

**Policy for Employees to Raise Concerns about Possible Improprieties in Financial Reporting or Internal Control Matters**

**INTRODUCTION**

The Company is committed to the highest possible standards of openness, probity and accountability. In line with this commitment, the Company has setup a policy for the employees (“Employees”) of the Company and its subsidiaries (the “Group”) who have concerns about possible improprieties in financial reporting or internal control matters within the Company to come forward and voice their issues (the “Policy”).

**AUTHORITY**

Pursuant to the Code C.3.7 of Corporate Governance Code, Appendix 15 (“CG Code”) to the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited, the audit committee of the Company (“AC”) should review arrangements by which Employees may, in confidence, raise concerns about possible improprieties in financial reporting, internal control or other matters. AC should ensure that proper arrangements are in place for the fair and independent investigation of such matters and for appropriate follow-up action.

**SCOPE AND NATURE OF COMPLAINTS**

This policy applies to Employees at all levels and divisions (including executive directors and non-executive directors). Reportable incidents include but not limited to concerns regarding the Group’s improprieties in financial reporting, accounting, auditing or internal controls.

**PROTECTION AND SUPPORT FOR COMPLAINANT**

Persons making appropriate complaints under the Policy (the “Complainant”) are assured of protection against unfair dismissal, victimisation or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated.

Persons who victimise or retaliate against any Complainant will be subject to disciplinary actions.

## **RESPONSIBILITY FOR IMPLEMENTATION OF POLICY**

AC has an overall responsibility for overseeing, monitoring and reviewing the operation of this policy and any recommendations for actions resulting from investigations. The AC can delegate the day-to-day responsibility for overseeing and implementing it to the Chairman of the Company (the “Chairman”).

Management must ensure that all Employees feel able to raise concerns without fear of reprisals. All Employees may take steps to report any misconduct or malpractice in financial reporting or internal control matters of which they become aware. If any Employee has any questions about the contents or application of this policy, please contact the Chairman of the Company at [billy.yung@smc.com.hk](mailto:billy.yung@smc.com.hk).

## **MISCONDUCT AND MALPRACTICE**

While the Company does not expect every Complainant to have absolute proof of the misconduct or improprieties of the financial matters reported, the report must show the reasons for the concerns. If any Employee makes a report in good faith then, even if it is not confirmed by an investigation, such concerns would be valued and appreciated.

## **FALSE REPORT**

If a report submitted by a Complainant is found maliciously false, with an ulterior motive, without reasonable grounds that the information in the report is accurate or reliable, or for personal gain, the Company reserves the right to discipline such Complainant, including the possibility of dismissal.

## **MAKING A REPORT**

An Employee who has a legitimate complaint can raise his/her concerns to:

- a) his/her line manager (or his/her superior) within the department. The line manager concerned should raise the matter to the Chairman who will then forward a copy of the same to the AC Chairman; or
- b) The Chairman at [billy.yung@smc.com.hk](mailto:billy.yung@smc.com.hk) who will then forward a copy of the same to the AC Chairman; or
- c) The AC Chairman at [lawrence\\_mcleung@yahoo.com.hk](mailto:lawrence_mcleung@yahoo.com.hk) ;

In the report, a Complainant should provide full details and, where possible, supporting evidence.

## **CONFIDENTIALITY**

The Company will make every effort to keep confidential of the identities of all Complainants. In order not to jeopardise the investigation, every Complainant should also keep confidential about the fact that he/she has filed a report, the nature of his/her concerns and the identity(ies) of those involved.

There may be circumstances in which, because of the nature of the investigation, it will be necessary to disclose a Complainant's identity. If such circumstances exist, the Company will endeavour to inform such Complainant that his/her identity is likely to be disclosed. If it is necessary for such Complainant to participate in an investigation, the fact that he/she made the original disclosure will, so far as is reasonably practicable, be kept confidential. However, it is also possible that his/her role as the Complainant could still become apparent to third parties during investigation.

Equally, should an investigation lead to a criminal prosecution, it may become necessary for a Complainant to provide evidence or be interviewed by the law enforcement authorities ("Authorities"). In these circumstances, the Company will, once again, endeavour to discuss with such Complainant the implications for confidentiality.

The Complainant should, however, know that in some circumstances, the Company may have to refer the matter to the Authorities without prior notice or consultation with him/her.

## **ANONYMOUS REPORT**

An anonymous allegation will be much more difficult for the Company to follow up as it is impossible to obtain further information from an anonymous Complainant and make a proper assessment.

The Company generally does not accept anonymous reporting and encourage the Complainant to come forward with his/her concerns.

## **INVESTIGATION PROCEDURES**

The Chairman will acknowledge receipt of the Complainant's report within 5 working days:

- \* Acknowledging the report has been received;
- \* Advising whether or not the matter will be investigated;
- \* Giving an estimate of how long the investigation will take to provide a final response;

The Chairman will evaluate every report received to decide if a full investigation is necessary and decide how the investigation should proceed.

A final report, with recommendations for change (if appropriate), will be produced to AC. AC will review the final report and will make recommendations to the Board.

The Complainant will receive in writing the outcome of the investigation. Because of legal constraints, the Company will not be able to give the Complainant details of the action taken or a copy of the report.

The format and length of an investigation will vary depending upon the nature and particular circumstances of each complaint made.

## **MONITORING THE POLICY AND PROCEDURE**

The use and effectiveness of this Policy will be monitored and reviewed regularly by the AC. Any amendment to this Policy must be approved by the Board of Directors of the Company.

**APPENDIX I**  
**POLICY REPORT FORM**  
**CONFIDENTIAL**

The Company is committed to the highest possible standards of openness, probity and accountability. In line with this commitment, the Company has setup a policy for the Employees of the Group who have concerns about possible improprieties in financial reporting or internal control matters within the Company to come forward and voice their issues.

It is recognised that in most cases the person raising concerns will wish to be dealt with on a confidential basis. All reasonable efforts will therefore be made to avoid revealing the person's identity. Once this form is completed, this report becomes confidential.

To: AC Chairman (lawrence\_mcleung@yahoo.com.hk) / the Chairman of the Company (billy.yung@smc.com.hk)

From:

---

Name:

Address:

Tel no.:

Email:

Date:

---

**The names of those involved (if known):**

**Details of concerns:**

Please provide full details of your concerns: names, dates and places and the reasons for the concerns (continue on separate sheet if necessary) together with any supporting evidence.