



**SOUTH CHINA FINANCIAL HOLDINGS LIMITED**

**CORPORATE GOVERNANCE  
POLICY & PROCEDURE**

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## GLOSSARY

Associates	Having the same definition as defined in the rule 14A.06(2) of the Listing Rules
Code of Conduct	Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission issued on 24 Dec 2020 (as amended, modified, varied and supplemented by the SFC from time to time)
Licensed Corporations	the subsidiaries of the Company registered with the SFC for carrying out regulated activities as specified in the SFO, and any one of the Licensed Corporations shall be “Licensed Corporation”
Listing Rules	Rules Governing the Listing of Securities on the Stock Exchange
POBO	Prevention of Bribery Ordinance, Chapter 201 of the laws of Hong Kong
SFC	Securities and Futures Commission
SFO	Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong
Stock Exchange	The Stock Exchange of Hong Kong Limited
The Company	South China Financial Holdings Limited, a company listed on the Mainboard of the Stock Exchange (stock code: 0619)
The Executive Committee	The Executive Committee of the Company established on 27 September 2005, which comprises all executive directors of the Company
The Group	the Company and all of its subsidiaries

## **A. BACKGROUND**

The Company and South China Holdings Company Limited (“SCH”), a company listed on the Mainboard of the Stock Exchange, having stock code of 0413 (both the Group and SCH together with its subsidiaries are collectively referred to as “SC Group”), are sharing some professional and administrative resources, e.g. company secretarial, human resources, internal audit, leasing, legal and office administration etc. for achieving the benefit of economies of scale.

## **B. POLICY STATEMENT**

1. This Policy is approved and adopted by the Executive Committee, and each relevant department head (in particular, MIC (as defined in Paragraph D hereinbelow)) shall be responsible for its implementation.
2. Unless it is contrary to sub-paragraph 3 hereinbelow, should there be any discrepancy in interpretation of this Policy, the interpretation by the Compliance Department shall be final and binding. For the avoidance of doubt, the terms of the Accounts Department, the Compliance Department, the SC Group Human Resources Department and the SC Group Legal Department used in this Policy shall be referred to the head of each of such departments or such other person(s) as the head may delegate from time to time.
3. All employees must comply with all relevant laws, rules, regulations, codes, guidelines and etc. enacted or issued by judiciary, governing authorities and regulators in Hong Kong, and all such relevant laws, rules, regulations, codes, guidelines and etc. shall prevail in the event of any inconsistency with any provision of this Policy.

## **C. PURPOSE**

1. The purpose of this Policy is to provide all relevant employees of each member of the Group, in particular, the Licensed Corporations with the following corporate governance policies for their due observance and performance from time to time:
  - (i) Anti-fraud and Anti-corruption Policy;
  - (ii) Code of Conduct;
  - (iii) Handling of Confidential Information Policy;
  - (iv) Personal Data Protection Policy;
  - (v) Whistle-blowing Policy; and
  - (vi) Media and Public Engagement Policy
2. All policies and code set out above are non-exhaustive, and the Company reserves all rights to amend, change, modify or vary any provision thereof at its sole and absolute discretion, and each of such amendments, changes, modifications and variations will be disseminated to all relevant employees on a timely basis upon its effect by the Compliance Department or SC Group Human Resources Department (where applicable).
3. The Licensed Corporations are as follows:
  - (i) South China Capital Limited - Type 6 regulated activities (advising on corporate finance)
  - (ii) South China Commodities Limited - Type 2 regulated activities (dealing in futures contracts)
  - (iii) South China Investment Management Limited - Type 9 regulated activities (asset management)
  - (iv) South China Research Limited - Type 4 regulated activities (advising on securities)
  - (v) South China Securities Limited - Type 1 regulated activities (dealing in securities)

## **D. STRUCTURE OF MANAGER-IN-CHARGE OF LICENSED CORPORATIONS**

The functional structure and line of command of the Licensed Corporations filed with the SFC that carrying out different functions under the Manager-In-Charge (“MIC”) regime of the SFC (see Appendix A), the relevant Licensed Corporation(s) shall file an updated structure with the SFC for any change of person in assuming the functions of an MIC of the relevant Licensed Corporation(s).

## **E. ANTI-FRAUD AND ANTI-CORRUPTION POLICY (“ANTI-FRAUD POLICY”)**

### **1. Overview**

- 1.1 The Group is committed to upholding high standard of business integrity and transparency in all business activities, including but not limited to regulated activities carried out by the Licensed Corporations. Any form of fraud or corruption is strictly prohibited. This Anti-Fraud Policy aims at detection, prevention and deterrence of any fraudulent and corruption activities.
- 1.2 Each department head of the Group shall be responsible for monitoring and investigation of any fraudulent and bribery activities committed in the Group as all such illegal activities would damage the Group’s reputation, which in turn would be detrimental to the relationships with its customers and vendors as well as the interest of the Group.
- 1.3 This Anti-Fraud Policy shall apply to all employees of the Group, including part-time and contract staff and independent contractors, e.g. consultants and advisers etc.
- 1.4 This Anti-Fraud Policy sets out the standard of conduct to which all employees of the Group shall strictly adhere to.

### **2. General Guidelines**

- 2.1 Fraud may generally be described as any deceit (whether or not the deceit is the sole or main inducement) by a party with intent to defraud which induces another party to commit an act or make an omission, which results either (i) in benefit to any party other than the second-mentioned party, or (ii) in prejudice or a substantial risk of prejudice to any party other than the first mentioned party. Moreover, no deception is allowed, including but not limited to (a) dishonestly obtaining for the employee himself/herself or another party any pecuniary advantage, (b) dishonestly obtaining services from another party, (c) evasion of liability, (d) making off without payment, (e) procuring entry in certain records, and (f) false accounting.
- 2.2 No employee, without having authority or reasonable excuse, shall solicit or accept any advantage as an inducement to or award for or otherwise on account of his/her doing or forbearing to do, any act in relation to the Group’s affairs or business; or showing or forbearing to show, favour or disfavor to any other party in relation to the Group’s affairs or business.
- 2.3 If any other party without having authority or reasonable excuse offers any advantage to any employee of the Group as an inducement to or reward for or otherwise on account of the employee’s doing or forbearing to do, any act in relation to the Group’s affairs or business; or showing or forbearing to show, favour or disfavor to any other party in relation to the Group’s affairs or business, the employee shall reject such offer and report the same to his/her department head as soon as possible for further instruction.
- 2.4 No employee, with an intention to deceive any member of the Group, shall use any receipt, account or other document in respect of which the relevant member of the Group is interested, and which contains any statement which is false or erroneous or defective in any material particular, and which is to the employee’s knowledge to mislead/deceive the relevant member of the Group.

- 2.5 Definitions of fraud and bribery shall be referred respectively to the Theft Ordinance, Cap. 210 of the laws of Hong Kong and the POBO.
- 2.6 All employees are strictly prohibited directly or indirectly from committing or involving any fraudulent or corruption activity. Although entertainment (as defined in the POBO, i.e. food or drink provided for immediate consumption on the occasion, and any other entertainment provided at the same time) is an acceptable form of business and social behavior, employees should avoid accepting lavish or frequent entertainment from any party with whom the Group has business dealings (e.g. suppliers, contractors or customers).
- 2.7 All employees must as soon as possible approach their respective department heads for written identification of any arrangement or action (or omission) which could be illegal, immoral or inappropriate before such arrangement or action (or omission) is taken place, and the department head may consult the Compliance Department if he/she cannot identify the legality, morality or appropriateness of such arrangement or action (inaction). Subject to the complexity of each occasion, the Compliance Department may obtain written advices or opinion from the SC Group Legal Department. Both the Compliance Department and the SC Group Legal Department shall have right to directly approach the relevant employee for clarification, verification and confirmation purposes. Written advices or opinion from either the Compliance Department or the SC Group Legal Department (where applicable) will usually be given within two (2) business days unless otherwise it is specified by either the Compliance Department or the SC Group Legal Department (where applicable).
- 2.8 For an effective prevention from fraud and corruption, the following are some measures that must be in place:
- (i) Identifying areas within the Group that are most vulnerable to the risk of fraud and corruption, and the relevant department heads are required to undertake an evaluation of vulnerability on a periodic basis (the Compliance Department will provide or arrange to provide a training of such evaluation of vulnerability for all relevant department heads when necessary), and the department heads shall report all findings to the Compliance Department on a regular basis.
  - (ii) Continuous reinforcement of anti-fraud and anti-corruption awareness and training conducted for all employees, particularly the new entrants.
  - (iii) Systems and processes are adequately protected by internal controls.
  - (iv) The SC Group Internal Audit Department shall examine the sufficiency and effectiveness of internal controls on a regular basis, and provide recommendations if necessary.
  - (v) Other declarations and checks, e.g. criminal background checks on all new employees, contacting the new employee's previous employers and referees (if necessary); verifying qualifications and other relevant documents for supporting education and experience as alleged by the new employee; and a declaration in application form for all new employees to disclose all their brokerage accounts and relevant financial and/or non-financial interests.
- 2.9 The maximum limit for offering gifts or donations or receiving gifts, donations or advantage under the approval by the relevant department head shall not be more than HK\$1000 (or its equivalent in other currency) in cash or value, and all excesses shall be approved by the Chief Executive Officer or such other executive as delegated by the Chief Executive Officer from time to time. However, employees must decline an offer of advantage if acceptance will likely affect his/her objectivity and impartiality in discharging his/her duties or prejudice the interests of the Group. Any employee who receives gift, donation or advantage must complete a prescribed form (set out in Appendix B hereto) as soon as possible (no later than one (1) business day) and strictly follow the procedures set out therein. If an employee fails to

complete the prescribed form or follow the procedures, he/she will be subject to disciplinary actions unless the employee has his/her adequate cause which is accepted by the Chief Executive Officer.

- 2.10 Subject to sub-paragraph 2.8 hereinabove, in the event of offering gifts or donations which are customary courtesies for building and maintaining business relationships with customers, vendors and business partners etc., all employees shall take the following into consideration before the offering or donation:
- (i) it should be reasonable;
  - (ii) its value should not be excessive;
  - (iii) it should be common in business practice;
  - (iv) it should not be having an influence on the recipient's decision in any arrangement or business with any member of the Group;
  - (v) it should not be having any personal gain or favour; and
  - (vi) it should be lawful and moral, and not contravene to the relevant policy of the recipient.
- 2.11 Each gift or donation shall be properly documented and recorded by the Compliance Department, whether such gift or donation is approved or not in such manner as stipulated in sub-paragraph 2.8 hereinabove, and the record shall expressly state the nature, purpose, monetary value as well as details of the giver or receiver (as the case may be).
- 2.12 No unmerited treatment should be given to any vendor or contractor in procurement of goods or services. At least three (3) quotations from different independent vendors or contractors (including at least one (1) is a vendor or contractor on the vendor/contractor list (the "Vendor List") which is to be reviewed on an annual basis by the relevant department head) should be obtained for any goods or services of which the total value is HK\$20,000 or above for each single order/work or is HK\$50,000 or above for a series of order/work. Any one of the vendors or contractors on the Vendor List shall be appointed for any goods or services of which the value is below HK\$20,000. The relevant department head shall set out recommendations to any preferred vendor or contractor who is not on the Vendor List after evaluation with due care and diligence.
- 2.13 Each department head shall ensure all employees of his/her department are well informed of this Anti-Fraud Policy, and each employee shall immediately report any actual or suspected breach (including but not limited to malpractice, misconduct and impropriety) of this Anti-Fraud Policy to his/her department head (or report such breach by following Whistleblowing Policy if the breach is relating to the relevant department head), and all reports should be kept strictly confidential, which would only be disclosed to the Chief Executive Officer, members of the Executive Committee, the Compliance Department (limited to the person(s) who needs to know), the SC Group Legal Department (limited to the person(s) who needs to know) and the SC Group Human Resources Department (limited to the person(s) who needs to know).
- 2.14 Regular training relating to prevention of fraud and bribery and their risks shall be provided to all relevant employees by the Compliance Department or any other departments or third parties including the regulators and enforcement agencies as arranged by the Compliance Department.
- 2.15 The Accounts Department shall be responsible for establishing a robust financial and accounting control system for ensuring the accuracy and completeness of books of account, including prevention of any irregularities, and the system should be reviewed and audited regularly by the SC Group Internal Audit Department. The SC Group Internal Audit Department shall be notified in writing by the Accounts Department within a reasonable



period in the event of any change or modification of the aforesaid control system (usually within two (2) business days upon formal implementation of such control system).

- 2.16 Fraud investigation will be carried out by the Compliance Department, the SC Group Legal Department, the SC Group Internal Audit Department and/or the SC Group Human Resources Department as determined by the Chief Executive Officer on a case-by-case basis. If prima facie elements of fraud are established, the case will be referred to the relevant enforcement authorities after obtaining legal advices from the SC Group Legal Department.
- 2.17 All information received pertaining to the investigation and the investigation results must be kept confidential. Investigation results are not to be disclosed or discussed with anyone other than those who have a legitimate need to know.
- 2.18 The relevant member of the Group shall have right to suspend the employment of any employee who is under investigation of fraud or likewise, and the period of suspension shall depend on the complexity of the suspected case. The employee who is under investigation should not be allowed to enter into any of the Group's premises unless prior written approval is obtained from the SC Group Human Resources Department. If an approval of entry is obtained, the suspected employee will be under close supervision during the time in the Group's premises. Under no circumstances shall any property of the Group, both tangible and intangible, be copied, taken away, deleted or removed save and except personal property of the suspected employee. All access card and office keys must be returned to the SC Group Human Resources Department when an employee is under suspension of employment (for the avoidance of doubt, the suspected employee remains eligible for having his/her basic salary during the period of suspension of employment until termination of employment upon his/her fraud is established).

## **F. CODE OF CONDUCT (THIS "CODE")**

### **1. Overview**

This Code is to set out the honesty and morality standards for all employees as well as compliance with applicable laws, rules, regulations, codes (in particular the SFC Code of Conduct) and guidelines etc., and should be read in conjunction with all other policies set out in this Policy.

### **2. Compliance**

- 2.1 In the event that an employee has any material or inside information (as defined in the SFO) regarding any member of the Group or any other public entities that have business relationships with any member of the Group, the employee should not buy or sell any securities of the Company or such other public entities or disclose any inside information to others until such information is publicly available or a written consent is obtained from the Chief Executive Officer or such other executive as the Chief Executive Officer may delegate in the case of such information is related to any member of the Group, or from a senior executive of such public entity in the case of such information is related to such public entity.
- 2.2 Any violation of the sub-paragraph 2.1 hereinabove may result in civil and criminal offences. Employees who are uncertain as to the restrictions in purchasing or selling of securities should refer to the Securities Dealings and Confidential Information Policy.

### **3. Conflict of Interest**

- 3.1 Employees must at all times avoid conflict of interest in carrying out their duties and responsibilities.
- 3.2 Employees must not subordinate their judgment to any personal gain or advantage, or be unduly influenced by their own interests or interests of others in making their judgments, and

employees must disclose their interests in which a conflict may arise and such employees must not participate in any activity that would constitute a conflict of interest.

- 3.3 A conflict of interest would generally arise if an employee participates directly or indirectly to any activity that may impair or likely to impair the employee's objectivity or that is inconsistently with or opposed to the best interest of the Group.
- 3.4 If an employee intends to take up any other employment before or after the official working hours set out in his/her employment letter issued by any member of the Group, he or she must obtain prior written approval by completion of a prescribed form (set out in Appendix C hereto) before commencing his/her other employment. Basically, employees are not allowed to carry on any business competing with the Group (in any capacity of a director, officer, employee, consultant or having any equity interest, other than having listed securities) or in the event of any family business of an employee which is in competition with any business of the Group, the employee must disclose such by completion of a prescribed form (set out in Appendix D hereto) as soon as possible from the date of his/her awareness of such and strictly follow the procedures set out therein (for the avoidance of doubt, any employee who is not able to ascertain a business to be/being carried out by him/her or his/her family is in competition with the business of the Group, such employee shall as soon as possible approach the Compliance Department for clarification).

#### 4. Integrity

Employees must not take unfair advantage of or harm anyone through manipulation, concealment, abuse of confidential or inside information, misrepresentation, fraudulent activity or any other unfair practice, but employees must perform their respective duties and responsibilities for the Group with high degree of integrity. Integrity requires employees to perform their work with honesty, diligence, responsibility, ethics and in compliance with the relevant laws, rules, regulations, codes and guidelines etc.

#### 5. Working Environment

The Group is committed to:

- (i) providing a working environment to all employees without having any discrimination in terms of race, ethnicity, gender, religion and age, and no harassment in any form is allowed;
- (ii) providing open communication channels for all levels of employees for their expression of opinions and suggestions to their respective department head or to the SC Group Human Resources Department if the relevant department head is the subject that the employee intends to express. All of such opinions and suggestions would be treated strictly confidential, and prompt and thorough investigation will be carried out as soon as possible in case of complaints (for the avoidance of doubt, no retaliation will be taken against any employee who reports any incident or makes a complaint); and
- (iii) providing a safe and healthy working environment for employees making valuable contributions to the Group, and any employee experiencing any serious illness should report to their respective department heads and the SC Group Human Resources Department for ensuring the continuity of the operations of the Group in a safety manner.

#### 6. Company Assets and Records

- 6.1 Employees should not use the assets of the Group (inclusive software, hardware, intellectual property and facilities) for their personal use, and should protect the assets of the Group by avoiding carelessness and waste and by using such assets prudently.
- 6.2 Employees shall be responsible for providing honest and accurate information in the course of their work with the Group, and all records and documents of the Group must be kept in such a

way as to accurately and fairly reflect all transactions of the Group in a reasonably detailed manner. Knowingly providing any false, misleading, incomplete or inaccurate information is not allowed, and all information must be updated if changes become known.

## **G. HANDLING OF CONFIDENTIAL INFORMATION POLICY (THIS “CONFIDENTIALITY POLICY”)**

### 1. Overview

- 1.1 All employees must not use or disclose any confidential information, whether written or not, in their possession save and except in the proper course of their duties or with the necessary prior approval. Confidential information applies to all information that if disclosed inadvertently or without authorization could have a significant negative consequence or constituted an offence.
- 1.2 Any dealing by employees in securities of the Company or SCH (or securities of a listed client or partner of the Company or SCH) resulting from possession of any confidential information obtained through his/her employment is prohibited.
- 1.3 Confidentiality is a continuing obligation for all employees, which remains in force after an employee has left the Group unless such inside information is publicly disclosed or made available to the public without violating the confidentiality provision.

### 2. Handling of Confidential Information

#### 2.1 Disclosure

Basically all matters of a material nature would be required to be escalated to the Chief Executive Officer as soon as practicable, and all relevant department heads should remain vigilant at all times for all confidential information, and should approach the Compliance Department as soon as possible for ascertaining the price sensitivity nature of such information if any relevant department head is not able to identify the nature of such information, for the purpose of disclosure consideration on a timely basis.

#### 2.2 Internal Control

All employees are bound by the following with respect of confidential information:

- (i) Access to any confidential information should be restricted to such person(s) who have a clear reason to access such information and such information should be disclosed to an extent for a stated purpose, and all professional parties, e.g. accountants, financial advisers, lawyers and valuers etc. to which such information is disclosed should owe a duty of confidentiality;
- (ii) Record of distribution of information, including the identity of the recipients and the time of dispatch should be kept;
- (iii) If any employee becomes aware of any leaks or inadvertent disclosure of any inside information, such employee should immediately report such to his/her department head and the department head should as soon as possible consult the Compliance Department; and
- (iv) Employees must not use, or allow any confidential information to be used, for any personal purpose other than discharging his/her duties in the course of employment. The requirement for confidentiality is a continuing obligation which remains in force after termination of employment.

#### 2.3 Information Security

Each department head shall be responsible for every piece of confidential information whether such information is created by his/her department or received from external parties as follows:

- (i) determining the authorization and handling process of such information;
- (ii) taking steps to ensure that appropriate controls are in place in respect of storage, handling, access control and distribution;
- (iii) ensuring such information is to be made available to any party on a need-to-know basis; and
- (iv) all legal, regulatory and contractual requirements pertaining to information security and privacy must be considered and addressed.

## **H. WHISTLEBLOWING & COMPLAINT (THIS “WHISTLEBLOWING POLICY”)**

### **1. Overview**

- 1.1 The Group is committed to maintaining good corporate governance, and encourages employees and other stakeholders (e.g. clients and vendors) to report any misconduct, malpractice or irregularities carried out or involved or reasonably suspected to have been carried out or involved by any employee or other stakeholder of any member of the Group.
  - 1.2 This Whistleblowing Policy aims to (i) provide a confidential channel and guidance on reporting complaints or improprieties; and (ii) handle the reports with care for protection for the whistleblower against any victimization or unfair disciplinary action for any genuine report made.
- ### **2. Misconduct, Malpractice and Irregularities**
- 2.1 Misconduct, malpractice and irregularities activities are non-exhaustive. The Group expects all employees and other stakeholders to observe and apply the principle of ethics in carrying out their businesses or duties at all times. Any manner or behavior which is not in line with principle of ethics might constitute misconduct, malpractice or irregularity that should be reported.
  - 2.2 Principle of ethics shall include but is not limited to the following:
    - (i) No fraudulent or corruption;
    - (ii) Observance and performance of all provisions set out in the Company’s staff handbook and memos issued by the SC Group Human Resources Department from time to time;
    - (iii) Compliance with all relevant laws, rules, regulations, codes, guidance and etc.;
    - (iv) Protection of the Group’s properties, both tangible and intangible;
    - (v) Obligation of notification and reporting on a timely manner;
    - (vi) Compliance with health, safety and environment requirements;
    - (vii) No harmful, discriminatory or retaliatory action against a whistleblower resulting from any report made pursuant to this Whistleblowing Policy; and
    - (viii) No deliberate concealment of any information relating to the matters set out above.
  - 2.3 For the avoidance of doubt, all complaints related to the products or customer services or loss of any properties in the premises of the Group or under the Group’s custody are not normally covered under this Whistleblowing Policy, unless such complaints involve any misconduct, malpractice or irregularity.
- ### **3. Protection for Whistleblowers**
- 3.1 Each whistleblower should disclose his/her contact mode, e.g. email, telephone number and/or address in the complaint, and each whistleblower making genuine and appropriate reports is assured of fair treatment, i.e. no unfair dismissal, victimization or unwarranted disciplinary action should be taken place.

3.2 The Group will take appropriate actions against anyone who initiates or threatens to initiate retaliation against a whistleblower, in particular, an employee who initiates or threatens retaliation will be subject to disciplinary actions, including summary dismissal.

#### 4. Confidentiality

4.1 The Group will keep the identity of whistleblower confidential, but the whistleblower is required to keep his/her complaint confidential for avoidance of jeopardizing the investigation.

4.2 However, if the identity of the whistleblower is required for being disclosed due to the nature of the investigation, then the Group will inform the whistleblower that his/her identity will be disclosed and assure that such disclosure will only be made to such person who needs to know.

4.3 If the complaint is related to any conduct of a criminal nature, the Group will inform the whistleblower that his/her complaint will be referred to the enforcement agency (for the avoidance of doubt, in some special occasions, the Group may not give any prior notice to the whistleblower for referring his/her complaint to the enforcement agency), and the whistleblower should extend his/her cooperation with the agency. The Group will allow the whistleblower to temporarily hold up his/her duties during his/her employment period for the provision of all necessary assistances to the agency (but the whistleblower should minimize all interruptions caused to his/her duties on a reasonable manner).

#### 5. Reporting Channels

5.1 All whistleblowers should follow the Whistleblowing Policy and procedures set out in the website of the Company for reporting their complaints directly to the SC Group Internal Audit Department by email or by post in a sealed envelope marked “Confidential and Opened by the Addressee Only” as follows:

Email: [whistleblowing@sctrade.com](mailto:whistleblowing@sctrade.com)

Address: 28<sup>th</sup> Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

If any director of the Company or any staff of the SC Group Internal Audit Department is the concerned person in the complaint, the whistleblower should make his/her complaint directly to the Chairman of the Board of Directors by post in a sealed envelope marked “Confidential and Opened by the Addressee Only” as follows:

Address: 28<sup>th</sup> Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

5.2 All complaints should be supported by evidence for facilitating evaluation and investigation.

5.3 Any department or business unit receives any complaint regarding any misconduct, malpractice or irregularity should immediately redirect such to the SC Group Internal Audit Department.

#### 6. Anonymous Report

The Group requires to carrying out investigations of the alleged misconduct, malpractice or irregularities, an anonymous report will not be acted upon. Therefore, it is strongly recommended that all complaints should not be made anonymously.

#### 7. Investigation

7.1 Upon receipt of a complaint (other than a complaint against a director of the Company or any staff of the SC Group Internal Audit Department), the SC Group Internal Audit Department will review and evaluate it, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, a report prepared by the SC Group Internal Audit Department will then be circulated to the relevant department head, MIC of Overall Management Oversight of the relevant Licensed Corporation and the SC Group Human Resources Department for the purpose of consideration and determination of any remedial and disciplinary actions to be taken. If the concerned person in the complaint is

either a director of the Company, MIC of Overall Management Oversight of the relevant Licensed Corporation, any other MIC of the relevant Licensed Corporation or any staff of the SC Group Internal Audit Department, the Chairman of the Board of Directors of the Company or such other person(s) as he/she may delegate from time to time will review and evaluate the complaint, and then determine the mode of investigation. If the alleged misconduct, malpractice or irregularity is confirmed, the Chairman of the Board of Directors will make a final decision on the actions to be taken.

- 7.2 Upon completion of investigation, a report will be prepared without revealing the identity of the whistleblower. For confirmed violation of principle of ethics, the normal process is for the relevant department head with assistance from the SC Group Human Resources Department to determine the disciplinary and/or other appropriate actions, and the whistleblower will be informed of the final result of the investigation in a timely manner.
- 7.3 If the complaint is related to any criminal nature, the SC Group Internal Audit Department will forthwith inform the Chairman of the Board of Directors of the Company or such other director as he/she may delegate from time to time and MIC of Overall Management Oversight of the relevant Licensed Corporation for referring such matter together with all evidences provided by the whistleblower to the enforcement agency. Please note that once the matter is referred to the enforcement agency, the Group will not be able to take further action on that matter.

## 8. Suspension of Employment of Suspected Employee

- 8.1 Where initial investigation provides reasonable grounds for a suspected employee (other than a director of the Company, MIC of Overall Management Oversight of the relevant Licensed Corporation, any other MIC of the relevant Licensed Corporation or a member of the SC Group Internal Audit Department) of material misconduct, malpractice or irregularity, the SC Group Internal Audit Department will liaise with the SC Group Human Resources Department and the department head of the suspected employee for determination of suspension of employment by taking into account of such factors as to prevent the suspect from destroying or removing evidence that may be needed to support disciplinary or criminal action.
- 8.2 Where initial investigation provides reasonable grounds for a suspected person, who is either a director of the Company, MIC of Overall Management Oversight of the relevant Licensed Corporation, any other MIC of the relevant Licensed Corporation or a member of the SC Group Internal Audit Department, of material misconduct, malpractice or irregularity, the Chairman of the Board of Directors of the Company or such other person(s) as he/she may delegate from time to time will liaise with the SC Group Human Resources Department (if necessary) for determination of suspension of employment by taking into account of such factors as to prevent the suspect from destroying or removing evidence that may be needed to support disciplinary or criminal action.
- 8.3 The suspect who is under suspension of employment should not be allowed to enter any of the Group's premises unless prior approval is obtained from the SC Group Human Resources Department. If approval is obtained for the suspect entering into the premises of the Group, he/she will only be allowed to his/her work desk or such other area(s) as identified by the SC Group Human Resources Department and the suspect should be under close supervision and monitoring. Collection of personal property is permitted but under no circumstances can any property or data belonging to any member of the Group be removed or taken away. Any security passes and keys, which are the properties of the Group, must be returned to the SC Group Human Resources Department during the period of employment suspension.

## 9. Untrue Report

If a whistleblower maliciously makes an untrue report, having any ulterior motive or personal gain, the Group reserves all rights to take appropriate actions against the whistleblower, including summary dismissal if the whistleblower is an employee.

10. Record Retention

If any report in relation to misconduct, malpractice or irregularities received from the channels as mentioned above leads to an investigation, the SC Group Internal Audit Department shall ensure that all relevant information relating to the case should be retained for a period of not less than seven (7) years (or such other period as specified by the relevant legislation).

**I. CLEARANCE ON MARKETING MATERIALS (THIS “CLEARANCE POLICY”)**

1. Overview

This Clearance Policy provides a guideline to all relevant members of the Group covering all marketing, promotion and advertising materials (collectively, “**marketing materials**”) in relation to all financial services (including all regulated activities as defined in the SFO).

2. General Guidelines

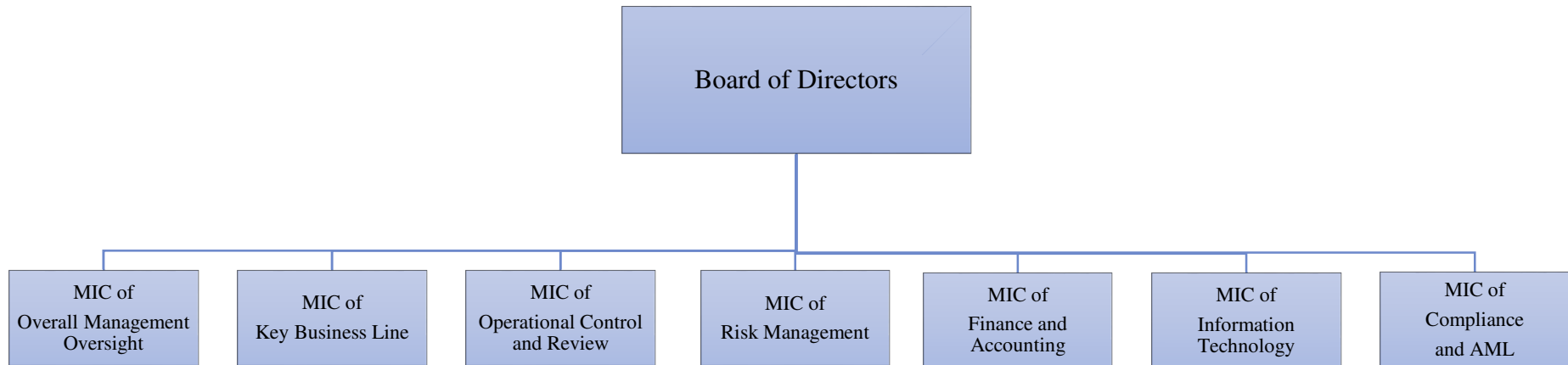
- 2.1 All contents for marketing, promotion or advertising purposes should not be published or disclosed to any third party or the public by whatsoever means (e.g. written, printed, electronic or graphic representation) without the written approval by the Compliance Department. All marketing materials, except recruitment advertisements, must be forwarded to the Compliance Department for review and approval in advance of the disclosure for the purpose of design, printing or publication.
- 2.2 All contracts for public relations, advertising, marketing, design or related services must be reviewed and opined by the SC Group Legal Department.
- 2.3 All proposed logos, trademarks, service marks, tradenames or URLs must be reviewed and approved by the Compliance Department. If any department intends to apply for trademark rights in any marketing material, including logos, slogans and words, the relevant department head must first obtain the approval of the Compliance Department, and all application for protection of trademarks will be made through the SC Group Legal Department which will then work in conjunction with the trademark agent to determine whether such trademark is available for use and registration. For the avoidance of doubt, all such trademark applications and rights shall be the property of the Company or any other relevant member of the Group.
- 2.4 If any copyrighted material is included in marketing materials, written permission from the copyright owner must be obtained before the marketing materials are sent to the Compliance Department in the manner set out in sub-paragraph 2.1 hereinabove.
- 2.5 Regarding any marketing materials in relation to the financial products, the relevant department head should ensure the following areas have already been addressed properly:
  - (i) Disclosure of self-interest in recommending any particular securities;
  - (ii) Disclaimers in the 3 areas: Offer to Buy/Sell, Reminder of Risks and Accuracy of Information;
  - (iii) Infringement issues; and
  - (iv) Misrepresentation issues.
- 2.6 For compliance of the areas (i) to (iv) set out in sub-paragraph 2.5 hereinabove, the Marketing Department or any other relevant department should complete a checklist in a prescribed form (set out in Appendix E hereto) and then pass it to the Compliance Department for review and the relevant Responsible Officer for approval before the release of any marketing materials to the public or any third party.

## **J. RECORD RETENTION**

1. Overview
  - 1.1 To maintain comprehensive records in sufficient details relating to businesses and clients' transactions for proper accounting of:
    - (i) business operations; and
    - (ii) clients' assets
  - 1.2 Record includes contracts, registers, order forms, confirmations and documents evidencing any authority given by clients, but it does not include telephone conversation records.
  - 1.3 Apart from general record keeping, the Securities and Futures (Keeping of Records) Rules, Cap.571O of the laws of Hong Kong prescribes particular record keeping requirements for selected types of regulated activities:
    - (i) dealing in securities;
    - (ii) providing securities margin financing or other financial accommodation and effecting margined transactions; and
    - (iii) asset management.
2. General Guidelines
  - 2.1 All Licensed Corporations under the Group shall ensure to keep records which are sufficient to:
    - (i) reconcile balances and positions at least monthly with statements provided by external parties, such as the Stock Exchange, clearing houses, banks and etc.;
    - (ii) demonstrate compliance with specified provisions set out in the Securities and Futures (Client Money) Rules, Cap.571I of the laws of Hong Kong ("Client Money Rules") and Securities and Futures (Client Securities) Rules, Cap.571H of the laws of Hong Kong ("Client Securities Rules");
    - (iii) demonstrate compliance with the systems of control for ensuring compliance with the relevant provisions set out in the Client Money Rules and the Client Securities Rules; and
    - (iv) enable all clients' transactions and movements of client assets to be traced through its accounting, trading, settlement and where applicable, stock holding systems.
  - 2.2 Record retention period (unless otherwise set out in the SFO):
    - (i) not less than seven (7) years – in general;
    - (ii) not less than two (2) years for records showing particulars of orders; and
    - (iii) not less than six (6) months for telephone records of order instructions.
  - 2.3 Regarding any non-compliance of the above, it is necessary to notify the SFC in writing within one (1) business day.



## APPENDIX A – MIC ORGANISATION CHART



Remarks

Core Function	Description
Overall Management Oversight	A function responsible for directing and overseeing the effective management of the overall operations of the corporation on a day-to-day basis Key responsibilities may include: - Developing the corporation's business model and associated objectives, strategies, organisational structure, controls and policies; - Developing and promoting sound corporate governance practices, culture and ethics; - Executing and monitoring the implementation of Board-approved business objectives, strategies and plans, and the effectiveness of the organisational structure and controls. Example#: Chief Executive Officer, President
Key Business Line	A function responsible for directing and overseeing a line of business which comprises one or more types of regulated activities Example#: Chief Investment Officer, Head of Equity, Head of Corporate Finance, Chief Rating Analyst, Head of Fund Marketing
Operational Control and Review	A function responsible for: - Establishing and maintaining adequate and effective systems of controls over the corporation's operations; - Reviewing the adherence to, and the adequacy and effectiveness of, the corporation's internal control systems Example#: Chief Operating Officer, Head of Operations, Head of Internal Audit
Risk Management	A function responsible for the identification, assessment, monitoring and reporting of risks arising from the corporation's operations Example#: Chief Risk Officer, Head of Risk Management
Finance and Accounting	A function responsible for ensuring the timely and accurate financial reporting and analyses of the operational results and financial positions of the corporation Example#: Chief Finance Officer, Financial Controller, Finance Director
Information Technology	A function responsible for the design, development, operation and maintenance of the computer systems of the corporation Example#: Chief Information Officer, Head of Information Technology
Compliance	A function responsible for: - Setting the policies and procedures for adherence to legal and regulatory requirements in the jurisdiction(s) where the corporation operates; - Monitoring the corporation's compliance with the established policies and procedures; - Reporting on compliance matters to the Board and senior management Example#: Chief Compliance Officer, Head of Legal and Compliance
Anti-Money Laundering and Counter-Terrorist Financing	A function responsible for establishing and maintaining internal control procedures to safeguard the corporation against involvement in money laundering activities or terrorist financing Example#: Head of Financial Crime Prevention, Head of Compliance



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APPENDIX B - GIFTS/ADVANTAGES RECEIVED FORM

Part A – To be completed by receiving department

Receiving Department ( )
Description of Offeror/Giver:
Name & Title:
Company:
Relationship:
Occasion on which the gift/advantage is offered/given:
Description & value (in HK\$) of gift/advantage:

Suggested treatment:

- \*( ) Retain by the receiving staff
\*( ) Retain for display/as souvenir in the office premises
\*( ) Share among all staff of the receiving department
\*( ) Reserve for lucky draw prize in any staff function
\*( ) Donate to a charitable organization
\*( ) Return to Offeror/Giver
\*( ) Others (please specify) :
\* Tick as appropriate

Remarks

Signed by the receiving staff:

Approved by Department Head:

(Name & Signature & Date)

(Name & Signature & Date)

Part B – To be completed by MIC of Compliance or MIC of Overall Management Oversight of the relevant Licensed Corporation (If the gift/advantage is received by MIC of Compliance or MIC of Overall Management Oversight of the relevant Licensed Corporation, approval should be obtained from the CEO)

The suggested treatment set out in Part A is \*\*approved / not approved (the gift/advantage should be treated as follows):

(Date & Title)

(Name & Signature)

\*\*Delete as appropriate



APPENDIX C - DECLARATION OF CONFLICT OF INTEREST

Part A – Declaration (To be completed by declaring staff)

I hereby report the following actual/potential\* conflict of interest situation to be arisen/has arisen\* since \_\_\_\_\_ during the discharge of my official duties:

1. Name of person/company with whom/which I have actual/potential\* conflict of interest:
2. My relationship with the person/company set out in item 1 above:
3. Relationship of the person/company with the Group (if any):
Brief description of my work discharged for the person/company and the reason for having conflict of interest or potential conflict of interest:

Note: Supporting evidence shall be provided by the declaring staff

Signed by the declaring staff:

Acknowledged by Department head:

(Name & Signature & Date)

(Name & Signature & Date)

\*Delete as appropriate

Part B – Approval (to be completed by MIC of Compliance and MIC of Overall Management Oversight of the relevant Licensed Corporation)

The information contained in your declaration in Part A above is noted. It has been decided that:

\*\* ( ) You should refrain from performing or getting involved in performing the work as described in Part A, which may give rise to a conflict of interest with the Group’s business.

\*\* ( ) You may continue to discharge the work as described in Part A above provided that there is no change in the information declared above, and you must immediately notify the Group by completing another Declaration of Conflict of Interest in the event that your work nature or description is changed which might have conflict of interest with the Group’s business.

\*\* ( ) Others (please specify): \_\_\_\_\_

\*\*Tick as appropriate

Signed by MIC of Compliance :

Signed by MIC of Overall Management Oversight:

(Name & Signature & Date)

(Name & Signature & Date)



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**APPENDIX D - APPLICATION FOR OUTSIDE EMPLOYMENT**

**Part A – To be completed by applicant**

I hereby apply for approval of my intended outside employment:

Name of company	Nature of business	Position	Effective Date	Employment Period	Working Time

Signed by applicant:

Endorsed by Department Head:

\_\_\_\_\_  
(Name & Signature & Date)

\_\_\_\_\_  
(Name & Signature & Date)

**Part B – To be completed by MIC of Compliance and MIC of Overall Management Oversight of the relevant Licensed Corporation**

The application for the intended outside employment set out in Part A above is \*approved / not approved.

Signed by MIC of Compliance:

Signed by MIC of Overall Management Oversight:

\_\_\_\_\_  
(Name & Signature & Date)

\_\_\_\_\_  
(Name & Signature & Date)

*\*Delete as appropriate*

*(Approval record should be retained by both Compliance Department and declaring department.)*



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**APPENDIX E - MARKETING MATERIALS CHECKLIST**

(This Checklist is only applicable for any publication of materials relating to financial market or products)

**To be completed by Marketing Staff (other than Research Department)**

	<b>Checklist</b>	<b>Yes</b>	<b>No, please specify reasons</b>
1	Any particular stock or derivatives is recommended? If yes, disclosure of interest is required.		
2	Offer: This article does not constitute any offer, solicitation or invitation to purchase, sell or hold any securities or its derivatives (similar wordings having the same meaning are also acceptable). 本文不構成任何要約，招攬或邀請購買，出售或持有任何證券或其衍生產品		
3	Risks: Investments involve risks and the information contained herein is not given based on anyone's investment objective, financial status, risk preference and/or personal information. Therefore, readers shall use your own judgment and/or seek professional advices before making any investment decision and shall not rely on this article for making any investment decisions (similar wordings having the same meaning are also acceptable). 投資涉及風險，在本文所載資料沒有考慮到任何人的投資目標，財務狀況和風險偏好及/或個人資料，因此閱讀者應當於作出任何投資決定前自行判斷及/或尋求專業意見，且不應依賴本文作出任何投資決定。		
4	Accuracy: The information herein may be based on data from other organizations in which we have not verified the same and we give no guarantee or warrant as to the accuracy, correctness or completeness of all the information herein. (similar wordings having the same meaning are also acceptable): 本文所載資料乃根據其他機構的數據而編製，惟該等數據未經獨立核證，故本集團不會就本文及其所提供資料的準確性、正確性或完整性作出任何保證或擔保。		
5	For direct quoting other organization's statistics, charts and etc., please quote the source of information and ensure we do not have the infringement issues.		N/A
6	Correct company name and license status? (If the licensed author's name is also disclosed, please also specify his/her licensing status and licence number)		
7	Confirm the Responsible Officer on the technical accuracy of the content, and no misrepresentation therein.		

Prepared by Marketing / Licensed Author:	Reviewed by Compliance Department:	Approved by Responsible Officer:
Signature:  _____	Signature:  _____	Signature:  _____
Name:	Name:	Name:
Position:	Position:	Position:
Date:	Date:	Date:

*(Approval record should be retained by both Compliance and Marketing Department.)*