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Sirnaomics Ltd.

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 2257)

INTERIM KEY FINDINGS OF INDEPENDENT INVESTIGATION

This announcement is made by the board (“**Board**”) of directors (“**Directors**”) of Sirnaomics Ltd. (“**Company**”, together with its subsidiaries, “**Group**”) pursuant to Rules 13.09(2)(a) of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (and Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

References are made to the announcements of the Company dated December 29, 2022, January 12, 2023, July 8, 2024 and December 13, 2024 (collectively, “**Announcements**”). Unless otherwise stated, capitalised terms used in this announcement shall have the same meanings as those defined in the Announcements. As per the announcement of the Company dated October 29, 2024, Dr. Lu Yang (“**Lu**”) and Ms. Shing Ho Man Yvonne (“**Law**”) have voluntarily withdrawn as members of the Investigation Committee and the Investigation Committee currently comprises Dr. Cheung Hoi Yu and Ms. Monin Ung (“**Ung**”). Ung is the Chairlady of the Investigation Committee, the Chairlady of the Company since December 20, 2024 and an independent non-executive Director of the Company.

The Company wishes to update the Shareholders that an independent forensics investigation firm, Alvarez & Marsal Disputes and Investigations Limited (“**Investigation Firm**”), has been engaged by the Investigation Committee to assist in its investigation into the circumstances surrounding the Matter to which an interim investigation report (“**Interim Report**”) has been issued.

The disclosures in this announcement in connection with the Matter and the legal advice sought by the Company have been made solely for the purpose of complying with the Listing Rules and not for any other purpose whatsoever. The Company reserves and has not waived legal professional privilege over all legal advice it has received from and communications with its legal advisers.

1. SUMMARY OF THE INTERIM REPORT

1.1 Background of the Investigation

The Investigation Firm has been engaged by the Investigation Committee to provide forensic accounting and forensic technology support to fact find the circumstances relating to the USD20 million investment made by the Company's wholly-owned subsidiary Sirnaomics (Hong Kong) Limited (“**SHK**”) into the IPO Mixed Strategy Investment SP segregated portfolio (“**SP**”) of the TradArt Flagship Investment SPC Fund (“**Fund**” and “**Investment**”). The investment manager of the Fund is TradArt Asset Management Co., Limited (“**Investment Manager**”), and the Fund is administrated by We Services Limited (“**Administrator**”).

SHK invested an aggregate amount of USD20 million into the Fund in 2022 and 2023. On April 10, 2024, the Company wrote to the Investment Manager to initiate the full redemption of the Investment. To the alarm of the Company, the Investment Manager revealed, and only on June 28, 2024 that there was a “*large drop*” in the Fund's net value.

In response to this “*large drop*”, Lu, then Chairman of the Company led a team to meet with Mr. Sam Hu (胡超), Managing Partner and Mr. Allen Wong (王超), Director of Operation and Risk Controller of the Investment Manager on July 4, 2024 where it transpired that the value of the Investment had fallen to a mere USD2 million or thereabouts with no specifics for the reasons for such huge loss.

As a result of this huge loss in value of the Investment and the consistent lack of useful response and documentary explanation from the Investment Manager, the Investigation Committee was formed by the Board on July 8, 2024 for the purpose of investigating the circumstances surrounding the identification, monitoring and attempted exit of the Investment, as well as other pertinent information to the Investment.

1.2 Major Investigation Procedures

With the joint efforts of the Investigation Committee, the Investigation Firm, an independent legal counsel and the Company, the Investigation was carried out with the following procedures to investigate the Matter:

A. **Data analysis and document review around the Matter:**

- (i) collecting and preserving available data of the Company;
- (ii) acquiring consent to collect and collection of message logs from certain relevant personnels; and
- (iii) collecting the Company's relevant policies and procedures, meeting minutes of Board, the Company's due diligence documents of the Investments and accounting data.

B. **Interviews:**

- (i) conducting informational discussions with the Board and other relevant personnel as regards the Company's relevant policies and procedures;
- (ii) conducting Company's internal written Investment Management Policy ("**Investment Policy**") review against actual adherence to such Policy by interviewing certain relevant personnels; and
- (iii) conducting interviews with the Company's management personnel to obtain further explanations of documents and circumstances around the Matter.

C. **Independent intelligence searches:** Conducting open-source research and background business intelligence searches on subjects relevant to the Matter.

1.3 Key Findings of the Investigation in the Interim Report

A. *Particulars of the Investment*

A1. *Investment into the Fund*

A set-up fee of USD60,000 was already paid to the Administrator prior to the the Board meeting held on or around October 12, 2022 to discuss and approve of the framework of the initial USD10 million into the Investment, subject that Mr. Yip Wing Kei (“**Yip**”), the ex-chief financial officer of the Company, will undertake further due diligence (“**Initial Approval**”). The Interim Report noted that subsequently, apart from a background check that was performed on the Investment Manager, no other form of due diligence, valuation, or risk analysis appeared to have been conducted on the Fund, which was specifically required by the Company’s Investment Policy. Further, it did not appear that comparable and alternative investments were considered, or presented to the Board for their consideration. Specific components of the Fund’s underlying investment appear not to have been disclosed to the Company nor its Board.

When enquired about the identification of the Investment opportunity, differing accounts were provided by Lu, Dr. Xiaochang Dai (“**Dai**”), the ex-executive Director and former scientific and strategic Director of the Company, Yip and Mr. Zeng Yu (“**Zeng**”), the former vice president, strategic investments of the Company.

According to documents provided to the Company prior to the Investment, the Fund’s strategy did not include any underlying investments in debt. The change in the Fund’s strategy to include debt components was only disclosed on January 10, 2023 after the change had been effected. It was noted that the amount invested by the Fund into debt instruments where the issuer of the private debt, Qi Yuan Investment Corporation (“**Qi Yuan**”), is an entity set up in the British Virgin Islands, was approximately the same as the amount that the Company had invested into the Fund. It is not clear why the change in investment policy was not disclosed prior to the approval and execution of the Investment. Qi Yuan’s only incoming investment appeared to be as a result of monies invested into the Fund by the Company.

On April 10, 2024 in accordance with the side letter dated October 24, 2024 entered into between SHK and the Investment Manager, the Company requested a full redemption of the remaining value of the Investment (“**Side Letter**” and “**Redemption Notice**”). On April 15, 2024, Mr. Allen Wong responded to the Redemption Notice, acknowledging safe receipt on behalf of the Investment Manager and stating that the redemption will be implemented. In accordance with the Side Letter, the redemption of the Investment should have been effected on or before April 17, 2024.

SHK received no further communication from the Investment Manager and/or the Fund. On June 28, 2024, upon the Company's insistence for an up-to-date valuation, the Investment Manager informed SHK of a likely default in the private debt, which would lead to a substantial adjustment in the Fund's net value, and the decline is expected to be "*fairly large*".

On or around July 4, 2024, SHK was informed that the current value of its Investment was approximately USD2,000,000. SHK swiftly wrote at various times to the Investment Manager and/or the Fund, that it wished to redeem its Investment and for its value to be immediately transferred to SHK.

It was not only until November 11, 2024, and after the commencement of an arbitration proceedings by SHK against the Investment Manager on August 23, 2024 at the Hong Kong International Arbitration Centre ("**Arbitration Proceedings**"), that the Investment Manager and/or the Fund transferred a sum of USD1,864,705.04, being the purported redemption, to SHK.

For this huge loss, it was observed that not only were there no documentation provided to verify what brought about the decrease in the Investment's value, there have been inconsistencies in the Investment Manager's claims of what comprises the underlying investment of the Fund.

A2. Disclosures around the Investment and the Fund

The Interim Report has gathered certain information which may point to the notion that there could be more to the Investment and the Fund than has currently been disclosed.

A commitment letter dated in or around December 2021 ("**Commitment Letter**") was identified to be an undertaking to manage a fund with specific investment targets to be jointly decided by Lu and Dai. The Commitment Letter on record bore the signature of Dai but unsigned by Lu. The Investigation Firm has not been able to ascertain with Dai the circumstances pertaining to the Commitment Letter.

There were however inferences around the Commitment Letter which call for further investigation work to be performed to verify the significance of the Commitment Letter as it related to the Investment and the Fund. For the avoidance of doubt, the Interim Report has yet to identify independent, third-party documentation to confirm the veracity of the Commitment Letter.

B. Key Findings and Observations of the Investigation

The Interim Report observed uncertainties surrounding the circumstances of the Fund presented as a financial product to the Board.

The uncertainties of the circumstances involving the Fund, coupled with the inconsistencies in the interview accounts surrounding the Investment, the lack of cooperation of key individuals in providing correspondence relating to the Investment generate some doubt as to the Investment's real purpose.

These uncertainties included:

- (a) the inferences of certain undisclosed arrangements around the Commitment Letter;
- (b) the refusal of consent from Dai, Zeng and Yip to collect their discussions relating to the Investment and the Fund;
- (c) the coincidental timing of the loss of Yip's company laptop on one occasion and the damage at another, at key stages through the period under review;
- (d) the lack of adherence to the Company's Investment Policy, the otherwise lack of knowledge and reporting on the Investment; and
- (e) whether Dai and Zeng found themselves in positions of conflicts with outside employment or consultancy positions whilst employed in a full-time capacity at the Company.

These observations necessitate more work to be done on whether the circumstances surrounding the Investment and the Fund have been accurately disclosed.

C. Audit Committee and Investment Policy

Non-compliance with Investment Policy

No specific details or alternatives to the Investment were provided to the Board at the meeting held on October 12, 2022. The Investment Policy requires a minimum of three quotations to be obtained from different banks for investments. Although no specific requirements were set out in the policy for other types of investments such as the Investment, there had been no explanation as to why no alternatives were considered. Law informed the Investigation Firm that the Audit Committee had expected for management to comply with the Investment Policy.

Terms of Reference of Audit Committee

It was observed from the Terms of Reference of the Audit Committee that the Audit Committee is required to review “*the Company’s risk management and internal control systems*”, and to discuss the “*risk management and internal control systems with the Senior Management, ensuring that the Senior Management has performed its duties to have effective systems*”. Additionally, while the Audit Committee had engaged a third-party vendor to review the effectiveness of its internal controls, the Interim Report did not note the Investment Policy being discussed in the relevant Audit Committee’s meetings.

Inadequate information reported to the Board

The Interim Report noted that there were no detailed updates or discussions regarding the Investment at the Board meetings in the period between January 2023 and February 2024. Updates by Yip to the Board were limited to the Investment’s value being aggregated in one line item with the Company’s USD bank deposits under the heading “*cash and short-term investment position*”. The Investigation Firm observed that it would be hard for the Board to effectively monitor the status of the Investment given the presentation and minimal detail which was provided.

2. KEY LIMITATIONS OF THE INVESTIGATION

The Investigation Firm encountered limitations during its investigation, which include, but are not limited to, the following:

- (i) the Investigation Firm was not able to capture some relevant personals’ devices as the Company had not issued those devices to them, or that co-operation was not forthcoming;
- (ii) the Investigation Firm were unable to verify if the Commitment Letter had been executed in form and in its implementation;
- (iii) certain explanations obtained during the interviews and documents reviewed by the Investigation Firm were inconsistent; and
- (iv) the Investigation was conducted only based on the voluntary cooperation of the Group and the relevant personnels. The Investigation Firm was unable to verify all their responses and/or confirm that the investigation findings are complete.

3. INTERNAL CONTROL WEAKNESS AND RECOMMENDED ACTION TO BE TAKEN

A1 The Interim Report identified certain internal control weaknesses and deficiencies. These weaknesses and deficiencies, along with recommendations from the Interim Report and the Investigation Committee for improvements are set out in the following table.

Internal control weaknesses and deficiencies	Recommendations
(i) Personal email accounts and instant messaging applications used for business purposes	Business related communications should be carried out using work email or corporate instant messaging applications
(ii) No procedures around loss of laptops	Clear procedures should be established for reporting lost or stolen devices, including steps for device tracking, data recovery, and security measures. Regular data backups should be carried out on devices.
(iii) Payments made to vendors prior to confirmation that services are required or checking against contract terms	Payments should only be made once all approvals are obtained according to the delegation of authority matrix, confirmation that services are required and rendered, and checking the payment amount against the terms of the contract. Records should be had of actual work done against payments.

A2 Non-compliance with Investment Policy

The Investment clearly lacked of adherence with the Investment Policy. Instances of lack of adherence, along with recommendations for improvement, are set out in the following table.

Non-compliance with Investment Policy	Recommendations
(i) Lack of adherence to the Investment Policy	Clear guidelines and potential disciplinary actions should be communicated to employees if Company policies were violated.
(ii) Interim Report observed that while the Audit Committee is responsible for risk management and internal control systems, but there had been no discussion of the Investment	<p>The Audit Committee should also monitor the risk and have oversight of all internal controls, including the Investment Policy.</p> <p>The lack of adherence to Company policies, and the lack of disciplinary actions arising from non-compliance with Company policies, may lead to the loss of senior management's control over the actions of its employees.</p>
(iii) No annual review on Investment Management Policy	A mechanism should be in place to ensure that the Investment Policy is reviewed on a regular basis, such as setting a specific date each year for the review to be carried out and ensuring that the review forms part of the agenda for the board meeting.

**Non-compliance with
Investment Policy**

Recommendations

- (iv) **No analysis or due diligence carried out on potential investment opportunities**

Proper and thorough due diligence including background checks, legal compliance checks, risks and returns assessment, feasibility studies, valuation, financial impact and scenario analysis, financial and cash flow projections along with non-financial impact assessments should form part of the initial screening and due diligence process for all new potential investment.

The Company would not otherwise be able to mitigate potential risks and would expose itself to potential unforeseen/unexpected losses.

- (v) **Insufficient information in the investment plan or proposal on potential investment opportunities**

Investment plan or proposal with supporting information should be provided to the Board and appended to the corresponding board minute/resolution where the potential investment opportunity is discussed.

The presentation made by Yip to the Board on the Investment do not contain all the information such as the risk and solution identification and period of holding that should be included in the investment plan or proposal which is required for all investments entered into by the Company as required under its Investment Policy.

- (vi) **The requirement of obtaining three quotations for investments not adhered to**

Procedures should be in place to ensure that the policy is followed and should be expanded to other types of investment. In the event that it is not possible to obtain three quotations, then the reasons for not adhering to the policy should be clearly documented.

A3 Lack of corporate governance and accountability

Lack of corporate governance and accountability

Recommendations

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| <p>(i) Lack of corporate governance and accountability by CEO and senior management</p> | <p>CEO and senior management roles, functions and obligations must be clearly defined and included in his or her employment contract.</p> <p>Breaches of such duties should be met with ensuing consequences.</p> |
| <p>(ii) Absence of policy related to key management and supervisory personnel departure</p> | <p>Establish procedure for evaluating the departure of key management and supervisory personnel, which includes:</p> <ul style="list-style-type: none">• Define the key positions of which departure will have significant impact on operations;• Establish a mechanism to assess the impact of such departure and identify actions/ backup plans to be taken (if any); and• Establish an exit interview mechanism and regularly analyse the reasons of employees' resignation for future reference |

Lack of corporate governance and accountability

Recommendations

(iii) Lack of reporting mechanism to inform the Board of Directors of significant issues and lack of alert systems for breaches of corporate governance

Parallel clear reporting lines should be set up from the various Company departments/functions to the Chief Executive Officer and Chairman or any Independent Board member, any of whom should be compelled to take appropriate action over any concerns of internal breaches of corporate governance

To establish a formal reporting mechanism to communicate significant issues to the Board. The proposed reporting mechanism is suggested to cover the following aspects:

- Develop a policy outlining expectations, procedures and reporting frequency for significant issues to be communicated to the Board;
- Determine reporting frequency based on the urgency and complexity of the issues;
- Specify the criteria for defining significant issues that require reporting to the Board. These may include financial matters, strategic decision, legal or regulatory compliance issues, operational challenges and major risks;
- Create reporting templates that outline the required sections and information for the report.

Lack of corporate governance and accountability

Recommendations

(iv) Lack of independent internal audit function

The management should establish its own independent internal audit function or outsource the function to an independent qualified service provider to perform an on-going review, in frequency of not less than once a year.

(v) Control mechanism over the connected persons and related parties yet to be strengthened

Set up procedures to:

- properly define the authority and responsibility of different departments within the Company and its subsidiaries in identification and approval process of related transactions;
- timely update the list of related parties and connected person and circulate to all directors, shareholders and senior management on a regular basis; and
- include the requirement of collecting information on related parties and connected persons on a regular basis.

Lack of corporate governance and accountability

Recommendations

(vi) No formal risk registers to supervise and manage the risks of the Group

To establish a risk register to assess the significant risk factors, encompassing business risk, operational risk, financial risk, compliance risk, and environmental and climate-related risks. Once the preliminary risk assessment is concluded, formulate a risk mitigation plan for significant risk events, follow up the implementation of risk mitigation measures in a timely manner, and list the relevant results in the Group's risk assessment summary form or risk management report.

(vii) Conflict of interest reporting mechanism yet to be strengthened

- Enhance its conflict of interest declaration system by clearly defining situation which may give rise to conflict of interests, and introducing a time limit and procedures for seeking consultation and reporting the conflict of interest;
- Include requirement for all employees, including directors and senior management of the Group, to submit annual written self-declaration regarding any potential conflict of interest; and

4. ACTIONS OF THE COMPANY

4.1 Further investigation

As at the date of the Interim Report, investigation is not complete. There are further steps the Investigation Committee and the Investigation Firm may take depending on developments of, amongst others, progress of the Arbitration Proceedings. These may include:

- (i) Identification, collection, and processing of further evidence;
- (ii) Review accounting ledgers to identify any transactions that may require further verification;
- (iii) Conduct interviews with the Company's audit and finance personnels to understand the audit procedures undertaken in respect of the Investment; and
- (iv) Considering the possibility to bring public and private legal proceedings for recovery of assets.

4.2 Board and senior management changes

As at the date of this Announcement, in the manner of corporate governance and in stepping aside for the Investigation, Lu has taken on a non-executive role at the Company, whilst Dai, Yip, Zeng, Huang and Law have resigned their positions with the Company.

4.3 Arbitration Proceedings

In view of the uncertain circumstances around the Fund and taking other factors into consideration, including the failure by the Investment Manager to effect a timely redemption notice of SHK and the dubious manner in which the Investment Manager and/or the Fund conducted themselves, SHK commenced the Arbitration Proceedings. The tribunal has been constituted on November 8, 2024 and proceedings are under way. SHK has reserved its rights to pursue the Investment Manager and/or the Fund by all other means to claim for its loss and damage.

The Company will keep its Shareholders and the public apprised of any material development in connection with the Arbitration Proceedings by way of further announcement(s) as and when appropriate.

4.4 Internal risk and control measures

Discussions and implementation plans are underway by the Company to take strict, mandatory and vigilant measures and enforcement actions on internal risk and control as identified in the Interim Report with additional safeguards.

5. OPINIONS OF THE INVESTIGATION COMMITTEE AND THE BOARD

Upon becoming aware of the Matter, the Investigation Committee was promptly established and began the process of selecting an investigation firm within a short timeframe.

During the Investigation, the Investigation Committee and the Investigation Firm maintained close communication with the other Directors and members of the Company's management. The Company assisted the Investigation Firm in coordinating resources and to ensure its independence and authority in conducting the Investigation.

The Board (including the Investigation Committee hereafter) accept the findings of the Interim Report with its limitations. The Board is of the view that the Investigation Firm has investigated into the Matter to the extent practicable.

After reviewing the Interim Report and the recommendations of the Investigation Firm, the Board have resolved that the following actions shall be taken by the Company:

- A1. seek professional advice to determine whether certain allegations including the Commitment Letter and other transactions warrant further investigations and consequential disclosures by the Company;
- A2. seek legal advice in relation to possible recourse against relevant individuals and/or entities;
- A3. enhance background and due diligence work on all new directors and senior management of the Company to ensure checks on their undisclosed relationships, degree of connectedness, independence, integrity and meritocracy;
- A4. to take strict, mandatory and vigilant measures and enforcement actions on internal risk and control measures as identified in the Interim Report with additional safeguards, these include:
- A5. external payments should only be made once all approvals are obtained according to the delegation of authority matrix, confirmation and records that services are required, provided with proper and complete documentation;

- A6. a clear reporting line should be set up from the various Company functions to the Chief Executive Officer and Board, who should be compelled to take appropriate action over any concerns;
- A7. clear guidelines and potential disciplinary actions should be communicated to employees of Company policies were violated;
- A8. the Audit Committee should also monitor the risk and have oversight of all internal controls, including the Investment Policy and other pertinent policies by active questioning and verification;
- A9. a mechanism should be in place to ensure that the Investment Policy and other pertinent policies are reviewed on a regular basis, such as setting a specific date each year for the review to be carried out and ensuring that the review forms part of the agenda for the Board meetings;
- A10. comprehensive written procedures and usage of funds over certain amounts should be developed and maintained to ensure that there is segregation of duties and independent oversight;
- A11. proper due diligence including background checks, legal compliance checks, risks and returns assessment, feasibility studies, valuation, financial impact and scenario analysis, financial and cash flow projections along with non-financial impact assessments should form part of the initial screening and due diligence process for all new potential investment;
- A12. procedures should be in place to ensure that the policy is followed and should be expanded to other types of investment. In the event that it is not possible to obtain three quotations, then the reasons for not adhering to the policy should be clearly documented;
- A13. regular review should be carried out on the investment's performance against its original goals and objectives, along with analysis to track the investment's progress and identify any areas of concern. The result of the review should be reported to the Board and should form part of the agenda for the Board and Audit Committee meetings;
- A14. retaining or recruiting internal control experts to strengthen training programs on internal control, and raise awareness of risk and risk compliance; ensuring the effective implementation of internal control systems; and
- A15. improve payment approval practices, as well as enhance its process document retention policy to ensure proper storage and safekeeping of documents.

The Company will make further announcements on the various remedial actions taken by the Company in due course.

Shareholders and potential investors of the Company are reminded that the information provided in this announcement is based on the currently available information to the Board. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

By order of the Board

Sirnaomics Ltd.

Monin Ung

Chairlady and Independent Non-Executive Director

Hong Kong, January 14, 2025

As at the date of this announcement, the Board comprises Dr. Poon Hung Fai as executive Director, Dr. Yang Lu (alias Patrick Lu) and Mr. Jiankang Zhang as non-executive Directors, and Dr. Cheung Hoi Yu and Ms. Monin Ung as independent non-executive Directors.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Information” page on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for a minimum period of 7 days from the date of its publication and on the Company’s website at <https://sirnaomics.com/>.