The following is the text of a report set forth on pages I-1 to I-108, received from the Company's reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

Deloitte. 德勤

ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF SIRNAOMICS LTD., AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED

Introduction

We report on the historical financial information of Sirnaomics Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages I-4 to I-108, which comprises the consolidated statements of financial position of the Group as at December 31, 2019, December 31, 2020 and September 30, 2021, the statements of financial position of the Company as at December 31, 2020 and September 30, 2021, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 (collectively referred to as the "Track Record Period") and a summary of significant accounting policies and other explanatory information (together, the "Historical Financial Information"). The Historical Financial Information set out on pages I-4 to I-108 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated December 20, 2021 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Directors' Responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information, and for such internal control as the directors of the Company determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 "Accountants' Reports on Historical Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors of the Company, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the Group's financial positions as at December 31, 2019, December 31, 2020 and September 30, 2021, of the Company's financial position as at December 31, 2020 and September 30, 2021 and of the Group's financial performance and cash flows for the Track Record Period in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information of the Group which comprises 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 nine months ended September 30, 2020 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountants' report, is not prepared, in all material respects, in accordance with the basis of preparation and presentation set out in note 2 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-4 have been made.

Dividends

We refer to note 15 to the Historical Financial Information which states that no dividend was declared or paid by the Company since its incorporation and its subsidiaries in respect of the Track Record Period.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
December 20, 2021

HISTORICAL FINANCIAL INFORMATION OF THE GROUP

Preparation of the Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The consolidated financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, have been prepared in accordance with the accounting policies which conform with International Financial Reporting Standards ("IFRSs") issued by International Accounting Standards Board (the "IASB") and were audited by us in accordance with Hong Kong Standards on Auditing issued by the HKICPA ("Underlying Financial Statements").

The Historical Financial Information is presented in United State Dollar ("US$") and all values are rounded to the nearest thousand (US$'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	NOTES	For the year ended December 31, 2019 US$'000	For the year ended December 31, 2020 US$'000	Nine months ended September 30, 2020 US$'000 (unaudited)	Nine months ended September 30, 2021 US$'000
Other income	7	440	771	206	205
Other gains and losses	8	368	255	118	(177)
Changes in fair value of financial liabilities at fair value through profit or loss ("FVTPL")	25	(2,584)	(17,574)	(19,773)	(13,112)
Administrative expenses		(4,667)	(5,157)	(3,661)	(8,412)
Research and development expenses		(10,213)	(14,894)	(9,814)	(22,014)
Impairment losses (recognized) reversed under expected credit loss model, net	32	(242)	242	–	–
Listing expenses		–	(885)	–	(5,617)
Other expenses	9	–	(8,943)	(27)	(672)
Finance costs	10	(229)	(243)	(184)	(202)
Loss before tax		(17,127)	(46,428)	(33,135)	(50,001)
Income tax expense	11	–	–	–	–
Loss for the year/period	12	(17,127)	(46,428)	(33,135)	(50,001)
Other comprehensive (expense) income:					
Item that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		(154)	(71)	128	(49)
Other comprehensive (expense) income for the year/period		(154)	(71)	128	(49)
Total comprehensive expense for the year/period		(17,281)	(46,499)	(33,007)	(50,050)
Loss for the year/period attributable to:					
Owners of the Company		(16,381)	(43,772)	(31,947)	(48,071)
Non-controlling interests		(746)	(2,656)	(1,188)	(1,930)
		(17,127)	(46,428)	(33,135)	(50,001)
Total comprehensive expense for the year/period attributable to:					
Owners of the Company		(16,510)	(43,833)	(31,876)	(48,179)
Non-controlling interests		(771)	(2,666)	(1,131)	(1,871)
		(17,281)	(46,499)	(33,007)	(50,050)
Loss per share	16				
– Basic and diluted (US$)		(1.33)	(3.17)	(2.34)	(3.32)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	NOTES	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
NON-CURRENT ASSETS				
Property and equipment	17	1,342	2,931	4,934
Right-of-use assets	18	1,824	1,520	3,116
Intangible assets	19	125	349	1,080
Deposits	20	119	247	1,361
		3,410	5,047	10,491
CURRENT ASSETS				
Prepayments, deposits and other receivables	20	1,458	1,954	5,945
Structured deposits	21	9,949	–	–
Restricted bank balances	21	57	61	62
Bank balances and cash	21	9,949	103,122	174,378
		21,413	105,137	180,385
CURRENT LIABILITIES				
Trade and other payables	22A	2,429	4,667	4,282
Contract liability	22B	–	–	770
Lease liabilities	24	368	443	1,193
Financial liabilities at FVTPL	25	–	88,989	–
		2,797	94,099	6,245
NET CURRENT ASSETS		18,616	11,038	174,140
TOTAL ASSETS LESS CURRENT LIABILITIES		22,026	16,085	184,631
NON-CURRENT LIABILITIES				
Financial liabilities at FVTPL	25	69,361	107,827	321,278
Bank borrowings	23	–	1,134	1,443
Lease liabilities	24	1,617	1,304	2,186
		70,978	110,265	324,907
NET LIABILITIES		(48,952)	(94,180)	(140,276)
CAPITAL AND DEFICITS				
Share capital	26	13	14	15
Deficits		(51,767)	(94,447)	(139,894)
Deficits attributable to owners of the Company		(51,754)	(94,433)	(139,879)
Non-controlling interests	28	2,802	253	(397)
TOTAL DEFICIT		(48,952)	(94,180)	(140,276)

STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	NOTES	At December 31, 2020 US$'000	At September 30, 2021 US$'000
NON-CURRENT ASSET			
Investment in a subsidiary	35	–	94,446
CURRENT ASSETS			
Prepayments and other receivables	20	262	206,987
Bank balances	21	–	11,070
		262	218,057
CURRENT LIABILITY			
Other payables	22A	1,147	2,081
NET CURRENT (LIABILITIES) ASSETS		(885)	215,976
TOTAL ASSETS LESS CURRENT LIABILITIES		(885)	310,422
NON-CURRENT LIABILITY			
Financial liabilities at FVTPL	25	–	314,018
NET LIABILITIES		(885)	(3,596)
CAPITAL AND DEFICITS			
Share capital	26	–*	15
Deficits	27	(885)	(3,611)
TOTAL DEFICIT		(885)	(3,596)

* Less than US$ 1,000

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (Note iii)	Other reserves US$'000 (Note i)	Treasury share reserve US$'000	Translation reserve US$'000	Share option reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
At January 1, 2019	12	–	819	(3,853)	(124)	(1,410)	1,850	(33,147)	(35,853)	3,545	(32,308)
Loss for the year	–	–	–	–	–	–	–	(16,381)	(16,381)	(746)	(17,127)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(129)	–	–	(129)	(25)	(154)
Total comprehensive expense for the year	–	–	–	–	–	(129)	–	(16,381)	(16,510)	(771)	(17,281)
Repurchase of ordinary shares of Delaware Sirnaomics (Note ii)	–	–	–	–	(115)	–	–	–	(115)	–	(115)
Recognition of share-based payment	–	–	–	–	–	–	578	–	578	–	578
Issue of shares of Delaware Sirnaomics under share option scheme	1	–	330	–	–	–	(157)	–	174	–	174
Capital contribution to Suzhou Sirnaomics (as defined in Note i) from a non-controlling shareholder	–	–	–	91	–	–	–	–	91	28	119
Issue of Series C Warrants (as defined in note i) to non-controlling shareholders (note 25(ii)(a))	–	–	–	(119)	–	–	–	–	(119)	–	(119)
At December 31, 2019	13	–	1,149	(3,881)	(239)	(1,539)	2,271	(49,528)	(51,754)	2,802	(48,952)
Loss for the year	–	–	–	–	–	–	–	(43,772)	(43,772)	(2,656)	(46,428)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(61)	–	–	(61)	(10)	(71)
Total comprehensive expense for the year	–	–	–	–	–	(61)	–	(43,772)	(43,833)	(2,666)	(46,499)
Repurchase of ordinary shares of Delaware Sirnaomics (Note ii)	–	–	–	–	(614)	–	–	–	(614)	–	(614)
Recognition of share-based payment	–	–	–	–	–	–	1,186	–	1,186	4	1,190
Forfeiture of share options	–	–	–	–	–	–	(234)	234	–	–	–
Issue of shares of Delaware Sirnaomics under share option scheme	1	–	1,246	–	–	–	(592)	–	655	–	655
Capital contribution to RNAimmune (as defined in note i) from non-controlling shareholders (note 35(a))	–	–	–	(73)	–	–	–	–	(73)	113	40
At December 31, 2020	14	–	2,395	(3,954)	(853)	(1,600)	2,631	(93,066)	(94,433)	253	(94,180)

	Attributable to owners of the Company										
	Share capital US$'000	Share premium US$'000	Capital reserve US$'000 (Note iii)	Other reserves US$'000 (Note i)	Treasury share reserve US$'000	Translation reserve US$'000	Share option reserve US$'000	Accumulated losses US$'000	Sub-total US$'000	Non-controlling interests US$'000	Total US$'000
Loss for the period	–	–	–	–	–	–	–	(48,071)	(48,071)	(1,930)	(50,001)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	(108)	–	–	(108)	59	(49)
Total comprehensive expense for the period	–	–	–	–	–	(108)	–	(48,071)	(48,179)	(1,871)	(50,050)
Effect of conversion of SAFE (as defined in Note i) to a subsidiary's ordinary shares	–	–	–	1,356	–	–	–	–	1,356	1,406	2,762
Cancellation of treasury shares of Delaware Sirnaomics (Note ii)	–	–	(853)	–	853	–	–	–	–	–	–
Exercise of stock purchase warrants by Delaware Sirnaomics (Note 35(a))	–	–	–	(302)	–	–	–	–	(302)	302	–
Exercise of Series C Warrants granted to non-controlling shareholders and convert their equity interests in a subsidiary to the Company's preferred shares	–	–	–	189	–	269	–	–	458	(458)	–
Issuance of shares arising from Group Reorganization (as defined in note 2)	–	10,178	(1,542)	(8,636)	–	–	–	–	–	–	–
Acquisition of interest in a subsidiary from a non-controlling shareholder (note 35 (c))	–	–	–	(303)	–	–	–	–	(303)	(47)	(350)
Recognition of share-based payment	–	–	–	–	–	–	1,352	–	1,352	18	1,370
Lapse of share options	–	–	–	–	–	–	(20)	20	–	–	–
Forfeiture of share options	–	–	–	–	–	–	(91)	91	–	–	–
Issue of shares of the Company under share option scheme	1	326	–	–	–	–	(155)	–	172	–	172
At September 30, 2021	15	10,504	–	(11,650)	–	(1,439)	3,717	(141,026)	(139,879)	(397)	(140,276)
For the nine months ended September 30, 2020 (unaudited)											
At January 1, 2020	13	–	1,149	(3,881)	(239)	(1,539)	2,271	(49,528)	(51,754)	2,802	(48,952)
Loss for the period	–	–	–	–	–	–	–	(31,947)	(31,947)	(1,188)	(33,135)
Exchange differences arising on translation of foreign operations	–	–	–	–	–	71	–	–	71	57	128
Total comprehensive income (expense) for the period	–	–	–	–	–	71	–	(31,947)	(31,876)	(1,131)	(33,007)
Repurchase of ordinary shares of Delaware Sirnaomics (Note ii)	–	–	–	–	(614)	–	–	–	(614)	–	(614)
Recognition of share-based payment	–	–	–	–	–	–	732	–	732	4	736
Forfeiture of share options	–	–	–	–	–	–	(234)	234	–	–	–
Issue of shares of Delaware Sirnaomics under share option scheme	1	–	1,215	–	–	–	(578)	–	638	–	638
Capital contribution to RNAimmune (as defined in Note i) from non-controlling shareholders (note 35(a))	–	–	–	(73)	–	–	–	–	(73)	113	40
At September 30, 2020	14	–	2,364	(3,954)	(853)	(1,468)	2,191	(81,241)	(82,947)	1,788	(81,159)

Notes:

i Other reserves included 1) effect of series C warrants ("Series C Warrants") granted to non-controlling shareholders to convert their registered capital in a subsidiary, Sirnaomics Biopharmaceuticals (Suzhou) Co., Ltd.* 聖諾生物醫藥技術(蘇州)有限公司 (formerly known as Suzhou Sirnaomics Biopharmaceuticals Co., Ltd.* 蘇州聖諾生物醫藥技術有限公司) ("Suzhou Sirnaomics") to preferred shares of its holding company, namely, Sirnaomics, Inc. ("Delaware 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 a subsidiary, RNAimmune, Inc.'s ("RNAimmune") ordinary shares, 4) differences between the decrease in the carrying amounts of net assets attributable to the non-controlling shareholders and the relevant consideration paid in the acquisition and 5) effect of Group Reorganization.

ii In 2019 and 2020, Delaware Sirnaomics repurchased 75,000 and 390,900 ordinary shares from existing shareholders at total consideration of US$115,000 and US$614,000, respectively, and recognized the amounts as treasury share reserve. On September 30, 2021, the board of directors of the Delaware Sirnaomics have resolved that all the shares of common stock held in treasury by Delaware Sirnaomics are canceled and retired and then transferred to capital reserve.

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

* The English names are for identification purpose only.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	NOTES	For the year ended December 31, 2019 US$'000	2020 US$'000	Nine months ended September 30, 2020 US$'000 (unaudited)	2021 US$'000
OPERATING ACTIVITIES					
Loss for the year/period		(17,127)	(46,428)	(33,135)	(50,001)
Adjustments for:					
Amortization of the intangible assets		–	37	29	39
Interest income		(97)	(80)	(24)	(137)
Changes in fair value of structured deposits		(362)	(391)	(156)	(312)
Changes in fair value of financial liabilities at FVTPL		2,584	17,574	19,773	13,112
Depreciation of property and equipment		380	543	408	538
Depreciation of right-of-use assets		444	463	348	441
Gain on disposal of property and equipment		–	–	–	(3)
Issuance costs of financial liabilities at FVTPL		–	1,246	11	672
Impairment losses recognized (reversed) under expected credit loss model, net		242	(242)	–	–
Finance costs		229	243	184	202
Government grants		–	(485)	–	–
Share-based payment expense	30	578	992	538	1,370
Loss on terminating a collaboration agreement	9	–	7,679	–	–
Operating cash outflows before movements in working capital		(13,129)	(18,849)	(12,024)	(34,079)
(Increase) decrease in prepayments, deposits and other receivables		(901)	91	(169)	(4,331)
(Decrease) increase in trade and other payables		(373)	(241)	65	729
Increase in contract liability		–	–	–	770
NET CASH USED IN OPERATING ACTIVITIES		(14,403)	(18,999)	(12,128)	(36,911)
INVESTING ACTIVITIES					
Interest received		97	80	24	137
Proceeds from redemption of structured deposits		3,765	88,831	6,161	170,961
Placement of structured deposits		(1,514)	(78,368)	(142)	(170,649)
Placement of restricted deposits		(58)	–	–	–
Proceeds from disposal of property and equipment		–	–	–	6
Purchase of intangible assets		(125)	(63)	(63)	(772)
Purchase and deposits paid for of property and equipment		(1,063)	(2,087)	(965)	(3,069)
NET CASH FROM (USED IN) INVESTING ACTIVITIES		1,102	8,393	5,015	(3,386)

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000 (unaudited)	US$'000
FINANCING ACTIVITIES				
Interest paid on lease liabilities	(229)	(243)	(184)	(182)
Interest paid on bank and other borrowings	–	(6)	–	(35)
Accrued issue costs paid	–	(30)	–	(663)
Capital contribution from non-controlling shareholders	119	40	40	–
Proceeds from bank and other borrowings	–	1,557	898	2,089
Repayment of bank borrowing	–	–	–	(1,787)
Repayments of lease liabilities	(403)	(397)	(295)	(389)
Issuance costs of financial liabilities at FVTPL paid	–	(139)	–	(1,678)
Proceeds from exercise of share options	174	655	638	172
Consideration paid for acquiring non-controlling interest of Guangzhou Sirnaomics (as defined in note 2)	–	–	–	(350)
Consideration paid for acquiring the non-controlling interests of Suzhou Sirnaomics upon exercise of the Series C Warrants	–	–	–	(24,712)
Repayment to holders of Convertible Loans (as defined in note 25) upon exercise of Series D Warrants (as defined in note 25)	–	–	–	(93,230)
Proceeds from issuance of financial liabilities at FVTPL	12,000	99,545	2,300	231,154
Payments for repurchase of ordinary shares of Delaware Sirnaomics	(115)	(614)	(614)	–
NET CASH FROM FINANCING ACTIVITIES	11,546	100,368	2,783	110,389
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(1,755)	89,762	(4,330)	70,092
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR/PERIOD	11,688	9,949	9,949	103,122
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	16	3,411	28	1,164
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR/PERIOD	9,949	103,122	5,647	174,378

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on October 15, 2020 under the Companies Act, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and the principal place of business of the Company is 401 Professional Dr Suite 280, Gaithersburg, MD 20879, the United States of America ("the US").

The Company is an investment holding company and the Company became the holding company of the entities now comprising the Group upon completion of the Group Reorganization as defined and detailed in note 2. The Group included subsidiaries that are clinical stage biotechnology companies engaged in developing and commercializing of ribonucleic acid interference ("RNAi") technology and multiple therapeutics. Details of particulars of the Company's subsidiaries are disclosed in note 35.

The Historical Financial Information is presented in US$, which is the same as the functional currency of the Company.

2. GROUP REORGANIZATION AND BASIS OF PREPARATION AND PRESENTATION OF HISTORICAL FINANCIAL INFORMATION

The Historical Financial Information has been prepared based on the accounting policies set out in the note 4 which conform with IFRSs issued by the IASB and the conventions applicable for group reorganization as detailed below.

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

* The English names are for identification purpose only.

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

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

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

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

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

As the shares are proportionately issued to the ordinary equity owners of the Company, which involves interspersing the Company between Delaware Sirnaomics and its shareholders, the Group comprising the Company, Delaware Sirnaomics and its subsidiaries resulting from the Group Reorganization is regarded as a continuing entity throughout the Track Record Period, regardless of the actual date when they legally form part of a group. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 have been prepared to include the results, changes in equity and cash flows of the companies now comprising the Group as if the group structure upon the completion of the Group Reorganization had been in existence throughout the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021, or since their respective dates of incorporation, where there is a shorter period.

The consolidated statements of financial position of the Group as at December 31, 2019 and 2020 have been prepared to present the carrying amounts of the assets and liabilities of the companies now comprising the Group as if the current group structure upon completion of the Group Reorganization had been in existence at those dates taking into account the respective dates of incorporation, where applicable.

No statutory financial statements of the Company have been prepared since its date of incorporation as it is incorporated in jurisdiction where there are no statutory audit requirements.

As at September 30, 2021, the Group was in net liabilities position of US$140,276,000 in which the balances consist of financial liabilities at FVTPL of US$321,278,000 that the earliest redemption dates of the financial liabilities at FVTPL will be on or after June 30, 2024. After taking into account the Group's cashflow projection and the expected working capital requirements, the directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due for a period of twelve months from September 30, 2021 and it is appropriate to prepare the Historical Financial Information on a going concern basis.

3. APPLICATION OF NEW AND REVISED IFRSs

For the purpose of preparing and presenting the Historical Financial Information for the Track Record Period, the Group has consistently applied the accounting policies which conform with the IFRSs, which are effective for the accounting period beginning on January 1, 2021, throughout the Track Record Period.

New and revised IFRSs in issue but not yet effective

At the date of this report, the following new and amendments to IFRSs have been issued but are not yet effective:

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

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

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

Except for Amendments to IAS 1 mentioned below, the management of the Group anticipates that application of all other new and amendments to IFRSs will have no material impact on the Group's financial position and financial performance when they become effective.

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

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

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

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

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

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

As at September 30, 2021, the Group's outstanding preferred shares which include counterparty conversion options that do not meet equity instruments classification by applying IAS 32. The Group classified the liabilities as current or non-current based on the earliest date in which the Group has the obligation to redeem preferred shares through cash settlement. These instruments were designated as financial liabilities at FVTPL with carrying amounts of US$321,278,000 as at September 30, 2021 and are classified as non-current. Upon the application of the 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 constitute settlement of the preferred shares. Given that the conversion options are exercisable at the holders' discretions, the preferred shares designated as financial liabilities at FVTPL amounting to US$321,278,000 would be reclassified to current liabilities as the holders have the option to convert within twelve months.

4. SIGNIFICANT ACCOUNTING POLICIES

The Historical Financial Information has been prepared in accordance with the following accounting policies which conform with IFRSs issued by IASB. In addition, the Historical Financial Information included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

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

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

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The Historical Financial Information 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.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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 Track Record Period are included in the consolidated statements 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 intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

Changes in the Group's interests in existing subsidiaries

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

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

Revenue from contracts with customers

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

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

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

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

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

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

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

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

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

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

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

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

Input method

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

Variable consideration

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

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

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

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

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

Existence of significant financing component

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

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

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

Leases

Definition of a lease

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

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

The Group as lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

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.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, 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 statements 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 assets.

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.

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

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

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

Lease modifications

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

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

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

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

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

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

Borrowing costs

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

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

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

Government grants

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

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

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

Employee benefits

Retirement benefit costs

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

Short-term employee benefits

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

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

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

When shares granted are vested, the amount previously recognized in share option reserve will be transferred to share premium.

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).

Taxation

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

The tax currently payable is based on taxable profit for the year/period. 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 Historical Financial Information and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

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

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

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

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

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

Current and deferred tax are recognized in profit or loss.

Property and equipment

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

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

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

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

Intangible assets acquired separately

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

Internally-generated intangible assets – research and development expenditure

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

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

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

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

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

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

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

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

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

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

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

Financial instruments

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

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

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.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial asset at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

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

Impairment of financial assets

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

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

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at each reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Groups recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

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

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

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

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

Derecognition of financial assets

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or

- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

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

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

Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares (note 25)

The Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares, which contain redemption features and/or other embedded derivatives, are designated as financial liabilities at FVTPL.

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

Series C and D Warrants of the Company

Series C and D Warrants of the Company are accounted for as derivatives and are recognized as fair value upon initial recognition.

Prior to the exercise of the Series D Warrants, the changes in fair value of Series D Warrants are recognized in the profit or loss.

Financial liabilities at amortized cost

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

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognized as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortized over the remaining term. Any adjustment to the carrying amount of the financial liability is recognized in profit or loss at the date of modification.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in note 4, the management of the Group is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgement in applying accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the Historical Financial Information.

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 Track Record Period, all the development costs are expensed when incurred.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the coming twelve months, are described below.

Fair value of financial liabilities at FVTPL

The Group has issued a series of Preferred Shares, SAFE, series seed preferred shares ("Series Seed Preferred Shares"), Series C Warrants and Convertible Loans to a group of investors prior to and during the Track Record 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 the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization), 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, 2019, December 31, 2020 and September 30, 2021 are approximately US$69,361,000, US$196,816,000 and US$321,278,000, respectively.

6. REVENUE AND SEGMENT INFORMATION

Revenue

The Group has not generated any revenue during the Track Record Period.

Segment information

For the purpose of resource allocation and assessment of performance, the executive directors of the Company, being the chief operating decision makers, focus and review on the overall results and financial position of the Group as a whole. Accordingly, the Group has only one single operating segment and no further analysis of the single segment is presented.

Geographical information

The Group's operations and non-current assets are mainly located at the US 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		
	At December 31,		**At September 30,**
	2019	**2020**	**2021**
	US$'000	**US$'000**	**US$'000**
The US	2,100	1,930	2,686
The PRC	1,219	3,028	7,129
Hong Kong	–	1	3
	3,319	4,959	9,818

7. OTHER INCOME

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Government grants (Note)	194	527	30	18
Interest income from restricted bank balances and bank balances	97	80	24	137
Consultancy income	88	121	121	14
Others	61	43	31	36
	440	771	206	205

Note: Government grants include waiver of governmental loan repayment of US$485,000 as a result of COVID-19 pandemic obtained by the Group in November 2020 and cash incentives specifically for research and development activities, which are recognized upon compliance with the relevant conditions where applicable for the Track Record Period.

8. OTHER GAINS AND LOSSES

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Net foreign exchange gains (losses)	6	(136)	(38)	(492)
Gain on disposal of property and equipment	–	–	–	3
Changes in fair value of structured deposits	362	391	156	312
	368	255	118	(177)

9. OTHER EXPENSES

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Loss on terminating a collaboration agreement (Note)	–	7,679	–	–
Issuance costs of financial liabilities at FVTPL	–	1,246	11	672
Others	–	18	16	–
	–	8,943	27	672

Note: In October 2020, Suzhou Sirnaomics entered into an agreement with Guangzhou Xiangxue Pharmaceutical Co., Ltd ("Xiangxue"), a non-controlling shareholder of Guangzhou Sirnaomics, to terminate the collaboration agreement signed in 2010 under which both parties agreed to jointly participate in a research, development, commercialization and marketing of a scar-free skin wound healing drug candidate in the PRC, for a consideration in aggregate of Renminbi ("RMB") 57,840,000 (equivalent to approximately US$8,379,000), including the settlement of advances from Xiangxue of RMB4,830,000 (equivalent to approximately US$700,000). RMB12,000,000 (equivalent to approximately US$1,738,000) of the consideration was settled by cash and the remaining consideration was settled by issuance of Convertible Loans amounting to RMB45,840,000 (equivalent to US$6,750,000) during the year ended December 31, 2020 which constituted as a non-cash transaction. The Convertible Loans were converted into the Series D Preferred Shares of the Company during the nine months ended September 30, 2021 as disclosed in note 25.

10. FINANCE COSTS

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000 (unaudited)	US$'000
Interest on bank and other borrowings	–	6	–	35
Interest on lease liabilities	229	243	184	182
Total borrowing costs	229	249	184	217
Less: amounts capitalized in the cost of qualifying assets	–	(6)	–	(15)
	229	243	184	202

11. INCOME TAX EXPENSE

The Company was incorporated in the Cayman Islands and is exempted from Cayman Islands income tax.

Hong Kong Profits Tax of Sirnaomics HK 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 US Tax Cuts and Jobs Act, the US corporate income tax rate has charged at flat rate of 21% during the Track Record Period. In addition, under the relevant rules of state taxes in Florida, Virginia, California, Massachusetts and Maryland of US, the state tax rates are charged at ranging from 4.458% to 8.84% during the Track Record Period.

Under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law, the basic tax rate of the Company's PRC subsidiaries is 25%.

Guangzhou Sirnaomics has been accredited as a "High and New Technology Enterprise" by the Science and Technology Bureau of Guangzhou City and relevant authorities in June 2017, and has been registered with the local tax authorities for enjoying the reduced Enterprise Income Tax ("EIT") rate at 15% in 2017, 2018 and 2019. The latest approval for Guangzhou Sirnaomics enjoying this tax benefit was obtained in December 2020 for the financial years of 2020, 2021 and 2022.

No Hong Kong Profits Tax, US corporate income and state taxes and EIT were provided as the group entities had no assessable profits during the Track Record Period.

The income tax expense for the Track Record Period is reconciled to the loss before tax per consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000 (unaudited)	US$'000
Loss before tax	(17,127)	(46,428)	(33,135)	(50,001)
Tax at the US corporate income tax rate of 21% (Note i)	(3,597)	(9,750)	(6,958)	(10,500)
Tax effect of expenses not deductible for tax purposes	642	4,114	4,347	5,590
Additional tax reduction on research and development expenses (Note ii)	(383)	(499)	(351)	(627)
Tax effect of tax losses not recognized	3,708	10,152	4,051	6,127
State taxes enacted by local authorities	(357)	(3,495)	(952)	(523)
Effect of different tax rates of subsidiaries operating in other jurisdictions	(13)	(522)	(137)	(67)
Income tax expense for the year/period	–	–	–	–

Notes:

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

ii) Pursuant to Caishui 2018 circular No. 99, the PRC subsidiaries enjoy super deduction of 175% on qualifying research and development expenditures throughout the Track Record Period.

Upon the implementation of the US 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 US Tax Cuts and Jobs Act.

As at December 31, 2019, December 31, 2020 and September 30, 2021, the Group had unused tax losses of approximately US$36,091,000, US$85,230,000 and US$113,613,000, respectively for offset against future profits. No deferred tax asset has been recognized in respect of tax losses due to the unpredictability of future profit streams. Included in unrecognized tax losses as at December 31, 2019, December 31, 2020 and September 30, 2021 are the amounts of US$24,108,000, US$42,350,000 and US$50,339,000, respectively which will expire from 2022 to 2037. Other losses may be carried forward indefinitely.

12. LOSS FOR THE YEAR/PERIOD

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000	US$'000
			(unaudited)	
Loss for the year/period has been arrived at after charging:				
Auditor's remuneration	19	37	31	83
Amortization of the intangible assets	–	37	29	39
Depreciation of property and equipment	380	543	408	538
Depreciation of right-of-use assets	444	463	348	441
	824	1,043	785	1,018
Analyzed as:				
– charged in administrative expenses	194	224	198	228
– charged in research and development expenses	630	819	587	790
	824	1,043	785	1,018
Directors' remuneration (Note 13)	1,293	1,366	959	1,427
Other staff costs				
– Salaries and other allowances	3,256	3,935	2,755	6,108
– Retirement benefit scheme contributions	210	165	110	433
– Share-based payment expense	306	699	361	774
– Performance and discretionary bonus (Note)	110	185	8	434
	5,175	6,350	4,193	9,176
Analyzed as:				
– charged in administrative expenses	1,257	1,931	1,354	2,999
– charged in research and development expenses	3,918	4,419	2,839	6,177
	5,175	6,350	4,193	9,176

Note: Performance and discretionary bonus is determined at the end of each reporting period based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

13. DIRECTORS' AND CHIEF EXECUTIVES' EMOLUMENTS

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

Year ended December 31, 2019

Name of directors	Date of appointment as director of the Company	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Share-based payment expenses	Performance and discretionary bonus	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CEO and executive director:							
Dr. Yang Lu, Patrick	October 15, 2020	–	277	14	54	34	379
Executive directors:							
Dr. Michael Molyneaux, chief medical officer ("CMO")	January 25, 2021	–	334	12	101	28	475
Dr. David Mark Evans, chief scientific officer ("CSO")	July 12, 2021	–	282	18	55	22	377
		–	616	30	156	50	852
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	31	–	31
Dr. Xiaochang Dai	January 25, 2021	–	–	–	31	–	31
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	62	–	62
Total		–	893	44	272	84	1,293

Year ended December 31, 2020

Name of directors	Date of appointment as director of the Company	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Share-based payment expenses	Performance and discretionary bonus	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CEO and executive director:							
Dr. Yang Lu, Patrick	October 15, 2020	–	276	14	60	20	370
Executive directors:							
Dr. Michael Molyneaux, CMO	January 25, 2021	–	355	32	72	70	529
Dr. David Mark Evans, CSO	July 12, 2021	–	269	17	99	20	405
		–	624	49	171	90	934
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	31	–	31
Dr. Xiaochang Dai	January 25, 2021	–	–	–	31	–	31
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	62	–	62
Total		–	900	63	293	110	1,366

Nine months ended September 30, 2020 (unaudited)

Name of directors	Date of appointment as director of the Company	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Share-based payment expenses	Performance and discretionary bonus	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CEO and executive director:							
Dr. Yang Lu Patrick	October 15, 2020	–	207	11	32	–	250
Executive directors:							
Dr. Michael Molyneaux, CMO	January 25, 2021	–	267	32	44	50	393
Dr. David Mark Evans, CSO	July 12, 2021	–	202	13	55	–	270
		–	469	45	99	50	663
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	23	–	23
Dr. Xiaochang Dai	January 25, 2021	–	–	–	23	–	23
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	46	–	46
Total		–	676	56	177	50	959

Nine months ended September 30, 2021

Name of directors	Date of appointment as director of the Company	Fees	Salaries and other allowances	Retirement benefit schemes contributions	Share-based payment expenses	Performance and discretionary bonus	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
CEO and executive director:							
Dr. Yang Lu Patrick	October 15, 2020	–	279	13	345	–	637
Executive directors:							
Dr. Michael Molyneaux, CMO	January 25, 2021	–	295	16	71	–	382
Dr. David Mark Evans, CSO	July 12, 2021	–	215	13	104	–	332
		–	510	29	175	–	714
Non-executive directors:							
Mr. Mike M. Ghias (Note)	January 25, 2021	–	–	–	18	–	18
Dr. Xiaochang Dai	January 25, 2021	–	–	–	58	–	58
Mr. Da Liu	January 25, 2021	–	–	–	–	–	–
Mr. Jiajun Lai	January 25, 2021	–	–	–	–	–	–
Mr. Mincong Huang	January 25, 2021	–	–	–	–	–	–
Mr. Yunchun Li (Note)	January 25, 2021	–	–	–	–	–	–
Mr. Jiankang Zhang	July 12, 2021	–	–	–	–	–	–
		–	–	–	76	–	76
Total		–	789	42	596	–	1,427

Note: Mr. Mike M. Ghias and Mr. Yunchun Li resigned as non-executive directors of the Company on July 12, 2021.

Dr. Yu Cheung Hoi, Mr. Fengmao Hua, Ms. Monin Ung and Ms. Shing Mo Han, Yvonne were appointed as independent non-executive directors on December 20, 2021 and no emoluments were paid to them during the Track Record Period.

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

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

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 Track Record Period.

During the Track Record Period, certain directors were granted share options in respect of their services to the Group under the share option scheme of Delaware Sirnaomics and the Company. Details of the share option scheme are set out in note 30.

14. FIVE HIGHEST PAID EMPLOYEES

The five highest paid individuals of the Group included 3, 3, 3 (unaudited) and 2 directors of the Company for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively, and details of whose remuneration are set out above. Details of the remuneration for the remaining 2, 2, 2 (unaudited) and 3 highest paid employees for years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively are as follows:

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000 (unaudited)	US$'000
Salaries and other allowances	477	448	352	667
Retirement benefits schemes contributions	31	28	25	42
Share-based payment expense	90	308	55	205
Performance and discretionary bonus (Note)	37	35	–	237
Total	635	819	432	1,151

Note: Performance and discretionary bonus is determined at the end of each reporting period based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

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

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020 (unaudited)	2021
Nil to HK$1,000,000	–	–	–	–
HK$1,000,001 to HK$1,500,000	–	–	1	–
HK$1,500,001 to HK$2,000,000	–	–	1	–
HK$2,000,001 to HK$2,500,000	1	1	–	–
HK$2,500,001 to HK$3,000,000	1	–	–	2
HK$3,000,001 to HK$3,500,000	–	–	–	–
HK$3,500,001 to HK$4,000,000	–	–	–	1
HK$4,000,001 to HK$4,500,000	–	1	–	–
Total	2	2	2	3

During the Track Record Period, certain non-director and non-chief executives highest paid employees were granted share options in respect of their services to the Group under the share option scheme of Delaware Sirnaomics and the Company. Details of the share option scheme are set out in note 30.

15. DIVIDEND

No dividend was declared and paid by the Company's subsidiaries in respect of the Track Record Period. No dividend was declared or paid by the Company since its incorporation.

16. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	For the year ended December 31,		Nine months ended September 30,	
	2019	**2020**	**2020**	**2021**
			(unaudited)	
Loss for the year/period attributable to owners of the Company for the purpose of basic and diluted per share (US$'000)	(16,381)	(43,772)	(31,947)	(48,071)
Number of shares				
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	12,271,370	13,805,513	13,626,829	14,466,122

The weighted average number of ordinary shares for the purpose of calculating basic and diluted loss per share has been determined on the assumption that the Group Reorganization as disclosed in note 2 had been effected since January 1, 2019.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. For the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the different series of Preferred Shares issued by the Company, Delaware Sirnaomics and RNAimmune, the Series C Warrants and Convertible Loans (note 25) and share option issued by the Company, Delaware Sirnaomics and RNAimmune outstanding (note 30) were not included in the calculation of diluted loss per share, as their inclusion would be anti-dilutive. Accordingly, diluted loss per share for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 are the same as basic loss per share for the respective year/period.

17. PROPERTY AND EQUIPMENT

	Leasehold improvement US$'000	Furniture and fixtures US$'000	Laboratory equipment US$'000	Vehicles US$'000	Equipment and computers US$'000	Assets under construction US$'000	Total US$'000
COST							
At January 1, 2019	109	139	691	87	76	–	1,102
Additions	71	82	862	–	32	–	1,047
Exchange adjustments	(2)	(1)	(9)	(2)	(2)	–	(16)
At December 31, 2019	178	220	1,544	85	106	–	2,133
Additions	–	19	369	–	24	1,584	1,996
Written off	–	–	–	–	(1)	–	(1)
Exchange adjustments	12	9	57	6	7	91	182
At December 31, 2020	190	248	1,970	91	136	1,675	4,310
Additions	55	27	1,518	116	164	652	2,532
Disposals/written off	–	–	(19)	(32)	(3)	–	(54)
Exchange adjustments	1	1	5	1	1	10	19
At September 30, 2021	246	276	3,474	176	298	2,337	6,807
ACCUMULATED DEPRECIATION							
At January 1, 2019	45	102	190	51	30	–	418
Provided for the year	44	23	283	6	24	–	380
Exchange adjustments	(1)	(1)	(3)	(1)	(1)	–	(7)
At December 31, 2019	88	124	470	56	53	–	791
Provided for the year	51	28	433	7	24	–	543
Eliminated on written off	–	–	–	–	(1)	–	(1)
Exchange adjustments	9	7	22	4	4	–	46
At December 31, 2020	148	159	925	67	80	–	1,379
Provided for the period	25	20	423	16	54	–	538
Eliminated on disposals/ written off	–	–	(18)	(30)	(3)	–	(51)
Exchange adjustments	2	1	2	–	2	–	7
At September 30, 2021	175	180	1,332	53	133	–	1,873
CARRYING VALUES							
At December 31, 2019	90	96	1,074	29	53	–	1,342
At December 31, 2020	42	89	1,045	24	56	1,675	2,931
At September 30, 2021	71	96	2,142	123	165	2,337	4,934

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

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

18. RIGHT-OF-USE ASSETS

	Equipment US$'000	Leased properties US$'000	Total US$'000
Carrying amount			
At January 1, 2019	16	1,614	1,630
Additions	–	637	637
Depreciation charge for the year	(16)	(428)	(444)
Exchange adjustment	–	1	1
At December 31, 2019	–	1,824	1,824
Additions	–	118	118
Depreciation charge for the year	–	(463)	(463)
Exchange adjustment	–	41	41
At December 31, 2020	–	1,520	1,520
Additions	103	1,917	2,020
Depreciation charge for the period	(34)	(407)	(441)
Exchange adjustment	–	17	17
At September 30, 2021	69	3,047	3,116

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	US$'000	US$'000 (unaudited)	US$'000
Expenses relating to short-term leases	91	91	77	76
Total cash outflows for leases	723	731	556	647

During the Track Record Period, the Group leases various offices and equipment for its operations. Lease contracts are entered into for fixed term of one to six years. The lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for office use. As at December 31, 2019, December 31, 2020 and September 30, 2021, the portfolio of short-term leases is similar to the portfolio of short term leases to which the short-term lease expense disclosed above.

Leases committed

As at September 30, 2021, the Group entered into a lease for an office that have not yet commenced, with a non-cancellable period of 10 years, excluding period under extension options, the total future undiscounted cash flows over the non-cancellable period amounted to US$7,966,000.

19. INTANGIBLE ASSETS

	Patent rights
	US$'000
COST	
At January 1, 2019	–
Additions	125
At December 31, 2019	125
Additions (Note)	261
At December 31, 2020	386
Additions	772
Exchange adjustment	(2)
September 30, 2021	1,156
ACCUMULATED AMORTIZATION	
At January 1, 2019 and December 31, 2019	–
Provided for the year	37
At December 31, 2020	37
Provided for the period	39
At September 30, 2021	76
CARRYING VALUE	
At December 31, 2019	125
At December 31, 2020	349
At September 30, 2021	1,080

The above intangible assets represents patent rights which are amortized over a period of 10 to 16.2 years on a straight-line basis. The useful lives of patent rights were determined based on the (i) license period in accordance with the license agreement entered into between the Group and the patent owners and (ii) the expiration date of the relevant patent.

Note: During the year ended 31 December 2020, the Group settled the acquisition costs of patent rights by share options issued by Delaware Sirnaomics with fair value of US$198,000 and the remaining acquisition costs of US$63,000 were settled in cash.

20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

The Group

	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Staff advance	20	8	5
Prepayments to suppliers for research and development services	1,358	1,562	4,520
Prepayments for legal and other professional services	–	35	137
Deposits paid for purchase of property and equipment	28	159	688
Rental deposits	91	88	673
Deferred issue costs (Note ii)	–	262	832
Others receivables, net of allowance of credit losses	80	87	451
	1,577	2,201	7,306
Analyzed as:			
Current	1,458	1,954	5,945
Non-current	119	247	1,361
	1,577	2,201	7,306

The Company

	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Amount due from a subsidiary (Note (i))	–	206,155
Deferred issue costs (Note (ii))	262	832
	262	206,987

Notes:

(i) The balance was unsecured, interest-free and repayable on demand.

(ii) Deferred issue costs represent the qualifying portion of issue costs incurred up to December 31, 2020 and September 30, 2021, respectively, which will be charged to equity of the Group as share issue costs in respect of the issue of new shares upon listing.

Details of impairment assessment of other receivables and deposits of the Group and the Company are set out in note 32.

21. STRUCTURED DEPOSITS/ RESTRICTED BANK BALANCES/ BANK BALANCES AND CASH

The Group

Structured deposits

As at December 31, 2019, the structured deposits represent RMB denominated deposits placed with one licensed commercial bank in the PRC amounting to approximately US$9,949,000 with short maturities. The expected annual return rate for the structured deposits is indicated at 3% per annum, however, the actual interest to be received is uncertain until maturity and the principals are not protected. Such structured deposits were accounted for as financial asset at FVTPL under IFRS 9. These structured deposits have been fully redeemed during the year ended December 31, 2020 and the changes in fair value up to the date of redemption is not significant. Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 32.

Restricted bank balances

As at December 31, 2019, December 31, 2020 and September 30, 2021, the restricted bank deposits represent bank deposits restricted by certain banks for bank facilities. The deposits carry at prevailing market rates ranging from 0% to 1.75% per annum at December 31, 2019, December 31, 2020 and September 30, 2021.

The Group and the Company

Bank balances

Bank balances of the Group at December 31, 2019, December 31, 2020 and September 30, 2021 and bank balances of the Company at September 30, 2021 carry interest at prevailing market rates ranging from 0.001% to 1.25% per annum.

Details of impairment assessment of restricted bank balances and bank balances of the Group and the Company are set out in note 32.

22A. TRADE AND OTHER PAYABLES

The Group

	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Trade payables	732	782	1,088
Payables for issuance costs of financial liabilities at FVTPL	–	1,107	100
Accruals for listing expenses and issuance costs	–	1,025	1,286
Accruals for staff costs	340	386	242
Accruals for research and development expenses	328	764	799
Accruals for other operating expenses	326	563	750
Advances from Xiangxue	691	–	–
Payables for acquisition of property and equipment	12	40	17
	1,697	3,885	3,194
	2,429	4,667	4,282

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

	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
0 to 30 days	427	644	997
31 to 60 days	86	3	2
Over 60 days	219	135	89
	732	782	1,088

The Company

	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Payables for issuance costs of financial liabilities at FVTPL	–	100
Accruals for listing expenses and issuance costs	677	1,286
Amounts due to subsidiaries (Note)	470	695
	1,147	2,081

Note: The balances were unsecured, interest-free and repayable on demand.

22B. CONTRACT LIABILITY

During the nine months ended September 30, 2021, the Group entered into a license agreement (the "Agreement") with Walvax Biotechnology Co., Ltd. ("Walvax"), the parent company of Shanghai Walga Biotechnology Limited, a Series D Preferred Shares holder of the Company, to co-develop small interfering RNA drugs targeting the influenza virus. Pursuant to the Agreement, the Group will grant the exclusive rights of license in the target drug in the territory covering Mainland China, Hong Kong, Macau and Taiwan plus research and development services to Walvax. The license and the research and development service are not distinct and they are accounted for as a performance obligation that is satisfied over time using input method. The consideration of the Agreement includes an upfront payment of RMB5,000,000 (US$770,000), service payment for preclinical research and development services of RMB36,500,000 (US$5,621,000), and variable considerations including milestone payments up to an aggregate amount of RMB100,000,000 (US$15,400,000) and a sales based royalty.

As at 30 September 2021, the Group has received an upfront fee of RMB5,000,000 which is 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.

23. BANK BORROWINGS

The Group had no bank borrowings at December 31, 2019.

At December 31, 2020 and September 30, 2021, the bank borrowings amounting to US$1,134,000 and US$1,443,000, respectively, were unsecured, guaranteed by a subsidiary of the Company, carried at variable interest rate of 4.15% and repayable within a period of more than two years but not exceeding five years based on schedule repayment dates set out in the loan agreements and shown under non-current liabilities.

The interest rates of bank borrowings were with reference to the PRC benchmark lending rate plus a specific margin of the relevant banks and reset every 12 months.

24. LEASE LIABILITIES

	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Lease liabilities payable:			
Within one year	368	443	1,193
Within a period of more than one year but not exceeding two years	395	494	1,240
Within a period of more than two years but not exceeding five years	1,222	810	946
	1,985	1,747	3,379
Less: Amount due for settlement with 12 months shown under current liabilities	(368)	(443)	(1,193)
Amount due for settlement after 12 months shown under non-current liabilities	1,617	1,304	2,186

As at December 31, 2019, December 31, 2020 and September 30, 2021, the weighted average incremental borrowing rates applied to lease liabilities ranged from 11.8% to 15.7%, 11.8% to 18.3% and 6.1% to 18.3%, respectively.

25. FINANCIAL LIABILITIES AT FVTPL

(i) Preferred Shares

Before the completion of Group Reorganization, Delaware Sirnaomics is authorized to issue 50,000,000 preferred shares of US$0.001 par value per share, of which 2,024,860, 7,374,632, 18,000,000 and 18,000,000 authorized Preferred Shares were designated as Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares, respectively. The remaining 4,600,508 authorized Preferred Shares have not been designated at December 31, 2020. Other than Tranche 4 of Series C Preferred Shares and Tranche 2 of Series D Preferred Shares which have been issued by the Company upon completion of ODI during the nine months ended September 30, 2021, the independent investors held the same number of preferred shares issued by the Company as detailed below upon completion of step (iii) of Group Reorganization as disclosed in note 2. As at September 30, 2021, the Company is authorized to issue 80,000,000 preferred shares of US$0.001 par value per share, of which 2,024,860, 7,374,632, 14,600,142, 16,249,174 and 18,000,000 authorized Preferred Shares were designated as Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, Series D Preferred Shares and Series E Preferred Shares, respectively. The remaining 21,751,192 authorized Preferred Shares have not been designated at September 30, 2021.

Preferred Shares	Year of issue	Number of investor(s)	Total number of Preferred Shares issued	Subscription price per Preferred Share US$	Total consideration US$'000
Series A	2009	1	2,024,860	0.325	659
Series B					
– Tranche 1	2016	2	3,687,316	1.356	5,000
– Tranche 2	2017	2	3,687,316	1.356	5,000
			7,374,632		10,000
Series C					
– Tranche 1	2018	1	375,375	2.66	1,000
– Tranche 2	2018	4	3,003,005	3.33	10,000
– Tranche 3	2019	2	3,603,605	3.33	12,000
– Tranche 4 (Note)	2021	5	7,618,157	3.33	25,368
			14,600,142		48,368
Series D					
– Tranche 1	2020	3	2,343,750	6.4	15,000
– Tranche 2 (Note)	2021	8	13,905,424	6.4	88,995
			16,249,174		103,995
Series E	2021	20	12,628,334	8.45	106,709
			52,877,142		269,731

Note: During the nine months ended September 30, 2021, the holders of Series C Warrants and Convertible Loans had exercised/converted their Series C Warrants and Convertible Loans into the Company's 7,618,157 series C Preferred Shares and 13,905,424 Series D Preferred Shares, respectively.

The key terms of the Series A, B, C, D and E Preferred Shares of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) are as follows:

a) Voting Right

The voting, dividend and liquidation rights of ordinary shares are subject to the rights, powers and preferences of Preferred Shares. Ordinary shares are entitled to one vote per share at all meetings of stockholders. There is no cumulative voting. On any matter presented to stockholders of the Company or Delaware Sirnaomics for their action or consideration at any meeting of stockholders, each holder of outstanding Preferred Shares is entitled to the number of votes equal to the number of whole shares of ordinary shares into which Preferred Shares are convertible. Holders of Preferred Shares shall vote together with the holders of ordinary shares as a single class.

At any time when 12,000,000 or more shares of Series D Preferred Shares are outstanding, holders of outstanding Series D Preferred Shares, exclusively and as a separate class, shall be entitled to elect one director ("Series D Director"). At any time when 12,000,000 or more shares of Series C Preferred Shares are outstanding, holders of outstanding Series C Preferred Shares, exclusively and as a separate class, are entitled to elect two directors ("Series C Directors"). At any time when 6,000,000 or more but less than 12,000,000 shares of Series C Preferred Shares are outstanding, holders of outstanding Series C Preferred Shares, exclusively and as a separate class, are entitled to elect one Series C Director. At any time when 6,000,000 or more shares of Series B Preferred Shares are outstanding, holders of outstanding Series B Preferred Shares, exclusively and as a separate class, are entitled to elect two directors ("Series B Directors"). At any time when 4,000,000 or more but less than 6,000,000 shares of Series B Preferred Shares are outstanding, holders of outstanding Series B Preferred Shares, exclusively and as a separate class, are entitled to elect one Series B Director. Holders of ordinary shares, exclusively and as a separate class, are entitled to elect three directors of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization). Holders of ordinary shares and of any other class or series of voting stock (including Preferred Shares), voting together as a single class, are entitled to elect the balance of the total number of directors of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization).

b) Dividends

When, as and if declared by the board of directors of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) ("Board of Directors"), outstanding Series E Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$1.2675 per share. After payment in full on Series E Preferred Shares, outstanding Series D Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$0.9594 per share. After payment in full on Series D and E Preferred Shares, outstanding Series C Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on other Preferred Shares and ordinary shares at the rate per annum of US$0.4995 per share. After payment in full on Series C, D and E Preferred Shares, outstanding Series B Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on Series A Preferred Shares and ordinary shares at the rate per annum of US$0.2034 per share. After payment in full on Series B, C, D and E Preferred Shares, outstanding Series A Preferred Shares are entitled to a non-cumulative dividend in preference to any dividend on ordinary shares at the rate per annum of US$0.0260 per share. A dividend is payable only when funds are legally available and only when, as and if declared by the Board of Directors. During the Track Record Period, the Board of Directors has not declared any dividends.

c) Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization), or a deemed liquidation event as defined in the First Amended and Restated Memorandum of Association of the Company or restated certificate of incorporation of the Delaware Sirnaomics, outstanding Preferred Shares are entitled to be paid in full out of the Company's or Delaware Sirnaomics's assets available for distribution before payment on ordinary shares in the following order: (i) on Series E Preferred Shares, the sum of (I) US$8.45, and (II) any dividends accrued or declared but unpaid; (ii) on Series D Preferred Shares, the sum of (I) US$6.40, and (II) any dividends accrued or declared but unpaid; (iii) on Series C Preferred Shares, the sum of (I) US$2.66 or US$3.33, and (II) any dividends accrued or declared but unpaid; (iv) on Series B Preferred Shares, the sum of (I) US$1.356, and (II) any dividends accrued or declared but unpaid; and (v) on Series A Preferred Shares, the sum of (I) US$0.325, and (II) any dividends accrued or declared but unpaid. If the Company's or Delaware Sirnaomics's assets available for distribution are insufficient to pay the full amount on a series of outstanding Preferred Shares, such series of

Preferred Shares shall share ratably in any distribution of the assets available for distribution.

After payment of all preferential amounts on outstanding Preferred Shares, the remaining Company's or Delaware Sirnaomics's assets are distributed among Preferred Shares and ordinary shares, pro rata, as if all such securities converted to ordinary shares. A deemed liquidation event means, unless majority of Preferred Shares (as if all such securities converted to ordinary shares), elect otherwise, (i) certain mergers and consolidations, and (ii) sales, leases, transfers, exclusive licenses or other dispositions of all or substantially all of the assets of the Company or Delaware Sirnaomics and its subsidiaries. The Company or Delaware Sirnaomics has no power to effect a deemed liquidation event, unless it ensures that the consideration payable to stockholders is allocated properly.

d) Optional Conversion

Holders of Preferred Shares have conversion rights. Each series of Preferred Shares is convertible, at holder's option, without payment of additional consideration, into ordinary shares as determined by dividing the conversion price for such series (as disclosed in below) in effect at the time of conversion. In order for a holder of Preferred Shares to convert Preferred Shares into ordinary shares, such holder provides written notice to the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) that such holder elects to convert all or any portion of Preferred Shares. In general, Preferred Shares which have been surrendered for conversion are no longer deemed to be outstanding, and all rights with respect to such Preferred Shares cease and terminate at the conversion time. Any Preferred Shares so converted are retired and canceled and may not be reissued.

e) Conversion Price/Anti-Dilution Protection

The conversion price for each series of Preferred Shares is adjusted on a weighted-average basis if the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) issues additional shares of ordinary shares or ordinary shares equivalents (other than for stock option grants and other customary exclusions) at a purchase price less than the applicable conversion price, subject to appropriate adjustments in the First Amended and Restated Memorandum of Association of the Company or Certificate of Incorporation of Delaware Sirnaomics. The initial "Series A conversion price" is US$0.325 per share, the initial "Series B conversion price" is US$1.356 per share, initial "Series C conversion price" is US$2.66 or US$3.33 per share, the initial "Series D conversion price" is US$6.40 per share and the initial "Series E conversion price" is US$8.45 per share, which also represents the original issue price of Series A, B ,C, D and E Preferred Shares, respectively.

If the Company or Delaware Sirnaomics, after the original issue date for a series of Preferred Shares, issues additional shares of ordinary shares or ordinary shares equivalents, without consideration or for a consideration per share less than the conversion price for such series in effect immediately prior to such issue, then the conversion price for such series is reduced, concurrently with such issue, to a price determined in accordance with the formula set forth in the First Amended and Restated Memorandum of Association of the Company or restated certificate of incorporation filed to the State's Secretary's Office in the US.

No adjustment in the conversion price for a series of Preferred Shares is made if the Company or Delaware Sirnaomics receives written notice from holders of a majority of such series of Preferred Shares then outstanding agreeing that no such adjustment should be made as the result of the issuance or deemed issuance of additional shares of ordinary shares or ordinary shares equivalents.

f) Conversion

Upon a firm commitment underwritten public offering as defined in the First Amended and Restated Memorandum of Association of the Company or the restated Certificate of incorporation of Delaware Sirnaomics or upon the day and time specified by vote or written consent by majority holders of respective series of Preferred Shares, then all outstanding Preferred Shares of respective series would be automatically converted into ordinary shares of the Company. In general, all rights with respects to a series of Preferred Shares converted terminate at the mandatory conversion time for such series. Such converted shares of such series of Preferred Shares shall be retired and cancelled and may not be reissued as shares of such series.

g) Redemption for Series B/Series C/Series D/Series E Preferred Shares

If the Company or Delaware Sirnaomics fails to close an initial public offering pursuant to an effective registration statement under U.S. Securities Act of 1933, or in an initial public offering in the PRC, or in Hong Kong, on or before (the "QIPO") the proposed QIPO due date, the Company or Delaware Sirnaomics may be required to redeem the outstanding Series B, C, D and E Preferred Shares at a price per share calculated in the formulae as stipulated in the Memorandum of Association of the Company or restated certificate of incorporation, in three annual installments commencing on or before 90th day after the Company's or Delaware Sirnaomics's receipt from holders of a majority of outstanding Series B, C, D and E Preferred Shares, of written notice requesting redemption of all Series B, C, D and E Preferred Shares.

The initial proposed QIPO due date is September 30, 2021. Upon the issuance of Series D Preferred Shares, the proposed QIPO due date associated with Series B and C Preferred Shares were extended to June 30, 2022. The proposed QIPO due date of Series B, C and D Preferred Shares were further extended to June 30, 2024 upon issuance of Series E Preferred Shares.

No redemption rights are held by the holders of Series A Preferred Shares.

(ii) Series C Warrants

a) Stock Purchase Warrants for Series C Preferred Shares

Overseas direct investment (the "ODI") into foreign entities by certain investors located in the PRC (the "Series C Chinese Investors") is not allowed until an approval for ODI is obtained from the applicable authorities in the PRC, including Chinese National Development and Reform Commission, Chinese Ministry of Commerce, and State Administration of Foreign Exchange. In 2018, in order to raise funds from a number of Series C Chinese Investors who are not allowed to hold direct investments in foreign entities, Delaware Sirnaomics issued Series C Warrants.

Pursuant to the investment agreement and the stockholders agreement in 2018, the Series C Chinese Investors received 7,618,157 Series C Warrants for their investment in aggregate of RMB160,000,000 (equivalent to US$25,396,000) in Suzhou Sirnaomics, which represented 20.25% equity interest in Suzhou Sirnaomics in 2018. Series C Warrants are presented as financial liabilities at FVTPL on the consolidated statements of financial position.

During the nine months ended September 30, 2021, the Series C Chinese Investors have obtained the ODI approval, exercised the Series C Warrants and converted the Series C Warrants into Series C Preferred Shares.

b) Conversion of Series C Warrants

The holders of the Series C Warrants shall convert the Series C Warrants into 7,618,157 shares of Series C Preferred Shares upon the holders receiving the ODI approval for direct investment into foreign entities. (i.e. the holders are entitled to options for subscribing same number of Series C Preferred Shares upon the receipt of ODI approval). The exercise price of the Series C Warrants is US$3.33, which is the same as the original issue price of Series C Preferred Shares.

After the holders have obtained such ODI approvals, the Company or Delaware Sirnaomics is required to assist the holders of Series C Warrants in disposing their investment in Suzhou Sirnaomics through equity transfer, reduction of registered capital or other transaction. The Company or Delaware Sirnaomics has the contractual obligation to repurchase the equity interest in Suzhou Sirnaomics from holders of Series C Warrants at initial subscription price and issue 7,618,157 Series C Preferred Shares of the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) to the warrant holders.

In accordance with the Series C Warrants, the Company or Delaware Sirnaomics and the other parties thereto will execute the stockholders agreement, pursuant to which, from the date thereof until termination or expiration of the Series C Warrants or of the exercise of the warrants, the holders of the Series C Warrants are entitled to the rights specified in the stockholder agreements.

The Series C Warrants would be terminated only upon one of the following events: (1) the Series C Warrants have been completely exercised; (2) a deemed liquidation event as defined in the First Amended and Restated Memorandum of Association of the Company or the restated certificate of incorporation of Delaware Sirnaomics.

c) Investors Withdrawal

If any Series C Chinese Investor fails to obtain the ODI approval, or fails to exercise the Series C Warrants, or fails to obtain the Series C Preferred Shares of the Company or Delaware Sirnaomics as a result of exercise of the Series C Warrants, due to changes in policies and regulations or any other circumstances that the Series C Chinese Investors are not responsible for, each Series C Chinese Investor may withdraw from the Company or Delaware Sirnaomics and Suzhou Sirnaomics under the following conditions:

New Purchaser

Each Series C Chinese Investor is entitled to have a third party, which shall be incorporated and existing offshore of the PRC and shall be acceptable to the Company or Delaware Sirnaomics, to purchase an amount of Series C Preferred Shares of the Company or Delaware Sirnaomics exercisable under the Series C Warrants, at the price agreed by the Series C Investor and the Company or Delaware Sirnaomics.

Redemption Feature

If Sirnaomics fails to close an initial public offering ("IPO") by June 30, 2024, all or part of the Series C Preferred Shares shall be redeemed by the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) after the Company's or Delaware Sirnaomics's receipt from any Series C Chinese Investor of written notice requesting redemption at a price stipulated in the stockholders agreement.

Withdrawal Upon IPO (i.e. if the ODI Approval is Not Yet Completed Upon Successful IPO)

Immediately prior to an IPO of securities of any member of the Group, if, in the formal written opinion of the IPO advisers, not obtaining the ODI approvals will materially and adversely affect the IPO, the parties shall effect a withdrawal of the Series C Chinese Investors by effecting certain specific steps as outlined in the stockholder agreement.

Withdrawal Upon Liquidation

In the event that the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) experiences a liquidation event (i.e. the Company or Delaware Sirnaomics goes for liquidation) or a deemed liquidation event (e.g. sale of the Company or Delaware Sirnaomics and its subsidiaries or merge with other corporation), the Series C Chinese Investors shall be entitled, in accordance with their respective shareholding portion of Series C Preferred Shares, to be paid out of the distributable liquidation assets of the Company or Delaware Sirnaomics in the amount equal to the sum of: (i) its total investment amount (the aggregate total investment amount paid by each Series C investor) and (ii) any dividends accrued on the shares of the Company or Delaware Sirnaomics or any declared but unpaid thereon.

(iii) Convertible Loans

Overseas direct investment into foreign entities by the certain investors located in the PRC (the "Series D Chinese Investors") is not allowed until the ODI approval is obtained, on September 30, 2020, the Series D Chinese Investors entered into an investment agreement with Delaware Sirnaomics, of which the Series D Chinese Investors shall invest into equity interest of Suzhou Sirnaomics for a consideration in aggregate of US$88,994,714 (equivalent to RMB604,425,400), and Delaware Sirnaomics shall issue 13,904,442 stock purchase warrant for Series D Preferred Shares (the "Series D Warrants") to the Series D Chinese Investors (the "Series D Investment Agreement").

On November 30, 2020, the Series D Chinese Investors entered into an amendment to the Series D Investment Agreement (the "Amended Series D Investment Agreement"), according to which, the Series D Chinese Investors provided interest-free convertible loans to Suzhou Sirnaomics with a consideration in aggregate of US$88,994,714 (equivalent to RMB604,425,400) (the "Convertible Loans") instead of investing into equity interest of Suzhou Sirnaomics.

a) Stock Purchase Warrants for Series D Preferred Shares

Delaware Sirnaomics issued Series D Warrants to Series D Chinese Investors to purchase Series D Preferred Shares from the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization). Pursuant to the Series D Warrants, the Amended Series D Investment Agreement, the Series D Chinese Investors received 13,905,424 Series D Warrants in connection with the Convertible Loans. Convertible Loans are presented as financial liabilities at FVTPL on the consolidated statements of financial position.

b) Conversion of Series D Warrants

The holders of the Series D Warrants shall convert the Series D Warrants into 13,905,424 shares of Series D Preferred Shares upon the holders receiving the ODI approval for direct investment into foreign entities. The exercise price of the Series D Warrants is the same as the original issue price of Series D Preferred Share.

The Series D Warrants will be terminated on the earlier of the Series D Warrants has been exercised, or a deemed liquidation event (e.g. sale of the Company or Delaware Sirnaomics and its subsidiaries or merge with other corporation).

During the nine months ended September 30, 2021, the Series D Chinese Investors have obtained the ODI approval, exercised the Series D Warrants and repaid the Convertible Loans and converted into Series D Preferred Shares.

(iv) SAFE issued by RNAimmune

In August and September 2020, RNAimmune issued SAFE to non-controlling shareholders of RNAimmune at a total consideration of US$2,300,000. In February 2021, these non-controlling shareholders converted their SAFE into 4,259,256 ordinary shares of RNAimmune. Key terms of SAFE are as follows:

a) Voting Right

The SAFE holders are not entitled by virtue of holding this SAFE to be deemed a holder of the RNAimmune's ordinary shares for any purpose, nor will anything contained in this SAFE be construed to confer on the SAFE holders any of the rights of a shareholder of RNAimmune or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action or to receive notice of meetings, or to receive subscription rights or otherwise until conversion shares have been issued.

b) Priority under dissolution

ln the event of a dissolution while this SAFE is outstanding, RNAimmune will pay the SAFE holders an amount equal to the investment amount immediately prior to, or concurrently with, the consummation of the dissolution. RNAimmune's obligation to make the repayment will rank senior in right of payment to RNAimmune's ordinary shares and rank the same with any convertible debt of RNAimmune.

c) Conversion features

There are 2 situations in which SAFE will be converted as i) ordinary shares of RNAimmune; ii) any securities conferring the right to purchase ordinary shares of RNAimmune; or iii) any securities directly or indirectly convertible into, or exchangeable for ordinary shares of RNAimmune (collectively refers as "Equity Securities"). The 2 situations are as follows:

Next Equity Financing Conversion

This SAFE will be converted mandatorily into the Equity Securities upon the closing of the next equity financing of RNAimmune. The number of the Equity Securities that RNAimmune issues upon such conversion will equal the quotient (rounded down to the nearest whole share) obtained by dividing the investment amount by the applicable conversion price.

Corporate Transaction Conversion

ln the event of a corporate transaction prior to the conversion of this SAFE, at the closing of such corporate transaction, the SAFE holders may elect either: (a) that RNAimmune will pay the SAFE holders an amount equal to the investment amount; or (b) that this SAFE will convert into that number of conversion shares equal to the quotient (rounded down to the nearest whole share) obtained by dividing the investment amount by the applicable conversion price.

(v) Series Seed Preferred Shares issued by RNAimmune

On March 29, 2021, RNAimmune is authorized to issue 50,000,000 preferred shares of US$0.00001 par value per share. 15,000,000 of the authorized preferred shares are designated as Series Seed Preferred Shares and the remaining 35,000,000 shares of authorized preferred shares have not been designated by RNAimmune as of September 30, 2021. RNAimmune entered into share purchase agreements of Series Seed Preferred Shares with Delaware Sirnaomics and independent investors to issue 1,587,302 and 6,349,207 Series Seed Preferred Shares at a consideration of US$2,000,000 and US$8,000,000, respectively on March 29, 2021. Out of the 15,000,000 designated Series Seed Preferred Shares, 7,936,509 are issued and outstanding.

No redemption rights are held by the holders of Series Seed Preferred Shares and the other key terms of the Series Seed Preferred Shares of RNAimmune are as follows:

a) Voting Right

The voting, dividend and liquidation rights of ordinary shares are subject to and qualified by the rights, powers and preferences of Series Seed Preferred Shares. Ordinary shares are entitled to one vote per share at all meetings of stockholders and there is no cumulative voting. On any matter presented to stockholders of RNAimmune for their action or consideration at any meeting of stockholders, each holder of outstanding Series Seed Preferred Shares is entitled to the number of votes equal to the number of whole shares of ordinary shares into which Series Seed Preferred Shares are convertible. Holders of Series Seed Preferred Shares shall vote together with the holders of ordinary shares as a single class.

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

b) Dividends

RNAimmune shall not declare, pay, or set aside any dividends on shares of any other class or series of capital stock, unless holders of Series Seed Preferred Shares shall first receive a dividend in an amount at least equal to:-

- the product of (A) the dividend payable as if all shares had been converted into ordinary shares and (B) the number of shares of ordinary shares issuable upon conversion of a share of preferred shares calculated on the record date for determination of holders entitled to receive such dividend; or

- in the case of a dividend that is not convertible into ordinary shares, at a rate per share of preferred shares determined by (A) dividing the amount of the dividend payable on each share of such class by the Original Issuance Price (defined below) and (B) multiplying such fraction by an amount equal to Original Issue Price.

The Original Issuance Price shall mean with respect of each share of Series Seed Preferred Shares, the original issue price that is subject to appropriate adjustment in the event of any stock dividend, stock split, combination or similar recapitalisation.

A dividend is payable only when funds are legally available therefore and only when, as and if declared by the board of directors. RNAimmune is not obligated to pay a dividend. During the nine months ended September 30, 2021, the board of directors has not declared any dividends.

c) Liquidation Preference

In the event of any liquidation, dissolution or winding up of RNAimmune, or a deemed liquidation event as defined in the certificate of incorporation of RNAimmune, outstanding preferred shares are entitled to be paid in full out of the RNAimmune's assets available for distribution before payment on ordinary shares. If RNAimmune's assets available for distribution are insufficient to pay the full amount on a series of outstanding preferred shares, such series of preferred shares shall share ratably in any distribution of the assets available for distribution.

After payment of all preferential amounts on outstanding preferred shares, the remaining RNAimmune's assets are distributed among preferred shares and ordinary shares, pro rata based on the number of share held by each holder as if they had been converted to ordinary share immediately prior to such liquidation, dissolution or winding up of RNAimmune or deemed liquidation event.

d) Optional Conversion

Holders of Series Seed Preferred Shares have conversion rights. Each series of preferred shares is convertible, at holder's option, without payment of additional consideration, into number of fully paid ordinary shares of RNAimmune as determined by dividing the Original Issue Price for such series by the conversion price.

In order for a holder of preferred shares to convert preferred shares into ordinary shares, such holder provides written notice to RNAimmuue 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 canceled and may not be reissued.

e) Conversion Price/Anti-Dilution Protection

The conversion price for each Series Seed Preferred Shares is adjusted on a weighted-average basis if RNAimmune issues additional shares of ordinary shares or ordinary shares equivalents (other than for stock option grants and other customary exclusions) at a purchase price less than the applicable conversion price, subject to appropriate adjustments in the certificate of incorporation.

If RNAimmune, after the original issue date for a series of preferred shares, issues additional shares of ordinary shares or ordinary shares equivalents, without consideration or for a consideration per share less than the conversion price for such series in effect immediately prior to such issue, then the conversion price for such series is reduced, concurrently with such issue, to a price determined in accordance with the formula set forth in the restated certificate of incorporation.

No adjustment in the conversion price for a series of preferred shares is made if RNAimmune receives written notice from holders of a majority of such series of preferred shares then outstanding agreeing that no such adjustment should be made as the result of the issuance or deemed issuance of additional shares of ordinary shares or ordinary shares equivalents.

f) Mandatory Conversion

Upon (i) the closing of the sale of ordinary shares of RNAimmune to the public in a firm-commitment underwritten public offering resulting in at least US$20,000,000 of aggregate proceeds, net of the underwriting discount and commissions, the ordinary shares of RNAimmune is listed for trading on Nasdaq Stock Market's National Market, Hong Kong Stock Exchange, or another stock exchange approved by the board of directors of RNAimmune or (ii) the date and time, or the occurrence specified by vote or written consent of requisite holders, then all outstanding shares of Series Seed Preferred Shares of RNAimmune shall be converted automatically into ordinary shares of RNAimmune, at the effective conversion price and such shares may not be reissued by RNAimmune.

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 canceled and may not be reissued as shares of such series.

Presentation and Classification

The directors of the Company considered that the Preferred Shares, Series C Warrants and Convertible Loans issued by the Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization) or Suzhou Sirnaomics and SAFE and Series Seed Preferred Shares issued by RNAimmune are accounted for as financial liabilities measured at FVTPL.

The directors of the Company also considered that the changes in the fair value of the Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares attributable to the change in credit risk of these financial liabilities are minimal. Changes in fair value of the Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares not attributable to the change in credit risk of the financial liabilities are charged to profit or loss and presented as "changes in fair value of financial liabilities at FVTPL".

On January 21, 2021, Delaware Sirnaomics, its then shareholders, the holders of Series C Warrants and Series D Warrants and the Company entered into the Share Exchange Arrangement as described in note 2(iii). The directors of the Company considered that the Share Exchange Arrangement does not constitute as substantial modification of the financial liabilities at FVTPL under IFRS 9 and does not result in derecognition and no adjustment to the carrying amount of the financial liabilities at FVTPL is recognized in profit or loss at the date of modification.

The Preferred Shares, Series C Warrants, Convertible Loans, SAFE and Series Seed Preferred Shares were valued by the directors of the Company with reference to valuation reports carried out by an independent qualified professional valuer, Avista Valuation Advisory Limited ("Avista Valuation"), which has appropriate qualifications and experiences in valuation of similar instruments. The address of Avista Valuation is 23rd Floor, Siu On Center, No.188 Lockhart Road, Wanchai, Hong Kong.

The directors of the Company used the back-solve method to determine the underlying share value of the Company or Delaware Sirnaomics (before completion of step (iii) of

Group Reorganization) and RNAimmune and performed an equity allocation based on OPM to arrive the fair value of the Preferred Shares, Series C Warrants, SAFE, Series Seed Preferred Shares and Convertible Loans at the end of each reporting period.

In addition to the underlying share value of the Company or Delaware Sirnaomics and RNAimmune determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value of Preferred Shares, Series C Warrants and Convertible Loans are as follows:

	At January 1, 2019	At December 31, 2019	At December 31, 2020	At September 30, 2021
Time to liquidation	2.75 years	1.75 to 2.50 years	1.50 years	2.75 years
Risk-free interest	2.5%	1.6% -1.8%	0.1%	0.5%
Expected volatility value	66%	64% -72%	64%	67%
Dividend yield	0%	0%	0%	0%
Possibilities under liquidation scenario	50%	50%	50%	50%
Possibilities under redemption scenario	30%	25%	20%	10%
Possibilities under IPO scenario	20%	25%	30%	40%

In addition to the underlying share value of RNAimmune determined by back-solve method, other key valuation assumptions used in OPM to determine the fair value of SAFE and Series Seed Preferred Shares are as follows:

a) SAFE

	At December 31, 2020	At February 8, 2021*
Time to liquidation	0.3-5 years	0-5 years
Risk-free interest	0.05% to 0.5%	0.01% to 0.5%
Expected volatility value	63% to 76%	65% to 76%
Dividend yield	0%	0%
Possibilities under liquidation scenario	10% to 100%	20% to 100%
Possibilities under equity financing scenario	0% to 90%	0% to 80%

* Represented the date that the holders of SAFE converted their SAFE into 4,259,256 ordinary shares of RNAimmune.

b) Series Seed Preferred Shares

	At September 30, 2021
Time to liquidation	4.5 years
Risk-free interest	0.95%
Expected volatility value	72%
Dividend yield	0%
Possibilities under liquidation scenario	100%

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Government Bond with a maturity life close to period from the respective valuation dates to the expected liquidation dates. Expected volatility value was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry for a period from the respective valuation dates to expected liquidation dates. Dividend yield, possibilities under different scenario and time to liquidation are estimated based on management estimation at the valuation dates.

The Group

	Preferred Shares	Series C Warrants	Convertible Loans	SAFE issued by RNAimmune	Series Seed Preferred Shares issued by RNAimmune	Total
	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000
At January 1, 2019	29,409	25,249	–	–	–	54,658
Issuance of Series C Preferred Shares	12,000	–	–	–	–	12,000
Issuance of Series C Warrants	–	119	–	–	–	119
Unrealized changes in fair value	1,811	773	–	–	–	2,584
At December 31, 2019	43,220	26,141	–	–	–	69,361
Issuance of Series D Preferred Shares and Convertible Loans	15,000	–	88,995	–	–	103,995
Issuance of SAFE	–	–	–	2,300	–	2,300
Unrealized changes in fair value	14,960	5,761	(3,592)	445	–	17,574
Exchange adjustments	–	–	3,586	–	–	3,586
At December 31, 2020	73,180	31,902	88,989	2,745	–	196,816
Conversion of SAFE to a subsidiary's ordinary shares	–	–	–	(2,762)	–	(2,762)
Issuance of Series Seed Preferred Shares	–	–	–	–	7,000	7,000
Issuance of Preferred Shares upon exercising Series C Warrants and Series D Warrants upon completion of ODI	122,958	(33,845)	(89,113)	–	–	–
Issuance of Series E Preferred Shares	106,212	–	–	–	–	106,212
Unrealized changes in fair value	11,668	–	–	–	260	11,928
Realized change in fair value	–	1,943	(776)	17	–	1,184
Exchange adjustments	–	–	900	–	–	900
At September 30, 2021	314,018	–	–	–	7,260	321,278

	Preferred Shares	Series C Warrants	Convertible Loans	SAFE issued by RNAimmune	Series Seed Preferred Shares issued by RNAimmune	Total
	US$'000	US$'000	US$'000 (Note)	US$'000	US$'000	US$'000
For the nine months ended September 30, 2020 (unaudited)						
At January 1, 2020	43,220	26,141	–	–	–	69,361
Issuance of SAFE	–	–	–	2,300	–	2,300
Unrealized change in fair value	14,421	5,360	–	(8)	–	19,773
At September 30, 2020	57,641	31,501	–	2,292	–	91,434

Note: The Convertible Loans are classified as current liabilities at December 31, 2020 as the holders have the option to convert their Convertible Loans into the Preferred Shares of the Company within twelve months from the end of the reporting period.

The Company

	Preferred Shares	Series C Warrants	Series D Warrants	Total
	US$'000	US$'000	US$'000	US$'000
At October 15, 2020 (date of incorporation) and December 31, 2020	–	–	–	–
Issuance of Preferred Shares and transfer of Series C Warrants and Series D Warrants from Delaware Sirnaomics to the Company as Series C Preferred Share Purchase Warrants and Series D Preferred Share Purchase Warrants pursuant to the Group Reorganization	73,180	7,002	–	80,182
Issuance of Preferred Shares upon exercising Series C Warrants and Series D Warrants upon completion of ODI	117,413	(8,945)	–	108,468
Issuance of Series E Preferred Shares	106,212	–	–	106,212
Realized change in fair value	–	1,943	–	1,943
Unrealized changes in fair value	17,213	–	–	17,213
At September 30, 2021	314,018	–	–	314,018

26. SHARE CAPITAL

The Group

For the purpose of presenting the share capital of the Group prior to the completion of the Reorganization as disclosed in note 2, the balance at January 1, 2019 and December 31, 2019 represented the share capital of Delaware Sirnaomics.

The share capital as at December 31, 2020 represented the combined issued share capital of the Company and Delaware Sirnaomics.

The share capital as at September 30, 2021 represents the issued share capital of the Company.

The Company

Details of the share capital of the Company as at December 31, 2020 and September 30, 2021 are as follows:

	Number of shares	Share capital US$
Ordinary shares of US$0.001 each		
Authorized		
At October 15, 2020 (date of incorporation) and December 31, 2020	150,000,000	150,000
Increase on June 20, 2021	80,000,000	80,000
Reclassification and re-designation on issuance of Preferred Shares (note 2(ii))		
– Series A	(2,024,860)	(2,025)
– Series B	(7,374,632)	(7,375)
– Series C	(14,600,142)	(14,600)
– Series D	(16,249,174)	(16,249)
– Series E	(18,000,000)	(18,000)
– undesignated	(21,751,192)	(21,751)
At September 30, 2021	150,000,000	150,000
Issued and fully paid		
At October 15, 2020 (date of incorporation) and December 31, 2020	1	–*
Issuance of ordinary shares (note 2(iii))	14,349,637	14,350
Exercise of share options	530,000	530
At September 30, 2021	14,879,638	14,880

* Less than US$1

27. DEFICITS OF THE COMPANY

	Share premium US$'000	Share option reserve US$'000	Accumulated losses US$'000	Total US$'000
At October 15, 2020 (date of incorporation)	–	–	–	–
Loss and total comprehensive expense for the period	–	–	(885)	(885)
At December 31, 2020	–	–	(885)	(885)
Loss and total comprehensive expense for the period	–	–	(17,026)	(17,026)
Recognition of share-based payment	–	1,328	–	1,328
Lapse of share options	–	(20)	20	–
Forfeiture of share options	–	(91)	91	–
Issuance of shares arising from Group Reorganization	10,178	–	–	10,178
Issue of shares under share option scheme	326	(155)	–	171
Transfer of share option reserve from Delaware Sirnaomics to the Company	–	2,623	–	2,623
At September 30, 2021	10,504	3,685	(17,800)	(3,611)

28. NON-CONTROLLING INTERESTS

	Share of net assets of subsidiaries US$'000	Share options reserve of subsidiaries US$'000	Total US$'000
At January 1, 2019	3,545	–	3,545
Share of loss for the year	(746)	–	(746)
Exchange differences arising on translation of foreign operations	(25)	–	(25)
Capital contribution from a non-controlling shareholder	28	–	28
At December 31, 2019	2,802	–	2,802
Share of loss for the year	(2,656)	–	(2,656)
Exchange differences arising on translation of foreign operations	(10)	–	(10)
Recognition of share-based payment	–	4	4
Capital contribution from non-controlling shareholders	113	–	113
At December 31, 2020	249	4	253
Share of loss for the period	(1,930)	–	(1,930)
Exchange differences arising on translation of foreign operations	59	–	59
Exercise of stock purchase warrants by Delaware Sirnaomics (note 35a)	302	–	302
Effect of conversion of SAFE to a subsidiary's ordinary shares	1,406	–	1,406
Exercise of Series C Warrants granted to non-controlling shareholders and convert their equity interests in a subsidiary to the Company's preferred shares	(458)	–	(458)
Acquisition of interest in a subsidiary from a non-controlling shareholder	(47)	–	(47)
Recognition of share-based payment	–	18	18
At September 30, 2021	(419)	22	(397)
For the nine months ended September 30, 2020 (unaudited)			
At January 1, 2020	2,802	–	2,802
Share of loss for the period	(1,188)	–	(1,188)
Exchange differences arising on translation of foreign operations	57	–	57
Recognition of share-based payment	–	4	4
Capital contribution from non-controlling shareholders	113	–	113
At September 30, 2020	1,784	4	1,788

29. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualified employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap of HK$1,500 per month. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes.

The Group maintains multiple qualified contributory saving plans as allowed under Section 401(k) of the Internal Revenue Code in the US. These plans are defined contribution plans covering employees employed in the US and provide for voluntary contributions by employees, subject to certain limits. The contributions are made by both the employees and the employer. The employees' contributions are primarily based on specified dollar amounts or percentages of employee compensation.

During the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the total contribution charged to the consolidated statements of profit or loss and other comprehensive income amount to US$254,000, US$228,000, US$166,000 (unaudited) and US$471,000, respectively.

30. SHARE-BASED PAYMENT TRANSACTIONS

Equity-settled share option scheme of Delaware Sirnaomics

2008 Stock Incentive Plan

Effective on March 18, 2008, Delaware 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 Delaware 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 Delaware 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 Delaware 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, Delaware Sirnaomics adopted the "2016 Stock Incentive Plan" pursuant to which Delaware Sirnaomics is authorized to grant stock options, stock appreciation rights, and restricted stock to directors, officers, employees, consultants and other nonemployee individuals of Delaware 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 Delaware 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 Delaware Sirnaomics, and are subject generally to a continued service relationship.

Effective on January 21, 2021, the Group terminated the 2016 Stock Incentive Plan, meaning that, while no additional awards of stock options, stock appreciation rights, or restricted stock were permitted thereunder, all outstanding awards continued to be governed by their existing terms.

Substitution of ordinary shares of Delaware Sirnaomics to the Company's ordinary shares under 2008 Stock incentive Plan and 2016 Stock incentive Plan

As part of the Share Exchange Arrangement as detailed in note 2, Delaware Sirnaomics would i) substitute 1 share of ordinary share of Delaware 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 share options held by director and employees during the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 under 2008 Stock Incentive Plan:

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2019	Exercised during the year	At December 31, 2019	Exercised during the year	Lapsed/ forfeited during the year	At December 31, 2020	Exercised during the period	Lapsed during the period	At September 30, 2021
Director												
Tranche 2010-1	2014	2020	0.325	750	(30)	720	(62)	(658)	–	–	–	–
Employees												
Tranche 2010-1	2014	2020	0.325	3,150	(505)	2,645	(1,905)	(140)	600	(530)	(70)	–
Tranche 2011-1	2015	2021	0.325	50	–	50	(50)	–	–	–	–	–
				3,200	(505)	2,695	(1,955)	(140)	600	(530)	(70)	–
				3,950	(535)	3,415	(2,017)	(798)	600	(530)	(70)	–
Exercisable at the end of the reporting period						3,415			600			–
Weighted average exercise price				0.325	0.325	0.325	0.325	0.325	0.325	0.325	0.325	NA

The following table discloses movements of the share options held by directors, senior management employees and non-employee during the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2021 under 2016 Stock Incentive Plan:

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2019	Granted during the year	Forfeited during the year	At December 31, 2019	Granted during the year	Forfeited during the year	At December 31, 2020	Forfeited during the period	At September 30, 2021
Directors												
Tranche 2017-3	2019	2025	1.36	110	–	–	110	–	–	110	–	110
Tranche 2016-1	2020	2025	1.36	600	–	–	600	–	–	600	–	600
Tranche 2017-1	2019	2022	1.50	200	–	–	200	–	–	200	–	200
Tranche 2017-2	2021	2025	1.36	400	–	–	400	–	–	400	–	400
Tranche 2018-1	2022	2022	1.60	400	–	–	400	–	–	400	–	400
Tranche 2018-2	2022	2027	1.45	900	–	–	900	–	–	900	(200)	700
Tranche 2020-1	2024	2029	2.35	–	–	–	–	675	–	675	–	675
Tranche 2020-2	Milestones (Note)	2029	1.75	–	–	–	–	700	–	700	–	700
				2,610	–	–	2,610	1,375	–	3,985	(200)	3,785
Senior management												
Tranche 2017-3	2019	2025	1.36	20	–	–	20	–	–	20	–	20
Tranche 2017-4	2020	2025	1.36	–	–	–	–	–	–	–	–	–
Tranche 2018-2	2022	2027	1.45	100	–	–	100	–	–	100	–	100
Tranche 2018-3	2022	2027	1.60	260	–	–	260	–	–	260	–	260
Tranche 2019-1	2023	2027	1.60	–	–	–	–	–	–	–	–	–

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2019	Granted during the year	Forfeited during the year	At December 31, 2019	Granted during the year	Forfeited during the year	At December 31, 2020	Forfeited during the period	At September 30, 2021
Tranche 2019-2	2023	2028	1.75	–	100	–	100	–	–	100	–	100
Tranche 2020-2	Milestones (Note)	2029	1.75	–	–	–	–	200	–	200	–	200
Tranche 2020-3	2024	2029	1.75	–	–	–	–	100	–	100	–	100
Tranche 2020-5	2024	2029	2.35	–	–	–	–	320	–	320	–	320
				380	100	–	480	620	–	1,100	–	1,100
Employees												
Tranche 2016-2	2018	2025	1.36	800	–	–	800	–	–	800	–	800
Tranche 2017-5	2018	2025	1.36	100	–	–	100	–	(100)	–	–	–
Tranche 2017-3	2019	2025	1.36	616	–	–	616	–	–	616	(5)	611
Tranche 2017-2	2021	2025	1.36	82	–	(4)	78	–	(50)	28	–	28
Tranche 2017-4	2020	2025	1.36	100	–	–	100	–	–	100	–	100
Tranche 2018-2	2022	2027	1.45	715	–	–	715	–	–	715	–	715
Tranche 2018-3	2022	2027	1.60	10	–	–	10	–	–	10	–	10
Tranche 2019-1	2023	2027	1.60	–	60	–	60	–	(60)	–	–	–
Tranche 2019-2	2023	2028	1.75	–	105	–	105	–	(25)	80	–	80
Tranche 2019-3	2019	2028	1.75	–	50	–	50	–	–	50	–	50
Tranche 2019-4	2020	2028	1.75	–	50	–	50	–	–	50	–	50
Tranche 2020-1	2020	2029	1.75	–	–	–	–	300	–	300	–	300

Options	Vesting year	Expiry year	Exercise price US$	Number of share options ('000) At January 1, 2019	Granted during the year	Forfeited during the year	At December 31, 2019	Granted during the year	Forfeited during the year	At December 31, 2020	Forfeited during the period	At September 30, 2021
Tranche 2020-2	Milestones (Note)	2029	1.75	–	–	–	–	600	–	600	–	600
Tranche 2020-3	2024	2029	1.75	–	–	–	–	15	(15)	–	–	–
Tranche 2020-4	2021	2029	2.35	–	–	–	–	125	–	125	–	125
Tranche 2020-5	2024	2029	2.35	–	–	–	–	345	–	345	–	345
				2,423	265	(4)	2,684	1,385	(250)	3,819	(5)	3,814
Non-employee												
Tranche 2018-2	2022	2027	1.45	100	–	–	100	–	–	100	–	100
Tranche 2020-1	2020	2029	1.75	–	–	–	–	300	–	300	–	300
				100	–	–	100	300	–	400	–	400
				5,513	365	(4)	5,874	3,680	(250)	9,304	(205)	9,099
Exercisable at the end of the reporting period							4,499			4,553		5,880
Weighted average exercise price				1.42	1.73	1.36	1.44	1.97	1.48	1.65	1.45	1.66

Note: Milestone-based share options are vested conditionally upon the achievement of a specified performance target including but not limited to, the completion of Listing, Series D financing by the fourth quarter in 2020 or achievement of drug project related milestones.

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 and employees during the nine months ended September 30, 2021 under 2021 Stock Incentive Plan since January 21, 2021:

				Number of share options ('000)			
Options	**Vesting year**	**Expiry year**	**Exercise price US$**	**At January 1, 2021**	**Granted during the period**	**Forfeited during the period**	**At September 30, 2021**
Directors							
Tranche 2021-4	2025	2030	2.35	–	20	–	20
Tranche 2021-5	2025	2030	3.5	–	1,500	–	1,500
Tranche 2021-6	2025	2030	3.55	–	150	–	150
				–	1,670	–	1,670
Senior management							
Tranche 2021-5	2025	2030	3.5	–	800	–	800
Employees							
Tranche 2021-1	2021	2030	2.35	–	50	(42)	8
Tranche 2021-2	Milestone (Note)	2030	2.35	–	8	–	8
Tranche 2021-3	Milestone (Note)	2030	2.35	–	8	–	8
Tranche 2021-4	2025	2030	2.35	–	489	(288)	201
Tranche 2021-5	2025	2030	3.5	–	686	–	686
Tranche 2021-6	2025	2030	3.55	–	289	–	289
				–	1,530	(330)	1,200
				–	4,000	(330)	3,670
Exercisable at the end of the reporting period				–			58
Weighted average exercise price				–	3.34	2.35	3.43

Note: 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.

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.

The following table discloses movements of RNAimmune's share options held by senior management and employees during the year ended December 31, 2020 and the nine months ended September 30, 2021 under 2020 Stock Incentive Plan:

				Number of share options ('000)						
Options	**Vesting year**	**Expiry year**	**Exercise price US$**	**At January 1, 2020**	**Granted during the year**	**Forfeited during the year**	**At December 31, 2020**	**Granted during the period**	**Forfeited during the period**	**At September 30, 2021**
Senior management										
Tranche 2020-1	Milestones (note)	2029	0.11	–	–	–	–	–	–	–
Tranche 2020-2	Milestones (note)	2029	0.10	–	200	–	200	–	(8)	192
Tranche 2021-1	Milestones (note)	2030	1.26	–	–	–	–	800	–	800
				–	200	–	200	800	(8)	992
Employees										
Tranche 2020-1	Milestones (note)	2029	0.11	–	2,800	(280)	2,520	–	(140)	2,380
Tranche 2020-2	Milestones (note)	2029	0.10	–	1,000	(80)	920	–	(70)	850
Tranche 2021-2	2024	2030	1.26	–	–	–	–	50	–	50
Tranche 2021-3	2025	2030	1.26	–	–	–	–	75	–	75
				–	3,800	(360)	3,440	125	(210)	3,355
				–	4,000	(360)	3,640	925	(218)	4,347
Exercisable at the end of the reporting period				–			948			2,056
Weighted average exercise price				–	0.11	0.11	0.11	1.26	0.11	0.35

Note: Milestone-based share options are vested conditionally including but not limited to upon closing a seed round financing on or before December 31, 2020, first filing of an Investigational New Drug application with the US Food and Drug Administration for an infectious disease indication on or before December 31, 2021 or obtaining an approval of non-dilutive government or foundation funding on or before June 30, 2021.

The fair value of services received in return for share options under 2008 Stock Incentive Plan, 2016 Stock Incentive Plan, 2020 Stock Incentive Plan and 2021 Stock Incentive Plan is measured by reference to the fair value of share options granted. Back-solve method was used to determine the equity fair value of the ordinary shares of the Company, Delaware Sirnaomics and RNAimmune at grant date and the estimated fair value of the share options granted is measured based on the OPM. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate with reference to valuation reports carried out by Avista Valuation. The value of an option varies with different variables of certain subjective assumptions.

The key inputs of the model were as follows:

	2016 Stock Incentive Plan	2020 Stock Incentive Plan	2021 Stock Incentive Plan
Share price	US$1.11 – US$2.08	US$0.03	US$2.09 – US$3.47
Exercise price	US$1.36 – US$2.35	US$0.1 – US$1.26	US$2.35 – US$3.55
Expected volatility	70% – 75%	74%	75% – 76%
Risk-free rate	0.31% – 2.32%	0.48%	0.68% – 1.18%
Expected dividend yield	0%	0%	0%
Time-to-maturity	4.7 – 6.0 years	4.8 years	4.9 – 6.0 years

The directors of the Company estimated the risk-free interest rate based on the yield of the United States Government Bond with a maturity life close to the option life of the share option. Volatility was estimated at grant date based on average of historical volatilities of the comparable companies with length commensurable to the time to maturity of the share options. Dividend yield is based on management estimation at the grant date. The time-to-maturity used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioral considerations. The Group recognized the total expense of US$578,000, US$992,000, US$538,000 (unaudited) and US$1,370,000 for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, respectively in relation to share options granted by the Company, Delaware Sirnaomics and RNAimmune.

31. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern while maximizing the return to equity holders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged during the Track Record Period.

The capital structure of the Group consists of net debts, which includes lease liabilities, bank borrowings and financial liabilities at FVTPL, and net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the management of the Group considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management of the Group, the Group will balance its overall capital structure through the new ordinary share/preferred share issues, share repurchase as well as the issue of new debts and redemption of existing debts.

32. FINANCIAL INSTRUMENTS

Categories of financial instruments

The Group

	At December 31, 2019 US$'000	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Financial assets			
Amortized cost	10,177	103,358	175,564
Financial assets at FVTPL	9,949	–	–
Financial liabilities			
Amortized cost	2,089	5,415	5,483
Designated as at FVTPL	69,361	196,816	321,278
Lease liabilities	1,985	1,747	3,379

The Company

	At December 31, 2020 US$'000	At September 30, 2021 US$'000
Financial assets		
Amortized cost	–	217,225
Financial liabilities		
Amortized cost	1,147	2,081
Designated as at FVTPL	–	314,018

Financial risk management objectives and policies

The Group's and the Company's major financial instruments include deposits and other receivables, structured deposits, restricted bank balances, bank balances and cash, amount due from a subsidiary, trade and other payables, bank borrowings 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 are implemented on a timely and effective manner.

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 and the Company to foreign currency risk. The Group and the Company 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 and the Company's foreign currency denominated monetary assets and liabilities and intra-group balances at the end of each reporting period are mainly as follows:

The Group

	At December 31,		At September 30,
	2019	2020	2021
	US$'000	US$'000	US$'000
Assets			
US$	922	1,146	1,092
HK$	–	–	33
Liabilities			
US$	235	578	1,145
HK$	83	65	–

The Company

	At December 31, 2020	At September 30, 2021
	US$'000	US$'000
Liabilities		
RMB	187	695

The management of the Group considers that as HK$ is pegged to US$, the Group and the Company are not subject to significant foreign currency risk from change in foreign exchange rate of HK$ against US$ and no sensitivity analysis was presented. In addition, no sensitivity analysis for the RMB denominated monetary liabilities of the Company was presented as the management considers that the exposure of foreign currency risk is insignificant.

(ii) Interest rate risk

The Group

The Group are primarily exposed to fair value interest rate risk in relation to lease liabilities and cash flow interest rate risk in relation to variable-rate restricted bank balances, bank balances and bank borrowings. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of The People's Bank of China benchmark rates and being regularly monitored and evaluated by reference to anticipated changes in market interest rate by the Group.

The Group currently does not have an interest rate hedging policy to mitigate interest rate risk; nevertheless, the management monitors interest rate exposure and will consider hedging significant interest rate risk should the need arise.

Total interest income from financial assets (including restricted bank balances and bank balances) that are measured at amortized cost for the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021 are approximately US$97,000, US$80,000, US$24,000 (unaudited) and US$137,000 respectively.

Interest charges on financial liabilities not measured at FVTPL:

	For the year ended December 31,		**Nine months ended September 30,**	
	2019	**2020**	**2020**	**2021**
	US$'000	**US$'000**	**US$'000**	**US$'000**
			(unaudited)	
Bank borrowings	–	6	–	35
Lease liabilities	229	243	184	182
	229	249	184	217

No sensitivity analysis was presented as the management considers that the exposure to cash flow interest rate risk for variable-rate restricted bank balances, bank balances and bank borrowings are insignificant because the current market interest rates are relatively low and stable during the Track Record Period.

The Company

The exposure of cash flow interest rate risk arising from variable-rate bank balances of the Company is insignificant as at September 30, 2021 because the current market interest rates are relatively low and stable.

(iii) Other price risk

The Group and the Company are exposed to other price risk arising from Preferred Shares, Series C Warrants, SAFE, Series Seed Preferred Shares and Convertible Loans which were classified as financial liabilities at FVTPL and structured deposits.

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to equity price risk at the reporting date for financial liabilities at FVTPL.

The Company or Delaware Sirnaomics (before completion of step (iii) of Group Reorganization)

If the equity value of Delaware Sirnaomics as December 31, 2019 and December 31, 2020 and the equity value of the Company at September 30, 2021 had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended December 31, 2019 would increase by approximately US$2,952,000 and decrease by approximately US$2,977,000;
- the loss of the Group for the year ended December 31, 2020 would increase by approximately US$8,436,000 and decrease by approximately US$8,494,000; and
- the loss of the Group for the nine months ended September 30, 2021 would increase by approximately US$14,452,000 and decrease by approximately US$14,506,000.

RNAimmune

If the equity value of RNAimmune had been changed based on the 5% higher/lower:

- the loss of the Group for the year ended December 31, 2020 would increase by approximately US$56,000 and decrease by approximately US$55,000; and

- the loss of the Group for the nine months ended September 30, 2021 would increase by approximately US$257,000 and decrease by approximately US$261,000.

The Group's exposure to other price risk for structured deposits are not included in the above analysis as the management considers that the impact of the fluctuation in expected yields to the fair value of the structured deposits was insignificant as the structured deposits have short maturities.

The Company

If the equity value of the Company had been changed based on the 5% higher/lower, the loss of the Company for the nine months ended September 30, 2021 would increase by approximately US$9,219,000 and decrease by approximately US$9,275,000.

Credit risk and impairment assessment

Credit risk refers to the risk that the Group's and the Company's counterparties default on their contractual obligations resulting in financial losses to the Group and the Company. The Group's and the Company's credit risk exposures are primarily attributable to restricted bank balances, bank balances and deposits and other receivables. The Group and the Company do not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group and the Company performed impairment assessment for financial assets under ECL model. Information about the Group's and the Company's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarized as below:

Other receivables and deposits

For other receivables and deposits, the management of the Group makes periodic individual assessment on the recoverability of other receivables and deposits based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. Except for the credit-impaired other receivables amounting to US$242,000 as at December 31, 2019 as disclosed below, the management of the Group believes that there are no significant increase in credit risk of the remaining other receivables and deposits since initial recognition and the Group and the Company provided impairment based on 12m ECL.

Restricted bank balances and bank balances

Credit risk on restricted bank balances and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by credit agencies.

The Group and the Company assessed 12m ECL for restricted bank balances and bank balances by reference to information relating to probability of default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the 12m ECL on restricted bank balances and bank balances is considered to be insignificant.

The Group's and the Company'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 usually 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 and the Company have no realistic prospect of recovery	Amount is written off

The tables below detail the credit risk exposures of the Group's and the Company's financial assets, which are subject to ECL assessment:

The Group

	Notes	Internal/ external credit rating	12m or lifetime ECL	December 31, 2019 Gross carrying amount		December 31, 2020 Gross carrying amount		September 30, 2021 Gross carrying amount	
				US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Financial assets at amortized cost									
Restricted bank balances	21	A1	12m ECL		57		61		62
Bank balances	21	A3-Aa1	12m ECL		9,945		103,122		174,378
Deposits and other receivables	20	Low risk	12m ECL	171		175		1,124	
		Loss (Notes 1 and 2)	Lifetime ECL - credit-impaired	242	413	–	175	–	1,124
					10,415		103,358		175,564

The Company

	Notes	Internal/ external credit rating	12m or lifetime ECL	December 31, 2020 Gross carrying amount US$'000	September 30, 2021 Gross carrying amount US$'000
Financial assets at amortized cost					
Bank balances	21	A3-Aa1	12m ECL	–	11,070
Other receivables	20	Low risk (Note 1)	12m ECL	–	206,155
				–	217,225

Notes:

1. For the purposes of internal credit risk management, the Group and the Company use past due information to assess whether credit risk has increased significantly since initial recognition:

The Group

At December 31, 2019

	Past due	No fixed repayment terms	Total
	US$'000	*US$'000*	*US$'000*
Other receivables and deposits	242	171	413

At December 31, 2020

	Past due	No fixed repayment terms	Total
	US$'000	*US$'000*	*US$'000*
Other receivables and deposits	–	175	175

At September 30, 2021

	Past due	No fixed repayment terms	Total
	US$'000	*US$'000*	*US$'000*
Other receivables and deposits	–	1,124	1,124

The Company

At September 30, 2021

	Past due	Repayable on demand	Total
	US$'000	*US$'000*	*US$'000*
Other receivables	–	206,155	206,155

2. The following table shows the reconciliation of loss allowances that has been recognized for credit-impaired other receivables of the Group:

	Lifetime ECL - credit-impaired
	US$'000
As at January 1, 2019	–
New financial assets originated	242
As at December 31, 2019	242
Changes due to other receivables recognized as at January 1, 2020 – impairment losses reversed	(242)
As at December 31, 2020 and September 30, 2021	–

Changes in the loss allowance for other receivables of the Group are mainly due to the settlement from the counterparty during the year ended December 31, 2020.

Liquidity risk

In management of the liquidity risk, the Group and the Company monitor and maintain levels of cash and cash equivalents deemed adequate by the management to finance the Group's and the Company's operations and mitigate the effects of fluctuations in cash flows. The Group and the Company rely on shareholders' investment and issuance of Preferred Shares, SAFE, Series Seed Preferred Shares and Convertible Loans as a significant source of liquidity.

The following table details the Group's and the Company'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 the Company can be required to pay. The table includes both interest and principal cash flows.

The Group

	Weighted average interest rate	On demand or less than 30 days	31 days to 180 days	181 days to 365 days	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At December 31, 2019							
Trade and other payables	–	2,089	–	–	–	2,089	2,089
Financial liabilities at FVTPL	15.00	–	–	–	85,404	85,404	66,015*
Lease liabilities	12.60	64	308	289	2,010	2,671	1,985
		2,153	308	289	87,414	90,164	70,089

	Weighted average interest rate	On demand or less than 30 days	31 days to 180 days	181 days to 365 days	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At December 31, 2020							
Trade and other payables	–	4,281	–	–	–	4,281	4,281
Bank borrowings	4.15	–	24	24	1,296	1,344	1,134
Financial liabilities at FVTPL	17.74	–	91,955	–	111,665	203,620	188,591*
Lease liabilities	12.97	54	269	321	1,526	2,170	1,747
		4,335	92,248	345	114,487	211,415	195,753

	Weighted average interest rate	On demand or less than 30 days	31 days to 180 days	181 days to 365 days	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At September 30, 2021							
Trade and other payables	–	4,040	–	–	–	4,040	4,040
Bank borrowings	4.15	–	30	31	1,605	1,666	1,443
Financial liabilities at FVTPL	18.81	–	–	–	459,702	459,702	306,068*
Lease liabilities	10.61	81	636	764	2,392	3,873	3,379
		4,121	666	795	463,699	469,281	314,930

The Company

	Weighted average interest rate	On demand or less than 30 days	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At December 31, 2020					
Other payables	–	1,147	–	1,147	1,147

	Weighted average interest rate	On demand or less than 30 days	1-5 years	Total undiscounted cash flows	Carrying amount
	%	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At September 30, 2021					
Other payables	–	2,081	–	2,081	2,081
Financial liabilities at FVTPL	18.81	–	459,702	459,702	306,068**
		2,081	459,702	461,783	308,149

* These amounts have excluded the carrying amounts of Series A Preferred Shares, SAFE and Series Seed Preferred Shares total amounting to US$3,346,000, US$8,225,000 and US$15,210,000 as December 31, 2019, December 31, 2020 and September 30, 2021, respectively as these instruments do not contain any redemption rights.

** These amounts have excluded the carrying amounts of Series A Preferred Shares of US$7,950,000 at September 30, 2021 as these instruments do not contain any redemption rights.

Fair value measurements of financial instruments

This note provides information about how the Group and the Company determine fair values of various financial assets and financial liabilities.

Fair value measurements and valuation processes

Some of the Group's and the Company'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 and the Company use market-observable data of the extent it is available. Where Level 1 inputs are not available, the Group and the Company determine 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 and the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's and the Company's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used). There were no transfers out of Level 3 during the Track Record Period.

The Group

Financial assets	**Fair value as at December 31, 2019**	**2020**	**Fair value as at September 30, 2021**	**Fair value hierarchy**	**Valuation technique(s) and key inputs**	**Significant unobservable inputs**	**Relationship of significant unobservable inputs to fair value**
	US$'000	*US$'000*	*US$'000*				
Structured deposits	9,949	–	–	Level 3	Discounted cash flows Expected yields of 3% per annum invested by a bank (note a)	Expected yields	A significant increase in expected yields used would result in a significant increase in fair value, and vice versa.
Financial liabilities							
Financial liabilities at FVTPL – Preferred Shares	43,220	73,180	314,018	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation, redemption and IPO scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa. (notes b, c and d)

Financial liabilities	**Fair value as at December 31, 2019**	**2020**	**Fair value as at September 30, 2021**	**Fair value hierarchy**	**Valuation technique(s) and key inputs**	**Significant unobservable inputs**	**Relationship of significant unobservable inputs to fair value**
	US$'000	*US$'000*	*US$'000*				
Financial liabilities at FVTPL – Series C Warrants	26,141	31,902	–	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation and equity financing scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa. (note c)
Financial liabilities at FVTPL – Convertible Loans	–	88,989	–	Level 3			
Financial liabilities at FVTPL – SAFE	–	2,745	–	Level 3			

Financial liabilities	Fair value as at December 31, 2019	2020	Fair value as at September 30, 2021	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	US$'000	*US$'000*	*US$'000*				
Financial liabilities at FVTPL – Series Seed Preferred Shares	–	–	7,260	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa. (note d)

The Company

	Fair value as at September 30, 2021	Fair value hierarchy	Valuation technique(s) and key inputs	Significant unobservable inputs	Relationship of significant unobservable inputs to fair value
	US$'000				
Financial liabilities					
Financial liabilities at FVTPL – Preferred Shares	314,018	Level 3	Back-solve method and the OPM Time to liquidation, risk-free interest, expected volatility value, dividend yield and possibilities under liquidation, redemption and IPO scenario	Expected volatility value	A significant increase in expected volatility value would result in a significant increase in fair value, and vice versa. (note e)

Notes:

a) The management of the Group considers that the impact of the fluctuation in expected yields to the fair value of the structured deposits was insignificant as the structured deposits have short maturities, and therefore no reconciliation of Level 3 fair value measurements of financial assets is presented.

b) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Preferred Shares and Series C Warrants held by the Group as at December 31, 2019 by US$551,000 and US$72,000, respectively and US$(551,000) and US$(71,000), respectively.

c) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Preferred Shares, Series C Warrants, Convertible Loans and SAFE held by the Group as at December 31, 2020 by US$885,000, US$208,000, US$3,000 and US$22,000, respectively and US$(820,000), US$(164,000), US$3,000 and US$(22,000), respectively.

d) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Preferred Shares held by the Group as at September 30, 2021 by US$2,987,000 and US$(2,479,000), respectively while the impact on the carrying amount of Series Seed Preferred Shares as at September 30, 2021 is negligible.

e) A 5% increases (decreases) in the expected volatility value, while all other variables keep constant, would increase (decrease) the carrying amount of Preferred Shares held by the Company as at September 30, 2021 by US$2,987,000 and US$(2,479,000), respectively.

Reconciliation of Level 3 fair value measurements

The reconciliation of Level 3 measurements of financial liabilities at FVTPL are set out in note 25 and fair value losses on financial liabilities at FVTPL are presented as "changes in fair value of financial liabilities at FVTPL".

Fair value of the Group's and Company's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures required)

The management of the Group considers that the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the Historical Financial Information approximate their fair values.

33. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Financial liabilities at FVTPL	Bank and other borrowings	Accrued issue costs	Lease liabilities	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At January 1, 2019	54,658	–	–	1,751	56,409
Financing cash flows	12,119	–	–	(632)	11,487
Non-cash changes					
New leases entered/lease modified	–	–	–	637	637
Finance costs	–	–	–	229	229
Change in fair value	2,584	–	–	–	2,584
At December 31, 2019	69,361	–	–	1,985	71,346
Financing cash flows	99,545	1,551	(169)	(640)	100,287
Non-cash changes					
Issuance of Convertible Loans for terminating contract with Xiangxue (Note 9)	6,750	–	–	–	6,750
New leases entered/lease modified	–	–	–	118	118
Finance costs	–	6	–	243	249
Waiver for loan repayment	–	(485)	–	–	(485)
Accrued issuance costs of financial liabilities at FVTPL	–	–	1,246	–	1,246
Deferred share issue costs	–	–	262	–	262
Change in fair value	17,574	–	–	–	17,574
Exchange adjustments	3,586	62	–	41	3,689
At December 31, 2020	196,816	1,134	1,339	1,747	201,036
Financing cash flows	113,212	267	(2,341)	(571)	110,567
Non-cash changes					
New leases entered/lease modified	–	–	–	2,020	2,020
Finance costs	–	35	–	182	217
Accrued issuance costs of financial liabilities at FVTPL	–	–	672	–	672
Deferred share issue costs	–	–	570	–	570
Change in fair value	13,112	–	–	–	13,112
Conversion of SAFE to a subsidiary's ordinary shares	(2,762)	–	–	–	(2,762)
Exchange adjustments	900	7	10	1	918
At September 30, 2021	321,278	1,443	250	3,379	326,350

For the nine months ended September 30, 2020 (unaudited)

	Financial liabilities at FVTPL	Bank and other borrowings	Accrued issue costs	Lease liabilities	Total
	US$'000	*US$'000*	*US$'000*	*US$'000*	*US$'000*
At January 1, 2020	69,361	–	–	1,985	71,346
Financing cash flows	2,300	898	–	(479)	2,719
Non-cash changes					
Accrued issuance costs of financial liabilities at FVTPL	–	–	11	–	11
New leases entered/lease modified	–	–	–	160	160
Finance costs	–	–	–	184	184
Change in fair value	19,773	–	–	–	19,773
Exchange adjustments	–	(11)	–	–	(11)
At September 30, 2020	91,434	887	11	1,850	94,182

34. RELATED PARTY TRANSACTIONS

Saved for disclosed elsewhere in the Historical Financial Information, the Group also entered into the following significant transactions with its related parties during the Track Record Period.

	For the year ended December 31,		Nine months ended September 30,	
	2019	2020	2020	2021
	US$'000	*US$'000*	*US$'000* *(unaudited)*	*US$'000*
Jiangsu Better Time Biotechnology Co., Ltd. ("BTM") 江蘇佳時泰醫藥生物科技有限公司 (Note)				
Consultancy services provided by a related party	–	–	–	168

Note: BTM is a company controlled by Dr. Xiaochang Dai, a director of the Company, who also has 100% beneficial interest in BTM.

Compensation of key management personnel

The remuneration of the directors of the Company and key management personnel of the Group during the Track Record Period were as follows:

	For the year ended December 31,		Nine months ended September 30,	
	2019	**2020**	**2020**	**2021**
	US$'000	*US$'000*	*US$'000*	*US$'000*
			(unaudited)	
Salaries and other allowances	1,296	1,532	1,133	1,545
Retirement benefits schemes contributions	51	79	68	89
Share-based payment expense	333	432	232	890
Performance and discretionary bonus (Note)	88	170	58	15
	1,768	2,213	1,491	2,539

Note: Performance and discretionary bonus is determined based on the duties and responsibilities of the relevant individuals within the Group and the Group's performance.

35. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

As at September 30, 2021, the amount of investment in a subsidiary mainly consists of investment cost of US$12,936,000 and deemed investment of US$81,510,000 in Delaware Sirnaomics.

Details of subsidiaries of the Company at the date of this report are as follows:

Name of subsidiary	Place and date of incorporation or establishment/ operation	Issued and fully paid share capital/ paid-up capital	Effective equity interest attributable to the Group				Principal activities
			As at December 31, 2019	As at December 31, 2020	As at September 30, 2021	As at the date of this report	
Directly owned subsidiary							
Delaware Sirnaomics (note a)	The US February 12, 2007	As at December 31, 2019, 2020: US$14,350 September 30, 2021: US$1	100%	100%	100%	100%	Developing and commercializing of RNAi technology and multiple therapeutics
Indirectly owned subsidiaries							
RNAimmune (note a)	The US May 5, 2016	As at December 31, 2019, 2020: US$145 September 30, 2021: US$208	N/A	61%	60%	60%	Technical research and development of mRNA delivery platform and mRNA-based drug and vaccine
Sirnaomics HK (note b)	Hong Kong March 8, 2019	HK$10,000	100%	100%	100%	100%	Investment holding
Suzhou Sirnaomics (note c)	The PRC March 10, 2008	As at December 31, 2019, 2020: RMB12,539,683 September 30, 2021: RMB289,081,718	79.75%	79.75%	100%	100%	Technical research, development, service and transfer of nucleic acid drugs
Guangzhou Sirnaomics (note c)	The PRC May 8, 2012	As at December 31, 2019, 2020: RMB30,000,000 September 30, 2021: RMB55,000,000	76.42%	76.42%	100%	100%	Promoting the field of scientific and application of service industry
RNAimmune Vaccine (Guangzhou) Co., Ltd. 達冕疫苗（廣州）有限公司 ("GZ RNAimmune") (note d)	The PRC January 28, 2021	RMB648,450	N/A	N/A	60%	60%	Inactive

Notes:

a. No statutory financial statements have been prepared for Delaware Sirnaomics and RNAimmune for the Track Record Period as they are incorporated in the US of Delaware where there are no statutory audit requirements.

Pursuant to the written resolution dated May 31, 2021, the Company exercised the conversion option of all the Preferred Shares of Delaware Sirnaomics and converted them into 18,725,227 with par value of US$0.001 per share ordinary shares of Delaware Sirnaomics on a 1:1 ratio. It has also been resolved that the 33,074,865 ordinary shares of the Delaware Sirnaomics were combined into 1000 ordinary shares.

On May 5, 2016, RNAimmune was incorporated in Delaware, the US by Dr. Yang Lu, Patrick being the sole director but has not issued any shares nor commenced any business since its incorporation. On February 1, 2020, RNAimmune issued 6,250,000 shares with par value of US$0.00001 each to Delaware Sirnaomics for US$250,000 and on March 8, 2020, RNAimmune further issued 2,600,000, 575,000, 275,000, 275,000, 275,000 shares with par value of US$0.00001 each for US$40,000 to the founders and management of RNAimmune, and the Group held 61% of equity interests in RNAimmune upon allotment of these shares and as at December 31, 2020. In February 2021, the SAFE investors of RNAimmune converted their SAFE into ordinary shares of RNAimmune and the Group's equity interests in RNAimmune has decreased to 43% upon this conversion. On July 12, 2021, Delaware Sirnaomics exercised the stock purchase warrant to purchase 6,250,000 additional shares at the purchase price of US$0.11 and the Group's equity interests in RNAimmune has increased to 60%.

b. The statutory financial statements of Sirnaomics HK for the period from March 8, 2019 (date of incorporation) to December 31, 2019 and for the year ended December 31, 2020 were prepared in accordance with Hong Kong Financial Reporting Standard for Private Entities issued by the HKICPA and were audited by JR & Co., certified public accountants registered in Hong Kong.

c. The statutory financial statements of Suzhou Sirnaomics and Guangzhou Sirnaomics for the years ended December 31, 2019 and 2020 were prepared in accordance with relevant accounting principles and financial regulations applicable to the PRC enterprises and were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

On January 22, 2021, Suzhou Sirnaomics acquired the 4.17% equity interests held by a non-controlling shareholder in Guangzhou Sirnaomics at total consideration of RMB2,231,000 (equivalent to US $350,000).

As part of ODI arrangement, after a capital reduction took place on March 1, 2021 and the acquisition mentioned above, Suzhou Sirnaomics and Guangzhou Sirnaomics were wholly owned by Delaware Sirnaomics.

d. Statutory financial statements for GZ RNAimmune have not yet been due to issue up to the date of this report as it is established on January 28, 2021 with a registered capital of RMB50 million.

All subsidiaries are limited liability companies and have adopted December 31, as their financial year end date.

Details of non-wholly owned subsidiaries that have material non-controlling interests.

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests held by non-controlling interests			Loss allocated to non-controlling interests				Accumulated non-controlling interests		
		As at December 31,		As at September 30,	For the year ended December 31,		For the nine months ended		As at December 31,		As at September 30,
		2019	2020	2021	2019	2020	September 30, 2020	September 30, 2021	2019	2020	2021
					US$'000	*US$'000*	*US$'000* *(unaudited)*	*US$'000*	*US$'000*	*US$'000*	*US$'000*
Suzhou Sirnaomics	The PRC	20.25%	20.25%	Nil	(451)	(2,221)	(911)	(95)	2,749	491	–
RNAimmune	The US	N/A	39%	40%	–	(421)	(145)	(1,815)	–	(304)	(393)
Individually immaterial subsidiary with non-controlling interests					(295)	(14)	(132)	(20)	53	66	(4)
					(746)	(2,656)	(1,188)	(1,930)	2,802	253	(397)

Summarized financial information in respect of Group's subsidiaries that had material non-controlling interests are set out below. The summarized financial information below represents amounts before the elimination of intragroup transactions.

(a) Suzhou Sirnaomics

	At December 31, 2019	At December 31, 2020
	US$'000	*US$'000*
Current assets	10,246	88,413
Non-current assets	4,327	4,420
Current liabilities	(975)	(90,332)
Non-current liabilities	(24)	(79)
Net assets	13,574	2,422
Total equity attributable to		
– owners of the Company	10,825	1,931
– non-controlling interests	2,749	491
	13,574	2,422

	For the year ended December 31 2019	For the year ended December 31 2020	Nine months ended September 30 2020	Four months ended April 30 2021
	US$'000	*US$'000*	*US$'000*	*US$'000*
			(unaudited)	*(Note)*
Expenses and loss for the year/period	(2,230)	(10,968)	(4,496)	(471)
Loss for the year/period attributable to				
– owners of the Company	(1,779)	(8,747)	(3,585)	(376)
– non-controlling interests	(451)	(2,221)	(911)	(95)
	(2,230)	(10,968)	(4,496)	(471)
Other comprehensive (expense) income for the year/period attributable to				
– owners of the Company	(282)	(147)	88	225
– non-controlling interests	(72)	(37)	22	57
	(354)	(184)	110	282
Total comprehensive expense for the year/period attributable to				
– owners of the Company	(2,061)	(8,894)	(3,497)	(151)
– non-controlling interests	(523)	(2,258)	(889)	(38)
	(2,584)	(11,152)	(4,386)	(189)
Net cash outflow from operating activities	(3,529)	(7,765)	(4,778)	(2,124)
Net cash inflow (outflow) from investing activities	605	9,094	4,841	(265)
Net cash inflow (outflow) from financing activities	109	82,245	(64)	(74,284)
Net cash (outflow) inflow	(2,815)	83,574	(1)	(76,673)

Note: Suzhou Sirnaomics became a wholly-owned subsidiary of Delaware Sirnaomics upon the non-controlling shareholders of Suzhou Sirnaomics exercised the Series C Warrants in April 2021. As a result, the above financial information covers the four months ended April 30, 2021 only.

(b) RNAimmune

	At December 31, 2020	**At September 30, 2021**
	US$'000	*US$'000*
Current assets	2,031	8,518
Non-current assets	2	722
Current liabilities	(67)	(854)
Non-current liabilities	(2,745)	(9,379)
Net liabilities	(779)	(993)
Total deficit attributable to		
– owners of the Company	(475)	(600)
– non-controlling interests	(304)	(393)
	(779)	(993)

	For the period from February 1, 2020 to December 31, 2020	**For the period from February 1, 2020 to September 30, 2020**	**Nine months ended September 30, 2021**
	US$'000	*US$'000* *(unaudited)*	*US$'000*
Expenses and loss for the period	(1,080)	(372)	(3,704)
Loss and total comprehensive expenses for the period attributable to			
– owners of the Company	(659)	(227)	(1,889)
– non-controlling interests	(421)	(145)	(1,815)
	(1,080)	(372)	(3,704)
Net cash outflow from operating activities	(706)	(416)	(3,545)
Net cash inflow (outflow) from investing activities	33	–	(551)
Net cash inflow from financing activities	2,590	2,590	9,678
Net cash inflow	1,917	2,174	5,582

36. CAPITAL COMMITMENTS

	At December 31, 2019	At December 31, 2020	At September 30, 2021
	US$'000	*US$'000*	*US$'000*
Capital expenditure in respect of the acquisition of property and equipment contracted for but not provided in the Historical Financial Information	–	499	815

37. PLEDGE OF ASSETS

The Group's bank facilities have been secured by the pledge of the Group's assets and the carrying amounts of the assets are as follows:

	At December 31, 2019	At December 31, 2020	At September 30, 2021
	US$'000	*US$'000*	*US$'000*
Restricted bank deposits	57	61	62

Restrictions on assets

In addition, lease liabilities of approximately US$1,985,000, US$1,747,000 and US$3,379,000 are recognized with related right-of-use assets of approximately US$1,824,000, US$1,520,000 and US$3,116,000 as at December 31, 2019, December 31, 2020 and September 30, 2021, respectively. 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.

38. MAJOR NON-CASH TRANSACTIONS

Saved for disclosed elsewhere in the Historical Financial Information, the Group have the following major non-cash transactions during the Track Record Period:-

Lease arrangements

During the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the Group entered into new lease agreements and renewed the existing leases for the use of leased properties for two years to four years. On the lease commencement during the years ended December 31, 2019 and 2020 and the nine months ended September 30, 2020 and 2021, the Group recognized US$637,000, US$118,000, US$160,000 (unaudited) and US$2,020,000 of right-of-use assets and US$637,000, US$118,000, US$160,000 (unaudited) and US$2,020,000 of lease liabilities, respectively.

39. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the reporting period, the Group have the following events:-

Subsequent to September 30, 2021, an investor subscribed for 793,651 Series Seed Preferred Shares issued by RNAimmune at a consideration of US$1,000,000.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to September 30, 2021 and up to the date of this report.