sirnaomics

Advancing RNAi Therapeutics

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 2257

2023 ANNUAL REPORT

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Dr. Xiaochang Dai
Chief Strategy Officer

Dr. David Mark Evans
Head of Drug Discovery and Collaboration

Dr. Michael V. Molyneaux *(resignation effective from November 30, 2023)*

Non-Executive Directors

Mr. Mincong Huang
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

Dr. Yang Lu
Mr. Leung Ting Cheung

COMPANY SECRETARIES

Mr. Leung Ting Cheung
Ms. Yun Zhang *(resignation effective from August 31, 2023)*

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Corporate Information

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STOCK CODE

2257

Chairman's Statement

Dear Shareholders,

We sincerely appreciate all shareholders and stakeholders for your continuous support to us. I am pleased to present our annual report for the year ended December 31, 2023, a period marked by challenges posed by the volatile capital market and uncertainty in the geopolitical relationship. The Sirnaomics' team has demonstrated resilience and determination in navigating the complexities of the biotech landscape, remaining steadfast in our commitment to delivering innovative healthcare solutions while creating sustainable long-term value for our shareholders.

In 2023, we communicated our STP705 isSCC Phase IIa and IIb clinical data with the U.S. FDA and are well-positioned to advance to late-stage clinical study. We also achieved excellent data readout from a Phase I clinical study using STP705 for focal fat reduction, which provides a perfect example of an RNAi-based medical aesthetic solution. In 2023, we had also completed a Phase I clinical study of intravenous administrated STP707 for treatment of 50 late-stage cancer patients suffering colon, pancreatic, liver, and other tumor burdens. This two-year study was conducted at 11 leading oncology centers in the U.S., revealing strong safety readouts and clear clinical benefits of this novel siRNA cancer therapeutic product. Clinical advancements of these two drug candidates further validated our proprietary PNP delivery system in both intradermal and intravenous administration and solidified our leading position in oncology in the global RNA arena. Regarding the GalAhead™ pipeline, not only we have made significant progress by moving STP122G into Phase I clinical stage, but also expanded our programs into treatment of complement diseases, hypertension, and elevated triglyceride levels, individually or in combination with our dual-targeted muRNA™ platform design.

Amidst the evolving dynamics of the biotech industry, we have embarked on a comprehensive restructuring plan aimed at enhancing operational efficiency, strengthening our competitive position, and driving long-term growth. This strategic initiative reflects our proactive approach to adapt to changing market conditions and capitalize on emerging opportunities.

The restructuring plan encompasses organizational realignment, portfolio optimization, and cost rationalization. These initiatives are designed to streamline our operations, focus our resources on core strategic priorities, and foster a more agile and resilient organization capable of delivering sustainable value to all stakeholders.

While navigating the challenges of the biotech industry, we remain unwavering in our commitment to innovation and growth. Our restructuring plan is aligned with our broader strategic objectives of advancing our pipeline of innovative therapies and delivering breakthrough healthcare solutions that address unmet medical needs.

Chairman's Statement

We are leveraging our scientific expertise, strategic partnerships, and disciplined execution to accelerate the development and commercialization of novel therapies across key therapeutic areas. Furthermore, we remain focused on enhancing shareholder value through prudent capital allocation, strategic investments, and disciplined financial management.

Acknowledgement

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

In conclusion, I would like to extend my gratitude to our dedicated team, partners, and shareholders for their continued support and commitment to our vision. As we execute our restructuring plan and pursue our strategic objectives, we are confident in the resilience and potential of Sirnaomics to deliver sustainable value and make a meaningful impact on patients' lives worldwide.

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

Five-Year Financial Summary

A summary of the consolidated results and financial position of the Group for the last five financial years is set out below:

	For the year ended December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated Results					
Other income	**1,414**	2,114	350	771	440
Other gains and losses	**1,911**	(292)	(244)	255	368
Changes in fair value of financial asset at FVTPL	**241**	4	—	—	—
Changes in fair value of financial liabilities at FVTPL	**(1,512)**	(6,124)	(146,038)	(17,574)	(2,584)
Administrative expenses	**(23,161)**	(24,191)	(16,120)	(5,157)	(4,667)
Research and development expenses	**(54,382)**	(67,641)	(40,673)	(14,894)	(10,213)
Impairment losses recognized on property, plant and equipment and right-of-use assets	**(8,345)**	—	—	—	—
Impairment losses reversed/(recognized) under expected credit loss model, net	**—**	—	—	242	(242)
Listing expenses	**—**	—	(12,192)	(885)	—
Other expenses	**(170)**	(450)	(678)	(8,943)	—
Finance costs	**(986)**	(798)	(339)	(243)	(229)
Loss for the year	**(84,990)**	(97,378)	(215,934)	(46,428)	(17,127)

	As at December 31,				
	2023	2022	2021	2020	2019
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated Financial Position					
Total non-current assets	**17,069**	46,682	16,842	5,047	3,410
Total current assets	**58,718**	117,249	223,805	105,137	21,413
Total current liabilities	**(13,013)**	(14,227)	(16,228)	(94,099)	(2,797)
Total non-current liabilities	**(38,317)**	(38,144)	(14,131)	(110,265)	(70,978)
Net assets/(liabilities)	**24,457**	111,560	210,288	(94,180)	(48,952)
Reserves/(deficits) attributable to owners of the Company	**40,196**	122,006	211,615	(94,433)	(51,754)
Non-controlling interests	**(15,739)**	(10,446)	(1,327)	253	2,802
Total equity/(deficits)	**24,457**	111,560	210,288	(94,180)	(48,952)

Management Discussion and Analysis

BUSINESS OVERVIEW

Founded in 2007, Sirnaomics' mission is to become a fully integrated international biopharmaceutical company, leveraging our deep experience in RNA therapeutics and novel delivery platform technologies. Capitalizing on our dual proprietary delivery platforms — PNP and GalAhead™, we have built an enriched clinical pipeline initially focused on therapeutics for oncology and fibrosis, and expanding to anticoagulant therapies, cardiometabolic disease, complement-mediated diseases, medical aesthetics, and viral infections.

Our lead drug candidates STP705, formulated for local administration for the treatment of Non-Melanoma Skin Cancer (NMSC), and STP707, formulated for intravenous administration for the treatment of solid tumors, have both achieved positive clinical readouts with their corresponding studies. These advancements of our leading drug candidates corroborate the potential of our proprietary PNP delivery platform. After completing an End-of-Phase-II meeting with the U.S. FDA in the first half of 2023, the FDA provided Sirnaomics guidance to advance the STP705 program further. Sirnaomics has proposed to the U.S. FDA an adaptive design Phase II/III pivotal trial to address the outstanding dose selection questions and has proposed another Phase III as required by regulation. The Group has already started planning to move forward pending agreement with the U.S. FDA.

The Phase I basket clinical study for STP707 with intravenous administration represents the first of this kind of drug modality for oncology investigation for treatment of multiple solid tumors. This U.S. FDA regulated clinical study involves 11 leading cancer centers in the U.S. and 50 late-stage cancer patients with colorectal, pancreatic, liver and metastatic melanoma tumors, etc. The preliminary report indicates that STP707 is very well tolerated among all six dosing cohort regimens and the drug has shown clear therapeutics benefit with stable disease (SD) activity, especially for pancreatic cancer patients. Among the 10 pancreatic patients, the average SD duration is 3.5 months with a dose response correlation among 12mg, 24mg and 48mg treatment groups. The high dose treatment group with 48mg resulted in an average SD duration for 4.5 months. Therefore, the low toxicity and relatively long SD duration warrants further study with STP707 alone or in a rational combination with immune check point inhibitors, given the unique ability of this drug to recruit active T-cells into the tumor microenvironment (TME).

The clinical advancement of STP705 and STP707 has solidified our leadership in RNAi therapeutics for oncology treatment on the global stage.

Management Discussion and Analysis

Based on an intriguing discovery during the clinical study for the treatment of isSCC with STP705, we initiated an effort to evaluate the potential of this siRNA drug candidate for medical aesthetics applications. The Phase I clinical study readouts demonstrated excellent safety and clear signs of efficacy. While we are preparing a communication package currently for consultation with the U.S. FDA for advancing this clinical program into Phase II study, we are also in active discussions on potential collaborations for this novel aesthetics medicine product. Our GalNAc-based delivery platform, GalAhead™ (comprised of both mxRNA and muRNA approaches) technology, is for subcutaneous administration and is currently being investigated in diseases where targeting of liver hepatocytes may result in beneficial therapeutic outcomes. Our first GalAhead™ mxRNA product, STP122G, has received regulatory clearance from the U.S. FDA and we commenced a Phase I clinical trial. We have already completed the dosing of the first two cohorts to evaluate the safety, tolerability, pharmacokinetics, and pharmacodynamics of STP122G. We plan to investigate the administration of our other novel GalAhead™ molecules in a variety of therapeutic areas including hypertriglyceridemia and complement-mediated diseases. In addition to targeting single genes with programs like STP122G, we have established pipeline programs that allow us to target two genes at the same time with our GalAhead™ muRNA platform. The ability to modulate two converging biological pathways has generated a lot of interest lately on both scientific as well business development front in the RNAi field and we are considered as one of the pioneers in this space.

We have built an international professional team for the discovery and development of RNAi therapeutics. Currently we are focused specifically on the U.S. and Asia markets, which are supported by our R&D capabilities and manufacturing facilities in both regions. We are adopting a clinical development strategy to conduct clinical trials for our product candidates initially in the U.S. before extending to Asian countries, and finally reaching to regulatory approvals in multiple markets around the globe.

We envision a fast-growing trend of RNA medicine including RNAi, mRNA and RNAe (RNA editing) technologies for therapeutics and vaccine developments, to treat and prevent many serious human diseases. To unlock the therapeutic potential and leverage the delivery technology platform and large-scale manufacturing capacity of Sirnaomics, we have been assisting RNAimmune for its advancement in mRNA vaccine development and nurturing the establishment of EDIRNA for its early discovery effort and clinical program selection.

Product Pipeline

Sirnaomics is advancing a prioritized product pipeline and conducting five siRNA clinical trials in the U.S. for our lead clinical drug candidates STP705 and STP707, together with STP122G, in addition to RV-1730 and RV-1770 which are our mRNA vaccine programs having received an IND Application clearance approval from the U.S. FDA sponsored by RNAimmune, our non-wholly owned subsidiary. The following product pipeline table is adapted based on the Group's current focus on preclinical and clinical product development.

	Candidate	Gene Targets	Indications	Delivery Platform	R&D / IND / Phase I / Phase II / Phase III	Rights
Oncology	STP705	TGF-β1/COX-2	isSCC	PNP-IT		Global
			BCC			Global
	STP707	TGF-β1/COX-2	Multiple Solid Tumors	PNP-IV		Global
	STP355	TGF-β1/VEGFR2	Multiple Solid Tumors	PNP-IV		Global
	STP369	BCLXL/MCL1	Head & Neck Cancer	PNP-IV/IT		Global
Medical Aesthetics	STP705	TGF-β1/COX-2	Focal Fat Reduction	PNP -Subcu		Global
Antiviral	RV-1730[1]	SARS-CoV-2	COVID-19 Vaccine	LNP-IM		Global
	RV-1770[1]	RSV	RSV Vaccine	LNP-IM		Global
Liver metabolic diseases (GalNAc)	STP122G	Factor XI	Anticoagulation / Thrombosis	mxRNA-Subcu		Global
	STP125G	ApoC3	Hypertriglyceridemia			Global
	STP144G	Complement Factor B	Complement - diseases			Global
	STP145G	Complement Factor C5	Complement - diseases			Global
	STP146G	Complement Factor C3	Complement - diseases			Global
	STP152G	TTR	ATTR amyloidosis			Global
	STP136G	AGT	Hypertension			Global
	STP247G	CFB/C5	Complement - diseases	muRNA-Subcu		Global
	STP251G	APOC3/TMPRSS6	Hemochromatosis & Hypertriglyceridemia			Global
	STP237G	AGT/ApoC3	Hypertension & Hypertriglyceridemia			Global

Note:

1. R&D conducted by our non-wholly owned subsidiary RNAimmune.

Abbreviations: isSCC = squamous cell carcinoma in situ; BCC = basal cell carcinoma; PNP = our polypeptide nanoparticle (PNP) RNAi delivery platform; PNP-IT = PNP platform formulated for intratumoral administration; PNP-Subcu = PNP platform formulated for subcutaneous administration; PNP-ID = PNP platform formulated for intradermal administration; PNP-IV = PNP platform formulated for intravenous administration; GalAhead™ = our GalNAc RNAi delivery platform that conjugates GalNAc moieties to RNAi triggers; LNP-IM = lipid nanoparticle (LNP) formulation for delivery of mRNA intramuscularly; RSV = Respiratory Syncytial Virus; mxRNA-Subcu = mxRNA™ (miniaturized RNAi triggers) for subcutaneous administration; muRNA-Subcu = muRNA™ (multi-unit RNAi triggers) for subcutaneous administration

Management Discussion and Analysis

Clinical Programs

STP705 for the treatment of NMSC

STP705 Powder for Injection (STP705) is a sterile, lyophilized drug product that has two small interfering RNAs (pixofisiran INN and lixadesiran INN) that target transforming growth factor beta-1 (TGF-ß1) and cyclooxygenase-2 (COX-2), respectively. The drug product is formulated using our proprietary PNP delivery platform as 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. STP705 leverages our PNP delivery platform in a locally administered formulation for direct administration to diseased tissue. We are developing STP705 for NMSC and focal fat reduction.

STP705 for focal fat reduction

Surgical fat removal (liposuction) is the gold standard for removing and remodeling unwanted fat but patients are searching for minimally invasive procedures. Laser and radiofrequency (RF) also have been shown to be somewhat effective but not ideal. Injectable deoxycholic acid (DCA) has efficacy but is associated with significant long term local skin reactions (LSR) and pain. There is a need for injectable fat remodeling that is both effective and with minimal LSR. Early data indicates that injectable PNP-enhanced delivery of siRNA specifically targeting TGF-ß1 and COX-2/PTGS2 may be ideal to fill the need. STP705 was well tolerated at all concentrations and volumes studied. No material safety issues were identified based on reporting of AEs, LSRs, and changes from baseline in vital signs, safety labs, and electrocardiograms (ECGs). There were 3 Grade 2 (moderate) AEs considered by the investigator to be probably related to treatment with STP705. None were severe and none were serious. All AEs recovered/resolved and did not require dose modification. The incidence of LSRs was low throughout the entire study and there were no clinically significant changes in labs, vital signs, or ECGs.

The study has concluded that even though DCA injection is popular due to simplicity and the possibility of low downtime, it is routinely associated with inflammation, pain, and LSRs. STP705 injection is effective at reducing subcutaneous adipose tissue thickness in preliminary porcine models with efficacy at least equal to DCA. STP705 had excellent safety and tolerability with very few LSRs or observed treatment-associated AEs. STP705 may have a better safety profile than DCA. Histologic analysis provided evidence of STP705's activity, which occurred in a marginally dose-dependent manner. Excellent safety and no significant LSRs as commonly seen with the use of DCA. The Phase I clinical study of STP705 for focal fat reduction has provided strong evidence to support a further clinical investigation for submental fat reduction with advantage over DCA due to lack of LSRs.

STP707 for the treatment of multiple solid tumors

STP707 Powder for Infusion (STP707) is a sterile, lyophilized drug product that contains the same two siRNAs as STP705, formulated with a different proprietary nanoparticle carrier that facilitates intravenous infusion for systemic treatment. The product is currently under investigation in a Phase I clinical study for the treatment of multiple types of solid tumors with a basket study design. This U.S. FDA regulated clinical study involves 11 leading cancer centers in the U.S. and 50 late-stage cancer patients with colorectal, pancreatic, liver and metastatic melanoma tumors, etc. The preliminary report indicates that STP707 is very well tolerated among all six dosing cohort regimens and the drug has shown clear therapeutic benefit with SD activity, especially for pancreatic cancer patients. Among the 10 pancreatic patients, the average SD duration is 3.5 months with a dose response correlation among 12mg, 24mg and 48mg treatment groups. The high dose treatment group with 48mg resulted in an average SD duration for 4.5 months. Therefore, the low toxicity and relatively long SD duration warrants further study with STP707 alone or in a rational combination with immune check point inhibitors, given the unique ability of this drug to recruit active T-cells into TME.

STP122G for the treatment of coagulation disorders

STP122G is a product candidate formulated using our GalAhead™ platform that targets Factor XI (FXI). The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery to the liver when administered by subcutaneous injection. The product is currently under Phase I clinical study with the 1st cohort dosage and data collection completed, and we are developing STP122G as a potential anticoagulant therapy that has the potential to be utilized in a broad range of disease states as a form of therapeutic anticoagulation. The product has the potential to be used in several diseases that require anticoagulation such as atrial fibrillation, pulmonary embolism, deep vein thrombosis (DVT), and deep venous thrombosis prophylaxis for surgical procedures.

We may not be able to ultimately develop and market our lead drug candidates STP705, STP707 and STP122G successfully.

Clinical Drug Candidates Using the LNP Platform

RV-1770

RV-1770, a combination of an mRNA-based vaccine with a proprietary lipid nanoparticle formulation, aimed at preventing Respiratory Syncytial Virus (RSV) infection in adults, is developed by RNAimmune, our non-wholly owned subsidiary. RV-1770 is an innovative mRNA-based vaccine formulation with a unique AI-enhanced design using the sequence of the recent RSV clinical isolate. It demonstrated immunogenic responses and neutralization against both type A and B strains of RSV in preclinical cotton rat studies. In December 2023, we have received a clearance from the U.S. FDA for its IND application and the product is currently under investigation in clinical study.

RV-1730

RV-1730, a SARS-CoV-2 vaccine booster candidate, is developed by RNAimmune, our non-wholly owned subsidiary, comprises mRNA coding for SARS-CoV-2 full length spike protein from the Delta variant formulated with LNP delivery technology for intramuscular administration. In April 2023, we have received a clearance from the U.S. FDA for its IND application and the product is currently under investigation in clinical study. The discovery and development efforts of RV-1730 have helped advancement of the technology platforms and regulatory capability of RNAimmune for novel mRNA-based vaccine and therapeutic product developments.

Other Late-Stage Preclinical Candidates

In addition to those key products, we have a broad pipeline of product candidates that are currently in preclinical studies covering a range of therapeutic indications. We are evaluating multiple innovative candidate siRNA molecules that employ different targeting, utilizing our established proprietary PNP delivery platform, our unique and newly developed GalAhead™ platform and, through RNAimmune, LNP delivery platform. Promising candidates advance into clinical studies that will support submission of investigational drug applications to conduct initial human clinical trials in multiple countries. Below are the late-stage preclinical product candidates:

Preclinical Drug Candidates Using the PNP Platform

STP355

STP355 comprises two siRNAs simultaneously targeting TGF-ß1 and VEGFR2 that are validated for their involvement in TME and tumor angiogenesis regulation. STP355 is formulated for systemic administration with our PNP delivery platform. The therapeutic potential of STP355 has been evaluated in vitro and in vivo using multiple types of xenograft cancer models of mice, including breast cancer, melanoma and colorectal cancer. We plan to have STP355 moving into IND-enabling study with further validation using a selected orthotopic tumor model(s). A recent study with repeated intravenous administration of STP355 (3mpk, Q2D) in an immunocompetent mouse model with subcutaneously transplanted melanoma tumor showed that STP355 could significantly inhibit the tumor growth rate ($P<0.05$ VS vehicle), and the effect was better than the group with single TGF-ß1 siRNA sequence (siTF1) with the same dose. In addition, the FACS (Fluorescence Activating Cell Sorter) measurement showed that STP355 significantly induces the infiltration intensity of immune cells (total immune cells, T cells, NK cells) in the tumor microenvironment. All these preclinical studies have well positioned STP355 as a candidate for further IND enabling study.

STP369

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

Preclinical Drug Candidates Using the GalAhead™ Platform

STP125G

STP125G is a siRNA that targets apolipoprotein C3 (APoC3). The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery when administered by subcutaneous injection. It is being developed for potential use in treating rare conditions such as familial hypertriglyceridemia. After successful efficacy studies with cell culture and animal models of disease, APoC3-GalNAc-siRNA has been designated as a clinical candidate for further development. The manufacture of drug substances in accordance with GMP has been completed and clinical trial supplies have been manufactured.

STP144G

STP144G is a siRNA that targets Complement Factor B (CFB). The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery when administered by subcutaneous injection. It is being developed for potential use in treating complement-mediated immunologic diseases. After successful efficacy studies with cell culture and animal models, this candidate was selected for further development. Development and production of the drug substance in accordance with GMP for clinical trial supplies has been completed. Single dose nonclinical toxicology studies have been completed.

STP136G

STP136G is a siRNA that targets angiotensinogen (AGT). The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery when administered by subcutaneous injection. It is being developed for potential use in treating hypertension. After successful efficacy studies with cell culture and animal models, this candidate was selected for further development. STP136G has successfully completed efficacy studies with cell culture and animal models.

STP237G

STP237G is a siRNA that targets both AGT as well as APoC3. The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery when administered by subcutaneous injection. It is being developed for potential use in treating patients that have hypertension in combination familial hypertriglyceridemia. STP237G has successfully completed efficacy studies with cell culture and animal models.

STP247G

STP247G is a siRNA that targets both CFB as well as complement factor 5 (C5). The siRNA construct is conjugated with the GalNAc ligand to facilitate targeted drug delivery when administered by subcutaneous injection. It is being developed for potential use in treating complement-mediated immunologic diseases. STP247G has successfully completed efficacy studies with cell culture and animal models.

Delivery Platforms

Our proprietary delivery platforms for administration of RNA-based therapeutics and vaccines are the foundation of our product pipeline at the clinical study stage: (1) PNP delivery platform for both local and systemic administration of RNAi therapeutics targets the activated endothelial cells, multiple liver cell types beyond liver hepatocyte; and (2) our unique GalNAc-based RNAi delivery platform GalAhead™ was developed for subcutaneous administration of siRNA drugs to the liver hepatocyte.

In the early days of the Group, we exclusively in-licensed an academic PNP nucleic acid delivery method. Leveraging our 18 years' R&D effort, we are now able to advance PNP as a therapeutic delivery technology. Our PNP delivery platform is based on a naturally biodegradable polypeptide molecule, a histidine-lysine (HK) polymer. The HK polymers vary in the pattern of repeating histidine and lysine moieties and may be branched. When admixed at the appropriate ratio with RNA, the HK polymers self-assemble into nanoparticles that encapsulate the RNA. PNP 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.

Based on abundant data volume from a series of clinical Phase I and Phase II studies of STP705 for local administration and STP707 for IV administration for various clinical indications, the polypeptide nanoparticle siRNA formulations are well-validated for siRNA therapeutics in terms of their safety profile and efficacy performance. We have obtained exclusive global rights for our PNP delivery technology and have built a comprehensive IP portfolio covering PNP-based RNA medicine products for cancers, fibrosis diseases and medical aesthetics.

We developed, through in-house efforts, our unique GalNAc-based RNAi delivery technologies, and hold the global exclusive rights. The GalAhead™ delivery system is a proprietary technology platform for RNAi therapeutics, discovered and developed by Sirnaomics. This platform relies on unique RNA structures that allow the knockdown of single or multiple distinct mRNA targets, specifically two key technological components: mxRNA™ (miniaturized RNAi triggers) and muRNA™ (multi-unit RNAi triggers). mxRNAs™ are comprised of single ~30 nt long oligonucleotides to downregulate individual genes, while muRNA™ molecules are comprised of multiple oligonucleotides to silence two or more targets simultaneously. 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 them with cell culture and animal models of disease, and conducted rodent safety and non-human primate efficacy and safety studies.

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 by leveraging both existing CDMOs and by establishing commercial production sites of our own. Pre-commercialization activities, including preparation for Process Performance Qualification (PPQ), are in process for Active Pharmaceutical Ingredient (API), novel excipient and drug product. 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 have built our Guangzhou Fill and Finish Facility (Guangzhou Facility) in 2021 to further enhance our in-house manufacturing capacity. In 2022 and 2023, the Guangzhou Facility supported our pre-clinical tox studies and early stage of clinical studies for our PNP product line. With the successful transition of STP122G, our leading GalAhead™ product line candidate, from pre-clinical to clinical in early 2023 we expanded the capabilities in our Guangzhou Facility to include capabilities supporting future GalAhead™ based products. The successful operation of the Guangzhou Facility enables our in-house manufacturing capabilities and marks a transition from a biotech company to a biopharma corporation.

Management Discussion and Analysis

BUSINESS REVIEW

In 2023 and during the first three months of 2024 leading up to the date of this annual report, we continued to make significant progress with respect to our pipeline development and business development. In order to ensure sufficient cash runway in light of the uncertainty in global macro economy, the Group has prioritized resources allocation in programs that have significant potential and has put on hold or slowed down the development of other programs. In particular, the Company has decided to allocate our financial resources on developing STP705 for the treatment of isSCC and STP122G. The Group has also undergone three rounds of restructuring to optimize its taskforce in 2023 and year to date.

The following milestones and achievements exemplify the Group's continued clinical execution across its broad pipeline.

STP705

STP705 for the treatment of isSCC: advancement into late-stage clinical development

After positive data readouts from the Phase IIa and Phase IIb clinical studies on STP705 for the treatment of 69 isSCC patients and the Phase II clinical study with 30 BCC patients showing clear therapeutic effects and excellent safety profiles, we continued to advance this clinical program and are in active communication with the U.S. FDA to seek further guidance for conducting a late-stage clinical development. After discussing the Phase IIa and Phase IIb results with the U.S. FDA via an End-of-Phase II meeting, we were well-positioned to advance STP705 in clinical studies for the treatment of isSCC. As mentioned in the Company's announcement dated June 19, 2023, we are continuing to move forward in 2024 and have now proposed a well-designed Phase II/III study to serve as a pivotal trial to achieve alignment with the U.S. FDA. We expect to provide an update on our proposal to the U.S. FDA in Q2 2024.

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

We started our Phase II clinical study for the treatment of BCC in 2021 and have fully completed the study in 2023. The final data readout from the Phase II clinical study of STP705 for the treatment of BCC demonstrated very favorable efficacy without any systemic drug related AEs and SAEs, further validating the broad potential of this drug candidate for the treatment of non-melanoma skin cancers and beyond.

As a standard approach, we are going to hold the End-of-Phase II meeting with the U.S. FDA to obtain guidance from them for our future path moving forward to late-stage development for STP705 for the treatment of BCC. With our existing experience from isSCC, we expect communication with the U.S. FDA will be smooth and efficient.

With the excellent results from the isSCC and BCC trials, we are spearheading the development of the novel polypeptide-based siRNA therapeutics for NMSC which have an urgent need for new treatments in the U.S. We are planning to have the End-of-Phase II meeting in 2024.

STP705 for focal fat reduction demonstrates positive Phase I clinical results

In May 2022, we launched the Phase I proof-of-concept clinical trial of RNAi therapeutic STP705 in adults undergoing abdominoplasty for submental fat reduction. In June 2023, we announced the interim results of the Phase I trial which appeared to indicate that the use of STP705 in the treatment of unwanted fat was safe and showed clear signs of efficacy. This interim efficacy results examined efficacy data from six participants that were scheduled to undergo abdominoplasty. Participants in the safety review were examined for the presence of and severity of LSR including erythema, edema, and bruising over a time frame as well as the incidence (severity and causality) of any adverse events for a time frame of approximately 98 days. We also looked at histological evidence of fat changes that would be seen in fat tissue remodeling such as fat inflammation, panniculitis, fibrosis and fat necrosis. There were no significant adverse events and all tissue samples examined in this review using variable doses of STP705 showed histological evidence suggestive of fat remodeling. Based on the histological scoring and panniculitis, and fat necrosis ranking, a dose-dependent effect was observed for all treatment groups comparing to the placebo group with statistical significance ($P < 0.05$). The 240 μg at the volume of 1.0 ml treatment group has demonstrated the most potent activity.

We have completed Phase I study in Q4 2023. The result was encouraging and demonstrated that:

- STP705 was well-tolerated at all doses, concentrations, and volumes.
- STP705 demonstrated an excellent safety with very few LSR.
- There were very few observed treatment-associated adverse reactions and these resolved without intervention.
- STP705 may have a favorable safety profile when administered locally for the purpose of fat reduction.
- Histologic analysis performed on excised tissue samples provided further evidence of STP705's activity in adipocyte destruction, which occurred in a suggested dose-response manner; this will guide future clinical dosing parameters for optimal efficacy and safety.

The positive results and the histology observations provide preliminary evidence that STP705 may become a best-in-class drug candidate for focal fat reduction and is worth further investigation. This will better inform later stage development of this asset in the medical aesthetics category.

STP707

STP707 for Treatment of Multiple Solid Tumors: Phase I clinical study with a Basket Study

The multi-center, open label, dose escalation and dose expansion tumor basket study is evaluating the safety, tolerability, and anti-tumor activity of STP707. 50 participants with advanced solid tumors, who had failed standard therapies, were included in the dose escalation analysis. The study encompasses six total cohorts who have received escalating doses of STP707 through IV administration on a 28-day cycle including 3 mg, 6 mg, 12 mg, 24 mg, 36 mg and 48 mg dosing cohorts. The participants were dosed once weekly for a total of 4 doses over a 28-day treatment cycle. These treated patients will continue in the study until they exhibit progressive disease. Additional secondary endpoints are to determine the pharmacokinetics of STP707 and to observe preliminary anti-tumor activity. In August 2023, we completed the dose escalation for Phase I clinical study. Based on preliminary efficacy observations, 74% of evaluable patients demonstrated a best response of SD per Response Evaluation Criteria in Solid Tumors (RECIST). We completed dosing escalation of all 50 patients in August 2023. Among the 10 pancreatic patients, the average SD duration is 3.5 months with a dose response correlation among 12mg, 24mg and 48mg treatment groups. The high dose treatment group with 48mg resulted in an average SD duration for 4.5 months. Therefore, the low toxicity and relatively long SD duration warrants further study with STP707 alone or in a rational combination with immune check point inhibitors, given the unique ability of this drug to recruit active T-cells into TME.

An initial pre-clinical study has demonstrated that simultaneously knocking down TGF-ß1 and COX-2 gene expression in the TME increases active T-cell infiltration. A further combination study demonstrated synergistic antitumor activity between STP707 and a PD-L1 antibody using a mouse orthotopic liver cancer model. This Phase I basket clinical study results encourage us for a potential combination study with immune check point inhibitor drugs. We look forward to additional clinical trials with STP707 that have the potential to address the unmet needs of patients with refractory solid tumors like pancreatic and other cancers.

STP122G

STP122G for the treatment of coagulation disorders. In a Phase I clinical study in normal volunteers, 1st cohort has been completed; and the 2nd cohort, dosed and being actively monitored

In April 2023, we launched the Phase I clinical trial of STP122G based on the Group's GalNAc FXI Program. This FXI program is applicable across a broad range of disease indications as an anticoagulant therapeutic. FXI is an enzyme produced predominantly by hepatocytes in the liver and it plays an important role in the body's blood clotting cascade. The site of production for FXI also makes it an ideal target for GalNAc-based siRNA therapeutics.

In January 2024, we successfully completed follow-up of Cohort 1 and dosing of Cohort 2 in an ongoing Phase I clinical trial of STP122G. Each of these cohorts was comprised of eight subjects who completed dosing and were being followed over a period of 140 days. Safety data showed there were no dose-limiting toxicities or serious adverse events, so the study proceeded to Cohort 2 dosing. We expect that activity but corresponding elevation in Partial Prothrombin Time (PPT). The relatively long (140 days) observation period between dosing cohorts is related to the sustained pharmacologic effect of STP122G, a highly desirable characteristic for an anticoagulant.

This study marks the first time that Sirnaomics is utilizing its proprietary GalNAc RNAi platform technology, GalAhead™, in one of its siRNA-based candidates and conducting a trial for a patient population with high unmet need for anticoagulation but with low bleeding incidence. By targeting FXI, the Group has the potential to target multiple diseases that require anticoagulation such as atrial fibrillation, pulmonary embolism, deep vein thrombosis (DVT), and deep venous thrombosis prophylaxis for surgical procedures.

RV-1770

RV-1770 RSV Vaccine: IND clearance from the U.S. FDA

In December 2023, RNAimmune, our non-wholly owned subsidiary specializing in discovery and development of mRNA-based therapeutics and vaccines, received regulatory clearance on its IND application from the U.S. FDA to commence a Phase I clinical trial for RV-1770, an mRNA vaccine targeting the human RSV. The proposed Phase I clinical study will assess the safety and tolerance of RV-1770, a combination of an mRNA-based vaccine with a lipid nanoparticle formulation, aimed at preventing RSV infection in adults. Healthy volunteers between the ages of 18–49 and an older adult group aged 60–79 will receive a single dose of RV-1770 intramuscularly. The study plans to recruit a total of 162 participants divided into two cohorts of younger and older adults with 81 each. All participants will undergo a 12-month post-vaccination monitoring for evaluation of RV-1770's safety and immunogenicity.

RV-1730

RV-1730 COVID-19 Booster Vaccine: IND clearance from the U.S. FDA

In April 2023, RNAimmune, received regulatory clearance on its IND application from the U.S. FDA to commence a Phase I clinical trial for RV-1730, its SARS-CoV-2 vaccine booster candidate. The proposed clinical study will involve an evaluation of RV-1730 for its safety and prophylaxis efficacy against SARS-CoV-2 infection with people previously immunized with other mRNA-based COVID-19 vaccines. Receiving the U.S. FDA clearance for RV-1730 Phase I clinical trial for a novel COVID-19 booster vaccine marks a significant milestone for RNAimmune. The discovery and development efforts of RV-1730 have helped advancement of the technology platforms and regulatory capability of RNAimmune for novel mRNA-based vaccine and therapeutic product developments.

IND Enabling Studies and Expected Clinical Studies

We are expecting to submit a U.S. IND for STP125G and STP144G in 2025. 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.

Commencement of our Fill and Finish Plant Facility in Guangzhou

After more than two years of successful operation of our Guangzhou Facility, set up in December 2021, the facility continues to provide support to optimize our clinical supplies strategy in Asia by adapting production to our current needs.

The continuous improvement of the Guangzhou Facility in GMP compliance and aseptic processing operational assurance have been demonstrated. With the full GMP batch of STP707 for human injection produced in the first quarter of 2023, the Guangzhou Facility is expected to be in full GMP-compliant manufacturing of our pipeline products, including formulation, fill and finish for both liquid and solid dose production, testing and release. An anticipated annual capacity of around 50,000 vials of lyophilized solid dose and 150,000 to 200,000 vials of liquid dose for human injectables dose capacity is sufficient to support all clinical trials we have currently planned and for future clinical developments.

During 2023, the Guangzhou Facility also completed the extension of the filling line capacity to include liquid dose fill in 2R vial to support our GalAhead™ platform. With STP122G clinical trial in progress, the capabilities to transform between PNP and GalAhead™ product line can support our clinical needs in the future.

EDIRNA Operation

EDIRNA, our non-wholly owned subsidiary set up in 2022, is an early-stage biotech company focused on RNA-Editing technology for the discovery and development of novel therapeutics. Sirnaomics has provided an initial funding and licensed our exclusive proprietary delivery technologies to EDIRNA for advancing its proprietary "Edit-to-Cure Therapeutics™" platform, targeting diseases with high unmet clinical need. We continue to look for innovative ways to deliver cutting-edge technologies that address current unmet needs. With the rapidly evolving RNA Editing market, we will utilize the Group's well-validated RNA delivery, RNA modification, large scale manufacturing and clinical development technologies and know-hows to build a strategic partnership with EDIRNA that align with our ultimate mission of improving health outcomes for patients.

Intellectual Properties

Sirnaomics is the exclusive owner of 1 issued patent and 27 pending patents and applications that cover our PNP delivery platform (without regard to any particular product or product family). These include two applications filed in China, 12 national stage applications stemming from the filing of an international (PCT) application in 2020 (including, among others, one Chinese application and one U.S. application), three PCT applications and three other U.S. non-provisional applications. We continue to develop and use the PNP delivery platform technology for selected indications. Sirnaomics licensed this technology to RNAimmune for use in its mRNA vaccine platforms. RNAimmune has 2 additional PCT and 3 additional US Provisional applications relating to drug delivery.

In 2023, the GalAhead™ RNAi delivery platform advanced in the developing novel therapeutic products focused on complement-related and other diseases. The GalAhead™ platform is protected by two families consisting of 25 pending internationally filed patents. Sirnaomics owns 46 additional applications in 2023 that protect embodiments of the platform directed to specific molecular targets.

Strengthening of Executive Team and Board

The Group has restructured the management team to reflect the latest focus in executing its development strategy.

In July 2023, we have made one significant addition to our senior management team by appointing Dr. Francois Lebel (Dr. Lebel), a seasoned and experienced biopharmaceutical industry executive. Dr. Lebel was first appointed as Senior Vice President for pre-clinical and clinical development of the Group, and then appointed as the Chief Medical Officer of the Group, superseding Dr. Michael V. Molyneaux, in December 2023. Dr. Lebel is a strategic leader with broad drug development experience including immuno-oncology and nucleic acid therapeutics. Throughout his 30-year solid biopharma industry career, Dr. Lebel has designed and managed international research programs and development organizations to successfully achieve multiple product marketing approvals. With Dr. Lebel's in-depth knowledge and experience in novel drug product marketing approvals, his addition to Sirnaomics senior leadership has greatly enhanced our capability to advance the therapeutic candidates through the late-stage product development.

In August 2023, we appointed Dr. Xiaochang Dai (Dr. Dai) to be our Chief Strategy Officer. Dr Dai's understanding of the global competitive landscape of the RNAi field, together with his vision for the field, is considered instrumental in setting long-term goals for the Group.

FUTURE AND OUTLOOK

At Sirnaomics, we are advancing a prioritized 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 the U.S. and Asia, the Group is well-positioned to develop novel RNAi therapeutics for oncology, viral infection, liver-metabolic diseases and medical aesthetics. We intend to continue to expand our competitive advantages and become a global leader by focusing on the following key business priorities and initiatives:

Restructuring to reprioritize development goals and extend runway

Sirnaomics has undertaken a few major restructurings in response to significant changes in the market environment and overall strategy to extend our cash runway. Amidst a challenging macroeconomic environment, characterized by economic downturns and broader market volatility that impact investor confidence and investment in the healthcare sector, the Company remains committed to navigating these headwinds effectively. As part of our proactive approach to addressing these challenges, we have undertaken a comprehensive restructuring of our group operations.

This restructuring initiative is designed to further streamline our organizational structure, enhance operational efficiency, and align our resources more effectively with our strategic objectives to continue advancing our Core Product. By consolidating certain functions in different locations, optimizing processes, and reallocating resources, we aim to achieve greater agility and resilience in the face of market uncertainties.

A key focus of our restructuring efforts is cost reduction. We recognize the importance of prudent financial management in times of economic uncertainty, and as such, we are implementing targeted cost-saving measures across our operations.

While these initiatives may involve short-term adjustments, we believe they are essential for re-positioning the Group for long-term success and sustainable growth. By proactively managing costs and optimizing our operations, we are confident in our ability to weather the current economic challenges and emerge stronger in the future.

Additionally, we will extend our cash runway through various initiatives, including but not limited to, (1) strategically redeeming the financial assets; (2) pursuing external funding through equity and debt financing; and (3) exploring business development opportunities.

We remain fully committed to delivering value to our shareholders, customers, and stakeholders while maintaining a steadfast focus on financial discipline and operational excellence.

Advance development of our lead product candidates STP705 and STP707 through clinical trials toward market approvals in oncology in the U.S. and Asia

We have successfully leveraged the proof-of-concept human data from STP705. With the accumulation of successful human clinical data from STP705 for the treatment of isSCC, we expanded the clinical trials for STP705 into a wider range of oncology indications, including but not limited to BCC and liver cancer, as well as medical aesthetics indication such as focal fat reduction. We also continue to advance our clinical trials for STP707 and expand the therapeutic reach using systemic administration as a modality, opening up more opportunities to treat other indications which could not be addressed by STP705.

Our top priority is STP705 for the treatment of isSCC towards commercialization. After discussing the Phase IIa and Phase IIb results with the U.S. FDA via an End-of-Phase II meeting in the first half of 2023, the FDA provided Sirnaomics guidance to advance the program further. Sirnaomics has proposed to the U.S. FDA an adaptive design Phase II/III pivotal trial to address the outstanding dose selection questions and has proposed another Phase III as required by regulation. The Group has already started planning to move forward pending final agreement with the U.S. FDA. Subject to further discussion with the U.S. FDA and availability of financial resources, we envisage moving forward in 2024 with a well-designed pivotal clinical study. With the first patient potentially enrolled during Q3 2024, we are in full speed to drive our late-stage clinical study. Positive results would provide the basis for completion of the second large registration Phase III trial. Together with STP705 for the treatment of BCC for which we have the final data readout in 2023, we expect to further advance our STP705 skin cancer franchise to late-stage development in 2024. We expect to fund our STP705 trial with existing financial resources, fresh capital raised in the capital market and partnership.

To prepare for our expanding programs and further clinical development, our clinical team is expected to initiate and run multi-center global trials for indications such as NMSC and multiple solid tumor cancers, leveraging the populations of subjects for different indications in the U.S. and Asia. To prepare for potential market approvals, we have started exploring potential partnerships and developed a commercialization plan to position STP705 when the upcoming clinical studies reach primary endpoints. Going forward, we plan to continue to invest in the studies for STP705 and expand into medical aesthetics and other indications.

While we advance the late-stage development of STP705 for the treatment of isSCC and BCC, we are excited to simultaneously move forward with STP707 which has shown in Phase I the safety and efficacy of our proprietary PNP delivery systems in IV administration. In future development, STP707 and our targeted PNP delivery have potential to treat a variety of solid tumors and will differentiate Sirnaomics from other RNA players globally. As a result of positive data in advanced pancreatic cancer for STP707 especially given the very well tolerated profile at all dose tested, we will explore collaboration of a Phase II combination trial, combining STP707 with novel approved cancer therapies such as immune check point inhibitors as well as with more traditional chemotherapy. Such potential combination therapies may target CCA, HCC, melanoma, or pancreatic cancer. We will also explore other indications for Phase II trials and continue expanding our clinical development programs on STP707. The IV administration route is particularly appealing as it is believed to represent a bigger market potential and therefore more appealing to potential partner.

We believe our optimal growth plan lies in dedicating our capital and corporate resources toward advancing our more valuable assets with meaningful market potential. We expect to fund our STP707 trial with existing financial resources, fresh capital raised in the market and partnership.

Exploration of new areas — open up medical aesthetics market

We announced the interim data for our proof-of-concept Phase I STP705 trial to study fat remodeling in abdominoplasty patients in June 2023 and completed the Phase I study in Q4 2023. Data readout has demonstrated safety and efficacy results with no systemic adverse events and no significant adverse local skin or tissue changes. All tissue samples showed histological evidence suggestive of fat remodeling. This study is our first exploration to apply an RNAi therapeutic candidate for localized fat remodeling and we plan to use the information from this study to expand into the treatment of submental fat and other areas amenable to nonsurgical fat remodeling. This development program is expected to open a new therapeutic area of medical aesthetics for our pipeline and has received very positive responses from the market. We will request a meeting with the U.S. FDA to determine the path to approval for the program and will start the Phase II study in 2024, subject to availability of financial resources and outcome of the ongoing business development discussion. With the enthusiastic responses from the market, we are exploring partnership opportunities for this particular asset.

Advance more innovative first-in-class preclinical assets 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.

During 2023, we have successfully advanced STP122G, the first representative candidate for GalAhead™ delivery platform, into clinical stage, and obtained IND approval for RV-1730 and RV-1770, novel mRNA vaccines, through RNAimmune, our non-wholly owned subsidiary. These are exciting news as we will continue advancement to clinical stage for our proprietary delivery platforms.

Our plan is to accelerate the research and development of our next generation GalAhead™ platform. We have nine GalAhead™ preclinical candidates in the pipeline. Following STP122G, we have a good lineup of assets, STP125G and STP144G, from our GalAhead™ delivery platform to file IND in the U.S. in 2025.

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

Our strategy and business development team continues to actively explore global and local partnership and cooperation opportunities with other industry players, specifically for our lead products STP705 and STP707, and with our GalAhead™ preclinical and clinical assets. Such partnerships and cooperation are expected to help accelerate 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 aim to gain market coverage by leveraging our current and future business partners' expertise and business network.

Commercialization

The Group has been devoted to commercializing the core product STP705 for the treatment of isSCC. We have continued to strengthen our clinical team to help advance the late-stage development of STP705 for the treatment of isSCC. The addition of Dr. Lebel to our clinical team was one initiative to level up our experiences in late-stage development. Having consulted with industry consultants and key opinion leaders, and taking into account the latest developments on STP705, we currently expect that, the NDA filing will be made as soon as 2027, subject to the regulatory review by the U.S. FDA and the funding available. Nevertheless, the estimated timeline of the commercialization remains highly uncertain given various factors that are beyond the control of the Group, including but not limited to the results of the clinical trials, discussion with the U.S. FDA on the design and protocol of subsequent trials, the possibility of conducting additional trials as may be requested by the U.S. FDA, and the approval and directions to be made by the U.S. FDA.

In addition, the successful commercialization of the Core Product depends on a number of factors, including: (i) favorable safety and efficacy data from our clinical trials; (ii) successful enrolment of patients in, and completion of, clinical trials; (iii) sufficient supplies of drug products that are either used in combination or in comparison with the Core Product in clinical trials; (iv) performance by or other third parties we engage to conduct clinical trials and their compliance with our protocols and applicable laws without compromising integrity of the resulting data; (v) capabilities and competence of our collaborators; (vi) receipt of regulatory approvals; (vii) commercial manufacturing capabilities; (viii) successful launch of commercial sales of the Core Product, if and when approved; (ix) obtaining and maintenance of favorable reimbursement from third-party payers for drugs, if and when approved; (x) competition with other drug candidates and drugs; (xi) the obtaining, maintenance and enforcement of patents, trademarks, trade secrets and other intellectual property protections and regulatory exclusivity for the Core Product; (xii) successful defense against any claims brought by third parties that we have infringed, misappropriated or otherwise violated any intellectual property of any such third party; and (xiii) the continued acceptable safety profile of the Core Product following regulatory approval.

FINANCIAL REVIEW

	2023 US$'000	2022 US$'000
Other income	**1,414**	2,114
Other gains and losses	**1,911**	(292)
Changes in fair value of financial asset at FVTPL	**241**	4
Changes in fair value of financial liabilities at FVTPL	**(1,512)**	(6,124)
Impairment losses recognized on property, plant and equipment and right-of-use assets	**(8,345)**	—
Administrative expenses	**(23,161)**	(24,191)
Research and development expenses	**(54,382)**	(67,641)
Other expenses	**(170)**	(450)
Finance costs	**(986)**	(798)
Loss for the year	**(84,990)**	(97,378)

Overview

For the year ended December 31, 2023, the Group did not generate any revenue from product sales. The Group recorded a loss of US$85.0 million for the year ended December 31, 2023, as compared with US$97.4 million for the year ended December 31, 2022.

Substantially all of the Group's net losses resulted from research and development expenses, administrative expenses and impairment losses recognized on property, plant and equipment and right-of-use assets.

Revenue

For the year ended December 31, 2023, the Group did not generate any revenue from product sales.

Other Income

The Group's other income primarily consists of: (i) government grants, including cash incentives to support the Group's research and development activities; and (ii) interest income from bank balances.

For the year ended December 31, 2023, the other income of the Group decreased to US$1.4 million, representing a reduction of US$0.7 million, or 33%, from US$2.1 million for the year ended December 31, 2022. The decrease was primarily due to: (i) decrease in interest income from bank balances from US$1.4 million for the year ended December 31, 2022 to US$1.0 million for the year ended December 31, 2023; and (ii) government grants decreased from US$0.7 million for the year ended December 31, 2022 to US$0.4 million for the year ended December 31, 2023.

Other Gains and Losses

The Group's other gains and losses primarily consist of: (i) gain on termination of leases; and (ii) net foreign exchange losses.

The other gains and losses of the Group changed from a loss of US$0.3 million for the year ended December 31, 2022 to a gain of US$1.9 million for the year ended December 31, 2023. The change was primarily due to: (i) gain on termination of leases of US$2.1 million for the year ended December 31, 2023; and (ii) decrease in net foreign exchange losses from US$0.3 million for the year ended December 31, 2022 to US$3,000 for the year ended December 31, 2023.

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 Series Seed and Series A preferred shares of RNAimmune as a result of the changes in valuation of RNAimmune.

For the year ended December 31, 2023, the loss on changes in fair value of financial liabilities at FVTPL of the Group decreased to US$1.5 million, representing a reduction of US$4.6 million, or 75%, from US$6.1 million for the year ended December 31, 2022, primarily due to a lower rate of increase in the valuation of preferred shares of RNAimmune.

Impairment Losses Recognized on Property, Plant and Equipment and Right-of-Use Assets

During the year ended December 31, 2023, the Directors considered that there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets. Impairment losses of US$6.9 million and US$1.4 million, had been recognized against the carrying amount of property, plant and equipment and right-of-use assets, respectively.

Administrative Expenses

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

	For the year ended December 31,		
	2023 US$'000	2022 US$'000	Changes %
Director's emolument and staff costs	**8,760**	7,014	25%
Professional and consultancy fees	**9,226**	12,738	(28%)
Depreciation of property, plant and equipment and right-of-use assets	**1,710**	1,458	17%
Office expenses	**1,141**	1,442	(21%)
Traveling expenses	**614**	415	48%
Others	**1,710**	1,124	52%
Total	**23,161**	24,191	(4%)

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, including financial advisory service fees, legal fees for patent-related and general corporate advisory services, and professional fees for marketing, business development, regulatory compliance and maintaining listing status after the Listing.

For the year ended December 31, 2023, the administrative expenses of the Group decreased to US$23.2 million, representing a reduction of US$1.0 million, or 4%, from US$24.2 million for the year ended December 31, 2022. The decrease was primarily attributable to the reduction of professional and consultancy fees as a result of the Group's cost saving strategy on marketing and business development activities, partly offset by the increase in directors' emolument and staff costs in relation to the Group's administrative staff, mainly due to increase in share-based payment expense.

Research and Development Expenses

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

	For the year ended December 31,		
	2023 US$'000	2022 US$'000	Changes %
Director's emolument and staff costs	**14,552**	14,569	(0%)
Chemistry, manufacturing and controls expenses	**9,102**	16,815	(46%)
Clinical trials expenses	**7,720**	8,490	(9%)
Toxicology study expenses	**8,580**	3,299	160%
Materials consumed	**2,929**	10,153	(71%)
Preclinical test expenses	**2,532**	8,491	(70%)
Depreciation of property, plant and equipment and right-of-use assets and amortization of intangible assets	**4,449**	2,475	80%
Consultancy fee	**2,020**	1,169	73%
Others	**2,498**	2,180	15%
Total	**54,382**	67,641	(20%)

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

For the year ended December 31, 2023, the research and development expenses of the Group decreased to US$54.4 million, representing a reduction of US$13.2 million, or 20%, from US$67.6 million for the year ended December 31, 2022. The decrease was primarily attributable to decrease in the Group's chemistry, manufacturing and controls expenses, clinical trials expenses, materials consumed and preclinical test expenses. Such decreases were in line with the Group's resource allocation strategy. Despite the increase in share-based payment expense, directors' emolument and staff costs in relation to the Group's research and development activities remained at a similar level due to decrease in salaries and other allowances resulting from the Group's restructuring efforts to optimize its taskforce during the year ended December 31, 2023.

Other Expenses

The Group's other expenses primarily consist of subscription fee of financial asset at FVTPL.

For the year ended December 31, 2023, the other expenses of the Group decreased by US$0.3 million, or 62%, to US$0.2 million from US$0.5 million for the year ended December 31, 2022. This decrease was primarily due to decrease in subscription of financial asset at FVTPL.

Finance Costs

The Group's finance costs represent interest on lease liabilities.

For the year ended December 31, 2023, interest on lease liabilities of the Group increased by US$0.2 million, or 24%, to US$1.0 million from US$0.8 million for the year ended December 31, 2022.

Income Tax Expense

No Hong Kong profits tax, U.S. corporate income and state taxes or China enterprise income tax were provided as the group entities had no assessable profits during the year ended December 31, 2023.

Loss for the Year

The Group's loss for the year decreased from US$97.4 million for the year ended December 31, 2022 to US$85.0 million for the year ended December 31, 2023. Such decrease in loss is primarily attributable to: (i) decrease in research and development expenses; and (ii) decrease in loss on changes in fair value of financial liabilities at FVTPL, partly offset by the impairment losses recognized on property, plant and equipment and right-of-use assets for the year ended December 31, 2023.

Cash flows

	For the year ended December 31,	
	2023	2022
	US$'000	US$'000
Net cash used in operating activities	**(70,292)**	(88,708)
Net cash used in investing activities	**(5,350)**	(32,611)
Net cash (used in) from financing activities	**(5,606)**	15,888
Net decrease in cash and cash equivalents	**(81,248)**	(105,431)
Cash and cash equivalents at January 1	**105,229**	211,994
Effect of foreign exchange rate changes	**(97)**	(1,334)
Cash and cash equivalents at December 31	**23,884**	105,229

Net cash used in operating activities for the year ended December 31, 2023 decreased to US$70.3 million, representing a reduction of US$18.4 million, or 21%, from US$88.7 million for the year ended December 31, 2022. The decrease was primarily due to the Group slowed down its research and development activities on certain insignificant programs.

Net cash used in investing activities for the year ended December 31, 2023 decreased to US$5.4 million, representing a reduction of US$27.2 million, or 84%, from US$32.6 million for the year ended December 31, 2022. The decrease was primarily due to: (i) decrease in purchase and deposits paid for property, plant and equipment; and (ii) decrease in purchase of financial asset at FVTPL.

Cash flows used in/from financing activities changed from net cash from financing activities of US$15.9 million for the year ended December 31, 2022 to net cash used in financing activities of US$5.6 million for the year ended December 31, 2023. The change was primarily due to payment for share repurchases of US$6.5 million for the year ended December 31, 2023, while the Group raised proceeds from exercise of the over-allotment option of US$8.2 million and from issuance of Series A preferred shares of RNAimmune of US$14.6 million during the year ended December 31, 2022.

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 December 31, 2023, the Group's cash and cash equivalents were mainly denominated in U.S. 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 December 31, 2023.

As at December 31, 2023, the Group had no unutilized banking facilities.

As at December 31, 2023, the Group's cash and cash equivalents decreased to US$23.9 million from US$105.2 million as at December 31, 2022. The decrease was primarily resulted from the Group's research and development activities, general corporate and administrative activities.

As at December 31, 2023, the current assets of the Group were US$58.7 million, including cash and cash equivalents of US$23.9 million, financial asset at FVTPL of US$20.0 million and prepayments, deposits and other receivables of US$14.8 million. As at December 31, 2023, the current liabilities of the Group were US$13.0 million, including trade and other payables of US$10.8 million, contract liability of US$0.7 million, deferred income of US$0.3 million and lease liabilities of US$1.2 million.

As at December 31, 2023, the Group's net assets decreased to US$24.5 million from US$111.6 million as at December 31, 2022, primarily due to decrease in cash and cash equivalents from US$105.2 million as of December 31, 2022 to US$23.9 million as of December 31, 2023.

Key Financial Ratios

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

	As at December 31,	
	2023	2022
	%	%
Current ratio	**451.2**	824.1

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

Significant Investments

As at December 31, 2022, the Group had investment in an investment fund classified as financial asset at FVTPL at a fair value of US$15.0 million. During the year ended December 31, 2023, the Group further subscribed for the investment fund at a subscription amount of US$5 million (exclusive of transaction costs) for investment purpose to provide the Group with an opportunity to enhance return by utilizing idle cash of the Group. The subscription also enables the Group to participate in the Hong Kong, U.S. and Mainland China securities markets while reducing direct investment risks by leveraging on the professional management of the investment fund and the investment manager. For further details, please refer to the annual report of the Company for the year ended December 31, 2022 and the announcements of the Company dated December 29, 2022 and January 12, 2023.

As at December 31, 2023, the Group had financial asset at FVTPL of US$20.0 million, representing over 5% of the Group's total assets. For the year ended December 31, 2023, the Group recognized a gain on changes in fair value of financial asset at FVTPL of US$241,000 and incurred a subscription fee on the financial asset at FVTPL of US$150,000.

Material Acquisitions and Disposals

The Group did not have any material acquisitions or disposals of subsidiaries, associates (within the meaning of the Listing Rules) or joint ventures for the year ended December 31, 2023.

Pledge of Assets

As at December 31, 2023, the Group did not have any pledge of assets.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this annual report, there was no specific plan for material investments or capital assets as at December 31, 2023.

Contingent Liabilities

As at December 31, 2023, 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. The foreign exchange exposure is considered very minimal since majority of the Group's expenses is in U.S. dollar and this matches with the denomination of majority of our deposits. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration

As at December 31, 2023, the Group had a total of 145 employees. The following table sets forth the total number of employees by function as of December 31, 2023:

	Number of Employees
Management	**12**
Research	**54**
Manufacturing	**30**
Clinical and Regulation	**8**
General and Administrative	**41**
Total	**145**

The total remuneration cost incurred by the Group for the year ended December 31, 2023 was US$23.3 million (including share-based payment expense of US$3.6 million), as compared to US$21.6 million (including share-based payment expense of US$0.4 million) for the year ended December 31, 2022. 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 RSU Scheme and the Share Option Scheme to incentivize eligible employees, details of which are set out in the section headed "Report of the Directors — Pre-IPO Equity Incentive Plan, RSU Scheme and Share Option Scheme" in this annual report.

Directors and Senior Management

EXECUTIVE DIRECTORS

Dr. Yang Lu (*alias* Patrick Lu) (陸陽) ("**Dr. Lu**"), aged 68, is the founder, the Chairman of the Board, an executive Director, the President and the Chief Executive Officer of the Group. Dr. Lu has led the Company from an early discovery effort to an siRNA therapeutics product company, with multiple programs currently at clinical stage. Dr. Lu participates in the decision-making on major issues concerning the Company through the Board. Dr. Lu is a member of the Nomination Committee. He is also a director of certain subsidiaries of the Company.

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

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

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

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

Dr. Xiaochang Dai (戴曉暢) ("**Dr. Dai**"), aged 61, is an executive Director and the Chief Strategy Officer of the Group. Dr. Dai participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board. Dr. Dai is a member of the Remuneration Committee. He is also a director of certain subsidiaries of the Company.

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

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

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

Directors and Senior Management

Dr. David Mark Evans ("**Dr Evans**"), aged 61, is an executive Director and the Head of Drug Discovery and Collaboration of the Group. Dr. Evans is responsible for scientific, technological and Research operations in oncology and fibrosis. Dr. Evans served as an executive vice president of research and development of the Group from March 2008 to January 2013. Dr. Evans has rich experience in pharmaceutical research and focuses on the development of siRNA therapeutics in oncology and fibrosis.

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

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

NON-EXECUTIVE DIRECTORS

Mr. Mincong Huang (黃敏聰) ("**Mr. Huang**"), aged 35, is a non-executive Director. Mr. Huang participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board. Mr. Huang is a member of the Audit Committee. He is also a director of a subsidiary of the Company.

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

Mr. Jiankang Zhang (章建康) ("**Mr. Zhang**"), aged 66, is a non-executive Director. Mr. Zhang participates in the formulation of the general corporate business plans, strategies and major decisions of the Company through the Board.

Mr. Zhang has over 40 years of professional experience in biotechnology industry and global public health field. From August 2018 to December 2023, Mr. Zhang served as an independent director of Shanghai Serum Bio-technology Co., Limited (上海賽倫生物技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688163). From March 2017 to August 2019, Mr. Zhang worked as the executive vice president and chief operating officer in Ustar Biotechnologies (Hangzhou) Limited (杭州優思達生物技術有限公司). Prior to that, Mr. Zhang worked at the Program for Appropriate Technology in Health (PATH), a global non-profit health organization as the chief representative in China from January 2007 to May 2016. From July 1999 to October 2006, he served as the general manager of Haemonetics China (美國血液技術公司). He was an editor of the International Journal of Biologicals from January 1982 to August 1990, which was operated by Shanghai Institute of Biological Products (上海生物製品研究所), where Mr. Zhang was the medical information specialist, project manager, assistant managing director and the executive deputy managing director for operation from January 1982 to June 1999 successively.

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

- vice president and director of Walvax Biotechnology Co., Ltd. (雲南沃森生物技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300142) since June 2020; and

- president and director of Shanghai Zerun Biotechnology Co., Ltd. (上海澤潤生物科技有限公司) since June 2020.

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Cheung Hoi Yu (于常海) ("**Dr. Yu**"), *JP*, aged 69, is an independent non-executive Director. Dr. Yu participates in the decision-making on major issues concerning the Company through the Board. Dr. Yu is a member of the Remuneration Committee and the Nomination Committee.

Dr. Yu has rich experience in scientific research and business operations. In addition to his position in the Group, Dr. Yu also serves as (i) a director of CR-CP Life Science Fund Management Limited since May 2021; (ii) a member of the Biotech Advisory Panel of The Stock Exchange of Hong Kong Limited since April 2018; (iii) a member of the board of trustees of Gordon Research Conference, a group of international scientific conferences covering biological, chemical and physical sciences and the related technologies, since July 2014; (iv) a director at Asian Fund for Cancer Research since November 2012; and (v) a member of the Technology and Innovation Subsector of the Election Committee of Hong Kong since October 2021. Dr. Yu served as the chairman of the Hong Kong Council for Testing and Certification from January 2016 to December 2021. In addition to that, Dr. Yu serves as a professor at the Neuroscience Research Institute (北京大學神經科學研究所) at Peking University (北京大學) since January 2002.

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

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

Mr. Fengmao Hua (華風茂) ("**Mr. Hua**"), aged 55, is an independent non-executive Director. Mr. Hua participates in the decision-making on major issues concerning the Company through the Board. Mr. Hua is the chairperson of the Nomination Committee and a member of the Audit Committee.

In addition to his position at the Group, Mr. Hua serves as the chairman of the board of China Finance Strategies Investment Holdings since August 2014, and as independent non-executive director of (i) Lepu Biopharma Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2157) since December 2021; and (ii) Biocytogen Pharmaceuticals (Beijing) Co., Ltd., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 2315) since July 2021. From December 2021 to February 2024, he served as an independent non-executive director of Ferretti S.p.A., a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 9638). Mr. Hua has more than 15 years of experience in the investment banking industry. Mr. Hua previously worked at a number of investment banking firms where he was mainly responsible for corporate finance, public offering, reorganization, merger and acquisitions as well as other financial consulting work, the details of which are set forth below:

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

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

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

- he served as the chief executive officer and as an executive director of Chempartner Pharmatech Co., Ltd., a company listed on Shenzhen Stock Exchange (stock code: 300149), from July 2021 to October 2022 and from August 2021 to October 2022, respectively.

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

Ms. Monin Ung (黃夢瑩) ("**Ms. Ung**"), aged 55, is an independent non-executive Director. Ms. Ung participates in the decision-making on major issues concerning the Company through the Board. Ms. Ung is the chairperson of the Remuneration Committee. She is also a director of a subsidiary of the Company.

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

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

Ms. Shing Mo Han, Yvonne (*alias* Mrs. Yvonne Law) (盛慕嫻) ("**Mrs. Yvonne Law**"), *BBS, JP*, aged 68, is an independent non-executive Director. Mrs. Yvonne Law participates in the decision-making on major issues concerning the Company through the Board. Mrs. Yvonne Law is the chairperson of the Audit Committee.

In addition to her position at the Group, Mrs. Yvonne Law currently serves as the independent non-executive director of (i) China Resources Pharmaceutical Group Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3320) since August 2017; (ii) CSSC (Hong Kong) Shipping Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 3877) since May 2019; (iii) AEON Credit Service (Asia) Company Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 900) since June 2020; (iv) China Merchants Energy Shipping Company Limited, a company listed on the Shanghai Stock Exchange (stock code: 601872) since October 2020; and (v) Analogue Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1977) since June 2023.

Mrs. Yvonne Law's current public appointments include serving as a member of the Hong Kong Deposit Protection Board since July 2023, as a member of the Board of Governors of EXCEL (Extension and Continuing Education for Life) of The Hong Kong Academy for Performing Arts (HKAPA) since January 2023, as a member of the audit committee of HKAPA since September 2022 and as the co-opted chairman of the Main Tender Board for HKAPA since January 2022. She has been appointed to serve on the Board of Trustees of the Hong Kong Polytechnic University Superannuation Fund since May 2018, and a court member of the Hong Kong Polytechnic University since April 2016. She also serves as the advisor and finance committee member of Our Hong Kong Foundation since November 2015.

In the past, her appointments also include being a member of the 10th, 11th and 12th Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference from January 2008 to January 2023, the treasurer of the Council of the Hong Kong Academy for Performing Arts, Home Affairs Bureau, from January 2016 to December 2021, the chairperson of the Hospital Governing Committee of Shatin Hospital from April 2011 to March 2017, and a member of the Hong Kong Hospital Authority from December 2007 to November 2013.

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

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

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

SENIOR MANAGEMENT

Dr. Yang Lu (*alias* Patrick Lu) (陸陽), aged 68, is the founder, the Chairman of the Board, an executive Director, the President and the Chief Executive Officer of the Group. See "Executive Directors" in this section for the biographical details of Dr. Lu.

Dr. Xiaochang Dai (戴曉暢), aged 61, is an executive Director and the Chief Strategy Officer of the Group. See "Executive Directors" in this section for the biographical details of Dr. Dai.

Dr. David Mark Evans, aged 61, is an executive Director and the Head of Drug Discovery and Collaboration of the Group. See "Executive Directors" in this section for the biographical details of Dr. Evans.

Dr. Edward Yongxiang Wang ("**Dr. Wang**"), aged 71, is the Chief Production Officer of the Group. Prior to joining the Group, Dr. Wang served as (i) the senior scientist in the National Cancer Institute — Biopharmaceutical development program in the U.S. from January 2001 to December 2004; (ii) the technology director of Charter Medical Ltd. from January 2005 to December 2006; (iii) the deputy director of engineering in the US AERAS Global Tuberculosis Vaccine Foundation R&D Base (a non-profit organization affiliated with the Bill & Melinda Gates Foundation) from May 2007 to October 2011; (iv) the technology consultant of Parexel International in Ben Venue Laboratory of Boehringer Ingelheim from October 2011 to October 2012; (v) the vice president of technical operations at Wuxi Biological Base of WuXi AppTec Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 2359), from October 2012 to February 2014; (vi) the director of vaccine production in Newlink Genetics Inc. for a special project to fight the Ebola Epidemic from August 2014 to June 2016; and (vii) the deputy general manager at Shanghai Furen Medicine R&D Co., Ltd. (上海輔仁醫藥研發有限公司) from October 2016 to June 2018.

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

Dr. Francois Lebel ("**Dr. Lebel**"), aged 72, joined the Group in July 2023 as the Senior Vice President for pre-clinical and clinical development of the Group. He was appointed and re-designated as the Chief Medical Officer of the Group with effect from December 1, 2023, and takes a leading role in the Group's late-stage product development of the innovative RNAi drug candidates. Dr. Lebel is a strategic leader with broad drug development experience including immuno-oncology and nucleic acid therapeutics. Throughout his 30-year solid biopharma industry career with Baxter Healthcare, MedImmune, Chiron Corporation and others, Dr. Lebel has designed and managed international research programs and development organizations to successfully achieve multiple product marketing approvals.

Prior to joining the Group, Dr. Lebel most recently served as the executive vice president for research and development and chief medical officer of Spectrum Pharmaceuticals, Inc., a company listed on Nasdaq (stock code: SPPI), from November 2018 to January 2023, where he was responsible for preclinical and clinical development, regulatory affairs and pharmacovigilance/drug safety. His commitment to quality and speed of execution resulted in another novel drug product marketing authorization at the U.S. Food and Drug Administration (FDA) in 2022.

Dr. Lebel received his bachelor's degree in molecular biology and a medical degree from the University of Ottawa, Canada, and completed his post graduate training at McGill University and Harvard Medical School. He is Board Certified in Internal Medicine and is a fellow of the Royal College of Physicians of Canada.

Mr. Yip Wing Kei (*alias* Nigel Yip) (葉永基) ("**Mr. Yip**"), aged 38, joined the Group in October 2018 and is the vice president of corporate finance and Chief Financial Officer of the Group, and the Chief Financial Officer of RNAimmune. Mr. Yip has over 15 years of experience in strategic planning, financial analysis and management, merger and acquisition, private equity investment, fundraising and internal control.

Prior to joining the Group, Mr. Yip served as an analyst in the merger and acquisition department of KPMG Corporate Finance Limited from August 2008 to April 2010, and an associate in the investment banking division of Rothschild (Hong Kong) Limited from May 2010 to August 2015. Mr. Yip worked in Credit Suisse (Hong Kong) Limited from October 2015 to October 2018 and served as an associate in Investment Banking Division and a vice president in Ultra High Net Worth Entrepreneur Coverage Department.

Mr. Yip holds a Master of Business Administration (MBA) degree from the University of Chicago Booth School of Business and a Bachelor of Economics and Finance degree from the University of Hong Kong.

COMPANY SECRETARY

Mr. Leung Ting Cheung (*alias* Leo Leung) (梁庭彰) ("**Mr. Leung**"), aged 40, is the company secretary of the Company. Mr. Leung has over 17 years of experience in accounting and corporate compliance. From January 2006 to January 2008, he worked as an audit assistant at Horwath Hong Kong CPA Limited (now known as BDO Limited), a company which engages in the provision of assurance services. He joined KPMG as an accountant in January 2008 and was promoted to assistant audit manager in July 2008. He was later promoted to audit manager in October 2011 and left KPMG in May 2012. Thereafter, from May 2012 to August 2015, he worked as a senior manager at World Smart Accounting Services Limited, a company which engages in the provision of accountancy and company secretarial services. From January 2016 to November 2018, he worked as a financial consultant for Sun Cheong Creative Development Holdings Limited, a company used to be listed on the Hong Kong Stock Exchange (stock code: 1781). From November 2018 to April 2020, he worked as the financial controller and company secretary of EuroEyes International Eye Clinic Limited, a company listed on the Hong Kong Stock Exchange (stock code: 1846).

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

Report of the Directors

The Board is pleased to present this report of the Directors together with the audited consolidated financial statements of the Group for the year ended December 31, 2023.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 15, 2020 as an exempted company with limited liability.

PRINCIPAL ACTIVITIES

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

BOARD OF DIRECTORS

As at December 31, 2023 and the date of this annual report, the Board consists of nine Directors, including three executive Directors, two non-executive Directors and four independent non-executive Directors.

The Directors during the year ended December 31, 2023 and up to the date of this annual report were:

Executive Directors

Dr. Yang Lu (*alias* Patrick Lu) *(Chairman of the Board, President and Chief Executive Officer)*
Dr. Xiaochang Dai *(Chief Strategy Officer)*
Dr. David Mark Evans *(Head of Drug Discovery and Collaboration)*
Dr. Michael V. Molyneaux *(resignation effective from November 30, 2023)*

Non-executive Directors

Mr. Mincong Huang
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*

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

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

Accordingly, at the forthcoming annual general meeting to be held on June 20, 2024, Dr. David Mark Evans, Mr. Jiankang Zhang and Mr. Fengmao Hua shall retire from office and have offered themselves for re-election at the annual general meeting. Details of the Directors to be re-elected at the forthcoming annual general meeting will be set out in the circular to the Shareholders to be issued and dispatched to the Shareholders in due course.

Biographical Details of Directors and Senior Management

Biographical details of Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" on pages 34 to 43 of this annual 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 December 31, 2022 are set out below:

1. Dr. David Mark Evans stepped down from the role of Chief Scientific Officer and took the new role of the Head of Drug Discovery and Collaboration of the Group, with effect from May 16, 2023. His emolument has been adjusted to an annual cash compensation of US$250,000 which has been determined with reference to the level of responsibilities undertaken and prevailing market conditions.

2. Ms. Shing Mo Han, Yvonne was appointed as an independent non-executive director of Analogue Holdings Limited, a company listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1977), with effect from June 27, 2023;

3. Dr. Xiaochang Dai was appointed as Chief Strategy Officer of the Group, re-designated from the role of Scientific & Strategic Director, with effect from August 30, 2023;

4. Dr. Michael V. Molyneaux resigned as an executive Director and as the Chief Medical Officer of the Group with effect from November 30, 2023; and

5. With effect from February 16, 2024, the emoluments of Dr. Yang Lu, Dr. Xiaochang Dai and Dr. David Mark Evans have been adjusted. Each of Dr. Yang Lu, Dr. Xiaochang Dai and Dr. David Mark Evans is entitled to an annual cash compensation of US$256,000, US$175,000 and US$139,000, respectively, which has been determined with reference to the Group's restructuring initiatives.

Save as disclosed above, as of the date of this annual 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.

Confirmation of Independence of Independent Non-Executive Directors

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

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 108 of this annual report.

BUSINESS REVIEW

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

Risks Relating to the Research and Development of Our Drug Candidates

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

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

Risks Relating to Regulatory Approvals and Government Regulations

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

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

Risks Relating to Manufacturing of Our Drug Candidates

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

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

Risks Relating to Commercialization and Business Development of Our Drug Candidates

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

Risks Relating to Our Financial Position and Need for Additional Capital

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

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

Risks Relating to Our Intellectual Property Rights

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

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

Risks Relating to Our Reliance on Third Parties

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

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

Risks Relating to Our Operations

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

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

Risks Relating to Our Doing Business in the PRC

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

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

- Changes and development with respect to the interpretation and enforcement of PRC laws, rules and regulations could have adverse effect on us.

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

For more details of the Company's environmental policies and performance, please refer to the Company's 2023 ESG Report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended December 31, 2023, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

KEY RELATIONSHIPS WITH STAKEHOLDERS

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

An account of the Company's key relationships with its major stakeholders is set out in the Company's 2023 ESG Report.

PRE-IPO EQUITY INCENTIVE PLAN, RSU 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 share 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. On April 22, 2022, the Pre-IPO Equity Incentive Plan was terminated by the Company, subject to the rights of the participants of the Pre-IPO Equity Incentive Plan with respect to the awards granted according to the Pre-IPO Equity Incentive Plan prior to its termination. As at December 31, 2023, no Shares were available for issue under the Pre-IPO Equity Incentive Plan.

The principal terms of the Pre-IPO Equity Incentive Plan are set out below. The terms of the Pre-IPO Equity Incentive Plan were not subject to the provisions of Chapter 17 of the Listing Rules when it was adopted and shall now be subject to the applicable disclosure requirements under Rule 17.12 of the Listing Rules.

(1) Purpose

The purpose of the Pre-IPO Equity Incentive Plan is to attract and retain outstanding individuals to serve as directors, officers, employees, consultants, and advisors to our Group.

(2) Participants

The participants of the Pre-IPO Equity Incentive Plan shall be: (i) a director, officer or employee of the Group, or (ii) an individual that has been engaged to be a director, officer or employee of the Group, or (iii) a consultant or advisor who provides services to the Group, or (iv) an individual that has been engaged to provide services to the Group.

(3) Administration

The compensation committee of the Board (or such successor committee with the same or similar authority) has full power and authority to administer in its sole discretion the Pre-IPO Equity Incentive Plan, including the authority to: (i) interpret the provisions of the Pre-IPO Equity Incentive Plan; (ii) prescribe, amend and rescind rules and regulations relating to the Pre-IPO Equity Incentive Plan; (iii) correct any defect, supply any omission, or reconcile any inconsistency in carrying into effect the Pre-IPO Equity Incentive Plan; and (iv) make all other determinations necessary or advisable for the administration of the Pre-IPO Equity Incentive Plan.

A majority of the members of the compensation committee of the Board constitutes a quorum, and must make all determinations of the committee. The compensation committee of the Board may make any determination under the Pre-IPO Equity Incentive Plan without notice or meeting by a writing that a majority of the committee members have signed. All committee determinations are final and binding. If, at any time, the compensation committee of the Board is not in existence, the Board must administer the Pre-IPO Equity Incentive Plan and all references to the compensation committee of the Board in the Pre-IPO Equity Incentive Plan are deemed to mean the Board.

To the extent applicable law permits, the Board may delegate to another committee of the Board or to one or more officers of the Company any or all of the authority and responsibility of the compensation committee of the Board.

(4) Awards

An award means a grant of options, share appreciation rights or restricted shares.

(5) Discretionary grant of awards

Subject to the terms and conditions of the Pre-IPO Equity Incentive Plan, the compensation committee of the Board has full power and authority in its sole discretion to: (i) designate from time to time the participants to receive awards under the plan; (ii) determine the type or types of awards to be granted to each participant; (iii) determine the number of shares with respect to which an award relates; and (iv) determine any terms and conditions of an award. Awards under the plan may be granted either alone or in addition to, in tandem with, or in substitution for any other award (or any other award granted under another plan of the Group). The compensation committee's designation of a participant to receive an award in a given year does not require the compensation committee to designate such person to receive an award in any other year.

(6) Shares reserved

An aggregate of 12,770,000 Shares were reserved for issuance under the Pre-IPO Equity Incentive Plan. The Company issued and allotted the 12,770,000 Shares to a professional trustee which holds the Shares on trust under the Pre-IPO Equity Incentive Plan.

(7) Replenishment of Shares

If an award lapses, expires, terminates, or is canceled without the issuance of Shares or payment of cash under the award, then the Shares subject to or reserved for in respect of such award, or the Shares to which such award relates, may again be used for new awards, including issuance pursuant to incentive share options. If Shares are delivered to (or withheld by) the Company in payment of the exercise price or withholding taxes of an award, then such Shares may be used for new awards under the Pre-IPO Equity Incentive Plan, including issuance pursuant to incentive share options. If Shares are issued under an award and if the Company subsequently reacquires them pursuant to rights reserved upon the issuance of the Shares, then such Shares may be used for new awards under the plan but excluding issuance pursuant to incentive share options.

(8) Options

Subject to the terms and conditions of the Pre-IPO Equity Incentive Plan, the compensate committee of the Board must determine all terms and conditions of each option, including but not limited to:

(i) whether the option is an incentive stock option or a non-qualified stock option;

(ii) the number of Shares subject to the option;

(iii) the exercise price per share, which must not be less than the fair market value of a share as determined on the date of grant; provided, however, that an incentive stock option granted to a 10% owner-employee must have an exercise price that is at least 110% of the fair market value of a share on the date of grant;

(iv) the terms and conditions of exercise;

(v) unless the applicable option award or other applicable share option agreement (which has been approved by the compensation committee of the Board) expressly provides otherwise, the option, subject to the holder's continued employment or service by or for the Group, will vest 25% on the first anniversary of the date of grant and will vest in 1/36 portions for the then next 36 months thereafter on the last business day of each calendar month;

(vi) unless the applicable option award or other applicable share option agreement (which has been approved by the compensation committee of the Board) expressly provides otherwise, and notwithstanding anything else to the contrary in section (8)(v) hereof, the option may vest, in full, in the sole discretion of the compensation committee of the Board, upon a change of control of the Group;

(vii) the applicable option award or other applicable share option agreement (which has been approved by the compensation committee of the Board) expressly provides otherwise, the expiration or termination date of the option will be the fifth anniversary of the date of grant of the option, provided, however, that each incentive stock option granted to a 10% owner-employee must terminate no later than the fifth anniversary of the date of grant;

(viii) upon a participant's death, the option may be exercised by the person or persons to whom such participant's rights under the option pass by will or by applicable law or, if no such person has such rights, by his or her executor or administrator.

(9) Share appreciation rights

Subject to the terms and conditions of the Pre-IPO Equity Incentive Plan, the compensation committee of the Board must determine all terms and conditions of each share appreciation right, including but not limited to:

(i) the number of shares to which the share appreciation right relates;

(ii) the grant price, provided, however, that the grant price must not be less than the fair market value of the shares subject to the share appreciation right as determined on the date of grant;

(iii) the terms and conditions of exercise or maturity;

(iv) the termination date, provided, however, that a share appreciation right must terminate no later than the fifth anniversary of the date of grant;

(v) whether the share appreciation right will be settled in cash, shares, or a combination thereof;

(vi) upon a participant's death, the share appreciation right may be exercised by the person or persons to whom such participant's rights under the share appreciation right pass by will or by applicable law or, if no such person has such rights, by his or her executor or administrator.

(10) Restricted shares

Subject to the terms and conditions of the Pre-IPO Equity Incentive Plan, the compensation committee of the Board must determine all terms and conditions of each award of restricted shares, including but not limited to:

(i) the number of shares to which the award relates;

(ii) the period of time over which, and/or the criteria or conditions that must be satisfied so that, the risk of forfeiture and/or restrictions on transfer imposed on the restricted shares will lapse;

(iii) with respect to awards of restricted shares, the manner of registration of certificates for such shares, and whether to hold in escrow such certificates pending lapse of the risk of forfeiture and/or restrictions on transfer, or to issue such shares with an appropriate legend referring to such restrictions;

(iv) with respect to awards of restricted shares, whether dividends paid with respect to such shares are paid immediately or held in escrow or otherwise defined, and whether such dividends are subject to the same terms and conditions as the awards to which they related, all in a manner to avoid giving rise to additional taxes under US Tax Code Section 409A.

Details of the movements of the outstanding share options granted under the Pre-IPO Equity Incentive Plan during the year ended December 31, 2023 are as follows:

	Date of grant	Expiry date	Vesting period	Exercise price per Share (US$)	Number of share options						Weighted average closing price of the Shares immediately before the dates on which the share options were exercised (HK$)
					At January 1, 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At December 31, 2023	
Directors											
Dr. Yang Lu											
Tranche 2020–1	December 15, 2020	December 28, 2029	Note 1	2.35	675,000	–	–	–	–	**675,000**	–
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	1,100,000	–	–	–	–	**1,100,000**	–
Tranche 2021–6	September 30, 2021	December 30, 2030	Note 1	3.55	150,000	–	–	–	–	**150,000**	–
Dr. Xiaochang Dai											
Tranche 2018–2	August 28, 2018	December 30, 2027	Note 1	1.45	200,000	–	–	–	–	**200,000**	–
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	250,000	–	–	–	–	**250,000**	–
Dr. David Mark Evans											
Tranche 2017–3	September 1, 2017	December 30, 2025	Note 3	1.356	105,000	–	–	–	–	**105,000**	–
Tranche 2018–2	August 28, 2018	December 30, 2027	Note 1	1.45	300,000	–	–	–	–	**300,000**	–
Tranche 2020–2	July 30, 2020	December 28, 2029	Note 4	1.75	500,000	–	–	–	–	**500,000**	–
Tranche 2021–4	January 26, 2021	December 30, 2030	Note 1	2.35	10,000	–	–	–	–	**10,000**	–
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	50,000	–	–	–	–	**50,000**	–
Dr. Michael V. Molyneaux [7]											
Tranche 2016–1	October 3, 2016	December 30, 2025	Note 1	1.356	600,000	–	(52,500)	–	–	**547,500**	59.64
Tranche 2017–2	February 28, 2017	December 30, 2025	Note 1	1.356	400,000	–	–	–	–	**400,000**	–
Tranche 2018–2	August 28, 2018	December 30, 2027	Note 1	1.45	200,000	–	–	–	–	**200,000**	–
Tranche 2020–2	July 30, 2020	December 28, 2029	Note 4	1.75	200,000	–	–	–	–	**200,000**	–
Tranche 2021–4	January 26, 2021	December 30, 2030	Note 1	2.35	10,000	–	–	–	–	**10,000**	–
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	100,000	–	–	–	–	**100,000**	–
Five highest paid individuals in aggregate (excluding those who are Directors)											
Tranche 2018–3	November 8, 2018	December 30, 2027	Note 1	1.60	210,000	–	(4,000)	–	–	**206,000**	57.23
Tranche 2020–3	August 17, 2020	December 28, 2029	Note 1	1.75	100,000	–	–	–	–	**100,000**	–
Tranche 2020–5	November 5 & December 15, 2020	December 28, 2029	Note 1	2.35	150,000	–	–	–	–	**150,000**	–
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	300,000	–	–	–	–	**300,000**	–
Other grantees											
Tranche 2016–2	October 3, 2016	December 30, 2025	Note 3	1.356	735,000	–	(200,000)	–	–	**535,000**	52.10
Tranche 2017–2	September 1, 2017	December 30, 2025	Note 1	1.356	23,050	–	(2,000)	–	–	**21,050**	56.78
Tranche 2017–3	September 1, 2017	December 30, 2025	Note 3	1.356	600,000	–	(6,500)	–	–	**593,500**	56.12
Tranche 2017–4	February 28, 2017	December 30, 2025	Note 2	1.356	100,000	–	–	–	–	**100,000**	–
Tranche 2018–2	August 28, 2018 & October 1, 2018	December 30, 2027	Note 1	1.45	780,000	–	–	–	–	**780,000**	–
Tranche 2018–3	November 8, 2018	December 30, 2027	Note 1	1.60	10,000	–	–	–	–	**10,000**	–
Tranche 2019–2	March 28 & August 1, 2019	December 30, 2028	Note 1	1.75	179,000	–	–	–	–	**179,000**	–
Tranche 2020–1	July 30 & August 1, 2020	December 28, 2029	Note 5	1.75	600,000	–	(128,000)	–	–	**472,000**	56.81
Tranche 2020–2	July 30, 2020	December 28, 2029	Note 4	1.75	750,000	–	–	–	–	**750,000**	–
Tranche 2020–4	November 5 & December 15, 2020	December 28, 2029	Note 1	2.35	75,000	–	–	–	–	**75,000**	–
Tranche 2020–5	November 5, 9, 16 & December 15, 2020	December 28, 2029	Note 1	2.35	467,400	–	(107,800)	–	–	**359,600**	57.52
Tranche 2021–2	April 15, 2021	December 30, 2030	Note 4	2.35	7,500	–	–	–	–	**7,500**	–
Tranche 2021–3	April 15, 2021	December 30, 2030	Note 4	2.35	7,500	–	–	–	–	**7,500**	–
Tranche 2021–4	January 26, February 22 & April 15, 2021	December 30, 2030	Note 1	2.35	167,400	–	(27,450)	–	(5,000)	**134,950**	57.55
Tranche 2021–5	July 12, 2021	December 30, 2030	Note 1	3.50	1,164,700	–	(30,000)	–	–	**1,134,700**	55.62
Tranche 2021–6	September 30, 2021	December 30, 2030	Note 1	3.55	277,212	–	(12,000)	(153,667)	(500)	**111,045**	56.09
					11,553,762	–	(570,250)	(153,667)	(5,500)	**10,824,345**	

Notes:

(1) 12/48 of the share options vest on the last business day of the calendar month which includes the first anniversary of the grant date, and thereafter 1/48 of the share options vests on the last business day of each calendar month thereafter until the share option is vested in full. In the event of the Listing, all share options shall vest in full.

(2) 12/36 of the share options vest on the last business day of the calendar month which includes the first anniversary of the grant date, and thereafter 1/36 of the share options vests on the last business day of each calendar month thereafter until the share option is vested in full. In the event of the Listing, all share options shall vest in full.

(3) 12/24 of the share options vest on the last business day of the calendar month which includes the first anniversary of the grant date, and thereafter 1/24 of the share options vests on the last business day of each calendar month thereafter until the share option is vested in full. In the event of the Listing, all share options shall vest in full.

(4) The share option vest upon achieving certain research and development milestones. In the event of the Listing, all options shall vest.

(5) The share options vest on the date of grant.

(6) The unvested portion of share options granted under the Pre-IPO Equity Incentive Plan vested immediately upon fulfillment of milestone of the completion of Listing on December 30, 2021.

(7) Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

RSU Scheme

On April 22, 2022, the Board approved the adoption of the RSU Scheme to incentivize skilled and experienced personnel, and to recognize the contributions of the eligible participants of the Group. The RSU 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 RSU 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 when it was adopted. No shareholders' approval was required to adopt the RSU Scheme. The Company will comply with Chapter 17 of the Listing Rules in accordance with the transitional arrangements for the existing share schemes.

The principal terms of the RSU Scheme are set out below.

(1) Purpose

The purposes of the RSU Scheme are to:

(i) recognize the contributions by the eligible participants with an opportunity to acquire a proprietary interest in the Company;

(ii) recognize the contributions by the eligible participants with an opportunity to acquire a proprietary interest in the Company;

(iii) encourage and retain such individuals for the continual operation and development of the Group;

(iv) provide additional incentives for them to achieve performance goals;

(v) attract suitable personnel for further development of the Group; and

(vi) motivate the eligible participants to maximize the value of the Company for the benefits of both the eligible participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the eligible participants directly to the Shareholders through ownership of Shares.

(2) Effective and Duration

Subject to any early termination as may be determined by the Board pursuant to the terms of the RSU Scheme, the RSU Scheme shall be valid and effective for a period of 10 years commencing on the RSU Scheme Adoption Date, after which no awards will be granted, but the provisions of the RSU Scheme shall in all other respects remain in full force and effect and the awards granted during the term of the RSU Scheme may continue to be valid and vest in accordance with their respective terms of grant.

(3) Administration

The Board shall have the sole and absolute right to, among other things, interpret and construe the provisions of the RSU Scheme, determine the Senior Grantees who will be granted awards under the RSU Scheme, the terms and conditions on which awards are granted to Senior Grantees and when the RSUs granted to Senior Grantees pursuant to the RSU Scheme may vest. The Chief Executives shall have the sole and absolute right to, among other things, determine the Junior Grantees who will be granted awards under the RSU Scheme, the terms and conditions on which awards are granted to Junior Grantees and when the RSUs granted to Junior Grantees pursuant to the RSU Scheme may vest.

The Company may appoint a trustee to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. The Administrative Committee may (i) exercise the mandate granted by the Shareholders at general meetings of the Company and direct the Company to allot and issue Shares to the trustee to be held by the trustee to satisfy the RSUs upon vesting; and/or (ii) direct and procure the trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. The trustee will receive new Shares or purchase existing Shares only when there is a particular grant of RSUs. The Company shall procure that sufficient funds are provided to the trustee by whatever means as the Administrative Committee may determine to enable the trustee to satisfy its obligations in connection with the administration of the RSU Scheme.

(4) Eligible Participants and Grant of Awards

(I) Eligible participants

Eligible participants of the RSU Scheme include the following:

(i) any employee (whether full time or part time), executive, officer, director (including executive, non-executive and independent non-executive directors) of any member of the Group or any Related Entity; and

(ii) any consultant, advisor, or agent of any member of the Group or of any Related Entity who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Related Entity.

(II) Grant of awards

The Board and the Chief Executives (as the case may be) shall be entitled at any time during the term of the RSU Scheme to make a grant to any eligible participant, as the Board or the Chief Executives (as the case may be) may in its absolute discretion determine. The amount of an award of RSUs may be determined at the sole and absolute discretion of the Board and the Chief Executives (as the case may be) and may differ among selected eligible participant.

Awards may be granted on such terms and conditions (such as by linking the vesting of the RSUs to the attainment or performance of milestones or targets by any member of the Group, the RSU grantee or any group of RSUs grantees) as the Board and the Chief Executives (as the case may be) may determine, provided such terms and conditions shall be consistent with any other terms and conditions of the RSU Scheme and shall be set out in the notice of RSU grant issued by the Company.

The consideration (if any) payable by a selected eligible participant to the trustee for acceptance of the award under the RSU Scheme shall be determined at the sole and absolute discretion of the Board (in the case of Senior Grantees) or the Chief Executives (in the case of Junior Grantees), and shall be payable within such period as prescribed by the RSU Scheme. Any such consideration shall be held by the trustee as income of the trust fund and be applied by the trustee as it deems appropriate or desirable in accordance with the terms of the RSU Scheme and the trust deed.

(5) Maximum Number of Shares Available for Awards

(I) RSU Scheme Limit

The Board shall not make any further award of RSUs which will result in the number of Shares awarded under the RSU Scheme exceeding 10% of the issued Shares as at the RSU Scheme Adoption Date (i.e. the RSU Scheme Limit). The granting of awards is also subject to an annual limit of 3% of the total issued Shares as at the RSU Scheme Adoption Date, unless otherwise approved by the Shareholders.

Any Share covered by an award (or any portion of an award) which is forfeited, cancelled or expired (whether voluntarily or involuntarily) shall be deemed not to have been issued for purposes of determining the RSU Scheme Limit. Shares that actually have been issued under the RSU Scheme pursuant to an award of RSUs shall not be returned to the RSU Scheme and shall not become available for future issuance under the RSU Scheme, except (i) otherwise permitted by the RSU Scheme, and (ii) that if unvested Shares are forfeited, or repurchased by the Company at their original purchase price, such Shares shall become available for future grant under the RSU Scheme.

The Shares underlying the RSU Scheme may be issued by the Company pursuant to authorization granted by the Shareholders by way of general or specific mandate(s), and the general or specific mandate(s) may be refreshed from time to time in accordance with the Listing Rules.

(II) Maximum entitlement of each eligible participant

The maximum number of Shares which may be awarded to any one eligible participant under the RSU Scheme may not exceed 1% of the issued Shares as at the RSU Scheme Adoption Date.

(6) Vesting of Awards

Subject to the terms of the RSU Scheme and any additional requirement under the Listing Rules and the specific terms and conditions applicable to each award of RSUs (including performance milestones or targets, if applicable), the RSUs granted in an award shall be determined by the Board or the Chief Executives (as the case may be). If the performance milestones or targets and/or other conditions determined by the Board or the Chief Executives (if any) are not satisfied, the RSU shall automatically lapse on the date on which any such condition is not satisfied, as determined by the Board or the Chief Executives (as the case may be) in its/his sole and absolute discretion.

The RSUs which have vested shall be satisfied at the sole and absolute discretion of the Board or the Chief Executives (as the case may be) within a reasonable period from the vesting date of such RSUs, either by: (a) the Administrative Committee directing and procuring the trustee to transfer the Shares underlying the RSUs to the RSU grantee or his wholly owned entity (as represented by the RSU grantee) from the trust fund; and/or (b) the Administrative Committee directing and procuring the trustee to pay to the RSU grantee in cash an amount which is equivalent to the market value of the Shares, pursuant to the terms of the RSU Scheme.

Details of the movements of the outstanding RSUs granted under the RSU Scheme during the year ended December 31, 2023 are as follows:

	Date of grant	Vesting period	Exercise period	Purchase price per Share (HK$)	Number of RSUs: At January 1, 2023	Granted during the year	Vested during the year	Redeemed during the year	Cancelled during the year	Lapsed during the year	At December 31, 2023	Weighted average closing price of the Shares immediately before the dates on which the RSUs were vested (HK$)
DIRECTORS												
Senior Grantees												
Dr. Yang Lu												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	101,000[4]	–	(31,310)	(19,190)	–	–	**50,500**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	17,400[4]	–	(2,697)	(1,653)	–	–	**13,050**	47.40
Dr. Xiaochang Dai												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	90,000[4]	–	(38,250)	(6,750)	–	–	**45,000**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	10,000[4]	–	(2,125)	(375)	–	–	**7,500**	47.40
Dr. David Mark Evans												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	38,800[4]	–	(12,125)	(7,275)	–	–	**19,400**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	4,400[4]	–	(687)	(413)	–	–	**3,300**	47.40
Dr. Michael V. Molyneaux [10]												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	60,400[4]	–	(15,704)	(14,496)	–	–	**30,200**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	7,700[4]	–	(1,001)	(924)	–	–	**5,775**	47.40
OTHER EMPLOYEE PARTICIPANTS												
Five highest paid individuals in aggregate (excluding those who are Directors)												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	32,000	–	(11,950)	(4,050)	–	–	**16,000**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	15,400	–	(2,637)	(1,213)	–	–	**11,550**	47.40
Other Senior Grantees												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	22,000	–	(8,493)	(2,507)	–	–	**11,000**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	7,700	–	(1,791)	(134)	–	–	**5,775**	47.40
Junior Grantee – Connected Person												
Dr. Xianbin Yang												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	4,000[4]	–	(1,250)	(750)	–	–	**2,000**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	5,300[4]	–	(828)	(497)	–	–	**3,975**	47.40
Other Junior Grantees												
Tranche 2022–1	November 24, 2022	Note 1	Note 3	–	159,200	–	(23,216)	(13,034)	(48,400)	(38,400)	**36,150**	47.40
Tranche 2022–2	November 24, 2022	Note 2	Note 3	–	327,900	–	(37,872)	(16,293)	(93,626)	(18,800)	**161,309**	47.40
					903,200	–	(191,936)	(89,554)	(142,026)	(57,200)	**422,484**	

Notes:

(1) 50% of the Tranche 2022–1 RSUs granted shall vest on each of the first and second anniversary of the date of grant respectively.

(2) 25% of the Tranche 2022–2 RSUs granted shall vest on each of the first, second, third and fourth anniversary of the date of grant respectively.

(3) The RSUs shall be valid from the grant date and shall continue for a period of 10 years from the date of grant.

(4) On November 24, 2022, 339,000 RSUs were conditionally granted to these connected grantees who are either the directors, chief executives and/or substantial shareholder of members of the Group. These grants were approved by the independent Shareholders at the extraordinary general meeting of the Company held on February 3, 2023.

(5) The closing price of the Shares immediately before the date on which the RSUs were granted was HK$57.8 per Share.

(6) The grant date fair value of each Tranche 2022–1 RSU was approximately US$6.82–US$7.50. The grant date fair value of each Tranche 2022–2 RSU was approximately US$6.82–US$7.50. The accounting standards and policies adopted are set out in note 3 to the consolidated financial statements. The methodology and assumptions used are disclosed in note 29 to the consolidated financial statements.

(7) Upon the adoption of the RSU Scheme on April 22, 2022, RSUs in respect of a total of 8,904,023 Shares, may be granted under the RSU Scheme Limit.

(8) On June 28, 2022, the RSU annual mandate was granted by the Shareholders to the Directors at an extraordinary general meeting of the Company, pursuant to which the maximum number of new Shares which may be issued under the RSU annual mandate is 2,671,206. As at January 1, 2023, RSUs in respect of a total of 1,768,006 Shares were available for grant under the RSU annual mandate. As at December 31, 2023, such RSU annual mandate has expired.

(9) As at the date of this annual report, the total number of Shares available for issue pursuant to the grant of further RSUs under the RSU Scheme is 8,081,273, representing approximately 9.22% of the issued Shares.

(10) Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

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.

The principal terms of the Share Option Scheme are set out below.

(1) Purpose

The purposes of the Share Option Scheme are to:

(i) recognize the contributions by the eligible participants with an opportunity to acquire a proprietary interest in the Company;

(ii) encourage and retain such individuals for the continual operation and development of the Group;

(iii) provide additional incentives for them to achieve performance goals;

(iv) attract suitable personnel for further development of the Group; and

(v) motivate the eligible participants to maximize the value of the Company for the benefits of both the eligible participants and the Company, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the eligible participants directly to the Shareholders through ownership of Shares.

(2) Effective and Duration

The Share Option Scheme shall take effect on the date of the passing of an ordinary resolution to approve the adoption of the Share Option Scheme by the Shareholders in general meeting, provided that the Listing Committee of the Hong Kong Stock Exchange granting approval for the listing of, and permission to deal in, any Shares to be issued and allotted pursuant to the exercise of share options granted under the Share Option Scheme.

The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the Share Option Scheme Adoption Date, after which period no further share options will be granted under the Share Option Scheme, but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any share options granted prior thereto or otherwise as may be required in accordance with the provisions of the Share Option Scheme.

(3) Administration

The Board shall have the sole and absolute right to, among other things, interpret and construe the provisions of the Share Option Scheme, determine the Senior Grantees who will be offered share options under the Share Option Scheme and the subscription price in relation to such share options in accordance with the provisions of the Share Option Scheme. The Chief Executives shall have the sole and absolute right to, among other things, determine the Junior Grantees who will be offered share options under the Share Option Scheme and the subscription price in relation to such share options in accordance with the provisions of the Share Option Scheme.

The Administrative Committee shall be responsible for, among other things, applying to the Listing Committee of the Hong Kong Stock Exchange for the approval of the listing of, and permission to deal in, any Shares to be issued pursuant to the exercise of share options under the Share Option Scheme on the Hong Kong Stock Exchange and other administrative work of the Share Option Scheme as delegated by the Board and the Chief Executives from time to time.

(4) Eligible Participants and Making and Acceptance of a Grant

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time, and include persons who are granted share options as an inducement to enter into employment contracts with the Group), executive, officer or director (including executive, non-executive and independent non-executive directors) of any member of the Group or any Related Entity; and

(ii) any consultant, advisor or agent of any member of the Group or of any Related Entity who, in the sole opinion of the Board, have contributed or will contribute to the growth and development of the Group or any Related Entity.

The Board (in the case of Senior Grantees) and the Chief Executives (in the case of Junior Grantees) shall be entitled at any time during the operation of the Share Option Scheme, at its/his sole and absolute discretion, to make an offer of share options to an eligible participants by letter in such form as the Board or the Chief Executives (as the case may be) may from time to time determine. An amount of HK$1.00 is payable by the share option grantee to the Company upon acceptance of the offer of share options within such period as prescribed by the Share Option Scheme, and such remittance shall not be refundable and shall not be deemed to be a part payment of the subscription price.

(5) Maximum Number of Shares Available for Subscription

(I) Share Option Scheme Limit

The total number of Shares which may be issued upon exercise of all share options that may be granted under the Share Option Scheme and any other schemes of the Company shall not in aggregate exceed 10% of the issued Shares as of the Share Option Scheme Adoption Date (i.e. the Share Option Scheme Limit), unless the Company obtains the approval of the Shareholders in accordance with the terms of the Share Option Scheme in sub-paragraph (II) below to refresh the Share Option Scheme Limit. Share options lapsed in accordance with the terms of the Share Option Scheme shall not be counted for the purpose of calculating the Share Option Scheme Limit.

(II) Refreshment of Share Option Scheme Limit

Subject to any additional requirement under the Listing Rules, the Company may seek the approval of the Shareholders in general meeting to refresh the Share Option Scheme Limit. Share options previously granted under the Share Option Scheme, including share options outstanding, cancelled or lapsed in accordance with the relevant option scheme or exercised options, shall not be counted for the purpose of calculating the limit to be refreshed.

The Company may seek separate approval by the Shareholders in general meeting to grant share options beyond the Share Option Scheme Limit, provided that such share options are granted only to participants specifically identified by the Company and any other applicable requirements under the Listing Rules are complied with before the approval of the Shareholders is sought.

(III) Maximum number of Shares issued pursuant to share options

The maximum number of Shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share options granted and yet to be exercised under any other schemes of the Company shall not exceed 30% of the issued Shares from time to time.

(IV) Maximum entitlement of each eligible participants

Subject to any additional requirement under the Listing Rules, where any new grant of share options to any eligible participants, when aggregated with all share options granted to such eligible participants (excluding any share options lapsed in accordance with the terms of the relevant schemes) in the 12-month period up to and including the share option grant date of such new grant, would result in the total number of Shares issued and to be issued to such eligible participants in aggregate exceeding over 1% of the issued Shares as at the share option grant date of such new grant, such new grant of share options must be separately approved by the Shareholders in general meeting with such eligible participants and his/her close associates (or associates if the eligible participants is a connected person of the Company) abstain from voting.

(6) Subscription Price

The subscription price shall be a price determined by the Board or the Chief Executives (as the case may be) and notified to any share option grantee (subject to any adjustments made pursuant to the "Changes in Capital Structure" clause of the Share Option Scheme) which shall be not less than the highest of:

(i) the closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotations sheet on the share option grant date of the relevant share options, which must be a Business Day;

(ii) an amount equivalent to the average closing price of a Share as stated in the Hong Kong Stock Exchange's daily quotation sheets for the 5 Business Days immediately preceding the share option grant date of the relevant share options; and

(iii) the nominal value per Share on the share option grant date.

(7) Vesting and Exercise Period

The Board or the Chief Executives (as the case may be) may specify the exercise period, vesting schedule and conditions (including performance milestones or targets, if applicable) of the share options in the share option grant letter, provided, however, that all share options shall automatically lapse upon the expiry of the 10th anniversary of the share option grant date. Unless the share options have been withdrawn and cancelled or been forfeited in whole or in part, and subject to the provisions in the Share Option Scheme, the share option grantee may exercise his rights under the Share Option Scheme according to the vesting schedule set out in the relevant share option grant letter.

Details of the movements of the outstanding share options granted under the Share Option Scheme during the year ended December 31, 2023 are as follows:

	Date of grant	Vesting period	Exercise period	Exercise price per Share (HK$)	Number of share options: At January 1, 2023	Granted during the year	Exercised during the year	Cancelled during the year	Lapsed during the year	At December 31, 2023	Weighted average closing price of the Shares immediately before the dates on which the share options were exercised (HK$)
DIRECTORS											
Senior Grantees											
Dr. Yang Lu											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	101,000[4]	–	–	–	–	**101,000**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	117,600[4]	–	–	–	–	**117,600**	–
Dr. Xiaochang Dai											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	90,000	–	–	–	–	**90,000**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	55,000	–	–	–	–	**55,000**	–
Dr. David Mark Evans											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	38,800	–	–	–	–	**38,800**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	22,250	–	–	–	–	**22,250**	–
Dr. Michael V. Molyneaux [11]											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	60,400	–	–	–	–	**60,400**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	38,950	–	–	–	–	**38,950**	–
OTHER EMPLOYEE PARTICIPANTS											
Five highest paid individuals in aggregate (excluding those who are Directors)											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	32,000	–	–	–	–	**32,000**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	77,900	–	–	–	–	**77,900**	–
Other Senior Grantees											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	22,000	–	–	–	–	**22,000**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	38,950	–	–	–	–	**38,950**	–
Tranche 2023–1	November 30, 2023	Note 2	Note 3	47.0	–	400,000	–	–	–	**400,000**	–
Junior Grantee — Connected Person											
Dr. Xianbin Yang											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	4,000	–	–	–	–	**4,000**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	11,000	–	–	–	–	**11,000**	–
Other Junior Grantees											
Tranche 2022–1	November 24, 2022	Note 1	Note 3	58.9	159,200	–	–	(48,400)	(38,400)	**72,400**	–
Tranche 2022–2	November 24, 2022	Note 2	Note 3	58.9	642,600	–	–	(141,376)	(28,650)	**472,574**	–
Tranche 2023–1	November 30, 2023	Note 2	Note 3	47.0	–	9,400	–	–	–	**9,400**	–
					1,511,650	409,400	–	(189,776)	(67,050)	**1,664,224**	

Notes:

(1) 50% of the Tranche 2022–1 share options granted shall vest on each of the first and second anniversary of the date of grant respectively.

(2) 25% of the Tranche 2022–2 and Tranche 2023–1 share options granted shall vest on each of the first, second, third and fourth anniversary of the date of grant respectively.

(3) The share options shall be valid from the grant date and shall continue for a period of 10 years from the date of grant.

(4) On November 24, 2022, 218,600 share options were conditionally granted to Dr. Yang Lu, being the Chairman of the Board, the Chief Executive Officer, an executive Director and a substantial shareholder of the Company. The grants were approved by the independent Shareholders at the extraordinary general meeting of the Company held on February 3, 2023.

(5) The closing price of the Shares immediately before the date on which the Tranche 2022–1 and Tranche 2022–2 share options were granted was HK$57.8 per Share. The closing price of the Shares immediately before the date on which the Tranche 2023–1 share options were granted was HK$46.0 per Share.

(6) The grant date fair value of each Tranche 2022–1 share option was approximately US$3.95-US$4.63. The grant date fair value of each Tranche 2022–2 share option was approximately US$4.26-US$4.93. The grant date fair value of each Tranche 2023–1 share option was approximately US$3.54-US$3.78. The accounting standards and policies adopted are set out in note 3 to the consolidated financial statements. The methodology and assumptions used are disclosed in note 29 to the consolidated financial statements.

(7) Upon the adoption of the Share Option Scheme on June 28, 2022, share options to subscribe for a total of 8,904,023 Shares, may be granted under the Share Option Scheme Limit.

(8) As at January 1, 2023 and December 31, 2023, share options to subscribe for a total of 7,392,373 and 7,239,799 Shares, respectively, were available for grant under the Share Option Scheme Limit.

(9) As at the date of this annual report, the total number of Shares available for issue upon exercise of all outstanding share options granted under the Share Option Scheme is 1,664,224, representing approximately 1.90% of the issued Shares.

(10) As at the date of this annual report, the total number of Shares available for issue pursuant to the grant of further share options under the Share Option Scheme is 7,239,799, representing approximately 8.26% of the issued Shares.

(11) Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

The number of Shares that may be issued in respect of options and awards granted under all schemes of the Company during the year ended December 31, 2023 divided by the weighted average number of Shares of the Company for the year ended December 31, 2023 is 0.54%.

FINANCIAL SUMMARY

A summary of the audited consolidated results and financial position of the Group for the last five financial years is set out on page 6 of this annual report. This summary does not form part of the audited consolidated financial statements.

SUBSIDIARIES

Particulars of the Company's principal subsidiaries are set out in note 34 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended December 31, 2023 are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL AND RESERVES

Details of the movements in the Company's share capital and reserves during the year ended December 31, 2023 are set out in notes 26 and 35 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2023, the Company had US$513,962,000 distributable reserves.

DIVIDENDS

The Board did not recommend the distribution of a final dividend for the year ended December 31, 2023.

CHARITABLE DONATIONS

The Group did not make charitable donations during the year ended December 31, 2023.

DEBENTURE ISSUED

The Group did not issue any debenture during the year ended December 31, 2023.

BANK BORROWINGS

As at December 31, 2023, the Group did not have any bank borrowings.

PERMITTED INDEMNITY

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

Such permitted indemnity provision has been in force for the year ended December 31, 2023. The Company has arranged appropriate liability insurance coverage for the Directors.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

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

Details of the emoluments of the Directors and the five highest paid individuals for the year ended December 31, 2023 are set out in notes 12 and 13 to the consolidated financial statements.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office during the year ended December 31, 2023.

DIRECTORS' SERVICE CONTRACTS AND APPOINTMENT LETTERS

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

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

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year ended December 31, 2023.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party during or at the end of the year ended December 31, 2023.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

During the year ended December 31, 2023, the Company had no controlling shareholder.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or their respective close associates had engaged in or had any interest in any business, apart from the Group's business, which competed or was likely to compete, either directly or indirectly, with the Group's business at any time during the year ended December 31, 2023.

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

As at December 31, 2023, 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	Approximately percentage of interest in the Company[1]
Dr. Yang Lu	Beneficial interest; Settlor of a discretional trust[2]	13,056,232 (L)	14.90%
Dr. Xiaochang Dai	Beneficial interest; Interests in controlled corporations[3]	8,537,882 (L)	9.74%
Dr. David Mark Evans	Beneficial interest; Interest held jointly with another person[4]	1,153,100 (L)	1.32%
Mr. Mincong Huang	Beneficial interest; Beneficiary of a trust[5]	757,551 (L)	0.86%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 87,638,480 issued Shares as at December 31, 2023.

(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) 8,349,082 Shares held by Dr. Lu himself; (iii) options granted to Dr. Lu to subscribe for 1,925,000 Shares under the Pre-IPO Equity Incentive Plan; (iv) 218,600 share options granted to him to subscribe for 218,600 Shares under the Share Option Scheme, subject to vesting conditions; and (v) 63,550 Shares underlying the 63,550 RSUs granted to him under the RSU Scheme, subject to vesting conditions.

(3) Value Measure Investments Limited and Trinity Power Limited are wholly owned by Dr. Xiaochang Dai ("**Dr. Dai**"). Under the SFO, the deemed interest of Dr. Dai consists of: (i) 7,850,007 Shares held by Value Measure Investments Limited and Trinity Power Limited; (ii) 40,375 Shares held by Dr. Dai himself; (iii) options granted to him to subscribe for 450,000 Shares under the Pre-IPO Equity Incentive Plan; (iv) 145,000 share options granted to him to subscribe for 145,000 Shares under the Share Option Scheme, subject to vesting conditions; and (v) 52,500 Shares underlying the 52,500 RSUs granted to him under the RSU Scheme, subject to vesting conditions.

(4) Dr. David Mark Evans ("**Dr. Evans**") is interested in: (i) 91,538 Shares jointly held by him and his spouse, Julee Ann Evans; (ii) 12,812 Shares held by Dr. Evans himself; (iii) options granted to him to subscribe for 965,000 Shares under the Pre-IPO Equity Incentive Plan; (iv) 61,050 share options granted to him to subscribe for 61,050 Shares under the Share Option Scheme, subject to vesting conditions; and (v) 22,700 Shares underlying the 22,700 RSUs granted to him under the RSU Scheme, subject to vesting conditions.

(5) 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 156,950 Shares. Accordingly, Mr. Huang is deemed to be interested in 751,551 Shares.

Interests in associated corporations

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

Notes:

(1) The calculation is based on the total number of 20,759,256 common shares issued by RNAimmune, Inc. as at December 31, 2023.

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

Save as disclosed above, as at December 31, 2023, 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 December 31, 2023, 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)	5.21%
Xialing YAN	Interest of spouse[3]	4,564,495 (L)	5.21%
Jie LI	Interest in a controlled corporation[2]	4,564,495 (L)	5.21%
Lele LI	Interest of spouse[4]	4,564,495 (L)	5.21%
Shenzhen Qianhai Rotating Boulder Fund Management Co., Ltd. ("**Rotating Boulder Fund**")	Interest in controlled corporations[2]	4,564,495 (L)	5.21%
Shenzhen Rotating Boulder Tiancheng The Second Investment Partnership (Limited Partnership) ("**Tiancheng The Second**")	Interest in a controlled corporation[2]	4,564,495 (L)	5.21%
Shenzhen Rotating Boulder Tiancheng The Third Investment Partnership (Limited Partnership) ("**Tiancheng The Third**")	Interest in a controlled corporation[2]	4,564,495 (L)	5.21%
Shanghai Chongshi Enterprise Management Partnership (LP) ("**Shanghai Chongshi**")	Beneficial Interest[2]	4,564,495 (L)	5.21%

Notes:

(L) denotes long position.

(1) The calculation is based on the total number of 87,638,480 issued Shares as at December 31, 2023.

(2) Each of Rotating Boulder Fund (as general partner of Shanghai Chongshi), Tiancheng The Third (as a limited partner holding approximately 47.50% in Shanghai Chongshi), Tiancheng The Second (as a limited partner holding approximately 64.36% in Tiancheng The Third), and Yu ZENG and Jie LI (each as a controlling shareholder of Rotating Boulder Fund) are 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.

(4) Lele LI is the spouse of Jie LI, and was therefore deemed to be interested in the Shares in which Jie LI was interested under the SFO.

Save as disclosed above, as at December 31, 2023, 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended December 31, 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debentures of, the Company or any other body corporate.

EMPLOYEES AND REMUNERATION POLICY

As at December 31, 2023, the Group had 145 employees. The Company has established the Remuneration Committee for reviewing the Group's remuneration policy and the remuneration structure of the Directors and senior management of the Group taking into consideration the Group's operating results, individual performance of each of the Directors and senior management and comparable market practices.

The remuneration package of our employees includes salaries, bonuses, contributions to retirement benefits plans, share option incentives, allowances and benefits in kind. We endeavor to attract and retain our employees by offering share options and employee benefits including but not limited to medical plan, dental plan and other benefits, providing tuition assistance and training opportunities, offering flexible worksite schedules and recognizing employee commitment and achievement by offering bonus and cash incentive award on performance basis and promotions based on annual performance appraisal process. Particulars of the retirement benefits plans are set out in note 28 to the consolidated financial statements.

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

EQUITY-LINKED AGREEMENTS

Save as disclosed in the section headed "Pre-IPO Equity Incentive Plan, RSU Scheme and Share Option Scheme" as set out in this report of the Directors, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing Shares were entered into by the Group, or existed during the year ended December 31, 2023.

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

During the year ended December 31, 2023, as the Board considered that the trading price of the Shares did not reflect their intrinsic value, the Board determined to exercise its powers under the general mandates to repurchase Shares granted by the Shareholders at the annual general meetings held on June 28, 2022 and June 28, 2023, respectively (the "**Share Repurchases**"). The Share Repurchases reflect the Board's confidence in the Company's development prospects. The total number of Shares repurchased by the Company on the Hong Kong Stock Exchange during the year ended December 31, 2023 was 979,350 at a total consideration (before expenses) of HK$50,461,290. As at December 31, 2023, all repurchased Shares have been cancelled.

Details of the Share Repurchase during the year ended December 31, 2023 are as follows:

Month	Total number of Shares repurchased	Highest purchase price per Share (HK$)	Lowest purchase price per Share (HK$)	Total consideration (before expenses) (HK$)
January 2023	73,000	59.10	53.70	4,135,660.00
May 2023	42,950	48.40	46.80	2,037,785.00
June 2023	477,950	55.10	44.60	22,667,952.50
July 2023	385,450	58.45	53.40	21,619,892.50

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2023.

MATERIAL LITIGATION

The Company was not involved in any material litigation or arbitration during the year ended December 31, 2023. The Directors are also not aware of any material litigation or claims that are pending or threatened against the Group during the year ended December 31, 2023.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

USE OF PROCEEDS FROM THE LISTING

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

The table below sets forth a detailed breakdown and description of the use of net proceeds as at December 31, 2023:

Purposes	% of use of net proceeds (as disclosed in the Prospectus)	Net proceeds from Global Offering (US$ million)	Utilized net proceeds up to December 31, 2022 (US$ million)	Net proceeds utilized during the Reporting Period (US$ million)	Unutilized net proceeds up to December 31, 2023 (US$ million)	Estimated timeline for utilizing the net proceeds from Global Offering
To fund the development and commercialization of STP705	57.9%	31.7	11.7	12.5	7.5	By mid of 2025
To fund the development of STP707	15.6%	8.6	7.9	0.7	—	—
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	8.4	—	—	—
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**	**34.1**	**13.2**	**7.5**	

MAJOR CUSTOMERS AND SUPPLIERS

Major customers

The Company did not generate any revenue from product sales during the year ended December 31, 2023.

Major suppliers

For the year ended December 31, 2023, purchases from the five largest suppliers in the aggregate accounted for 54.4% of the Group's total purchases, while purchases from the largest supplier accounted for 23.6% of the Group's total purchases.

To the best of the knowledge of the Directors, none of the Directors, their respective close associates or any shareholder (which to the knowledge of the Directors, own more than 5% of the Company's issued share capital) has any direct/indirect interest in any of the Group's five largest suppliers during the year ended December 31, 2023.

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 33 to the consolidated financial statements. Save as disclosed in this section and other than connected transactions that are exempted under Rule 14A.73 of the Listing Rules, none of the related party transactions as disclosed in note 33 to the consolidated financial statements falls under the definition of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules. The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

Entering into the Stock Purchase Agreement and the License & Option Agreement with EDIRNA Inc.

On July 5, 2023, the Company and EDIRNA entered into the stock purchase agreement (the "**Stock Purchase Agreement**"), pursuant to which (i) EDIRNA agreed to allot and issue, and the Company agreed to subscribe for 111,111 shares of common stock of EDIRNA at US$4.50 per share, amounting to a total consideration of US$500,000; and (ii) EDIRNA agreed to issue to the Company a stock purchase warrant (the "**Stock Purchase Warrant**") by which the Company has the right to purchase, at its sole discretion, up to 157,232 shares of series seed preferred stock of EDIRNA at US$6.36 per share, amounting to a total consideration of up to US1,000,000 assuming that the Stock Purchase Warrant is exercised in full by the Company.

On the same date, US Sirnaomics and EDIRNA entered into a license & option agreement (the "**License & Option Agreement**"), pursuant to which, in return for 220,000 shares of common stock of EDIRNA, US Sirnaomics granted to EDIRNA (i) an irrevocable, perpetual, exclusive, fully paid, worldwide, non-sublicensable, and non-transferable license, under the licensed patents, solely to conduct research and development in the field as defined in the License & Option Agreement; and (ii) an option to enter into a patent license agreement with US Sirnaomics pursuant to which US Sirnaomics would grant to EDIRNA an exclusive license under the licensed patents for the licensed products.

Immediately prior to the stock subscription pursuant to the Stock Purchase Agreement, the stock issuance pursuant to the License & Option Agreement, and the exercise of the Stock Purchase Warrant, each of the Company and Dr. Michael V. Molyneaux, MD, MBA, a then executive Director of the Company, held a 25% interest in EDIRNA, respectively. As such, EDIRNA is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and therefore is a connected person of the Company under Rule 14A.07(5) of the Listing Rules. Accordingly, the Stock Purchase Agreement, the License & Option Agreement, and the Stock Purchase Warrant constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the above are set out in the Company's announcement dated July 5, 2023.

Exercise of the Stock Purchase Warrant in relation to the Purchase of Series Seed Preferred Stock of EDIRNA Inc.

Effective on September 4, 2023, the Company exercised in full the Stock Purchase Warrant issued by EDIRNA. Upon completion of the exercise of the Stock Purchase Warrant, EDIRNA allotted and issued the 157,232 shares of series seed preferred stock of EDIRNA to the Company, in exchange for the total consideration of US$1,000,000.

Immediately prior to the exercise of the Stock Purchase Warrant, EDIRNA was held as to 43.6% and 18.8% by the Company and Dr. Michael V. Molyneaux, MD, MBA, a then executive Director of the Company, respectively. As such, EDIRNA is a connected subsidiary of the Company under Rule 14A.16(1) of the Listing Rules and therefore is a connected person of the Company under Rule 14A.07(5) of the Listing Rules. Accordingly, the exercise of the Stock Purchase Warrant constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the above are set out in the Company's announcement dated September 4, 2023.

Grant of Stock Options by RNAimmune, Inc. to a Connected Person

On December 6, 2023, 800,000 stock options of RNAimmune were granted by RNAimmune to Dr. Dong Shen, MD, Ph.D., a connected person of the Company (the "**RNAimmune Stock Option Grant**"), for nil consideration, subject to acceptance by Dr. Shen and compliance with the Listing Rules and the stock incentive plan adopted by RNAimmune (the "**RNAimmune Stock Incentive Plan**"). According to the RNAimmune Stock Incentive Plan, the consideration of the stock option grant was nil, which was determined after taking into account, among others, the purpose of the RNAimmune Stock Incentive Plan and past contributions made by Dr. Shen to the Group.

As Dr. Shen, being the chief executive officer, president, a director, and a substantial shareholder of RNAimmune, is a connected person of the Company, the RNAimmune Stock Option Grant constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

Details of the above are set out in the Company's announcement dated December 6, 2023.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

Save as above and disclosed in this annual report, no important events affecting the Company occurred since December 31, 2023 and up to the date of this annual report.

Report of the Directors

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Save as disclosed in the Corporate Governance Report, the Board is of the view that the Company has complied with the code provisions in the CG Code as set out in Appendix C1 to the Listing Rules during the Reporting Period. No Director is aware of any information that reasonably reveals that there was any non-compliance with the code provisions of the CG Code by the Company at any time during the Reporting Period.

For details of the Corporate Governance Report, please refer to pages 84 to 101 of this annual report.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The text of the environmental, social and governance report is set out in the Company's 2023 ESG Report.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDIT COMMITTEE

The Audit Committee had, together with the management of the Company, reviewed the consolidated financial statements of the Group for the year ended December 31, 2023 and the accounting principles and policies adopted by the Group.

AUDITOR

The consolidated financial statements of the Group for the year ended December 31, 2023 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants and Registered Public Interest Entity Auditor, who will retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be held on Thursday, June 20, 2024. The notice of the annual general meeting will be published and dispatched in due course in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the Shareholders' eligibility to attend and vote at the annual general meeting, the register of members of the Company will be closed from Monday, June 17, 2024 to Thursday, June 20, 2024 (both days inclusive), during which no transfer of Shares will be registered. In order to be eligible to attend and vote at the annual general meeting, all duly completed share transfer forms accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, June 14, 2024.

On behalf of the Board,

Dr. Yang Lu
Chairman

Hong Kong, March 27, 2024

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for the Reporting Period.

The Board is committed to achieving good corporate governance standards. The Board believes that good corporate governance principles and practices should emphasize accountability and an increase in transparency which will enable the Group's stakeholders, including Shareholders, employees, suppliers, medical experts, patients and the community to have trust and faith in the Group to take care of their needs, enhance corporate value, formulate its business strategies and policies, and enhance the sustainability of the Company's business.

CORPORATE MISSION, VALUES AND CULTURE

The Company's mission is to develop novel therapeutics to alleviate human suffering and advance patient care in areas of high unmet medical need. The guiding principles of the Company are: Innovation, Global Vision with a Patient Centered focus.

Our values and culture require that we:

- Treat employees and colleagues with respect; Sirnaomics does not tolerate discrimination or harassment of any kind.
- Encourage the involvement of all employees in creative problem solving.
- Provide consistent leadership and competent on-the-job training and development.
- Maintain an open-door policy that encourages interaction and discussion.
- Encourage ideas to improve the workplace and increase productivity.
- Make "Do It Right the First Time" our team attitude to ensure continued growth and prosperity.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted and applied the code provisions of the CG Code set out in Appendix C1 to the Listing Rules. To the best knowledge of the Directors, the Company has complied with all applicable code provisions under the CG Code during the Reporting Period, save and except for the deviations of the following:

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 roles of chairman of the Board and chief executive officer of our Company are currently performed by Dr. Yang Lu ("**Dr. Lu**"). In view of Dr. Lu's substantial contribution to the Group since our establishment and his extensive experience, we consider that having Dr. Lu acting as both our chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. We consider it appropriate and beneficial to our business development and prospects that Dr. Lu continues to act as both the chairman and chief executive officer, and therefore currently do not propose to separate the functions of chairman and chief executive officer. 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.

Code provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. One executive Director was unable to attend the extraordinary general meeting of the Company held on February 3, 2023 due to personal reason and one independent non-executive Director was unable to attend due to his other business commitments. One executive Director and two independent non-executive Directors were unable to attend the annual general meeting of the Company held on June 28, 2023 due to their other business commitments.

BOARD OF DIRECTORS

Board Composition

As at the date of this annual report, the Board consists of nine Directors, including three executive Directors, two non-executive Directors and four independent non-executive Directors. The Directors during the Reporting Period and up to the date of this annual report were:

Executive Directors

Dr. Yang Lu (*alias* Patrick Lu) *(Chairman of the Board, President and Chief Executive Officer)*
Dr. Xiaochang Dai *(Chief Strategy Officer)*
Dr. David Mark Evans *(Head of Drug Discovery and Collaboration)*
Dr. Michael V. Molyneaux *(resignation effective from November 30, 2023)*

Non-executive Directors

Mr. Mincong Huang
Mr. Jiankang Zhang

Independent Non-executive Directors

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

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

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

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

To the best knowledge of the Company, none of the members of the Board is related to one another and the Directors do not have financial, business, family or other material/relevant relationships with each other.

Board Diversity Policy

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

Pursuant to the Board Diversity Policy, the Nomination Committee is responsible for reviewing the structure, size and composition of the Board at least annually. The Company is committed to achieving and maintaining at least one Director of a different gender on the Board. The Nomination Committee monitors and evaluates the implementation of the Board Diversity Policy from time to time to ensure its continued effectiveness. The Board Diversity Policy is well implemented as evidenced by the fact that there are both female (two out of nine) and male (seven out of nine) Directors ranging from 35 years old to 69 years old with wide variety of working experience from different industries and business sectors. After an annual assessment by the Nomination Committee, the Board considers the current structure, size and composition of the Board is performing a balanced and independent monitoring function on management practices to complement the Company's corporate strategies.

The Board also places emphasis on diversity (including gender diversity) across all levels of the Group, and the Group has achieved a balanced gender diversity in the workforce. As at December 31, 2023, the employees of the Group (including senior management) comprise of approximately 44.8% female and 55.2% male. The Group will continue striving towards increased female representation at both the Board and workforce levels.

Induction and Continuing Professional Development

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

Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. The Company has provided relevant reading materials published by professional bodies or regulators to the Directors to keep them abreast of the latest development of legal, regulatory and corporate governance. During the Reporting Period, certain Directors have participated in conferences, seminars, forums and/or training programs organized by professional bodies and/or regulators.

Name of Directors	Reading materials	Attending conferences, seminars, forums and/or training programs
Executive Directors		
Dr. Yang Lu	✓	
Dr. Xiaochang Dai	✓	
Dr. David Mark Evans	✓	
Dr. Michael V. Molyneaux[(1)]	✓	
Non-executive Directors		
Mr. Mincong Huang	✓	
Mr. Jiankang Zhang	✓	✓
Independent Non-executive Directors		
Dr. Cheung Hoi Yu	✓	
Mr. Fengmao Hua	✓	
Ms. Monin Ung	✓	
Ms. Shing Mo Han, Yvonne	✓	✓

Note:

(1) Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

Chairman and Chief Executive Officer

The roles of chairman of the Board and chief executive officer of the Company are currently performed by Dr. Lu. Under code provision C.2.1 of the CG Code, the responsibilities between the chairman and chief executive officer should be separate and should not be performed by the same individual. Taking into account Dr. Lu's extensive experience in the industry, we consider that having Dr. Lu acting as both the chairman and chief executive officer will provide strong and consistent leadership to the Group and facilitate the efficient execution of our business strategies. Dr. Lu provides a keen leadership for the Board and ensures that the Board works effectively and performs its responsibilities, and that all key and appropriates issues are discussed by the Board in a timely manner. To facilitate the effective contribution of Directors, Dr. Lu encourages Directors with different views to voice their concerns and allows sufficient time for discussion of issues, so as to ensure constructive relations between executive and non-executive Directors. We consider it appropriate and beneficial to our business development and prospects that Dr. Lu continues to act as both our chairman and chief executive officer.

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

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

Directors' Responsibilities

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

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

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

Delegation by the Board

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

Directors' Responsibilities in respect of the Financial Statements

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

The independent auditor has issued an unmodified audit opinion with a "Material Uncertainty Related to Going Concern" section in the auditor's report on the Group's consolidated financial statements for the year ended December 31, 2023. As disclosed in note 3.1 to the consolidated financial statements, the Group incurred a net loss of US$84,990,000 and a net operating cash outflow of US$70,292,000 for the year ended December 31, 2023, and as of that date, the Group had cash and cash equivalents of US$23,884,000. The Group's ability to continue as a going concern is highly dependent on its ability to maintain minimal cash outflows from operations and sufficient financing resources to meet its financial obligations as and when they fall due. The Group is actively improving the liquidity and cashflow by implementing different plans and measures. Significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures. If the above-mentioned plans and measures could not be implemented successfully as planned, the Group would be unable to finance its operations or meet its financial obligations as and when they fall due in the ordinary course of business. The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Save as disclosed above and in this annual report, the Directors are not aware of material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the Independent Auditor's Report on pages 102 to 107 of this annual report.

Corporate Governance Functions

The Board is responsible for performing the corporate governance duties set out in code provision A.2.1 of the CG Code, which includes but not limited to the following:

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

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

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

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

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

Appointment, Re-election, Rotation and Removal of Directors

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

Each of Dr. Lu and Dr. David Mark Evans, being the executive Directors, has entered into a service contract with the Company on December 16, 2021 for an initial term of three years with effect from the date of their respective appointment, until the third annual general meeting of our Company since the Listing Date (whichever is sooner), and Dr. Xiaochang Dai, being an executive Director, has entered into a service contract with the Company on July 19, 2022 for an initial term of three years with effect from July 19, 2022, subject to provisions on retirement by rotation of Directors as set out in the Articles of Association. Either party has the right to give not less than three months' written notice to terminate the agreement.

During the Reporting Period, Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

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

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

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

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

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

To comply with the above, Dr. Xiaochang Dai, Mr. Jiankang Zhang and Mr. Fengmao Hua shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Board Meetings and Board Committee Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year and at approximately quarterly intervals, either in person or through electronic means of communications; and the Chairman of the Board at least annually holds meetings with the independent non-executive Directors without the presence of other Directors.

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

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

The Directors are authorized to seek independent professional advice from external consultants or experts at the Company's expense, to assist them perform their duties to the Company. During the Reporting Period, the Board reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board.

Code provision C.5.1 of the CG Code stipulates that the Board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals with active participation of the majority of the Directors, either in person or through electronic means of communications.

Code provision C.2.7 of the CG Code requires that the Chairman should at least annually hold meetings with the independent non-executive Directors without the presence of other Directors. During the Reporting Period, the Chairman of the Board held one meeting with the independent non-executive Directors without the presence of other Directors.

A summary of the attendance records of each Director at Board meetings, committee meetings and general meetings during the Reporting Period is set out below:

	Attendance/Number of Meetings				
	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Directors					
Dr. Yang Lu	6/6	N/A	N/A	1/1	2/2
Dr. Xiaochang Dai	5/6	N/A	2/2	N/A	2/2
Dr. David Mark Evans	5/6	N/A	N/A	N/A	1/2
Dr. Michael V. Molyneaux[1]	5/6	N/A	N/A	N/A	1/2
Non-executive Directors					
Mr. Mincong Huang	6/6	3/3	N/A	N/A	2/2
Mr. Jiankang Zhang	6/6	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Dr. Cheung Hoi Yu	6/6	N/A	2/2	1/1	1/2
Mr. Fengmao Hua	6/6	3/3	N/A	1/1	0/2
Ms. Monin Ung	6/6	N/A	2/2	N/A	2/2
Ms. Shing Mo Han, Yvonne	4/6	3/3	N/A	N/A	2/2

Note:

(1) Dr. Michael V. Molyneaux resigned as an executive Director with effect from November 30, 2023.

BOARD COMMITTEES

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

Audit Committee

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

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

The Audit Committee held three meetings during the Reporting Period, all of which were attended by the external auditor without the presence of the executive Directors. The following is a summary of work performed by the Audit Committee during the Reporting Period:

- reviewed the Group's annual consolidated financial statements for the year ended December 31, 2022 and made recommendation to the Board for approval;
- reviewed the Group's interim condensed consolidated financial statements for the six months ended June 30, 2023 and made recommendation to the Board for approval;
- reviewed the external auditor's management letter and management's response;
- reviewed the external auditor's independence and objectivity and recommended for the Board's approval on the re-appointment of the external auditor;
- reviewed the Group's financial controls, risk management and internal control systems, and discussed on the adequacy and competency of resources, and findings on risk management and internal control matters;
- reviewed the Group's financial and accounting policies and practices; and
- reviewed the arrangements for raising concerns about possible improprieties in financial reporting, internal control or other matters.

Remuneration Committee

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

The primary duties of the Remuneration Committee are set out in the written terms of reference which include making recommendations to the Board on the Company's remuneration policy and structure, and on the remuneration packages of the Directors and senior management. The written terms of reference of the Remuneration Committee are available on the websites of the Company and the Hong Kong Stock Exchange.

The Remuneration Committee held two meetings during the Reporting Period. The following is a summary of work performed by the Remuneration Committee during the Reporting Period:

- reviewed the Company's remuneration policy and structure;
- determined, with delegated responsibility, the remuneration packages of individual executive Directors and senior management;
- reviewed the remuneration of non-executive Directors and independent non-executive Directors and made recommendation to the Board for approval; and
- reviewed the proposed grants of RSUs under the RSU Scheme and Options under the Share Option Scheme and made recommendation to the Board for approval.

Details of the Directors' remuneration for the Reporting Period are set out in note 12 to the consolidated financial statements.

The remuneration of the senior management[1] (other than Directors) of the Group by band for the Reporting Period is set out below:

Remuneration bands (HK$)	Number of individuals
HK$1,500,001 to HK$2,000,000	1
HK$3,000,001 to HK$3,500,000	1
HK$4,000,001 to HK$4,500,000	1
HK$4,500,001 to HK$5,000,000	1
Total	**4**

Note:

(1) Included Ms. Yun Zhang (*alias* Monica Zhang), who ceased to be a member of the senior management of the Group after she left the role of Chief Executive Officer, China of the Group in October 2023.

Nomination Committee

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

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

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

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

The Nomination Committee held one meeting during the Reporting Period. The following is a summary of work performed by the Nomination Committee during the Reporting Period:

- reviewed the structure, size and composition of the Board;
- reviewed the Board Diversity Policy;
- assessed the independence of independent non-executive Directors; and
- made recommendation to the Board on the re-election of retiring Directors.

Model Code for Securities Transactions

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

The Company refers to the announcements of the Company dated March 7, 2024 and March 17, 2024 in relation to the incidents of forced sale of the Shares beneficially owned by Dr. Yang Lu and Dr. Xiaochang Dai, respectively. For the year ended December 31, 2023, all Directors have confirmed, following specific enquiry by the Company, that they have complied with the Model Code and no incident of non-compliance of the Model Code by the Directors and relevant employees was noted.

RISK MANAGEMENT AND INTERNAL CONTROL

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

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

- **Risk management**

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

- **Internal control**

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

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

The Company engaged an independent third-party consultant (the "**Internal Control Consultant**") to perform a review over selected areas of internal controls (the "**Internal Control Review**") for the Reporting Period. The selected areas of internal controls that were reviewed by the Internal Control Consultant included entity level controls and business process level controls, including assets and intangible assets management, cash and treasury management, insurance management, expenses management and taxation management.

The Audit Committee reviewed the internal control review report issued by the Internal Control Consultant and the Company's risk management and internal control systems in respect of the Reporting Period and considered that they are effective and adequate. Any findings or irregularities identified, together with the remedial actions and recommendations to enhance our internal control measures and policies, are discussed with the management and reported to the Audit Committee. The Board assessed the effectiveness of the internal control systems by considering the internal control review report and reviews performed by the Audit Committee and concurred the same.

The Company has established a whistleblowing policy for employees and those who deal with the Group to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in matters of financial reporting, internal control or other matters relating to the Group.

The Company has established anti-corruption, anti-bribery and anti-money laundering policies to set out the minimum standards of ethical conduct to which all employees are required to adhere.

COMPANY SECRETARIES

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

Ms. Zhang resigned as a joint company secretary of the Company with effect from August 31, 2023. Ms. Zhang was an employee of the Company during her tenure in office as a joint company secretary. Following her resignation, Mr. Leung remains in office and acts as the sole company secretary of the Company. Mr. Leung is an employee of the Company.

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

AUDITOR'S REMUNERATION

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

Type of Services	Amount (US$'000)
Audit services	481
Non-audit services:	
— Tax advisory	23
— Review of interim results	130
— Internal control review	23
Total	657

DIVIDEND POLICY

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

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

- financial results;
- cash flow situation;
- business conditions and strategies;
- future operations and earnings;
- general economic conditions and other internal or external factors which may have an impact on the business of the Group;
- amount of distributions (if any) received by the Company from its subsidiaries;

- capital requirements and expenditure plans;
- interests of the Shareholders;
- any legal/contractual restrictions on payment of dividends; and
- any other factors that the Board may consider relevant.

SHAREHOLDERS' RIGHTS

Convening of extraordinary general meeting

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

Putting Forward Proposals at General Meetings

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

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

Enquiries to the Board

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

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

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

To facilitate effective communication, the Company maintains a website at www.sirnaomics.com, where information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are available for public access. As disclosed in the section headed "Shareholders' Rights — Enquiries to the Board" as set out in this corporate governance report, Shareholders may at any time send their enquiries and concerns to the Board in writing.

The Company has reviewed the current channel of Shareholders communication and is of the view that it was implemented effectively during the Reporting Period as the Company was able to understand the views of its Shareholders through the channels described above.

CHANGES IN CONSTITUTIONAL DOCUMENTS

There is no change in the Company's constitutional documents during the Reporting Period. The Memorandum and Articles of Association are available on the websites of the Company and the Hong Kong Stock Exchange.

Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Sirnaomics Ltd. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 108 to 205, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to note 3.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of US$84,990,000 and a net operating cash outflow of US$70,292,000 for the year ended December 31, 2023, and as of that date, the Group had cash and cash equivalents of US$23,884,000. The Group's ability to continue as a going concern is highly dependent on its ability to maintain minimal cash outflows from operations and sufficient financing resources to meet its financial obligations as and when they fall due. The Group is actively improving the liquidity and cashflow by implementing different plans and measures, including implementing restructuring initiatives in order to reduce the cash outflow from the operating activities, redeeming certain portion of the subscribed Fund (as defined in note 20 to the consolidated financial statements) in a timely manner and obtaining new source of external financing resources by the Group's non-wholly owned subsidiary, RNAimmune, Inc., to finance its own operations and meet its own financial obligation with details as described in note 3.1 to the consolidated financial statements, in order to ensure that the Group has sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. The directors of the Company have taken into account the likelihood of success of the plans and measures being implemented and are of the opinion that sufficient financial resources will be available to finance the Group's operations and to meet the Group's financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern. However, these conditions, along with other matters as set forth in note 3.1 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter. In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter (Continued)

Key audit matter	How the matter was addressed in our audit
Cut-off of outsourcing research and development expenses During the year ended December 31, 2023, the Group incurred research and development ("**R&D**") expenses of approximately US$54,382,000, out of which approximately US$27,934,000 or 51% were attributable to the outsourcing R&D expenses payable to outsourced service providers including contract research organizations, contract manufacturing organizations, and contract development and manufacturing organizations (collectively referred to as the "**Outsourced Service Providers**"). These Outsourced Service Providers provided supports to the Group's various R&D activities in the form of R&D services. And these services are typically performed across the financial reporting periods. We identified the cut-off of outsourcing R&D expenses as a key audit matter due to its significance and risk of not recording the outsourcing R&D expenses in the appropriate financial reporting period.	Our procedures in relation to the cut-off of outsourcing R&D expenses included: • Obtaining an understanding of key controls of the management's basis and assessment in relation to the accrual process of the R&D expenses including those payable to Outsourced Service Providers; • Confirming with the Outsourced Service Providers in respect of the progress of the outsourcing R&D projects, on a sample basis, for the year ended December 31, 2023; and • Performing cut-off testing for the outsourcing R&D expenses recorded before and after the year end date, on a sample basis, by checking relevant supporting documents including invoices and contracts to determine whether the outsourcing R&D expenses were recorded in the appropriate financial reporting period.

Other Information

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTES	2023 US$'000	2022 US$'000
Other income	6	**1,414**	2,114
Other gains and losses	7	**1,911**	(292)
Changes in fair value of financial asset at fair value through profit or loss ("**FVTPL**")	20	**241**	4
Changes in fair value of financial liabilities at FVTPL	25	**(1,512)**	(6,124)
Impairment losses recognized on property, plant and equipment and right-of-use assets		**(8,345)**	—
Administrative expenses		**(23,161)**	(24,191)
Research and development expenses		**(54,382)**	(67,641)
Other expenses	8	**(170)**	(450)
Finance costs	9	**(986)**	(798)
Loss before tax		**(84,990)**	(97,378)
Income tax expense	10	**—**	—
Loss for the year	11	**(84,990)**	(97,378)
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(231)**	(1,850)
Other comprehensive expense for the year		**(231)**	(1,850)
Total comprehensive expense for the year		**(85,221)**	(99,228)
Loss for the year attributable to:			
Owners of the Company		**(78,691)**	(88,299)
Non-controlling interests		**(6,299)**	(9,079)
		(84,990)	(97,378)
Total comprehensive expense for the year attributable to:			
Owners of the Company		**(78,890)**	(90,080)
Non-controlling interests		**(6,331)**	(9,148)
		(85,221)	(99,228)
Loss per share	15		
— Basic and diluted (US$)		**(1.03)**	(1.16)

Consolidated Statement of Financial Position

As at December 31, 2023

	NOTES	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS			
Property, plant and equipment	16	**13,528**	24,076
Right-of-use assets	17	**1,956**	5,446
Intangible assets	18	**823**	919
Financial asset at FVTPL	20	**—**	15,004
Deposits	19	**762**	1,237
		17,069	46,682
CURRENT ASSETS			
Financial asset at FVTPL	20	**20,043**	—
Prepayments, deposits and other receivables	19	**14,791**	12,020
Cash and cash equivalents	21	**23,884**	105,229
		58,718	117,249
CURRENT LIABILITIES			
Trade and other payables	22	**10,866**	11,758
Contract liability	23	**706**	718
Deferred income		**262**	—
Lease liabilities	24	**1,179**	1,751
		13,013	14,227
NET CURRENT ASSETS		**45,705**	103,022
TOTAL ASSETS LESS CURRENT LIABILITIES		**62,774**	149,704
NON-CURRENT LIABILITIES			
Financial liabilities at FVTPL	25	**30,651**	29,139
Lease liabilities	24	**7,666**	9,005
		38,317	38,144
NET ASSETS		**24,457**	111,560

Consolidated Statement of Financial Position

As at December 31, 2023

	NOTES	2023 US$'000	2022 US$'000
CAPITAL AND RESERVES			
Share capital	26	**88**	88
Reserves		**40,108**	121,918
Equity attributable to owners of the Company		**40,196**	122,006
Non-controlling interests	27	**(15,739)**	(10,446)
TOTAL EQUITY		**24,457**	111,560

The consolidated financial statements on pages 108 to 205 were approved and authorized for issue by the Board of Directors on March 27, 2024 and are signed on its behalf by:

Dr. Yang Lu
DIRECTOR

Dr. Xiaochang Dai
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company												
	Share capital US$'000	Shares held for share option scheme US$'000	Shares held for share award scheme US$'000	Share premium US$'000	Other reserves US$'000 (Note i)	Treasury share reserve US$'000	Translation reserve US$'000	Share option reserve US$'000	Share award reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2022	88	(13)	–	516,841	(11,650)	–	(1,249)	13,624	–	(306,026)	211,615	(1,327)	210,288
Loss for the year	–	–	–	–	–	–	–	–	–	(88,299)	(88,299)	(9,079)	(97,378)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(1,781)	–	–	–	(1,781)	(69)	(1,850)
Total comprehensive expense for the year	–	–	–	–	–	–	(1,781)	–	–	(88,299)	(90,080)	(9,148)	(99,228)
Share repurchases (Note 26)	–	–	–	–	–	(10,217)	–	–	–	–	(10,217)	–	(10,217)
Cancellation of treasury shares (Note 26)	(1)	–	–	(9,011)	–	9,012	–	–	–	–	–	–	–
Recognition of share-based payment	–	–	–	–	–	–	–	202	197	–	399	14	413
Exercise of share options	–	1	–	2,740	–	–	–	(691)	–	–	2,050	–	2,050
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	15	15
Issue of shares upon the exercise of the over-allotment option (Note ii)	1	–	–	8,238	–	–	–	–	–	–	8,239	–	8,239
At December 31, 2022	88	(12)	–	518,808	(11,650)	(1,205)	(3,030)	13,135	197	(394,325)	122,006	(10,446)	111,560

Consolidated Statement of Changes in Equity

For the year ended December 31, 2023

	Attributable to owners of the Company												
	Share capital US$'000	Shares held for share option scheme US$'000	Shares held for share award scheme US$'000	Share premium US$'000	Other reserves US$'000 (Note i)	Treasury share reserve US$'000	Translation reserve US$'000	Share option reserve US$'000	Share award reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2023	88	(12)	–	518,808	(11,650)	(1,205)	(3,030)	13,135	197	(394,325)	122,006	(10,446)	111,560
Loss for the year	–	–	–	–	–	–	–	–	–	(78,691)	(78,691)	(6,299)	(84,990)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	–	(199)	–	–	–	(199)	(32)	(231)
Total comprehensive expense for the year	–	–	–	–	–	–	(199)	–	–	(78,691)	(78,890)	(6,331)	(85,221)
Share repurchases (Note 26)	–	–	–	–	–	(6,483)	–	–	–	–	(6,483)	–	(6,483)
Cancellation of treasury shares (Note 26)	(1)	–	–	(7,687)	–	7,688	–	–	–	–	–	–	–
Acquisition of interest in a subsidiary	–	–	–	–	(911)	–	–	–	–	–	(911)	911	–
Recognition of share-based payment	–	–	–	–	–	–	–	2,108	1,314	–	3,422	128	3,550
Exercise of share options	–	1	–	1,473	–	–	–	(423)	–	–	1,051	–	1,051
Lapse/forfeiture of share options	–	–	–	–	–	–	–	(376)	–	377	1	(1)	–
Vesting of restricted share units ("**RSUs**")	–	–	–	1,368	–	–	–	–	(1,368)	–	–	–	–
Issue of shares held on trust (Note 26 (iii))	1	–	(1)	–	–	–	–	–	–	–	–	–	–
At December 31, 2023	88	(11)	(1)	513,962	(12,561)	–	(3,229)	14,444	143	(472,639)	40,196	(15,739)	24,457

Notes:

i. Other reserves included 1) effect of 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, 5) effect of group reorganization in connection with the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") which was completed on January 21, 2021 and 6) 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 of additional interest in a subsidiary, EDIRNA Inc. ("**EDIRNA**"), during the year ended December 31, 2023.

ii. On January 26, 2022, 973,450 ordinary shares of the Company were issued and allotted 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, 2022.

* The English name is for identification purpose only.

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	NOTE	2023 US$'000	2022 US$'000
OPERATING ACTIVITIES			
Loss for the year		**(84,990)**	(97,378)
Adjustments for:			
Impairment loss on property, plant and equipment		**6,886**	—
Impairment loss on right-of-use assets		**1,459**	—
Amortization of intangible assets		**85**	87
Interest income		**(959)**	(1,353)
Changes in fair value of structured deposits		**(18)**	(45)
Changes in fair value of financial liabilities at FVTPL		**1,512**	6,124
Changes in fair value of financial asset at FVTPL		**(241)**	(4)
Depreciation of property, plant and equipment		**4,699**	2,023
Depreciation of right-of-use assets		**1,375**	1,823
Loss on disposal of property, plant and equipment		**176**	36
Gain on termination of leases		**(2,072)**	—
Finance costs		**986**	798
Share-based payment expense	29	**3,550**	413
Operating cash outflows before movements in working capital		**(67,552)**	(87,476)
Increase in prepayments, deposits and other receivables		**(2,784)**	(301)
Decrease in trade and other payables		**(219)**	(931)
Increase in deferred income		**263**	—
NET CASH USED IN OPERATING ACTIVITIES		**(70,292)**	(88,708)
INVESTING ACTIVITIES			
Purchase and deposits paid for property, plant and equipment		**(1,742)**	(18,830)
Placement of structured deposits		**(8,171)**	(18,621)
Purchase of financial asset at FVTPL		**(5,000)**	(15,000)
Proceeds from (payment for) rental deposits		**174**	(179)
Proceeds from redemption of structured deposits		**8,189**	18,666
Proceeds from redemption of financial asset at FVTPL		**202**	—
Interest received		**959**	1,353
Proceeds from disposal of property, plant and equipment		**39**	—
NET CASH USED IN INVESTING ACTIVITIES		**(5,350)**	(32,611)

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 US$'000	2022 US$'000
FINANCING ACTIVITIES		
Receipt of lease allowance	**1,711**	4,036
Proceeds from exercise of share options	**1,051**	2,050
Payment for share repurchases	**(6,483)**	(10,217)
Interest paid on lease liabilities	**(986)**	(798)
Repayment of lease liabilities	**(899)**	(697)
Proceeds from issuance of financial liabilities at FVTPL	**—**	14,578
Proceeds from exercise of the over-allotment option	**—**	8,239
Capital injection from non-controlling shareholders	**—**	15
Accrued issue costs paid	**—**	(1,318)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(5,606)**	15,888
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(81,248)**	(105,431)
CASH AND CASH EQUIVALENTS AT JANUARY 1	**105,229**	211,994
Effect of foreign exchange rate changes	**(97)**	(1,334)
CASH AND CASH EQUIVALENTS AT DECEMBER 31, represented by bank balances and cash	**23,884**	105,229

1. GENERAL INFORMATION

Sirnaomics Ltd. (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") effective from December 30, 2021. The respective address of the registered office and the principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "**Group**") are clinical stage biotechnology companies engaged in developing and commercializing of ribonucleic acid interference ("**RNAi**") technology and multiple therapeutics. Details of particulars of the Company's principal subsidiaries are disclosed in note 34.

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

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs, International Accounting Standards ("**IASs**"), and interpretations issued by the International Accounting Standards Board ("**IASB**"), for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Reform-Pillar Two model Rules
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to IFRSs in the current year 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 consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

New and amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in note 3.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[2]
Amendments to IAS 1	Non-current Liabilities with Covenants[2]
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements[2]
Amendments to IAS 21	Lack of Exchangeability[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after January 1, 2024.
3 Effective for annual periods beginning on or after January 1, 2025.

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

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current (the "2020 Amendments")* and Amendments to IAS 1 *Non-current Liabilities with Covenants (the "2022 Amendments")*

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs (Continued)

Amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (the "2020 Amendments") and Amendments to IAS 1 Non-current Liabilities with Covenants (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after January 1, 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. If an entity applies the 2020 Amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

As at December 31, 2023, the Group's outstanding preferred shares which include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified the liabilities as current or non-current based on the earliest date in which the Group has the obligation to redeem these preferred shares through cash settlement. These instruments were designated as financial liabilities at FVTPL with carrying amounts of US$30,651,000 as at December 31, 2023 and are classified as non-current. Upon the application of the 2020 Amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitutes settlement of the convertible instruments. Given that the conversion options are exercisable anytime at the holders' discretions, the preferred shares designated as financial liabilities at FVTPL amounting to US$30,651,000 would be reclassified to current liabilities as the holders have the option to convert within twelve months after the reporting period.

Except as described above, the application of the 2020 Amendments and 2022 Amendments will not affect the classification of the Group's other liabilities as at December 31, 2023.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

The Group engages in developing and commercializing of RNAi technology and multiple therapeutics with certain drug candidates in different preclinical and clinical stages. The Group incurred a net loss of US$84,990,000 and a net operating cash outflow of US$70,292,000 for the year ended December 31, 2023, and as of that date, the Group had cash and cash equivalents of US$23,884,000. The Group's ability to continue as a going concern is highly dependent on its ability to maintain minimal cash outflows from operations and sufficient financing resources to meet its financial obligations as and when they fall due. The Group is actively improving the liquidity and cashflow by implementing different plans and measures, including, but not limited to, the followings:

(i) The Group is implementing restructuring initiatives to further streamline the organizational structure, enhance operational efficiency, and align its resources more effectively with the Group's strategic objectives to continue advancing its core products in order to reduce the cash outflow from the operating activities.

(ii) The directors of the Company will consider redeeming certain portion of the Fund (as defined in note 20) at a timing and process that will have the least impact to the redemption amount.

(iii) The Group's non-wholly owned subsidiary, RNAimmune, will continue to seek equity and other alternative financing, including but not limited to issuance of preference shares, to finance its own operations and meet its own financial obligations without relying on the additional financing support from the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The directors of the Company performed an assessment of the Group's future liquidity and cash flows, which included preparing a cashflow projection for the Group covering a period of 21 months till September 30, 2025 and a review of assumptions about the likelihood of success of the plans and measures being implemented to meet the Group's financing needs. When preparing the consolidated financial statements for the year ended December 31, 2023, the directors, based on their assessment, are of the opinion that (a) the Group will be able to implement the restructuring initiatives in order to reduce the cash outflow from the operating activities and redeem certain portion of the subscribed Fund in a timely manner; and (b) RNAimmune will able to obtain new source of external financing resources to finance its own operations and meet its own financial obligations, so that the Group has sufficient financial resources to finance its operations and to meet its financial obligations as and when they fall due at least twelve months from the date of approval of the consolidated financial statements. Accordingly, the consolidated financial statements have been prepared on a basis that the Group will be able to continue as a going concern.

Significant uncertainties exist as to whether management of the Group will be able to achieve its plans and measures as described above. If the above-mentioned plans and measures could not be implemented successfully as planned, the Group would be unable to finance its operations or meet its financial obligations as and when they fall due in the ordinary course of business. The above conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group fail to achieve the above-mentioned plans and measures, it might not be able to continue to operate as a going concern and adjustments might have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to reclassify non-current liabilities as current liabilities with consideration of the contractual terms, or to recognize a liability for any contractual commitments that may have become onerous, where appropriate. The effects of these adjustments have not been reflected in the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

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

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

Leases

Definition of a lease

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

For contracts entered into or modified on or after the date of initial application of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessee (Continued)

Right-of-use assets (Continued)

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

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

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The Company remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as lessee (Continued)

Lease modifications (Continued)

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

Foreign currencies

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share options granted to employees (Continued)

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

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

Share options granted to non-employees

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Share award

For share award schemes, the fair value of services received, determined by reference to the fair value of awarded shares granted at the grant date, is expensed on a straight-line basis over the vesting period, with a corresponding increase in share award reserve. The cost of acquisition of the Company's shares held for the share award scheme is recorded as treasury shares (shares held for share award scheme). At the time when the awarded shares are vested, the amount previously recognized in share award reserve and the amount of the relevant treasury shares will be transferred to accumulated losses. At the end of each reporting period, the Group revisits its estimates of the number of awarded shares that are expected to ultimately vest. The impact of the revision of the estimates during the vesting period, if any, is recognized in profit or loss, with a corresponding adjustment to the share award reserve.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

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

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

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

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

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

Current and deferred tax are recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Internally-generated intangible assets — research and development expenditure

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

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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

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

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Financial instruments

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below).

(ii) Financial asset at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any dividend or interest earned on the financial asset and is included in the "change in fair value of financial asset at FVTPL" line item.

Impairment of financial assets which are subject to impairment assessment under IFRS 9

The Group performs impairment assessment under expected credit losses ("**ECL**") model on financial assets (including other receivables and deposits and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets which are subject to impairment assessment under IFRS 9 (Continued)

The Group measures the loss allowance equal to 12m ECL for its financial instruments, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "Other gains and losses" line item as part of the net foreign exchange losses; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Foreign exchange gains and losses (Continued)

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the "Changes in fair value of financial asset at FVTPL" line item.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of consideration received and receivable is recognized in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancelation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortized cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is held for trading or designated as at FVTPL.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

Series Seed Preferred Shares and Series A Preferred Shares

The Series Seed Preferred Shares and Series A Preferred Shares are designated as financial liabilities at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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

The amount of change in the fair value of the financial liability measured at FVTPL that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of the financial liability measured at FVTPL is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to accumulated losses upon derecognition of the financial liability. Fair value is determined in the manner described in note 25.

Financial liabilities at amortized cost

Financial liabilities including trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognized in the "Other gains and losses" line item in profit or loss as part of net foreign exchange losses for financial liabilities that are not part of a designated hedging relationship. The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition/modification of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

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

Research and development expenditures

Development expenses incurred on the Group's product pipelines are capitalized and deferred only when the Group can demonstrate the technical feasibility of completing the intangible assets so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the pipeline and the ability to measure reliably the expenditure during the development. Development expenses which do not meet these criteria are expensed when incurred. The management of the Group assesses the progress of each of the research and development projects and determines that the Group's product pipelines do not meet the above said capitalization criteria. During the year, all the development costs are expensed when incurred.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainties at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES (Continued)

Key sources of estimation uncertainties (Continued)

Fair value of financial liabilities at FVTPL

The Group had issued Series Seed Preferred Shares and Series A Preferred Shares to a group of investors prior to the reporting period as set out in note 25. The Group recognized these financial instruments as financial liabilities at FVTPL in which no quoted prices in an active market exist. The fair value of the financial instruments is established by using valuation techniques, which include back-solve method and equity allocation based on the Black-Scholes Option Pricing Model ("**OPM**") involving various parameters and inputs. Valuation techniques are certified by an independent qualified professional valuer before being implemented for valuation and are calibrated to ensure that outputs reflect market conditions. Valuation models established by the valuer make the maximum use of market inputs and rely as little as possible on the Group's specific data. However, it should be noted that some inputs, such as fair value of the ordinary shares of RNAimmune, possibilities under different scenarios, such as qualified initial public offering, redemption, liquidation and other inputs, such as time to liquidation, risk-free interest rate, expected volatility value and dividend yield, require management estimates. Management estimates and assumptions are reviewed periodically and are adjusted if necessary.

Should any of the estimates and assumptions change, it may lead to a change in the fair value of financial liabilities at FVTPL. The fair value of the financial liabilities at FVTPL of the Group as at December 31, 2023, representing Series Seed Preferred Shares and Series A Preferred Shares of RNAimmune, were approximately US$30,651,000 (2022: US$29,139,000.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; and (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset.

As at December 31, 2023, the carrying amounts of property, plant and equipment and right-of-use assets subject to impairment assessment were US$7,029,000 and US$1,459,000, respectively. Based on the result of the management assessment, an impairment amount of US$6,886,000 and US$1,459,000 have been recognized respectively. Details of the impairment of property, plant and equipment and right-of-use assets are disclosed in notes 16 and 17, respectively.

5. REVENUE AND SEGMENT INFORMATION

Revenue

The Group has not generated any revenue during both years.

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.

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	
	2023	2022
	US$'000	US$'000
The U.S.	**10,018**	21,680
The PRC	**6,202**	9,107
Hong Kong	**144**	6
	16,364	30,793

6. OTHER INCOME

	2023 US$'000	2022 US$'000
Government grants (Note)	**357**	679
Interest income from bank balances	**959**	1,353
Consultancy income	**40**	26
Others	**58**	56
	1,414	2,114

Note: For both years, government grants include cash incentives specifically for research and development activities, which are recognized upon compliance with the relevant conditions where applicable.

7. OTHER GAINS AND LOSSES

	2023 US$'000	2022 US$'000
Net foreign exchange losses	**(3)**	(301)
Loss on disposal of property, plant and equipment	**(176)**	(36)
Gain on termination of leases	**2,072**	—
Changes in fair value of structured deposits	**18**	45
	1,911	(292)

8. OTHER EXPENSES

	2023 US$'000	2022 US$'000
Subscription fee of financial asset at FVTPL (Note 20)	**150**	450
Others	**20**	—
	170	450

9. FINANCE COSTS

	2023 US$'000	2022 US$'000
Interest on lease liabilities	**986**	798

10. 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 Sirnaomics (Hong Kong) Limited ("**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 both years. 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 year (2022: 5.5% 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% for both years.

Sirnaomics Biopharmaceuticals (Guangzhou) Co., Ltd.* 聖諾生物醫藥技術(廣州)有限公司 ("**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, December 2020 and December 2023 respectively, and have been registered with the local tax authorities for enjoying the reduced Enterprise Income Tax ("**EIT**") rate at 15% during 2017 to 2022.

Suzhou Sirnaomics have been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Suzhou City and relevant authorities in October 2022, and have been registered with the local tax authorities for enjoying the reduced EIT rate at 15% for a term of three years. This tax benefit was obtained by Suzhou Sirnaomics in October 2022 for the financial years of 2022, 2023 and 2024.

No Hong Kong Profits Tax, U.S. corporate income and state taxes and EIT were provided as the group entities had no assessable profits for both years.

* The English name is for identification purpose only.

10. INCOME TAX EXPENSE (Continued)

The income tax expense during the year is reconciled to the loss before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 US$'000	2022 US$'000
Loss before tax	**(84,990)**	(97,378)
Tax at the U.S. corporate income tax rate of 21% (Note i)	**(17,848)**	(20,449)
Tax effect of expenses not deductible for tax purposes	**2,604**	568
Additional tax reduction on research and development expenses (Note ii)	**(501)**	(695)
Tax effect of tax losses not recognized	**11,043**	7,800
Tax effect of deductible temporary differences not recognized	**3,929**	12,498
Effect of different tax rates of subsidiaries operating in other jurisdictions	**773**	278
Income tax expense for the year	**—**	—

Notes:

(i) The domestic tax rate (which is U.S. corporate income tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

(ii) Pursuant to Announcement of the Ministry of Finance, the State Taxation Administration and the Ministry of Science and Technology 2022 circular No. 16, the PRC subsidiaries for Small and Medium Sci-tech Enterprises enjoy super deduction of 200% on qualifying research and development expenditures throughout the year ended December 31, 2023 and 2022.

Upon the implementation of the U.S. Tax Cuts and Jobs Act in 2018, net operating losses, losses incurred in business pursuits, can be carried forward indefinitely as a result of the U.S. Tax Cuts and Jobs Act.

As at December 31, 2023, the Group had unused tax losses of approximately US$222,319,000 (2022: US$169,730,000) and deductible temporary difference of US$18,710,000 (2022: US$59,514,000) for offset against future profits. No deferred tax asset has been recognized in respect of tax losses and such deductible temporary difference due to the unpredictability of future profit streams. Included in unrecognized tax losses as at December 31, 2023 are the amounts of US$78,270,000 (2022: US$65,980,000) which will expire from 2023 to 2037. Other losses may be carried forward indefinitely.

11. LOSS FOR THE YEAR

	2023 US$'000	2022 US$'000
Loss for the year has been arrived at after charging:		
Auditor's remuneration		
— audit services	**611**	674
— other services	**46**	85
Outsourcing service fees included in research and development expenses	**27,934**	37,095
Amortization of intangible assets	**85**	87
Depreciation of property, plant and equipment	**4,699**	2,023
Depreciation of right-of-use assets	**1,375**	1,823
	6,159	3,933
Analyzed as:		
— charged in administrative expenses	**1,710**	1,458
— charged in research and development expenses	**4,449**	2,475
	6,159	3,933
Directors' remuneration (Note 12)	**3,370**	1,910
Other staff costs		
— Salaries and other allowances	**16,673**	17,845
— Retirement benefit scheme contributions	**1,279**	1,340
— Share-based payment expense	**1,979**	249
— Performance and discretionary bonus (Note)	**12**	239
	23,313	21,583
Analyzed as:		
— charged in administrative expenses	**8,760**	7,014
— charged in research and development expenses	**14,553**	14,569
	23,313	21,583

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.

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

Details of the emoluments paid to the individuals, who were appointed as the directors and chief executives of the Company (including emoluments for services as employees/directors of the group entities prior to becoming the directors of the Company), during the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, are as follows:

Year ended December 31, 2023

	Date of appointment as director of the Company	Fees US$'000	Salaries and other allowances US$'000	Retirement benefit schemes contributions US$'000	Share-based payment expenses US$'000	Total US$'000
Name of directors						
CEO and executive director:						
Dr. Yang Lu	October 15, 2020	–	515	20	551	1,086
Executive directors:						
Dr. Michael V. Molyneaux (Note (i))	January 25, 2021	–	382	20	268	670
Dr. Xiaochang Dai (Note (ii))	January 25, 2021	–	323	13	549	885
Dr. David Mark Evans	July 12, 2021	–	252	14	203	469
		–	957	47	1,020	2,024
Non-executive directors:						
Mr. Mincong Huang	January 25, 2021	15	–	–	–	15
Mr. Jiankang Zhang	July 12, 2021	15	–	–	–	15
		30	–	–	–	30
Independent non-executive directors:						
Dr. Cheung Hoi Yu	December 20, 2021	46	–	–	–	46
Mr. Fengmao Hua	December 20, 2021	46	–	–	–	46
Ms. Monin Ung	December 20, 2021	69	–	–	–	69
Ms. Shing Mo Han, Yvonne	December 20, 2021	69	–	–	–	69
		230	–	–	–	230
Total		260	1,472	67	1,571	3,370

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

Year ended December 31, 2022

	Date of appointment as director of the Company	Fees US$'000	Salaries and other allowances US$'000	Retirement benefit schemes contributions US$'000	Share-based payment expenses US$'000	Total US$'000
Name of directors						
CEO and executive director:						
Dr. Yang Lu	October 15, 2020	—	520	24	58	602
Executive directors:						
Dr. Michael V. Molyneaux (Note (i))	January 25, 2021	—	416	21	34	471
Dr. Xiaochang Dai (Note (ii))	January 25, 2021	—	179	6	50	235
Dr. David Mark Evans	July 12, 2021	—	330	18	22	370
		—	925	45	106	1,076
Non-executive directors:						
Mr. Mincong Huang	January 25, 2021	5	—	—	—	5
Mr. Jiankang Zhang	July 12, 2021	5	—	—	—	5
		10	—	—	—	10
Independent non-executive directors:						
Dr. Cheung Hoi Yu	December 20, 2021	46	—	—	—	46
Mr. Fengmao Hua	December 20, 2021	46	—	—	—	46
Ms. Monin Ung	December 20, 2021	65	—	—	—	65
Ms. Shing Mo Han, Yvonne	December 20, 2021	65	—	—	—	65
		222	—	—	—	222
Total		232	1,445	69	164	1,910

Notes:

(i) Dr. Michael V. Molyneaux resigned as an executive director of the Company with effect from November 30, 2023.

(ii) Dr. Xiaochang Dai was re-designated from a non-executive director to an executive director of the Company on July 19, 2022

12. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS (Continued)

The executive directors' and non-executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

There were no arrangement under which a director of the Company or the chief executives waived or agreed to waive any remuneration during the year.

No emolument was paid to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year.

During the year ended December 31, 2022, certain directors were granted share options and share awards in respect of their services to the Group under the 2022 Post-IPO Incentive Plans of the Company. Details of the 2022 Post-IPO Incentive Plans are set out in note 29.

13. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included 3 directors of the Company for the year ended December 31, 2023 (2022: 3 directors), and details of those remunerations are set out above. Details of the remuneration for the remaining 2 (2022: 2) highest paid employees for year ended December 31, 2023 are as follows:

	2023 US$'000	2022 US$'000
Salaries and other allowances	**722**	765
Retirement benefit scheme contributions	**18**	39
Share-based payment expense	**390**	46
Total	**1,130**	850

The emoluments of these employees (excluding the directors) are within the following bands:

	2023	2022
HK$3,000,001 to HK$3,500,000	**—**	2
HK$4,000,001 to HK$4,500,000	**1**	—
HK$4,500,001 to HK$5,000,000	**1**	—
Total	**2**	2

13. FIVE HIGHEST PAID EMPLOYEES (Continued)

During the year ended December 31, 2022, certain non-director and non-chief executives highest paid employees were granted share options and share awards in respect of their services to the Group under the 2022 Post-IPO Incentive Plans. Details are set out in note 29.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2023 and 2022, nor has any dividend been proposed since the end of the reporting period.

15. 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:

	2023 US$'000	2022 US$'000
Loss for the year attributable to owners of the Company for the purpose of basic and diluted loss per share	**(78,691)**	(88,299)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**76,055,750**	76,008,301

The weighted average number of ordinary shares for the purpose of basic loss per share shown above for the years ended December 31, 2023 and 2022 has been arrived at after deducting the shares held by the trustee of the shares held for share option scheme and share award scheme of the Company and treasury shares held by the Company as set out in note 26. 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 year ended December 31, 2023 and 2022, the different series of preferred shares issued by RNAimmune, 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, RNAimmune and EDIRNA outstanding were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive.

16. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement US$'000	Furniture and fixtures US$'000	Laboratory equipment US$'000	Vehicles US$'000	Equipment and computers US$'000	Assets under construction US$'000	Total US$'000
COST							
At January 1, 2022	833	290	7,890	179	302	508	10,002
Additions	492	783	3,475	122	292	13,619	18,783
Transfer	13,301	—	—	—	—	(13,301)	—
Disposals/written off	—	(9)	(107)	—	(21)	—	(137)
Exchange adjustments	(86)	(18)	(469)	(20)	(44)	(24)	(661)
At December 31, 2022	14,540	1,046	10,789	281	529	802	27,987
Additions	149	16	1,186	—	27	3	1,381
Transfer	450	—	239	—	36	(725)	—
Disposals/written off	(319)	(70)	(55)	—	(41)	—	(485)
Exchange adjustments	(25)	(4)	(103)	(5)	(4)	(8)	(149)
At December 31, 2023	14,795	988	12,056	276	547	72	28,734
DEPRECIATION AND IMPAIRMENT LOSS							
At January 1, 2022	198	189	1,537	61	155	—	2,140
Provided for the year	405	62	1,418	46	92	—	2,023
Eliminated on disposals/written off	—	(2)	(78)	—	(21)	—	(101)
Exchange adjustments	(24)	(11)	(72)	(7)	(37)	—	(151)
At December 31, 2022	579	238	2,805	100	189	—	3,911
Provided for the year	2,156	132	2,248	53	110	—	4,699
Impairment loss recognized in profit or loss	6,234	—	652	—	—	—	6,886
Eliminated on disposals/written off	(160)	(53)	(17)	—	(40)	—	(270)
Exchange adjustments	(8)	(3)	(5)	(2)	(2)	—	(20)
At December 31, 2023	8,801	314	5,683	151	257	—	15,206
CARRYING VALUES							
At December 31, 2023	5,994	674	6,373	125	290	72	13,528
At December 31, 2022	13,961	808	7,984	181	340	802	24,076

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

The above items of property, plant and equipment, other than assets under construction, are depreciated on a straight-line basis except for certain leasehold improvement and laboratory equipment, after taking into account the residual value, at the rate per annum as follows:

Leasehold improvement	Over the term of the lease
Furniture and fixtures	5 years
Laboratory equipment	3–10 years
Vehicles	4–5 years
Equipment and computers	3 years

Based on the assessment made by the directors of the Company during the year ended December 31, 2023, the directors determined that the useful lives of certain property, plant and equipment and right-of-use assets with carrying amounts of US$3,690,000 and US$374,000 were reduced and their depreciation was accelerated by US$1,124,000 and US$147,000, respectively for the year ended December 31, 2023.

Impairment assessment of property, plant and equipment and right-of-use assets

During the year ended December 31, 2023, the directors of the Company considered that there was indication for impairment and conducted impairment assessment on certain property, plant and equipment and right-of-use assets with carrying amounts of US$7,029,000 and US$1,459,000, respectively.

Based on the result of the assessment, management of the Group determined that the recoverable amount of property, plant and equipment and right-of-use assets is lower than the carrying amounts. The impairment amount has been allocated to relevant category of property, plant and equipment and right-of-use assets. Based on the allocation, an impairment of US$6,886,000 and US$1,459,000, respectively, has been recognized against the carrying amount of property, plant and equipment and right-of-use assets.

17. RIGHT-OF-USE ASSETS

	Equipment US$'000	Leased properties US$'000	Total US$'000
Carrying amount			
At January 1, 2022	56	6,799	6,855
Additions	—	1,223	1,223
Lease modification	—	(665)	(665)
Depreciation charge for the year	(51)	(1,772)	(1,823)
Exchange adjustments	(1)	(143)	(144)
At December 31, 2022	4	5,442	5,446
Additions	—	319	319
Lease modification	—	146	146
Disposals	—	(1,090)	(1,090)
Depreciation charge for the year	(4)	(1,371)	(1,375)
Impairment loss (Note 16)	—	(1,459)	(1,459)
Exchange adjustments	—	(31)	(31)
At December 31, 2023	—	1,956	1,956

	2023 US$'000	2022 US$'000
Expenses relating to short-term leases	**104**	252
Total cash outflows for leases	**1,989**	1,747

During the year, the Group leases various offices, staff quarter and equipment for its operations. Lease contracts are entered into for fixed term of one to ten years (2022: one to ten years). The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office use. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short term leases to which the short-term lease expense disclosed above.

The Group has extension options in one lease for its office. This is used to maximize operational flexibility in terms of managing the assets used in the Group's operations. The extension option held is exercisable only by the Group and not by the lessor.

17. RIGHT-OF-USE ASSETS (Continued)

The Group assesses at the lease commencement date whether it is reasonably certain to exercise the extension options. The potential exposures to these future lease payments for extension options in which the Group is not reasonably certain to exercise are summarized below:

	Lease liabilities recognized as at December 31, 2023 US$'000	**Potential future lease payments not included in lease liabilities (undiscounted) as at December 31, 2023 US$'000**	Lease liabilities recognized as at December 31, 2022 US$'000	Potential future lease payments not included in lease liabilities (undiscounted) as at December 31, 2022 US$'000
Office — the U.S.	**7,786**	**17,622**	8,171	21,474

During the year ended December 31, 2023, the Group has not recognized any additional lease liabilities as the Group did not exercise any extension option.

In addition, the Group reassesses whether it is reasonably certain to exercise an extension option, upon the occurrence of either a significant event or a significant change in circumstances that is within the control of the lessee. During the year, there is no such triggering event (2022: Nil).

Rent concessions

During the year ended December 31, 2022, lessors of the relevant offices provided rent concessions to the Group through rent reduction.

The rent concession was not within the scope of Covid-19-related rent concessions and concluded the changes in lease payments constitute lease modifications. The reduction of the Group's lease liabilities of US$665,000 and a corresponding adjustment of the same amount to the right-of-use assets were recognized.

Restrictions on assets

In addition, lease liabilities of approximately US$8,845,000 (2022: US$10,756,000) are recognized with related right-of-use assets of approximately US$1,956,000 (2022: US$5,446,000) as at December 31, 2023. 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.

18. INTANGIBLE ASSETS

	Patent rights US$'000
COST	
At January 1, 2022	1,170
Exchange adjustments	(66)
At December 31, 2022	1,104
Exchange adjustments	(12)
At December 31, 2023	1,092
ACCUMULATED AMORTIZATION	
At January 1, 2022	101
Provided for the year	87
Exchange adjustments	(3)
At December 31, 2022	185
Provided for the year	85
Exchange adjustments	(1)
At December 31, 2023	269
CARRYING VALUE	
At December 31, 2023	823
At December 31, 2022	919

The above intangible assets represent patent rights which are amortized over a period of 10 years to 16.2 years (2022: 10 years to 16.2 years) on a straight-line basis. The useful lives of patent rights were determined based on (i) the license period in accordance with the license agreement entered into between the Group and the patent owners and (ii) the expiration date of the relevant patent.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2023 US$'000	2022 US$'000
Prepayments to outsourced service providers	**7,961**	11,060
Prepayments for legal and other professional services (Note (i))	**2,107**	284
Refundable deposit for potential investment (Note (ii))	**3,730**	—
Deposits paid for purchase of property, plant and equipment	**37**	332
Rental deposits	**880**	922
Others receivables, net of allowance of credit losses	**818**	639
Deposit paid for purchase of intangible assets	**20**	20
	15,553	13,257
Analyzed as:		
Current	**14,791**	12,020
Non-current	**762**	1,237
	15,553	13,257

Notes:

(i) Prepayment for marketing consulting services include performing industry research and roadshows and introducing potential investors to the Group.

(ii) Prepayment paid to a professional party as a fund proof deposit for the potential investment. The amount has been subsequently fully refunded and received in February 2024.

Details of impairment assessment of other receivables and deposits are set out in note 31.

20. FINANCIAL ASSET AT FVTPL

In 2022, HK Sirnaomics, a wholly owned subsidiary of the Company, subscribed for Class B non-voting, participating, non-redeemable shares (the "**Segregated Portfolio Shares**") of a segregated portfolio of TradArt Flagship Investment SPC (the "**Fund**") at a total subscription amount of US$15,000,000. During the year ended December 31, 2023, HK Sirnaomics further subscribed for the Segregated Portfolio Shares of the Fund at a subscription amount of US$5,000,000. The subscription fee of US$150,000 (2022: US$450,000) has been paid to the Fund upon subscription and recognized in profit or loss for the year ended December 31, 2023. The Fund has appointed TradArt Asset Management Co., Limited, an independent third party of the Group, as its investment manager.

The main investment strategies of the Segregated Portfolio are to invest in initial public offerings candidates, secondary market stocks and debt instruments in countries including but not limited to, Hong Kong, the U.S. and the PRC.

The fair value of this investment fund was determined by adopting the net asset value approach. The investment manager determines the net asset values of the investment fund by using methodology based on relevant comparable data to quantify the adjustment from cost or latest transaction price where appropriate, or to justify that cost or latest transaction price is a proper approximation to fair value of the underlying investments held by the investment fund.

	Financial asset at FVTPL US$'000
At January 1 and December 31, 2022	—
Additions	15,000
Unrealized changes in fair value	4
At December 31, 2022	15,004
Additions	5,000
Redemption	(202)
Unrealized changes in fair value	241
At December 31, 2023	20,043

21. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates ranging from 0.001% to 4.86% (2022: 0.001% to 3.49%).

Details of impairment assessment of bank balances are set out in note 31.

22. TRADE AND OTHER PAYABLES

	2023 US$'000	2022 US$'000
Trade payables	**3,868**	4,892
Accruals for outsourcing research and development fees	**3,611**	3,395
Accruals for other operating expenses	**2,459**	1,833
Accruals for staff costs	**864**	922
Payables for acquisition of property, plant and equipment	**64**	716
	6,998	6,866
	10,866	11,758

The credit period on purchase of materials or receiving services for research and development activities is usually within 90 days (2022: 30 days). The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2023 US$'000	2022 US$'000
0 to 30 days	**1,655**	3,843
31 to 60 days	**470**	1,014
61 to 90 days	**675**	25
Over 90 days	**1,068**	10
	3,868	4,892

23. 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, 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$706,000 (2022: US$718,000)), 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 December 31, 2023 and 2022, the Group had received an upfront fee of RMB5,000,000 (approximately US$706,000 (2022: US$718,000)) which was recognized as a contract liability until the services have been delivered to the customer.

The directors of the Company expected the contract liability to be settled within normal operating cycles. Therefore, the amount is classified under current liabilities.

24. LEASE LIABILITIES

	2023 US$'000	2022 US$'000
Lease liabilities payable:		
Within one year	**1,179**	1,751
Within a period of more than one year but not exceeding two years	**372**	1,360
Within a period of more than two years but not exceeding five years	**1,813**	2,548
Exceeding five years	**5,481**	5,097
	8,845	10,756
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,179)**	(1,751)
Amount due for settlement after 12 months shown under non-current liabilities	**7,666**	9,005

As at December 31, 2023, the incremental borrowing rates applied to lease liabilities ranged from 9.3% to 18.3% (2022: 6.1% to 18.3%).

25. 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 December 31, 2023.

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	8	7,553,390	3.09	23,340
			15,489,899		33,340

(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 December 31, 2023 and 2022, 7,936,509 Series Seed Preferred Shares were issued and outstanding.

On March 10, 2021, RNAimmune entered into share purchase agreements of Series A Preferred Shares with US Sirnaomics and independent investors to issue 2,588,997 and 6,258,891 Series A Preferred Shares at a consideration of US$8,000,000 and US$19,340,000, respectively. As at December 31, 2022, out of the 6,258,891 Series A Preferred Shares which the independent investors agreed to purchase, 4,964,393 Series A Preferred Shares with a total consideration of US$15,340,000 were issued and outstanding. During the year ended December 31, 2023, the Company has entered into a termination agreement with an investor for the remaining 1,294,498 non-issued Series A Preferred Shares. As at December 31, 2023 and 2022, 4,964,393 Series A Preferred Shares were issued to independent investors and outstanding.

25. FINANCIAL LIABILITIES AT FVTPL (Continued)

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

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.

(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.

25. FINANCIAL LIABILITIES AT FVTPL (Continued)

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

(b) Dividends (Continued)

A dividend is payable only when funds are legally available therefore and only when, as and if declared by the board of directors of RNAimmune. RNAimmune is not obligated to pay a dividend. During the year ended December 31, 2023 and 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.

(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.

25. FINANCIAL LIABILITIES AT FVTPL (Continued)

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

(d) Optional Conversion (Continued)

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.

25. 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".

25. 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 December 31, 2023.

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:

Series Seed Preferred Shares and Series A Preferred Shares

	At December 31, 2023	At December 31, 2022
Time to liquidation	**2.27 years**	3.27 years
Risk-free interest	**4.33%**	4.19%
Expected volatility value	**72.6%**	72.4%
Dividend yield	**0%**	0%
Possibilities under liquidation scenario	**90%**	90%
Possibilities under IPO scenario	**10%**	10%

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.

25. FINANCIAL LIABILITIES AT FVTPL (Continued)

Presentation and Classification (Continued)

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

	Series Seed Preferred Shares issued by RNAimmune US$'000	Series A Preferred Shares issued by RNAimmune US$'000	Total US$'000
At January 1, 2022	8,437	—	8,437
Issuance of Series A Preferred Shares by RNAimmune	—	14,578	14,578
Unrealized changes in fair value	4,071	2,053	6,124
At December 31, 2022	12,508	16,631	29,139
Unrealized changes in fair value	984	528	1,512
At December 31, 2023	13,492	17,159	30,651

26. SHARE CAPITAL

	Number of shares	Share capital US$
Ordinary shares of US$0.001 each		
Authorized		
At December 31, 2022, January 1, 2023 and December 31, 2023	230,000,000	230,000

26. SHARE CAPITAL (Continued)

	Number of shares	Share capital US$
Issued and fully paid		
At January 1, 2022	88,066,780	88,067
Exercise of the over-allotment option (Note (i))	973,450	973
Shares repurchased and cancelled (Note (ii))	(1,072,550)	(1,073)
At December 31, 2022	87,967,680	87,967
Issuance of ordinary shares held on trust (Note (iii))	822,750	823
Shares repurchased and cancelled (Note (ii))	(1,151,950)	(1,152)
At December 31, 2023	87,638,480	87,638

Notes:

(i) On January 26, 2022, 973,450 ordinary shares of the Company were issued and allotted 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.

(ii) During the year ended December 31, 2023, the Company has repurchased 979,350 shares and cancelled 1,151,950 shares, in which 172,600 shares were acquired in November and December 2022 and the total amount paid to acquire the cancelled shares of HK$59,963,000 (equivalent to approximately US$7,688,000) was deducted from equity.

During the year ended December 31, 2022, the Company repurchased 1,245,150 of its own ordinary shares through the Hong Kong Stock Exchange, of which 1,072,550 shares were cancelled during the year and the total amount paid to acquire the cancelled shares of HK$70,294,000 (equivalent to approximately US$9,012,000) was deducted from equity.

26. SHARE CAPITAL (Continued)

Notes:

(ii) (Continued)

Month of repurchase	Number of ordinary shares repurchased	Price per share Highest HK$	Lowest HK$	Aggregate consideration paid US$'000
For the year ended December 31, 2023				
January 2023	73,000	59.10	53.70	531
May 2023	42,950	48.40	46.80	262
June 2023	477,950	55.10	44.60	2,912
July 2023	385,450	58.45	53.40	2,778
	979,350			6,483
For the year ended December 31, 2022				
July 2022	628,500	70.40	62.05	5,272
August 2022	27,300	66.90	64.20	228
September 2022	293,350	69.90	63.95	2,491
October 2022	123,400	66.00	60.15	1,021
November 2022	15,100	57.90	54.10	109
December 2022	157,500	57.95	51.15	1,096
	1,245,150			10,217

(iii) On March 16, 2023, the Company issued and allotted 822,750 ordinary shares to a trustee, held on trust for the benefit of eligible participants under the restricted share unit scheme of the Company with no consideration paid.

27. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries US$'000	Share option reserve of subsidiaries US$'000	Total US$'000
At January 1, 2022	(1,352)	25	(1,327)
Share of loss for the year	(9,079)	—	(9,079)
Exchange differences arising on translation of foreign operations	(69)	—	(69)
Capital contribution from non-controlling shareholders	15	—	15
Recognition of share-based payment	—	14	14
At December 31, 2022	(10,485)	39	(10,446)
Share of loss for the year	(6,299)	—	(6,299)
Exchange differences arising on translation of foreign operations	(32)	—	(32)
Acquisition of interest in a subsidiary	911	—	911
Recognition of share-based payment	—	128	128
Lapse/forfeiture of share options	—	(1)	(1)
At December 31, 2023	(15,905)	166	(15,739)

28. RETIREMENT BENEFITS PLANS

Defined contribution plans

The Group operates a Mandatory Provident Fund Scheme ("**MPF Scheme**") for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK$1,500 per month. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group maintains multiple qualified contributory saving plans as allowed under Section 401(k) of the Internal Revenue Code in the U.S. These plans are defined contribution plans covering employees employed in the U.S. and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation.

The total expense recognised in profit or loss of US$1,346,000 (2022: US$1,409,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans.

29. SHARE-BASED PAYMENT TRANSACTIONS

(a) Share option scheme

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.

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.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (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

As part of the group reorganization in connection with the listing of the Company's share on the Hong Kong Stock Exchange, 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.

The following table discloses movements of the share options held by directors, senior management, employees and non-employee during the year ended December 31, 2023 under 2016 Stock Incentive Plan:

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Exercised during the year	Forfeited during the year	At December 31, 2023
Directors										
Tranche 2017–3	2019	2025	1.36	110	(5)	–	105	–	–	105
Tranche 2016–1	2020	2025	1.36	600	–	–	600	(53)	–	547
Tranche 2017–1	2019	2022	1.50	200	(200)	–	–	–	–	–
Tranche 2017–2	2021	2025	1.36	400	–	–	400	–	–	400
Tranche 2018–1	2022 (Note (ii))	2022	1.60	400	(400)	–	–	–	–	–
Tranche 2018–2	2022 (Note (ii))	2027	1.45	700	–	–	700	–	–	700
Tranche 2020–1	2024 (Note (ii))	2029	2.35	675	–	–	675	–	–	675
Tranche 2020–2	Milestones (Note (i))	2029	1.75	700	–	–	700	–	–	700
				3,785	(605)	–	3,180	(53)	–	3,127

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (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, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Exercised during the year	Forfeited during the year	At December 31, 2023
Senior management										
Tranche 2017–3	2019	2025	1.36	20	(20)	–	–	–	–	–
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	(30)	–	70	–	–	70
Tranche 2018–3	2022 (Note (ii))	2027	1.60	260	(50)	–	210	(4)	–	206
Tranche 2019–2	2023 (Note (ii))	2028	1.75	100	–	–	100	–	–	100
Tranche 2020–2	Milestones (Note (i))	2029	1.75	200	–	–	200	–	–	200
Tranche 2020–3	2024 (Note (ii))	2029	1.75	100	–	–	100	–	–	100
Tranche 2020–5	2024 (Note (ii))	2029	2.35	320	(25)	–	295	(15)	–	280
				1,100	(125)	–	975	(19)	–	956
Employees										
Tranche 2016–2	2018	2025	1.36	800	(65)	–	735	(200)	–	535
Tranche 2017–3	2019	2025	1.36	611	(11)	–	600	(7)	–	593
Tranche 2017–2	2021	2025	1.36	28	(5)	–	23	(2)	–	21
Tranche 2017–4	2020	2025	1.36	100	–	–	100	–	–	100
Tranche 2018–2	2022 (Note (ii))	2027	1.45	715	(95)	–	620	–	–	620
Tranche 2018–3	2022 (Note (ii))	2027	1.60	10	–	–	10	–	–	10
Tranche 2019–2	2023 (Note (ii))	2028	1.75	80	(1)	–	79	–	–	79
Tranche 2019–3	2019	2028	1.75	50	(50)	–	–	–	–	–
Tranche 2019–4	2020	2028	1.75	50	(50)	–	–	–	–	–
Tranche 2020–1	2020	2029	1.75	300	–	–	300	(128)	–	172
Tranche 2020–2	Milestones (Note (i))	2029	1.75	600	(50)	–	550	–	–	550
Tranche 2020–4	2021	2029	2.35	125	(50)	–	75	–	–	75
Tranche 2020–5	2024 (Note (ii))	2029	2.35	345	(23)	–	322	(92)	–	230
				3,814	(400)	–	3,414	(429)	–	2,985

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (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, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Exercised during the year	Forfeited during the year	At December 31, 2023
Non-employee										
Tranche 2018–2	2022 (Note (ii))	2027	1.45	100	(10)	–	90	–	–	90
Tranche 2020–1	2020	2029	1.75	300	–	–	300	–	–	300
				400	(10)	–	390	–	–	390
				9,099	(1,140)	–	7,959	(501)	–	7,458
Exercisable at the end of the reporting period							7,959			7,458
Weighted average exercise price				1.66	1.63	NA	1.67	1.67	NA	1.67

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.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company

2021 Stock Incentive Plan

Effective on January 21, 2021, the Company adopted the "2021 Stock Incentive Plan" pursuant to which the Company is authorized to grant stock options, stock appreciation rights and restricted stock to directors, officers, employees, consultants, advisers and individuals who provide services to the Company and its affiliates. Under the 2021 Stock Incentive Plan, a total of 13.3 million ordinary shares of the Company were reserved for issuance. Options may be granted as incentive stock options or non-qualified stock options. Stock options are to be granted with an exercise price not less than the fair market value of the Company's ordinary shares at the date of grant, and have exercise terms of up to 10 years with vesting periods determined at the discretion of the board of directors of the Company, and are subject generally to a continued service relationship.

The following table discloses movements of the Company's share options held by directors, senior management and employees during the year ended December 31, 2023 under 2021 Stock Incentive Plan:

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Exercised during the year	Forfeited during the year	At December 31, 2023
Directors										
Tranche 2021-4	2025 (Note (ii))	2030	2.35	20	–	–	20	–	–	20
Tranche 2021-5	2025 (Note (ii))	2030	3.5	1,500	–	–	1,500	–	–	1,500
Tranche 2021-6	2025 (Note (ii))	2030	3.55	150	–	–	150	–	–	150
				1,670	–	–	1,670	–	–	1,670
Senior management										
Tranche 2021-5	2025 (Note (ii))	2030	3.5	800	–	–	800	–	–	800

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company (Continued)

2021 Stock Incentive Plan (Continued)

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Exercised during the year	Forfeited during the year	At December 31, 2023
Employees										
Tranche 2021–1	2022	2030	2.35	8	(8)	–	–	–	–	–
Tranche 2021–2	Milestone (Note (i))	2030	2.35	8	–	–	8	–	–	8
Tranche 2021–3	Milestone (Note (i))	2030	2.35	8	–	–	8	–	–	8
Tranche 2021–4	2025 (Note (ii))	2030	2.35	201	(34)	–	167	(27)	(5)	135
Tranche 2021–5	2025 (Note (ii))	2030	3.5	686	(23)	–	663	(30)	–	633
Tranche 2021–6	2025 (Note (ii))	2030	3.55	283	(5)	–	278	(12)	(154)	112
				1,194	(70)	–	1,124	(69)	(159)	896
				3,664	(70)	–	3,594	(69)	(159)	3,366
Exercisable at the end of the reporting period				3,664			3,594			3,366
Weighted average exercise price				3.43	2.82	NA	3.44	3.05	3.51	3.45

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.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 Post-IPO Scheme

The Company adopted the restricted share unit scheme (the "**RSU Scheme**") on April 22, 2022 and adopted the Post-IPO share option scheme (the "**2022 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.

Under the 2022 Post-IPO Incentive Plans, the directors of the Company may grant options to subscribe for shares in the Company or award ordinary shares of the Company to eligible employees, executive, officer, director, consultant, advisor or agent of any member of the Group or holding companies and fellow subsidiaries of the Company.

Pursuant to the 2022 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 five business days immediately preceding the Grant Date; and (c) the nominal value per share of the Company on the Grant Date.

At December 31, 2023, the number of shares in respect of which options had been granted and remained outstanding under the 2022 Post-IPO Scheme was 1,664,000 (2022: 1,293,000), representing 1.9% (2022: 1.4%) of the shares of the Company in issue at that date. The total number of shares which may be issued upon exercise of all options that may be granted under the 2022 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 (i.e. the Share Option Scheme Adoption Date) unless the Company obtains the approval from the shareholders to refresh the limit.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 Post-IPO Scheme (Continued)

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. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK$5,000,000 must be approved in advance by the Company's shareholders.

A letter comprising acceptance of the share option duly signed by the grantee together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant thereof is received by the Company within the period specified in the letter containing the offer of the grant of the share option.

The option may be exercised in accordance with the terms of the 2022 Post-IPO Scheme of up to 10 years with vesting periods which were determined and notified by the board of directors to the grantee at the time of making an offer.

The 2022 Post-IPO Scheme is valid and effective for a period of 10 years commencing on June 28, 2022.

On November 24, 2022, the Company granted 1,293,000 share options to certain selected directors and employees of the Company and the Group and conditionally granted 219,000 share options to Chief Executive, which entitle them to subscribe for a total of 1,512,000 shares at an exercise price of HK$58.9 per share (equivalent to approximately US$7.55 per share). The closing price of the shares of the Company immediately before the date on which the options were granted was HK$57.8 per share. The 219,000 share options conditionally granted to the Chief Executive have been approved in the shareholder's meeting held on February 3, 2023.

During the year ended December 31, 2023, 409,400 share options were granted with an exercise price of HK$47 per share (equivalent to approximately US$6.03 per share).

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 Post-IPO Scheme (Continued)

The following table discloses movements of the Company's share options held by directors, senior management and employees during the year ended December 31, 2023 under 2022 Post-IPO Scheme:

					Number of share options ('000)						
Options	Date of grant/approval	Vesting year	Expiry year	Exercise price US$	At January 1, 2022	Granted during the year	Forfeited during the year	At January 1, 2023	Granted during the year	Forfeited during the year	At December 31, 2023
Directors											
Tranche 2022–1	November 24, 2022	2024 (note i)	2032	7.55	–	189	–	189	–	–	189
Tranche 2022–2	November 24, 2022	2026 (note ii)	2032	7.55	–	116	–	116	–	–	116
Tranche 2022–1	February 3, 2023	2024 (note i)	2032	7.55	–	–	–	–	101	–	101
Tranche 2022–2	February 3, 2023	2026 (note ii)	2032	7.55	–	–	–	–	118	–	118
					–	305	–	305	219	–	524
Senior management											
Tranche 2022–1	November 24, 2022	2024 (note i)	2032	7.55	–	76	–	76	–	–	76
Tranche 2022–2	November 24, 2022	2026 (note ii)	2032	7.55	–	139	–	139	–	–	139
Tranche 2023–1	November 30, 2023	2027 (note ii)	2033	5.90	–	–	–	–	400	–	400
					–	215	–	215	400	–	615
Employees											
Tranche 2022–1	November 24, 2022	2024 (note i)	2032	7.55	–	141	–	141	–	(87)	54
Tranche 2022–2	November 24, 2022	2026 (note ii)	2032	7.55	–	632	–	632	–	(170)	462
Tranche 2023–1	November 30, 2023	2027 (note ii)	2033	5.90	–	–	–	–	9	–	9
					–	773	–	773	9	(257)	525
					–	1,293	–	1,293	628	(257)	1,664
Exercisable at the end of the reporting period											419
Weighted average exercise price					N/A	7.55	N/A	7.55	6.56	7.55	7.18

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of the Company (Continued)

2022 Post-IPO Scheme (Continued)

Notes:

(i) 50% of the share options granted are vested on each of the first and second anniversary of the grant date respectively.

(ii) 25% of the share options granted are vested on each of the first, second, third and fourth anniversary of the grant date respectively.

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 year ended December 31, 2023, 3,555,000 options (2022: 150,000 options were granted with an exercise price of US$0.51 per share) were granted with an exercise price of US$1.39 per share.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of RNAimmune (Continued)

2020 Stock Incentive Plan (Continued)

The following table discloses movements of RNAimmune's share options held by senior management and employees during the year ended December 31, 2023 under 2020 Stock Incentive Plan:

				Number of share options ('000)						
Options	Vesting year	Expiry year	Exercise price US$	At January 1, 2022	Granted during the year	Forfeited during the year	At December 31, 2022	Granted during the year	Forfeited during the year	At December 31, 2023
Senior management										
Tranche 2020-2	Milestones (note (i))	2029	0.10	192	–	–	192	–	–	192
Tranche 2022-1	Milestones (note (i))	2030	0.51 (note (i))	600	–	(400)	200	–	–	200
Tranche 2023-1	Milestones (note (i))	2032	1.39	–	–	–	–	156	–	156
Tranche 2023-1	2027	2032	1.39	–	–	–	–	102	–	102
				792	–	(400)	392	258	–	650
Employees										
Tranche 2020-1	Milestones (note (i))	2029	0.11	2,100	–	–	2,100	–	–	2,100
Tranche 2020-2	Milestones (note (i))	2029	0.10	770	–	–	770	–	–	770
Tranche 2022-2	Milestones (note (i))	2031	0.51	–	25	–	25	–	–	25
Tranche 2023-1	Milestones (note (i))	2032	1.39	–	–	–	–	1,148	–	1,148
Tranche 2021-2	2024	2030	0.51 (note (ii))	25	–	–	25	–	–	25
Tranche 2021-3	2025	2030	0.51 (note (ii))	75	–	–	75	–	–	75
Tranche 2022-2	2026	2031	0.51	–	125	–	125	–	(75)	50
Tranche 2023-1	2027	2032	1.39	–	–	–	–	2,149	(5)	2,144
				2,970	150	–	3,120	3,297	(80)	6,337
				3,762	150	(400)	3,512	3,555	(80)	6,987
Exercisable at the end of the reporting period				2,742			3,307			3,631
Weighted average exercise price				0.32	0.51	0.51	0.16	1.39	0.57	0.78

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (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 year ended December 31, 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.

Equity-settled share option scheme of EDIRNA

2023 Stock Incentive Plan

Effective on January 15, 2023, EDIRNA adopted the "2023 Stock Incentive Plan" pursuant to which EDIRNA is authorized to grant stock options, stock appreciation rights and restricted stock to directors, officers, employees, consultants, advisors and individuals who provide services to EDIRNA and its affiliates. Under the 2023 Stock Incentive Plan, a total of 170,000 ordinary shares of EDIRNA 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 EDIRNA's ordinary shares at the date of grant, and have exercise terms of up to 10 years with the vesting periods determined at the discretion of the board of directors of EDIRNA, and are subject generally to a continued service relationship.

During the year ended December 31, 2023, 100,000 options were granted with an exercise of US$1.49 per share.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of EDIRNA (Continued)

2023 Stock Incentive Plan (Continued)

The following table discloses movements of EDIRNA's share options held by employees during the year ended December 31, 2023 under the 2023 Stock Incentive Plan:

					Number of share options ('000)			
Options	Date of grant	Vesting year	Expiry year	Exercise price US$	At January 1, 2023	Granted during the year	Forfeited during the year	At December 31, 2023
Employees								
Tranche 2023–1	April 10, 2023	2027 (note (i))	2032	1.49 (note (ii))	—	85	—	85
Tranche 2023–2	September 5, 2023	2027 (note (i))	2032	1.49	—	15	—	15
					—	100	—	100
Exercisable at the end of the reporting period					—			—
Weighted average exercise price					N/A	1.49	N/A	1.49

Notes:

(i) 12/48 of the share options granted vest on the last business day of the month which includes the first anniversary of the grant date and thereafter 1/48 of the share options vest on the last business day of each month until the share options are vested in full.

(ii) During the year ended December 31, 2023, EDIRNA has repriced the exercise price of these share options from US$4.50 per share to US$1.49 per share. The incremental fair value of approximately US$20,000 will be expensed over the remaining vesting period.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of EDIRNA (Continued)

2023 Stock Incentive Plan (Continued)

The fair value of services received in return for share options under the 2020 Stock Incentive Plan of RNAimmune, the 2022 Post IPO Scheme of the Company and the 2023 Stock Incentive Plan of EDIRNA is measured by reference to the fair value of share options granted. Back-solve method was used to determine the equity fair value of RNAimmune and EDIRNA at grant date for options granted under 2020 Stock Incentive Plan and 2023 Stock Incentive Plan. The estimated fair value of the share options granted 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 were as follows:

	2020 Stock Incentive Plan of RNAimmune	2022 Post-IPO Scheme of the Company	2023 Stock Incentive Plan of EDIRNA
Share price	US$0.03 – US$1.38	US$5.90 – US$7.50	US$1.49 – US$2.21
Exercise price	US$0.1 – US$1.39	US$5.90 – US$7.55	US$1.49
Expected volatility	68% – 75%	74% – 77%	54% – 76%
Risk-free rate	0.48% – 4.94%	3.11% – 3.72%	3.55% – 4.36%
Expected dividend yield	0%	0%	0%
Time-to-maturity	4.8–8.8 years	10 years	9.3–9.7 years

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Government Bond and Hong Kong Monetary Authority with a maturity life equal to the option life of the share options granted under the 2020 Stock Incentive Plan of RNAimmune, the 2022 Post-IPO Scheme of the Company and the 2023 Stock Incentive Plan of EDIRNA, respectively. 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 behavioral considerations.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(a) Share option scheme (Continued)

Equity-settled share option scheme of EDIRNA (Continued)

2023 Stock Incentive Plan (Continued)

For the year ended December 31, 2023, the Group recognized a total expense of US$2,236,000 (2022: US$214,000) in relation to share options granted by the Company, RNAimmune and EDIRNA.

(b) RSU Scheme of the Company

The RSU Scheme is valid and effective for a period of 10 years commencing from April 22, 2022. Pursuant to the rules of the RSU Scheme, the Group is holding the awarded shares before they are vested.

The number of RSUs awarded under the RSU Scheme shall not exceed 10% of the issued shares as at April 22, 2022 (i.e. the RSU Scheme Adoption Date). The granting of restricted share unit awards is also subject to an annual limit of 3% of the total issued shares as at the RSU Scheme Adoption Date, 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 as at the RSU Scheme Adoption Date.

On November 24, 2022, the Company awarded 564,200 RSUs to certain selected employees of the Company and conditionally awarded 339,000 RSUs to certain directors of the Company and an officer of a subsidiary of the Company (the "**Connected Persons**") under the RSU Scheme. The closing price of the shares of the Company immediately before the grant of awarded shares was HK$57.8 per share. The 339,000 RSUs conditionally granted to the Connected Persons have been approved in the shareholder's meeting held on February 3, 2023.

The estimated fair values of the awarded shares underlying the RSUs at the grant date were HK$58.9 per share based on the market trading price of the share. The Group recognized a total expense of US$1,314,000 for the year ended December 31, 2023 (2022: US$197,000) in relation to RSUs granted by the Company.

29. SHARE-BASED PAYMENT TRANSACTIONS (Continued)

(b) RSU Scheme of the Company (Continued)

The following table discloses movements of the Company's RSUs held by directors, senior management and employees during the year ended December 31, 2023:

			Number of RSUs ('000)								
Categories of grantees	Date of grant/ approval	Vesting year	At January 1, 2022	Awarded during the year	Forfeited during the year	At December 31, 2022	Awarded during the year	Vested during the year	Lapsed during the year	Forfeited during the year	At December 31, 2023
Directors											
Tranche 2022–1	February 3, 2023	2024 (note i)	–	–	–	–	290	(97)	–	(48)	145
Tranche 2022–2	February 3, 2023	2026 (note ii)	–	–	–	–	40	(7)	–	(3)	30
			–	–	–	–	330	(104)	–	(51)	175
Senior management											
Tranche 2022–1	November 24, 2022	2024 (note i)	–	76	–	76	–	(27)	–	(11)	38
Tranche 2022–2	November 24, 2022	2026 (note ii)	–	27	–	27	–	(5)	–	(2)	20
			–	103	–	103	–	(32)	–	(13)	58
Employees											
Tranche 2022–1	November 24, 2022	2024 (note i)	–	137	–	137	–	(17)	(38)	(57)	25
Tranche 2022–2	November 24, 2022	2026 (note ii)	–	324	–	324	–	(37)	(19)	(110)	158
Tranche 2022–1	February 3, 2023	2024 (note i)	–	–	–	–	4	(1)	–	(1)	2
Tranche 2022–2	February 3, 2023	2026 (note ii)	–	–	–	–	5	(1)	–	–	4
			–	461	–	461	9	(56)	(57)	(168)	189
			–	564	–	564	339	(192)	(57)	(232)	422

Notes:

(i) 50% of the RSUs granted are vested on each of the first and second anniversary of the grant date respectively.

(ii) 25% of the RSUs granted are vested on each of the first, second, third and fourth anniversary of the grant date respectively.

30. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to equity holders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged during the year.

The capital structure of the Group consists of net debts, which includes lease liabilities, and financial liabilities at FVTPL, and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new ordinary share/preferred share issues, share repurchase as well as the issue of new debts.

31. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2023 **US$'000**	2022 US$'000
Financial assets		
Amortized cost	**29,312**	106,790
Financial asset as at FVTPL	**20,043**	15,004
Financial liabilities		
Amortized cost	**10,002**	10,836
Designated as at FVTPL	**30,651**	29,139

Financial risk management objectives and policies

The Group's major financial instruments include deposits and other receivables, cash and cash equivalents, financial asset at FVTPL, trade and other payables and financial liabilities at FVTPL. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures was implemented on a timely and effective manner.

31. FINANCIAL INSTRUMENTS (Continued)

Market risk

(i) Currency risk

Certain bank balances, deposits and other receivables and trade and other payables denominated in foreign currency of respective group entities expose the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities and intra-group balances at the end of each reporting period are mainly as follows:

	2023	2022
	US$'000	US$'000
Assets		
US$	**1,146**	894

The management of the Group considers that as HK$ is pegged to US$, the Group is not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and no sensitivity analysis was presented.

(ii) Interest rate risk

The Group is primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate bank balances. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Total interest income from financial assets (including bank balances) that are measured at amortized cost for the year ended December 31, 2023 was approximately US$959,000 (2022: US$1,353,000).

31. FINANCIAL INSTRUMENTS (Continued)

Market risk (Continued)

(ii) Interest rate risk (Continued)

Interest charges on financial liabilities not measured at FVTPL:

	2023 US$'000	2022 US$'000
Lease liabilities	**986**	798

No sensitivity analysis was presented for variable-rate bank balances and bank borrowings as the management considers that the relevant interest rate risk is minimal.

(iii) Other price risk

The Group is exposed to other price risk arising from investment fund which were classified as financial asset at FVTPL, and Series Seed Preferred Shares and Series A Preferred Shares which were classified as financial liabilities at FVTPL as at December 31, 2023, respectively.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for financial asset at FVTPL and financial liabilities at FVTPL.

Financial asset at FVTPL

If the underlying net asset value of the investment fund had been 5% higher/lower, the loss of Group for the year ended December 31, 2023, would decrease/increase by approximately US$1,002,000 (2022: US$750,000).

Financial liabilities at FVTPL

If the equity value of RNAimmune had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended December 31, 2023 would increase by approximately US$1,225,000 (2022: US$1,209,000) and decrease by approximately US$1,265,000 (2022: US$1,227,000).

31. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to bank balances and deposits and other receivables. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

Deposits and other receivables

For deposits and other receivables, the management of the Group makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management of the Group believes that there are no significant increase in credit risk of the deposits and other receivables since initial recognition and the Group provided impairment based on 12m ECL.

Bank balances

Credit risk on bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies. The Group assessed 12m ECL for bank balances by reference to information relating to probability of default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on bank balances is considered to be insignificant.

31. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

Bank balances (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Financial assets
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	12-month ECL
Watch list	Debtor frequently repays after due dates but settle the amounts in full	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group have no realistic prospect of recovery	Amount is written off

31. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

Bank balances (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	Notes	Internal/external credit rating	12m or lifetime ECL	December 31, 2023 Gross carrying amount US$'000	December 31, 2022 Gross carrying amount US$'000
Financial assets at amortized cost					
Cash and cash equivalents	21	C-A3 (2022:A3-Aa1)	12m ECL	23,884	105,229
Deposits and other receivables	19	Low risk (Note)	12m ECL	5,428	1,561
				29,312	106,790

Note: For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition:

At December 31, 2023

	Past due US$'000	No fixed repayment terms US$'000	Total US$'000
Deposits and other receivables	—	5,428	5,428

At December 31, 2022

	Past due US$'000	No fixed repayment terms US$'000	Total US$'000
Deposits and other receivables	—	1,561	1,561

31. FINANCIAL INSTRUMENTS (Continued)

Credit risk and impairment assessment (Continued)

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company are of the opinion that, taking into account the above measures as mentioned in note 3, and the Group's cash flow projection for the coming year, the Group will have sufficient working capital to meet its cash flow requirements in the next twelve months.

The following table details the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average interest rate %	On demand or less than 30 days US$'000	31 days to 180 days US$'000	181 days to 365 days US$'000	> 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At December 31, 2023							
Trade and other payables	—	10,002	—	—	—	10,002	10,002
Lease liabilities	12.76	208	1,148	1,121	12,749	15,226	8,845
		10,210	1,148	1,121	12,749	25,228	18,847

	Weighted average interest rate %	On demand or less than 30 days US$'000	31 days to 180 days US$'000	181 days to 365 days US$'000	> 1 year US$'000	Total undiscounted cash flows US$'000	Carrying amount US$'000
At December 31, 2022							
Trade and other payables	—	10,836	—	—	—	10,836	10,836
Lease liabilities	8.71	69	827	990	16,085	17,971	10,756
		10,905	827	990	16,085	28,807	21,592

Note: The amounts as at December 31, 2023 shown in the above table have excluded the carrying amounts of preferred shares issued by RNAimmune amounting to US$30,651,000 (2022: preferred shares issued by RNAimmune amounting to US$29,139,000) as these instruments do not contain any redemption rights.

31. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company are responsible to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group determines the appropriate valuation techniques and inputs for fair value measurements and works closely with the qualified valuer to establish the appropriate valuation techniques and inputs to the model.

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

Some of the Group's financial asset and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial asset and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). There were no transfers out of Level 3 during the year.

31. FINANCIAL INSTRUMENTS (Continued)

Fair value measurements of financial instruments (Continued)

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

	Fair value as at December 31,		Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	2023 US$'000	2022 US$'000				
Financial asset/ Financial liabilities						
Financial asset at FVTPL — Investment fund	**20,043**	15,004	Level 3	The fair value of the investment fund is determined with reference to the adjusted net asset value approach	Net asset value	A significant increase in net asset value would result in a significant increase in fair value, and vice versa
Financial liabilities at FVTPL — Preferred shares	**30,651**	29,139	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield, possibilities under liquidation scenario and IPO Scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa (Note (i)).

Note:

(i) 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 December 31, 2023 by US$341,000 and US$127,000, respectively (2022: US$281,000 and US$81,000) and US$(326,000) and US$(126,000), respectively (2022: US$(418,000) and US$(70,000)).

Reconciliation of Level 3 fair value measurements

The reconciliation of Level 3 measurements of financial asset at FVTPL and financial liabilities at FVTPL are set out in notes 20 and 25, respectively and fair value changes on financial asset at FVTPL and financial liabilities at FVTPL are presented as "changes in fair value of financial asset at FVTPL" and "changes in fair value of financial liabilities at FVTPL", respectively.

Fair value of the Group's financial asset 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 asset and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair values.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL US$'000	Accrued issue costs US$'000	Lease liabilities US$'000	Total US$'000
At January 1, 2022	8,437	1,318	7,040	16,795
Financing cash flows	14,578	(1,318)	2,541	15,801
Non-cash changes				
New leases entered/lease modified	—	—	558	558
Finance costs	—	—	798	798
Change in fair value	6,124	—	—	6,124
Exchange adjustments	—	—	(181)	(181)
At December 31, 2022	29,139	—	10,756	39,895
Financing cash flows	—	—	(174)	(174)
Non-cash changes				
New leases entered/lease modified	—	—	465	465
Termination of leases	—	—	(3,162)	(3,162)
Finance costs	—	—	986	986
Change in fair value	1,512	—	—	1,512
Exchange adjustments	—	—	(26)	(26)
At December 31, 2023	30,651	—	8,845	39,496

33. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the consolidated financial statements, the Group also entered into the following significant transactions with its related parties during the year.

Compensation of key management personnel

The remuneration of the directors of the Company and key management personnel of the Group during the year were as follows:

	2023	2022
	US$'000	US$'000
Salaries and other allowances	**3,000**	3,094
Retirement benefit scheme contributions	**89**	122
Share-based payment expense	**2,153**	236
	5,242	3,452

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

34.1 General information of principal subsidiaries

Details of principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Name of subsidiaries	Place and date of incorporation or establishment/ operation	Issued and fully paid share capital/ paid-up capital	Effective equity interest attributable to the Group As at December 31, 2023	2022	Principal activities
Directly owned subsidiary					
US Sirnaomics	The U.S. February 12, 2007	US$1 (2022: US$1)	**100%**	100%	Developing and commercializing of RNAi technology and multiple therapeutics
Indirectly owned subsidiaries					
RNAimmune	The U.S. May 5, 2016	US$208 (2022: US$208)	**60%**	60%	Technical research and development of mRNA delivery platform and mRNA-based drug and vaccine
HK Sirnaomics	Hong Kong March 8, 2019	HK$10,000 (2022: HK$10,000)	**100%**	100%	Investment holding
Suzhou Sirnaomics	The PRC March 10, 2008	RMB416,771,270 (2022: RMB386,771,270)	**100%**	100%	Technical research, development, service and transfer of nucleic acid drugs
Guangzhou Sirnaomics	The PRC May 8, 2012	RMB115,000,000 (2022: RMB100,000,000)	**100%**	100%	Manufacturing and development of drug products
RNAimmune Vaccine (Guangzhou) Co., Ltd. 達冕疫苗(廣州)有限公司 ("**Guangzhou RNAimmune**")	The PRC January 28, 2021	RMB45,660,342 (2022: RMB32,736,037)	**60%**	60%	Manufacturing and development of vaccines

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

34.1 General information of principal subsidiaries (Continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

All subsidiaries are limited liability companies and have adopted December 31, as their financial year end date.

Other than the financial instruments set out in note 25, none of the subsidiaries had issued any debt securities at the end of the year.

34.2 Details of non-wholly owned subsidiaries that have material non-controlling interests

Name of subsidiaries	Place of incorporation and principal place of business	Proportion of ownership interests held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
		As at December 31,		For the year ended December 31,		As at December 31,	
		2023	2022	**2023**	2022	**2023**	2022
				US$'000	US$'0000	**US$'000**	US$'000
RNAimmune	The U.S.	**40%**	40%	**(4,393)**	(8,152)	**(13,719)**	(9,446)
Individually immaterial subsidiaries with non-controlling interests				**(1,906)**	(927)	**(2,020)**	(1,000)
				(6,299)	(9,079)	**(15,739)**	(10,446)

Summarized financial information in respect of the Group's subsidiaries that had material non-controlling interests are set out below. The summarized financial information below represents amounts before the elimination of intra-group transactions.

34. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Continued)

34.2 Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

(a) RNAimmune

	2023 US$'000	2022 US$'000
Current assets	**2,787**	13,550
Non-current assets	**10,204**	8,717
Current liabilities	**(2,136)**	(2,976)
Non-current liabilities	**(45,337)**	(43,030)
Net liabilities	**(34,482)**	(23,739)
Total deficit attributable to		
— owners of the Company	**(20,763)**	(14,293)
— non-controlling interests	**(13,719)**	(9,446)
	(34,482)	(23,739)

	For the year ended December 31, 2023 US$'000	For the year ended December 31, 2022 US$'000
Loss for the year	**(11,043)**	(20,490)
Loss and total comprehensive expenses for the year attributable to		
— owners of the Company	**(6,650)**	(12,338)
— non-controlling interests	**(4,393)**	(8,152)
	(11,043)	(20,490)
Net cash outflow from operating activities	**(7,468)**	(11,726)
Net cash outflow from investing activities	**(2,066)**	(4,062)
Net cash (outflow)/inflow from financing activities	**(239)**	22,472
Net cash (outflow)/inflow	**(9,773)**	6,684

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 US$'000	2022 US$'000
NON-CURRENT ASSETS		
Interest in subsidiaries	**29,984**	104,111
Loan to a subsidiary	**—**	206,774
	29,984	310,885
CURRENT ASSETS		
Amount due from a subsidiary	**—**	53,303
Prepayments and other receivables	**1,952**	113
Cash and cash equivalents	**1,662**	9,308
	3,614	62,724
CURRENT LIABILITY		
Other payables	**1,365**	1,684
NET CURRENT ASSETS	**2,249**	61,040
NET ASSETS	**32,233**	371,925
CAPITAL AND RESERVES		
Share capital	**88**	88
Reserves (Note)	**32,145**	371,837
TOTAL EQUITY	**32,233**	371,925

35. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Continued)

Note: The movements in the reserves of the Company are as follows:

	Shares held for share option scheme	Shares held for share award scheme	Share premium	Treasury share reserve	Share option reserve	Share award reserve	Accumulated losses	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
At January 1, 2022	(13)	–	516,841	–	13,587	–	(157,594)	372,821
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(1,431)	(1,431)
Share repurchases (Note 26)	–	–	–	(10,217)	–	–	–	(10,217)
Cancellation of treasury shares (Note 26)	–	–	(9,011)	9,012	–	–	–	1
Recognition of share-based payment	–	–	–	–	178	197	–	375
Exercise of share options	1	–	2,740	–	(691)	–	–	2,050
Issue of shares upon exercise of the over-allotment option	–	–	8,238	–	–	–	–	8,238
At December 31, 2022	(12)	–	518,808	(1,205)	13,074	197	(159,025)	371,837
Loss and total comprehensive expense for the year	–	–	–	–	–	–	(337,121)	(337,121)
Share repurchases (Note 26)	–	–	–	(6,483)	–	–	–	(6,483)
Cancellation of treasury shares (Note 26)	–	–	(7,687)	7,688	–	–	–	1
Recognition of share-based payment	–	–	–	–	1,922	1,314	–	3,236
Exercise of share options	1	–	1,473	–	(423)	–	–	1,051
Lapse/forfeiture of share options	–	–	–	–	(375)	–	–	(375)
Vesting of RSUs	–	–	1,368	–	–	(1,368)	–	–
Issue of shares held on trust	–	(1)	–	–	–	–	–	(1)
At December 31, 2023	(11)	(1)	513,962	–	14,198	143	(496,146)	32,145

36. CAPITAL COMMITMENTS

	2023 US$'000	2022 US$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	—	140

37. MAJOR NON-CASH TRANSACTIONS

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

Lease arrangements

During the year ended December 31, 2023, the Group entered into new lease agreements with lease term for two to three years (2022: three years) and renewed the existing leases for the use of leased properties for three years. On lease commencement, or effective date of lease modification, the Group recognized US$465,000 (2022: US$1,223,000) of right-of-use assets and US$465,000 (2022: US$1,223,000) of lease liabilities.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Administrative Committee"	the committee comprising of any one executive Director and any other two officers of the Company as designated by the Board from time to time
"Articles" or "Articles of Association"	the articles of association of the Company, as amended, supplemented and restated from time to time
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of directors of the Company
"Business Day(s)"	a day on which banks in Hong Kong are generally open for business and the Hong Kong Stock Exchange is open for business of dealing securities
"CG Code"	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
"Chief Executives"	(i) the Chairman of the Board, and (ii) the Chief Executive Officer of the Company, or, for the purpose of the Share Option Scheme and the RSU Scheme only, any person as designated by him/her from time to time. For the avoidance of doubt, any decision prescribed to be made by the Chief Executives under the Share Option Scheme or the RSU Scheme (as the case may be) shall be made jointly by both persons of (i) and (ii) above
"China", "mainland China" or the "PRC"	the People's Republic of China, but for the purpose of this annual report and for geographical reference only, except where the context requires, references in this annual report to "China", "mainland China" and the "PRC" do not apply to Hong Kong, Macau and Taiwan
"Company", "our Company" or "the Company"	Sirnaomics Ltd., an exempted company incorporated in the Cayman Islands with limited liability on October 15, 2020
"Core Product"	STP705, the designated "core product" as defined under Chapter 18A of Listing Rules
"Director(s)"	the director(s) of the Company

Definitions

"EDIRNA"	EDIRNA Inc., a company incorporated under the laws of Delaware, U.S. on February 18, 2022, a non-wholly owned subsidiary of the Company
"ESG"	Environmental, Social and Governance
"ESG Report"	the Environmental, Social and Governance report
"FDA"	U.S. Food and Drug Administration
"FVTPL"	Fair value through profit or loss
"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 RNAimmune"	RNAimmune Vaccine (Guangzhou) Co., Ltd. (達冕疫苗(廣州)有限公司), a company established under the laws of the PRC on January 28, 2021 with limited liability, an indirect wholly owned subsidiary of the Company
"Guangzhou Sirnaomics"	Sirnaomics Biopharmaceuticals (Guangzhou) Co., Ltd. (聖諾生物醫藥技術(廣州)有限公司), a company established under the laws of the PRC on May 8, 2012 with limited liability, an indirect wholly owned subsidiary of the Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"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
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

Definitions

"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
"IP"	intellectual property
"Junior Grantee(s)"	any grantee(s) other than a Senior Grantee
"Listing"	the listing of the Shares on the Main Board by way of the Global Offering
"Listing Date"	December 30, 2021, on which the Shares were listed on the Hong Kong Stock Exchange and from which dealings in the Shares were permitted to commence on the Hong Kong Stock Exchange
"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
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company, as amended, supplemented and restated from time to time
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
"NMPA"	the National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"Pre-IPO Equity Incentive Plan"	the pre-IPO equity incentive plan adopted by the Company on January 21, 2021
"Prospectus"	the prospectus of the Company dated December 20, 2021, issued in connection with the Hong Kong Public Offering

Definitions

"R&D"	research and development
"Related Entity"	the holding companies, fellow subsidiaries or associated companies of the Company
"Remuneration Committee"	the remuneration committee of the Board
"Reporting Period"	for the year ended December 31, 2023
"RNAimmune"	RNAimmune, Inc., a company incorporated under the laws of Delaware, U.S. on May 5, 2016, a controlled subsidiary of the Company
"RSU Scheme"	the restricted share unit scheme adopted by the Company on April 22, 2022
"RSU Scheme Adoption Date"	April 22, 2022, being the date on which the RSU Scheme first was adopted by the Board
"RSU Scheme Limit"	has the meaning described in the sub-paragraph headed "(I) RSU Scheme Limit" under the paragraph headed "Report of the Directors — Pre-IPO Equity Incentive Plan, RSU Scheme and Share Option Scheme — RSU Scheme — (5) Maximum Number of Shares Available for Awards" in this annual report
"RSU(s)"	the restricted share unit(s) granted and/or conditionally granted (as the case may be) under the RSU Scheme
"SAFE"	Simple Agreements for Future Equity
"Senior Grantee(s)"	the grantee(s) under the Share Option Scheme or the RSU Scheme (as the case may be) who is either (i) a Director, or (ii) a member of the senior management of the Company as included in the latest annual report of the Company published on the website of the Hong Kong Stock Exchange immediately before the grant date
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with a par value of US$0.001 each

Definitions

"Shareholder(s)"	holder(s) of our Shares
"Share Option Scheme Adoption Date"	June 28, 2022, being the date on which the Share Option Scheme was approved and adopted by the Shareholders
"Share Option Scheme Limit"	has the meaning described in the sub-paragraph headed "(I) Share Option Scheme Limit" under the paragraph headed "Report of the Directors — Pre-IPO Equity Incentive Plan, RSU Scheme and Share Option Scheme — Share Option Scheme — (5) Maximum Number of Shares Available for Subscription" in this annual report
"Share Option Scheme"	the share option scheme adopted by the Company on June 28, 2022
"Suzhou Sirnaomics"	Sirnaomics Biopharmaceuticals (Suzhou) Co., Ltd. (聖諾生物醫藥技術(蘇州)有限公司), a company established under the laws of the PRC on March 10, 2008 with limited liability, an indirect wholly owned subsidiary of the Company
"United States", "U.S." or "US"	the United States of America
"US$"	U.S. dollars, the lawful currency of 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
"%"	per cent

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
"ApoC3"	apolipoprotein C3
"ASGPR"	asialoglycoprotein receptor
"BCC"	basal cell carcinoma, a type of non-melanoma skin cancer
"CCA"	cholangiocarcinoma, 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
"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, an infectious disease

Glossary of Technical Terms

"COX-2"	cyclooxygenase-2, a membrane-bound, short-living, and rate-limiting enzyme
"CRO"	contract research organization, a pharmaceutical company that conducts research for other pharmaceutical companies on a contractual basis
"delivery platform"	the platform used for the delivery of drugs to target sites of pharmacological actions
"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, 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
"GMP"	Good Manufacturing Practice, 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
"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

Glossary of Technical Terms

"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
"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, 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
"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
"PCT"	the Patent Cooperation Treaty, which assists applicants in seeking patent protection internationally for their inventions, helps patent offices with their patent granting decisions, and facilitates public access to a wealth of technical information relating to those inventions
"PDoV"	Peptide Docking Vehicle, a linker which contains a therapeutic compound, such as an siRNA molecule, and a targeting ligand

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"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" or "Phase I"	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" or "Phase I/II"	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" or "Phase II"	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" or "Phase IIa"	Phase IIa clinical trials are usually pilot studies designed to demonstrate clinical efficacy or biological activity
"Phase IIb clinical trials" or "Phase IIb"	Phase IIb clinical trials determine the optimal dose at which the drug shows biological activity with minimal side-effects
"Phase III clinical trials" or "Phase III"	study in which a drug is administered to an expanded patient population generally at geographically dispersed clinical trial sites, in well-controlled clinical trials to generate enough data to statistically evaluate the efficacy and safety of the product for approval, to provide adequate information for the labeling of the product
"PLNP"	polypeptide-lipid nanoparticle, a proprietary polypeptide nanoparticle combined with LNP
"PNP"	polypeptide nanoparticle is composed of a branched histidine lysine polymer

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"PNP-ID"	PNP platform formulated for intradermal administration
"PNP-IT"	PNP platform formulated for intratumoral administration
"PNP-IV"	PNP platform formulated for intravenous administration
"preclinical studies"	studies or programs testing a drug on non-human subjects, to gather efficacy, toxicity, pharmacokinetic and safety information and to decide whether the drug is ready for clinical trials
"RNA"	Ribonucleic acid, a polymeric molecule essential in various biological roles in coding, decoding, regulation and expression of genes
"RNAi"	RNA interference, 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
"SCC"	squamous cell carcinoma, an uncontrolled growth of abnormal cells arising from the squamous cells in the epidermis, the skins outermost layer
"siRNA"	small interference RNA, 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

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"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
"T-cell"	A type of white blood cell that is of key importance to the immune system and is at the core of adaptive immunity, the system that tailors the body's immune response to specific pathogens
"TGF-ß1"	transforming growth factor beta 1 or TGF-ß1, a polypeptide member of the transforming growth factor beta superfamily of cytokines, which activates Smad and non-Smad signaling pathways