–	700
				3,985	–	–	3,985	3,785	–	–	3,785
Senior management											
Tranche 2017–3	2019	2025	1.36	20	–	–	20	20	–	–	20
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	–	–	100	100	–	–	100
Tranche 2018–3	2022 (Note (ii))	2027	1.60	260	–	–	260	260	–	–	260
Tranche 2019–2	2023 (Note (ii))	2028	1.75	100	–	–	100	100	–	–	100
Tranche 2020–2	Milestones (Note (i))	2029	1.75	200	–	–	200	200	–	–	200
Tranche 2020–3	2024 (Note (ii))	2029	1.75	100	–	–	100	100	–	–	100
Tranche 2020–5	2024 (Note (ii))	2029	2.35	320	–	–	320	320	–	–	320
				1,100	–	–	1,100	1,100	–	–	1,100

20. 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)

				Number of share options ('000)							
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2021	Exercised during the period	Forfeited during the period	At June 30, 2021	At January 1, 2022	Exercised during the period	Forfeited during the period	At June 30, 2022
Employees											
Tranche 2016–2	2018	2025	1.36	800	–	–	800	800	–	–	800
Tranche 2017–3	2019	2025	1.36	616	–	(5)	611	611	–	–	611
Tranche 2017–2	2021	2025	1.36	28	–	–	28	28	–	–	28
Tranche 2017–4	2020	2025	1.36	100	–	–	100	100	–	–	100
Tranche 2018–2	2022 (Note (ii))	2027	1.45	715	–	–	715	715	–	–	715
Tranche 2018–3	2022 (Note (ii))	2027	1.60	10	–	–	10	10	–	–	10
Tranche 2019–2	2023 (Note (ii))	2028	1.75	80	–	–	80	80	–	–	80
Tranche 2019–3	2019	2028	1.75	50	–	–	50	50	–	–	50
Tranche 2019–4	2020	2028	1.75	50	–	–	50	50	–	–	50
Tranche 2020–1	2020	2029	1.75	300	–	–	300	300	–	–	300
Tranche 2020–2	Milestones (Note (i))	2029	1.75	600	–	–	600	600	–	–	600
Tranche 2020–4	2021	2029	2.35	125	–	–	125	125	–	–	125
Tranche 2020–5	2024 (Note (ii))	2029	2.35	345	–	–	345	345	–	–	345
				3,819	–	(5)	3,814	3,814	–	–	3,814
Non-employee											
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	–	–	100	100	–	–	100
Tranche 2020–1	2020	2029	1.75	300	–	–	300	300	–	–	300
				400	–	–	400	400	–	–	400
				9,304	–	(5)	9,299	9,099	–	–	9,099
Exercisable at the end of the reporting period							5,851				9,099
Weighted average exercise price				1.65	NA	1.36	1.66	1.66	NA	NA	1.66

20. 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 on December 30, 2021.

Equity-settled share option schemes and restricted share unit 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.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option schemes and restricted share unit 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 six months ended June 30, 2022 under 2021 Stock Incentive Plan since January 21, 2021:

				Number of share options ('000)							
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2021	Granted during the period	Forfeited during the period	At June 30, 2021	At January 1, 2022	Granted during the period	Forfeited during the period	At June 30, 2022
Directors											
Tranche 2021–4	2025 (Note (ii))	2030	2.35	–	20	–	20	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
				–	20	–	20	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	8	–	–	8
Tranche 2021–2	Milestone (Note (i))	2030	2.35	–	8	–	8	8	–	–	8
Tranche 2021–3	Milestone (Note (i))	2030	2.35	–	8	–	8	8	–	–	8
Tranche 2021–4	2025 (Note (ii))	2030	2.35	–	489	(281)	208	201	–	–	201
Tranche 2021–5	2025 (Note (ii))	2030	3.5	–	–	–	–	686	–	–	686
Tranche 2021–6	2025 (Note (ii))	2030	3.55	–	–	–	–	283	–	–	283
				–	555	(323)	232	1,194	–	–	1,194
				–	575	(323)	252	3,664	–	–	3,664
Exercisable at the end of the reporting period							64				3,664
Weighted average exercise price				–	2.35	2.35	2.35	3.43	NA	NA	3.43

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option schemes and restricted share unit 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 on December 30, 2021.

2022 Post-IPO Incentive Plans

The Company adopted the restricted share unit scheme (the "**RSU Scheme**") on April 22, 2022 and adopted the Post-IPO share option scheme (the "**Post-IPO Scheme**") on June 28, 2022 (collective referred to as "**2022 Post-IPO Incentive Plans**"). The purposes of the 2022 Post-IPO Incentive Plans are to (i) recognize the contributions by the eligible participants ("**Participants**") with an opportunity to acquire a proprietary interest in the Company; (ii) encourage and retain individuals for the continual operation and development of the Group; (iii) provide additional incentives to achieve performance goals; (iv) attract suitable personnel for further development of the Group and (v) motivate the Participants to maximize the value of the Group for the benefits of both the Participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Participants directly to the shareholders through ownership of the shares of the Company.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option schemes and restricted share unit scheme of the Company (Continued)

2022 Post-IPO Incentive Plans (Continued)

Pursuant to the Post-IPO Scheme, the directors of the Company may invite Participants to take up the options at a price determined by the board of directors or the Chief Executives (the chairman of the board of directors of the Company and the chief executive officer of the Company) provided that it shall be not less than the highest of (a) the closing price of a share as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date on which an offer is made by the Company to the grantee (which date much be a business day, "**Grant Date**"); (b) a price being the average closing price of a share of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheets for the 5 business days immediately preceding the Grant Date; and (c) the nominal value per share of the Company on the Grant Date.

The total number of shares which may be issued upon exercise of all options that may be granted under the Post-IPO Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the issued shares as of June 28, 2022 unless the Company obtains the approval from the shareholders to refresh the limit.

The maximum entitlement for any one Participant is that the total number of shares issued and to be issued to each Participant (excluding any options lapsed) in any 12-month period shall not exceed 1% of the issued shares unless otherwise separately approved by the shareholders of the Company in a general meeting.

The option may be exercised in accordance with the terms of the Post-IPO Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

No share options have been granted by the Company up to the date of issuance of these condensed consolidated financial statements.

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

RSU Scheme

The number of shares awarded under the RSU Scheme shall not exceeding 10% of the issued shares from time to time. The granting of restricted share unit awards is also subject to an annual limit of 3% of the total issued shares as at April 22, 2022, unless otherwise approved by the shareholders of the Company. The maximum number of shares which may be awarded to any one Participant under the RSU Scheme may not exceed 1% of the issued shares from time to time.

No restricted share unit awards have been granted under the RSU Scheme by the Company during the six months ended June 30, 2022.

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.

During the six months ended June 30, 2022, 150,000 options were granted with an exercise price of US$0.51 per share.

20. 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 six months ended June 30, 2022 under 2020 Stock Incentive Plan:

				Number of share options ('000)							
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2021	Granted during the period	Lapsed/ Forfeited during the period	At June 30, 2021	At January 1, 2022	Granted during the period	Lapsed/ Forfeited during the period	At June 30, 2022
Senior management											
Tranche 2020–2	Milestones (note (i))	2029	0.10	200	–	(8)	192	192	–	–	192
Tranche 2021–1	Milestones (note (i))	2030	0.51 (note (ii))	–	800	–	800	600	–	(400)	200
				200	800	(8)	992	792	–	(400)	392
Employees											
Tranche 2020–1	Milestones (note (i))	2029	0.11	2,520	–	(140)	2,380	2,100	–	–	2,100
Tranche 2020–2	Milestones (note (i))	2029	0.10	920	–	(70)	850	770	–	–	770
Tranche 2022–2	Milestones (note (i))	2031	0.51	–	–	–	–	–	25	–	25
Tranche 2021–2	2024	2030	0.51 (note (ii))	–	50	–	50	25	–	–	25
Tranche 2021–3	2025	2030	0.51 (note (ii))	–	75	–	75	75	–	–	75
Tranche 2022–2	2026	2031	0.51	–	–	–	–	–	125	–	125
				3,440	125	(210)	3,355	2,970	150	–	3,120
				3,640	925	(218)	4,347	3,762	150	(400)	3,512
Exercisable at the end of the reporting period							1,506				3,294
Weighted average exercise price				0.11	1.26	0.11	0.35	0.32	0.51	1.26	0.16

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

Equity-settled share option scheme of RNAimmune (Continued)

2020 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, closing a seed round financing, obtaining an approval of non-dilutive government or foundation funding, execution of a collaboration, development, joint venture, or partnership agreement or completion of achievement of drug project related milestones.

(ii) During the six months ended June 30, 2022, RNAimmune has repriced the exercise price of these share options from US$1.26 per share to US$0.51 per share. The incremental fair value of approximately US$23,000 will be expensed over the remaining vesting period.

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 during the six months ended June 30, 2022 is measured based on the binomial option pricing model. 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 as at the grant date and modification date for the 2020 Stock Incentive Plan were as follows:

	2020 Stock Incentive Plan of RNAimmune
Share price	US$0.03–US$0.51
Exercise price	US$0.1–US$0.51
Expected volatility	74%–75%
Risk-free rate	0.48%–2.07%
Expected dividend yield	0%
Time-to-maturity	4.8–8.8 years

20. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

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 equal 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. For the six months ended June 30, 2022, the Group recognized a total expense of US$28,000 (six months ended June 30, 2021: US$703,000) in relation to share options granted by the Company, US Sirnaomics and RNAimmune.

21. 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. For instruments with significant unobservable inputs under Level 3, the Group engages third party qualified valuers to perform the valuation. The Group works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis

Some of the Group's 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 liabilities are determined (in particular, the valuation technique(s) and inputs used). There were no transfers out of Level 3 during the six months ended June 30, 2022.

	Fair value as at		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	June 30, 2022 US$'000 (unaudited)	December 31, 2021 US$'000 (audited)				
Financial liabilities						
Financial liabilities at FVTPL — preferred shares	17,414	8,437	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest rate, expected volatility, expected dividend yield and possibilities under liquidation scenario and IPO scenario	Expected volatility	A significant increase in expected volatility would result in a significant increase in fair value, and vice versa (note).

Note:

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 and Series A Preferred Shares issued by the Group as at June 30, 2022 by US$327,000 and US$3,400, respectively and US$(312,000) and US$(4,300), respectively.

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial liabilities that are measured at fair value on a recurring basis (Continued)

Reconciliation of Level 3 fair value measurements

	Preferred shares issued by RNAimmune US$'000
At January 1, 2022 (audited)	8,437
Issuance of Series A Preferred Shares	6,100
Changes in fair value	2,877
At June 30, 2022 (unaudited)	17,414

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 condensed consolidated financial statements approximate their fair values.

22. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the condensed consolidated financial statements, the Group also entered the following significant transactions with its related parties during the six months ended June 30, 2022.

Compensation of key management personnel

The remuneration of the directors of the Company and key management personnel of the Group during the six months ended June 30, 2022 were as follows:

	For the six months ended June 30,	
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Unaudited)
Salaries and other allowances	**1,403**	966
Retirement benefits schemes contributions	**68**	53
Share-based payment expense	**16**	426
Performance and discretionary bonus (Note)	**—**	15
	1,487	1,460

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.

23. CAPITAL COMMITMENTS

	As at	
	June 30,	As at December 31,
	2022	2021
	US$'000	US$'000
	(Unaudited)	(Audited)
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the condensed consolidated financial statements	**7,738**	11,357

24. 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:

	As at June 30, 2022 US$'000 (Unaudited)	As at December 31, 2021 US$'000 (Audited)
Restricted bank deposits	60	63

Restrictions on assets

In addition, lease liabilities of approximately US$8,742,000 (December 31, 2021: US$7,040,000) were recognized with related right-of-use assets of approximately US$7,351,000 (December 31, 2021: US$6,855,000) as at June 30, 2022. 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.

25. MAJOR NON-CASH TRANSACTION

Saved for disclosed elsewhere in the condensed consolidated financial statements, the Group has the following major non-cash transactions during the period:

Lease arrangement

During the six months ended June 30, 2022, the Group entered into new lease agreements for the use of leased properties for three years. On the lease commencement during the six months ended June 30, 2022, the Group recognized US$1,544,000 of right-of-use assets and US$1,544,000 of lease liabilities.

26. EVENTS AFTER THE END OF THE REPORTING PERIOD

(a) In July 2022, the Company repurchased 628,500 of its own ordinary shares through the Hong Kong Stock Exchange at a consideration of HK$41,040,000 (equivalent to approximately US$5,262,000). The repurchased shares were cancelled on August 9, 2022.

(b) In July and August 2022, US Sirnaomics and independent investors subscribed for 1,035,599 and 679,620 Series A Preferred Shares, respectively, issued by RNAimmune at a consideration of US$3,200,000 and US$2,100,000, respectively.

Definitions

In this interim 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
"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 interim report and for geographical reference only, except where the context requires, references in this interim 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
"Director(s)"	the director(s) of the Company
"FDA"	U.S. Food and Drug Administration
"Global Offering"	the Hong Kong Public Offering and the International Offering
"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 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
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong 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
"IASs"	International Accounting Standards
"IFRSs"	International Financial Reporting Standards
"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
"Innovent"	Innovent Biologics (Suzhou) Co., Ltd. (信達生物製藥(蘇州)有限公司), one of our collaborators and an Independent Third Party
"Listing"	the listing of the Shares on the Main Board
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the GEM of the Hong Kong Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules

Definitions

"NMPA"	National Medical Products Administration
"Prospectus"	the prospectus of the Company dated December 20, 2021, issued in connection with the Hong Kong Public Offering
"R&D"	research and development
"Reporting Period"	for the six months ended June 30, 2022
"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
"Series C Warrants"	series C warrants granted to non-controlling shareholders to convert their registered capital in Suzhou Sirnaomics to preferred shares of its holding company, namely, US Sirnaomics
"SFO"	Securities and Futures Ordinance
"Shanghai Junshi"	Shanghai Junshi Biosciences Co., Ltd. (上海君實生物醫藥科技股份有限公司), one of our collaborators and an Independent Third Party
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.001 each
"Shareholder(s)"	holder(s) of our Shares
"Suzhou Sirnaomics"	Sirnaomics Biopharmaceuticals (Suzhou) Co., Ltd. (聖諾生物醫藥技術(蘇州)有限公司), a company incorporated under the laws of the PRC on March 10, 2008 with limited liability, an indirect wholly-owned subsidiary of the Company and formerly known as Suzhou Sirnaomics Biopharmaceuticals Co., Ltd. (蘇州聖諾生物醫藥技術有限公司)
"TMHW"	Taiwan Ministry of Health and Welfare
"US$"	U.S. dollars, the lawful currency of the United States of America
"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

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
"AGT"	angiotensinogen
"ApoC3"	Apolipoprotein C3
"ASGPR"	asialoglycoprotein receptor
"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
"CMC"	chemistry, manufacturing, and controls processes in the development, licensure, manufacturing, and ongoing marketing of pharmaceutical products
"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
"ESC"	Early Selected Compound
"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
"GalAhead"	our GalNAc RNAi delivery platform that conjugates GalNAc moieties to RNAi triggers
"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

"GLP"	Good laboratory practice is a set of principles intended to assure the quality and integrity of non-clinical laboratory studies that are intended to support research or marketing permits for products regulated by government agencies
"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
"HPV"	Human papillomavirus
"HSV"	herpes simplex virus
"HTS"	hypertrophic scar is a thickened, wide, often raised scar that develops where skin is injured
"ID"	Intradermal
"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
"isSCC"	squamous cell carcinoma in situ

Glossary of Technical Terms

"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
"muRNA"	multi-unit RNAi trigger, RNAi trigger composed of multiple oligonucleotides (2 or more) to simultaneously downregulate two or more gene targets
"mxRNA"	miniaturized RNAi trigger, RNAi trigger composed of single ~30 nucleotide long oligonucleotides designed to downregulate individual gene target
"NMSC"	non-melanoma skin cancer
"NSCLC"	non-small cell lung cancer is any type of epithelial lung cancer other than small cell lung cancer
"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
"PCSK9"	Proprotein convertase subtilisin/kexin type 9, an enzyme encoded by the PCSK9 gene in humans on chromosome 1
"PDoV"	Peptide Docking Vehicle, a linker which contains a therapeutic compound, such as an siRNA molecule, and a targeting ligand

Glossary of Technical Terms

"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
"PK"	pharmacokinetics
"PLNP"	polypeptide-lipid nanoparticle, a proprietary polypeptide nanoparticle combined with LNP
"PNP"	Polypeptide nanoparticle is composed of a branched Histidine Lysine polymer
"PNP-IT"	PNP platform formulated for intratumoral administration

Glossary of Technical Terms

"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
"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
"SCC"	Squamous cell carcinoma is an uncontrolled growth of abnormal cells arising from the squamous cells in the epidermis, the skins outermost layer

Glossary of Technical Terms

"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