VALUATION REPORT

Valuation Services in relation to

the Proposed Patent Assignment between

Sirnaomics, Inc. and Sagesse Bio, Inc.

Prepared for:

Sirnaomics Ltd.

Valuation Date:

1 August 2024

艾華迪集團
AVISTA GROUP

STRICTLY CONFIDENTIAL

Ref. No: J24-00493

The Board of Directors

9 December 2024

Sirnaomics Ltd.

46/F, Hopewell Centre

183 Queen's Road East,

Wan Chai,

Hong Kong

Dear Sirs / Madams,

Re: Valuation of the Fair Value of the Assigned Patents owned by Sirnaomics, Inc.

In accordance with your instructions, AVISTA Valuation Advisory Limited ("**AVISTA**" or "**we**") has conducted valuation in connection with the fair value of the patents (the "**Assigned Patents**") assigned to Sagesse Bio, Inc. ("**Sagesse Bio**") for Sirnaomics Ltd. (the "**Company**", "**Sirnaomics**" or "**you**") as of 1 August 2024 (the "**Valuation Date**"). We understand that the Company entered into an agreement in relation to the transfer of the Assigned Patents and the licensing of certain other patents between Sirnaomics, Inc. and Sagesse Bio, Inc. (the "**Proposed Transaction**").

It is our understanding that this appraisal is strictly addressed to the directors of the Company (the "**Directors**") and used for the Proposed Transaction solely for your internal reference purpose. This report (the "**Report**") does not constitute an opinion on the commercial merits and structure of the Proposed Transaction. We are not responsible for unauthorized use of the Report.

We accept no responsibility for the realisation and completeness of any estimated data, or estimates furnished by or sourced from any third parties which we have used in connection with this Report. We assumed that financial and other information provided to us are accurate and complete.

This Report presents the summary of the business appraised, describes the basis of analysis and assumptions and explains the analysis methodology adopted in this appraisal process to calculate the value.

BASIS OF ANALYSIS

We have appraised the fair value of the Assigned Patents.

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.

Our valuation is prepared in compliance with the requirements of International Valuation Standards published by The International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

COMPANY AND TRANSACTION BACKGROUND

Sirnaomics is listed on the Main Board of the Hong Kong Stock Exchange in 2021 (SEHK:2257). It is mainly engaged in the discovery and development of innovative drugs for indications with unmet medical needs by using ribonucleic acid ("**RNA**") interference technology.

Sagesse Bio was founded by the Company, through a wholly owned subsidiary, and Gore Range Capital LLC ("**Gore Range**"). It primarily engages in the clinical development to destroy or remodel undesirable pockets of fat by combining the expertise of Gore Range in skin health industry and the RNAi-based technology of the Company.

The details of the Assigned Patents are summarized in the following table:

#	Descriptions	Publication Number	Registered Location
1	a patent titled "methods for inducing adipose tissue remodeling using RNAi therapeutics"	US2023/0365969	the United States (the "**US**")
2	a patent titled "application of nucleic acid preparation in remodeling or finishing adipose tissue"	CN116350650A	China
3	a patent titled "methods for inducing adipose tissue remodeling using RNAi therapeutics"	WO2023092142A8	the European Union (the "**EU**")

We understand that the Company intends to transfer the Assigned Patents to Sagesse Bio as the Proposed Transaction. The Proposed Transaction constitutes a major transaction for the Company and is, therefore, subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Rules Governing the Listing of Securities on Main Board made by The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). As such, the Company engaged us as an independent valuer to assess the fair value of the Assigned Patents as of the Valuation Date.

SCOPE OF WORK

In conducting this valuation exercise, we have

- Co-ordinated with the Company's representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Assigned Patents, including the legal documents, application letters, etc. made available to us;
- Discussed with the Company to understand the history, business model, operations, business development plan, etc. of the Assigned Patents for valuation purpose;
- Carried out research in the sectors concerned and collected relevant market data from reliable sources for analysis;
- Studied the information of the Assigned Patents made available to us and considered the bases and assumptions of our conclusion of value;
- Selected an appropriate valuation method to analyze the market data and derived the estimated fair value of the Assigned Patents; and
- Compiled this Report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should have been provided to us. We relied on such data, records and documents in arriving at our opinion of value and had no reason to doubt the truth and accuracy of the information provided to us by the Company and their authorized representatives.

ECONOMIC OVERVIEW

Overview of the United States's Economy

In 2024Q2, the United States experienced accelerated economic growth, surpassing market forecast. According to the Bureau of Economic Analysis ("**BEA**"), the annualized real gross domestic product ("**GDP**") growth rate was 2.8% in 2024Q2, doubling the 1.4% growth rate recorded in the previous quarter and exceeding the market estimate of 2.1%.

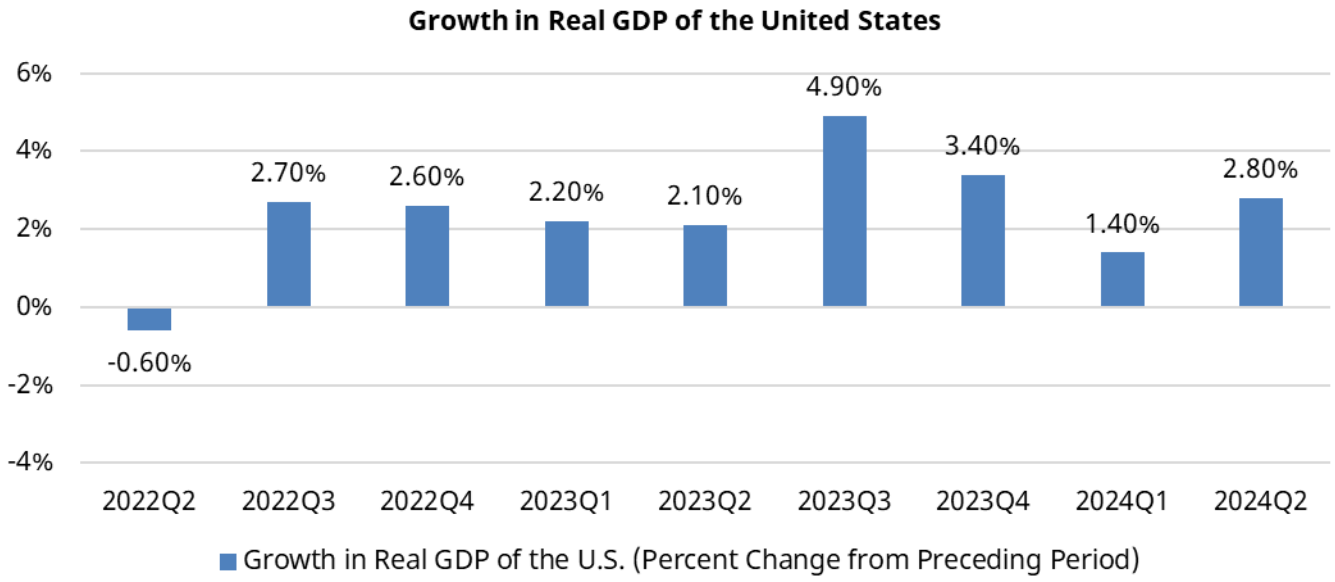
One of the primary drivers of the economic expansion was the strong performance of private consumption. With wages growing faster than inflation, consumer spending increased. According to the Bureau of Labor Statistics ("**BLS**"), wages and salaries for civilian workers rose by 4.2% year-on-year ("**y-o-y**") in 2024Q2, outpacing the inflation rate of 3.0%. This wage growth enhanced household purchasing power and boosted private consumption. The BEA reported that personal consumption expenditure ("**PCE**"), a key measure of consumer spending, increased by 2.5% y-o-y in 2024Q2, up from 2.2% y-o-y growth in 2024Q1.

In addition to improved private consumption, investment activity continued to grow from the previous quarter. Gross private domestic investment ("**GPDI**"), a key measure of business investment in the economy, grew by 5.8% y-o-y in 2024Q2, surpassing the 5.0% growth rate recorded in 2024Q1.

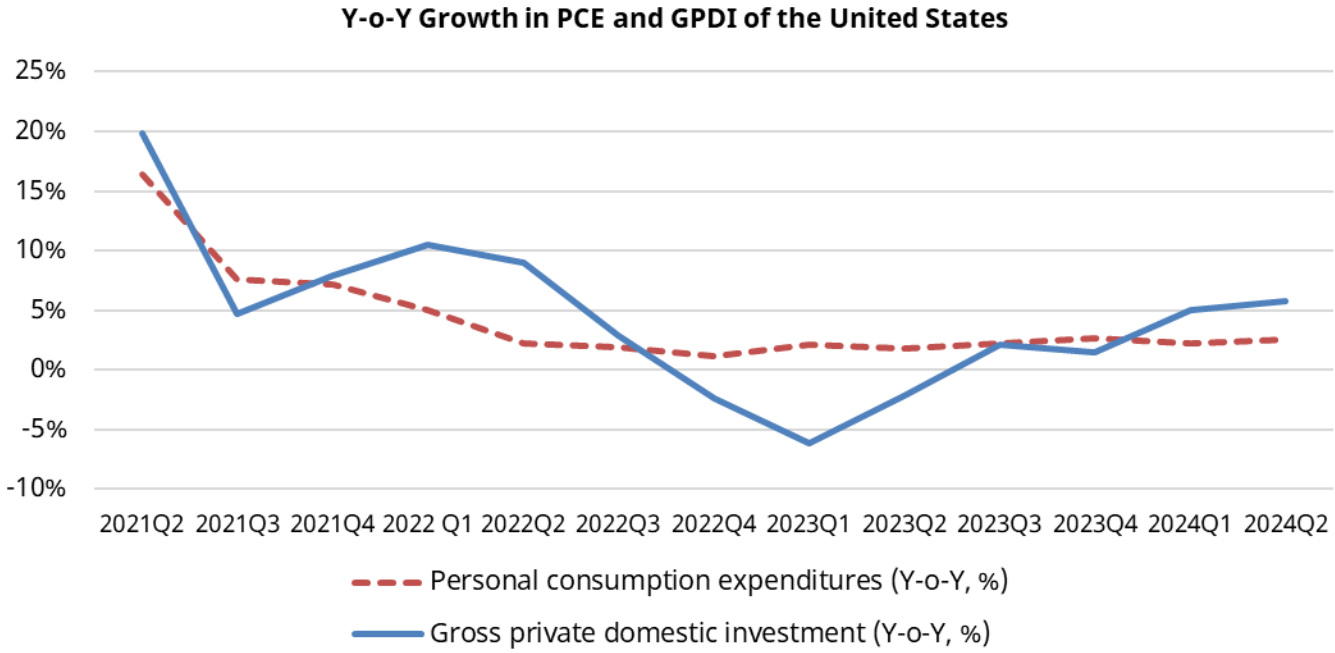
In 2024Q2, the Federal Open Market Committee ("**FOMC**") maintained the target federal funds rate ("**FFR**") within the range of 5.25% to 5.50%, a policy that has been in place since 2023Q3. This resulted in an effective FFR of 5.33%. Consequently, the money supply ("**M2**") experienced a y-o-y growth of 1.1%.

The latest Consumer Price Index ("**CPI**") data published by the BLS revealed a slight decrease in the monthly inflation rate, dropping from 3.5% in March 2024 to 3.0% in June 2024. Meanwhile, core inflation, which excludes volatile food and energy prices, declined from 3.8% to 3.3% over the same period. The deceleration in CPI this quarter was largely attributed to falling gas prices and easing shelter costs, despite ongoing inflationary pressures from the housing market.

Supported by increases in consumer spending and investment activity, the stronger-than-expected GDP growth in 2024Q2 reflects a robust recovery from the slowdown observed in 2024Q1. The International Monetary Fund ("**IMF**") reported that the GDP per capita of the U.S was USD 81,632 in 2023. It is estimated to increase by 4.6% to USD 85,373 in 2024 and reach USD 100,580 by 2029, representing a compound annual growth rate ("**CAGR**") of 3.3% from 2024 to 2029.



Source: BEA



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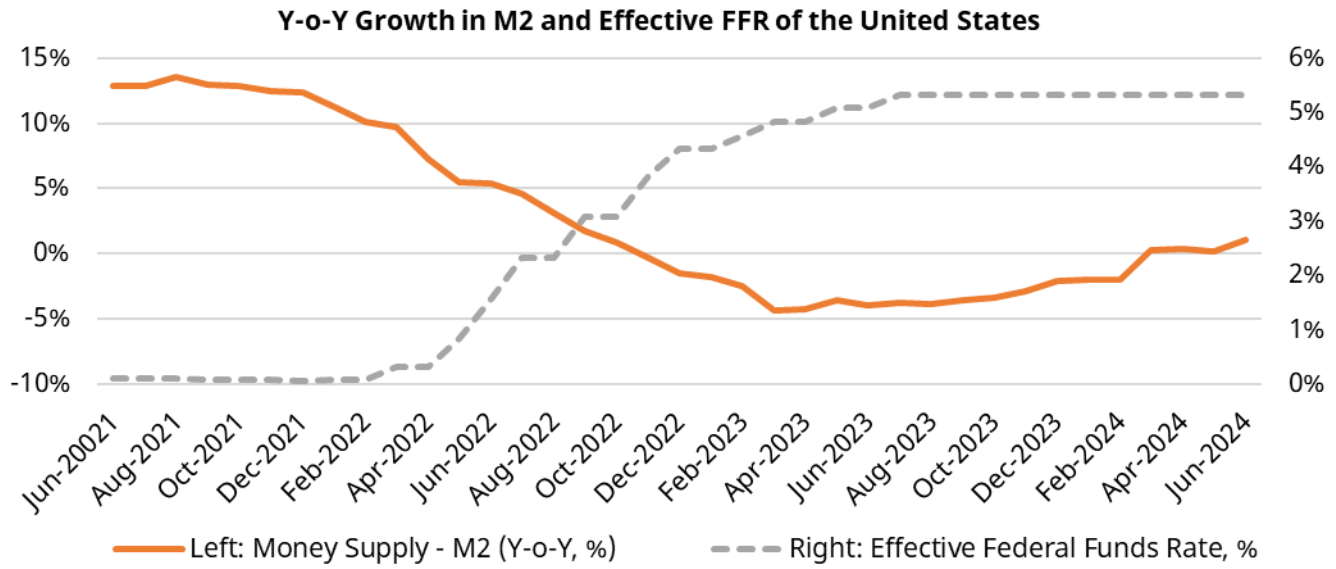
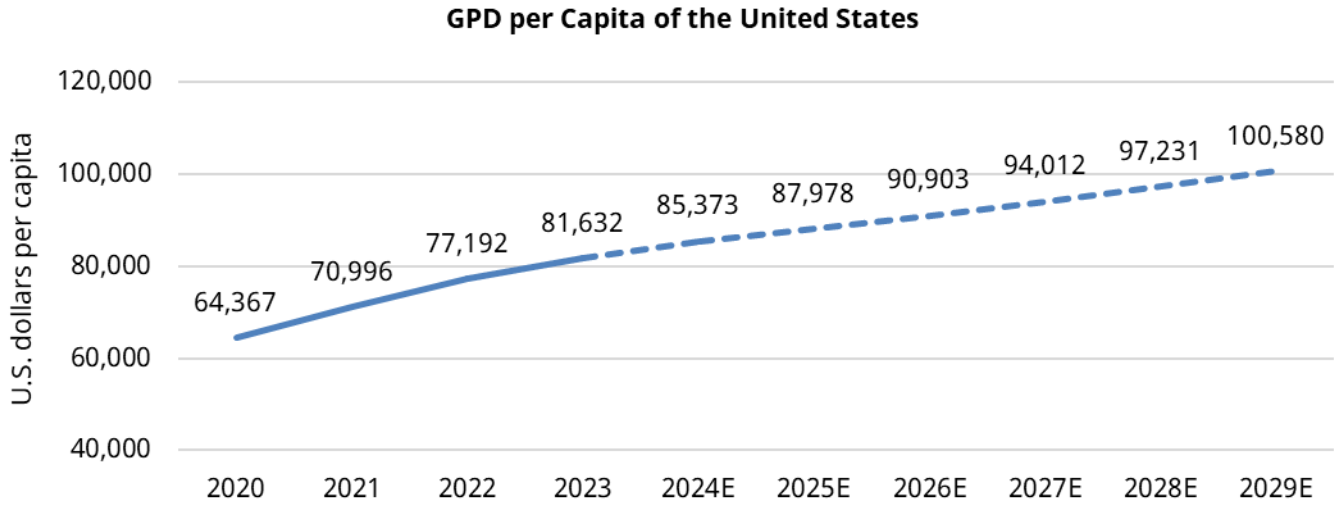


Source: BEA, the Federal Reserve Board



Source: IMF

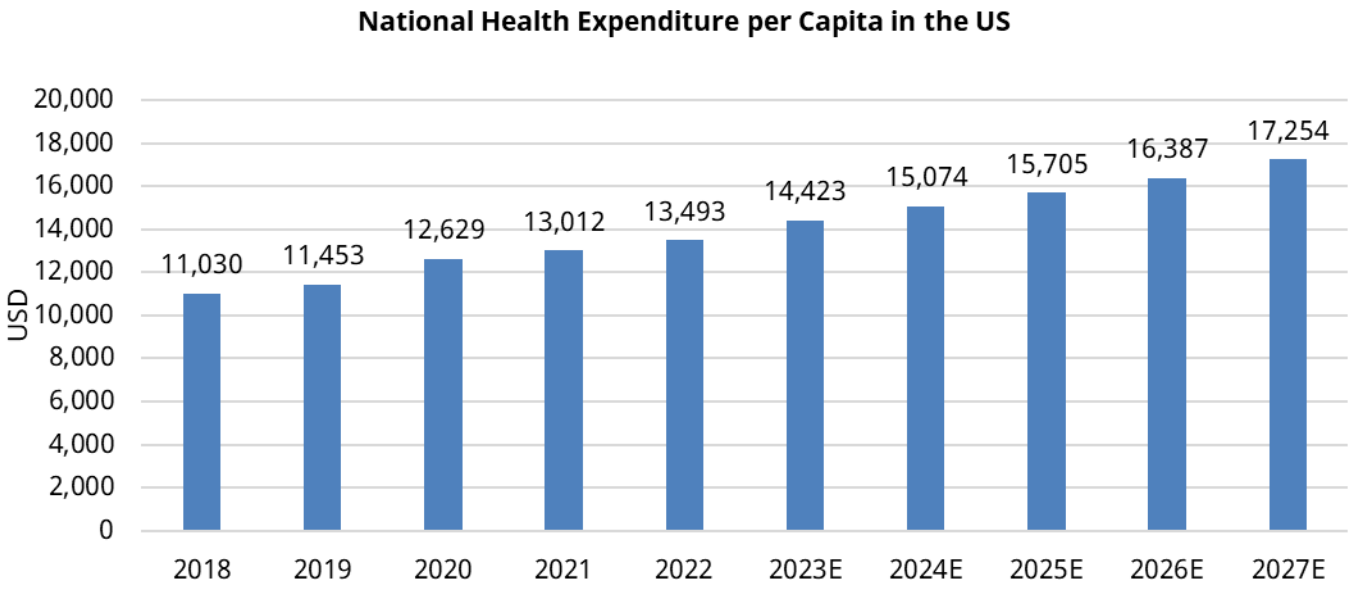
INDUSTRY OVERVIEW

Overview of the United States's RNA Therapeutics Industry

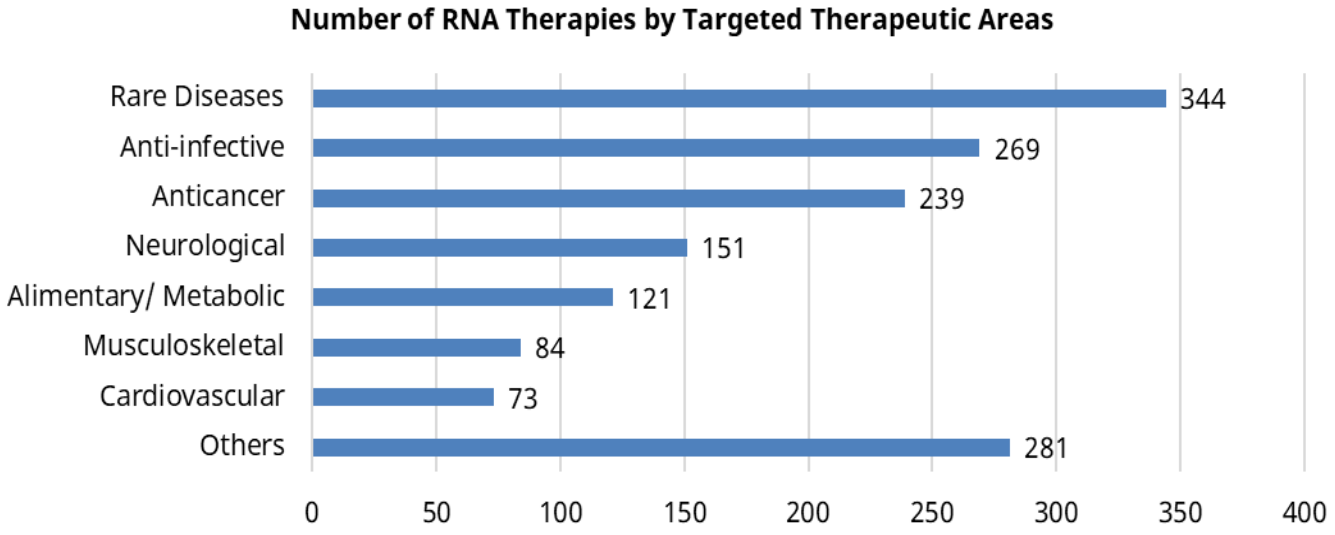
The national health expenditure in the US has shown a stable growth in recent years. According to Centers for Medicare & Medicaid Services ("**CMS**"), the national health expenditure per capita in the US increased from USD 11,030 in 2018 to USD 13,493 in 2022, representing a CAGR of 5.2% between the period. It is expected that the national health expenditure per capita will gradually reach USD 17,254 by 2027, mainly attributing to the increasing population, the expected increasing demand in the use of healthcare services and the cost of adopting advanced biotechnologies.

Meanwhile, RNA therapeutics is still in its early stage of development and remains one of the rapidly emerging sectors in biotechnology. According to American Society of Gene + Cell Therapy ("**ASGCT**"), more than 70% of the RNA therapies developed in the US are still in the pre-clinical stage. In term of the number of RNA therapies approved by the Food and Drug Administration ("**FDA**"), a total of 23 RNA therapies were approved by the FDA since 2013, including 2 new RNA therapies on myelodysplastic syndrome and respiratory syncytial virus prophylaxis approved in the second quarter of 2024. Among different therapeutic areas, rare diseases ranked the top of the targeted therapeutic area by RNA therapies according to ASGCT, with 344 RNA therapies being developed in areas such as dystrophy, pancreatic cancer and Huntington's disease, followed by anti-infective and anticancer indications, with 269 and 239 RNA therapies focusing on the abovementioned areas, respectively.

It is believed that RNA technology has a huge potential in the future as compared to the conventional drugs. According to National Center for Biotechnology Information, instead of binding to the active site of a protein to alter the function on therapeutic response, RNA technology is not limited to the encoded proteins and able to target any gene in the genome to block or alter activities, ultimately halting or reversing disease progression. Such technologies also provide higher flexibility and faster process on editing the nucleotide sequence, as well as creating fewer negative effects compared to traditional chemotherapy and radiation treatments.



Source: CMS



Source: ASGCT

LIMITATIONS OF THE REPORT

The Report is addressed strictly to the Directors for their internal reference only. Accordingly, the Report may not be used nor relied upon in any other connection by, and are not intended to confer any benefit on, any person (including without limitation the respective shareholders of the Company).

The Report does not constitute an opinion on the commercial merits and structure of the Proposed Transaction. The Report does not purport to contain all the information that may be necessary or desirable to fully evaluate the Proposed Transaction. We are not required to and have not conducted a comprehensive review of the business, technical, operational, strategic or other commercial risks and merits of the Proposed Transaction and such remain the sole responsibility of the Directors and the management of the Company (the "**Management**").

We have assumed and relied upon, and have not independently verified the accuracy, completeness and adequacy of the information provided or otherwise made available to us or relied upon by us, whether written or verbal, in the Report, especially for the historical cost incurred by the Assigned Patents provided by the Management. No representation or warrant, expressed or implied, is made and we accept no responsibility concerning the accuracy, completeness or adequacy of all such information.

A number of general assumptions have to be made in arriving at our value conclusion. The key assumptions adopted in this valuation include:

- There will be no material change in the existing political, legal, technological, fiscal or economic conditions, which might adversely affect the business of the Assigned Patents;
- There will be no material change in the cost structures or cost components in developing the Assigned Patents;
- The Assigned Patents are not subject to obsolescence or material technological depreciation;
- The historical costs data provide a reasonable estimate of the actual costs incurred in developing the Assigned Patents; and
- We have assumed that there are no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value. Further, we assume no responsibility for changes in market conditions after the Valuation Date.

VALUATION APPROACH

General Valuation Approaches

There are three generally accepted approaches to appraise the fair value of the Assigned Patents, namely Income Approach, Cost Approach and Market Approach. All three of them have been considered regarding the valuation of the Assigned Patents.

Income Approach — The income approach provides an indication of value based on the principle that an informed buyer would pay no more than the present value of anticipated future economic benefits generated by the subject asset.

The fundamental method for income approach is the discounted cash flow ("**DCF**") method. Under the DCF method, the value depends on the present value of future economic benefits to be derived from ownership of the enterprise. Thus, an indication of the equity value is calculated as the present value of the future free cash flow of a company less outstanding interest-bearing debt, if any. The future cash flow is discounted at the market-derived rate of return appropriate for the risks and hazards of investing in a similar business.

Cost Approach — The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Market Approach — The market approach provides an indication of value by comparing the subject asset to similar assets that have been sold in the market, with appropriate adjustments for the differences between the subject asset and the assets that are considered to be comparable to the subject asset.

Under the market approach, the comparable company method computes a price multiple for publicly listed companies that are considered to be comparable to the subject asset and then applies the result to a base of the subject asset. The comparable transaction method computes a price multiple using recent sales and purchase transactions of assets that are comparable to the subject asset and then applies the result to a base of the subject asset.

Selected Valuation Approach

Each of the abovementioned approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature. In this appraisal, we applied the Cost Approach to estimate the fair value of the Assigned Patents due to the following reasons:

- Market Approach is not appropriate in current appraisal given there is limited or no market transaction available for comparison as of the Valuation Date. Without these financial data, the Assigned Patents are unable to be benchmarked to the market price from the comparable transactions in determining the value of the Assigned Patents. Thus, Market Approach is not applicable for this valuation.

- Income Approach is also considered inappropriate as plenty of assumptions were involved in formulating the financial projections of the Assigned Patents. Considering the Assigned Patents are still in its early stage of development, it poses a relatively high level of risk and uncertainty regarding revenue generation and market acceptance in the future. Given that improper assumptions will impose significant impact on the fair value, Income Approach is not adopted in this valuation.

- Fair value arrived from Cost Approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for potential accrued depreciation arising from obsolescence. Given both Market Approach and Income Approach are considered not appropriate, Cost Approach has been adopted in this appraisal based on the principle that the sum of the associated cost to develop the Assigned Patents under the hypothetical scenario as of the Valuation Date represents its value.

Valuation Methodology

In this appraisal, Cost Approach, particularly the replacement cost method, has been adopted to determine the value of the Assigned Patents. It considers the cost to reproduce of the subject asset with depreciation adjustments. The formula is as follows:

Estimated Value = Replacement Cost x (1 – Depreciation Rate)

Determination of Replacement Cost

The replacement cost of the Assigned Patents is determined with reference to the historical cost incurred by the Company that relevant to produce the Assigned Patents, which includes the pre-clinical research costs, patents application fees and other associated costs, such as relevant labour costs and rental expenses during the research and development period in 2020 and 2021. An inflation factor and an expected reasonable profit are then applied to reflect the inflation impact between the time of development and the Valuation Date and the expected return on the investment of the Assigned Patents, respectively. The formula is as follows:

Replacement Cost = Historical Cost + Inflation Adjustment + Expected Reasonable Profits

Where,

Historical Cost = Pre-clinical Research Costs + Patents Application Fees + Other Associated Costs

Pre-clinical research costs include the material cost of clinical samples and the service fee on non-good laboratory practice ("**non-GLP**") biological services from external parties. Patents application fees consider all relevant costs necessarily to obtain the respective patents in the US, the EU and China, including but not limited to agency fees, application and printing expenses. Other associated costs related to the labour costs and rental expenses incurred during the development period in 2020 and 2021, which refers to the salary costs and office rents of the internal clinical team in the US.

Given the replacement cost is determined based on the historical cost incurred by the Company in producing the Assigned Patents, there is a price difference existed to re-produce the Assigned Patents as of the Valuation Date. Therefore, inflation adjustment factors, with reference to the historical CPI growth of the US, have applied to represent the associated inflation cost from the occurrence of the development cost to the Valuation Date.

Besides, a subject asset acquired from a third party would presumably reflect their costs associated with creating the subject asset as well as some forms of profit margin to provide a return on investment. Thus, an expected reasonable profit is added on top of the development cost. The reasonable profit is estimated by comparing to the historical average operating profits margin, which is calculated based on the sum of the cost of goods sold and the operating expenses in the similar industry.

Determination of Depreciation Rate

Depreciation rate reflects the deterioration and all relevant forms of obsolescence of the subject asset, whereas the depreciation rate of the Assigned Patents is mainly determined by the duration of the lifecycle of the Patents, the stage of development and the technological deterioration. Given the development completion date of that Assigned Patents is relatively close to the Valuation Date and is still in its early stage of development, no depreciation adjustment for obsolescence is required and the depreciation rate is determined to be nil as of the Valuation Date.

VALUATION RESULT

(in USD unless otherwise specified)

Total Development Cost [(1)]	404,994
Add: Inflation Adjustment [(2)]	71,524
Adjusted Replacement Costs (Before mark-up)	**476,518**
Add: Expected Reasonable Profits [(3)]	37,136
Adjusted Replacement Costs (After mark-up)	**513,654**
Less: Depreciation Adjustment	-
Estimated Value of the Assigned Patents	**513,654**
Estimated Value of the Assigned Patents (Rounded)	**514,000**

Notes:

(1) The relevant historical development cost of the Assigned Patents as of the Valuation Date is provided by the Management.

(2) Inflation adjustment represents the associated inflation cost from the occurrence of the development cost of the Assigned Patents to the Valuation Date. It is estimated by the historical consumer price index growth of the US between the period from Bloomberg.

(3) Expected reasonable profits represents an asset acquired from a third party would presumably reflect their costs associated with creating the asset as well as some form of profit margin to provide a return on investment. The reasonable profit is estimated with reference to that of the 3-years historical average operating profits margin in terms of the sum of the cost of goods sold and the operating expenses in the similar industry with reference to the academic study "Cash Flow Estimation – Operating and Net Margins by Industry Sector" published by Aswath Damodaran. It suggested the 3-years historical average reasonable profits margin of the industry is approximately at 7.8%.

CONCLUSION OF VALUE

Based on our investigation and analysis method employed, it is our opinion that as of the Valuation Date, the fair value of the Assigned Patents is **USD 514,000 (FIVE HUNDRED AND FOURTEEN THOUSAND UNITED STATES DOLLARS ONLY)**.

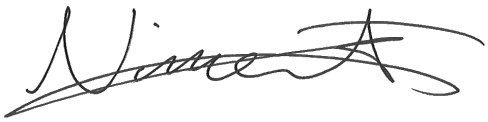
The conclusion of the fair value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in Sirnaomics Ltd., Sagesse Bio, Inc. nor the value reported.

Yours faithfully,

For and on behalf of

AVISTA Valuation Advisory Limited



Vincent C B Pang

CFA, FCPA(HK), FCPA (Aus.), MRICS, RICS Registered Valuer

Managing Partner

Analysed and Reported by:

Leo L Lee

CFA

Associate Director

Jeffrey C F Lo

Assistant Manager

Note: Mr. Vincent Pang is a member of CFA Institute and CPA Australia, a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of Royal Institution of Chartered Surveyors (RICS) and a RICS registered valuer. He has over 20-year experience in financial valuation and business consulting in Hong Kong and China.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS

This Report was prepared based on the following general assumptions and limiting conditions:

- All data, including historical financial data, which we relied upon in reaching opinions and conclusions or set forth in the Report are true and accurate to our best knowledge. Whilst reasonable care has been taken to ensure that the information contained in the Report is accurate, we cannot guarantee its accuracy and we assume no liability for the truth or accuracy of any data, opinions, or estimates furnished by or sourced from any third parties which we have used in connection with the Report.

- We also assume no responsibilities in the accuracy of any legal matters. In particular, we have not carried out any investigation on the title of or any encumbrances or any interest claimed or claimable against the Assigned Patents appraised. Unless otherwise stated in the Report, we have assumed that the owner's interest is valid, the titles are good and marketable, and there are no encumbrances that cannot be identified through normal processes.

- The value opinion presented in this Report is based on the prevailing or then prevailing economic conditions and on the purchasing power of the currency stated in the Report as of the date of analysis. The date of value on which the conclusions and opinions expressed apply is stated in this Report.

- This Report has been prepared solely for the use or uses stated. Except for extraction of or reference to the Report by the Company, its financial advisor and/or its independent financial advisor for their respective work in relation to the Proposed Transaction, it is not intended for any other use or purpose or use by any third parties. We hereby disclaim that we are not liable for any damages and/or loss arisen in connection with any such unintended use.

APPENDIX – GENERAL LIMITATIONS AND CONDITIONS (CONT'D)

- Prior written consent must be obtained from AVISTA Valuation Advisory Limited for publication of this Report. Except for disclosure in the Announcement and/or the Circular in relation to the Proposed Transaction, no part of this Report (including without limitation any conclusion, the identity of any individuals signing or associated with this Report or the firms/companies with which they are connected, or any reference to the professional associations or organisations with which they are affiliated or the designations awarded by those organisations) shall be disclosed, disseminated or divulged to third parties by any means of publications such as prospectus, advertising materials, public relations, news.

- We assume all applicable laws and governmental regulations are being complied with unless otherwise stated in this Report. We have also assumed responsible ownership and that all necessary licenses, consents, or other approval from the relevant authority or private organisations have been or to be obtained or renewed for any use that is relevant to value analysis in this Report.