

LESSO 联塑

China Lesso Group Holdings Limited

**Anti-fraud Management System and
Whistleblowing Policy**

Chapter 1 General Provisions

Article 1 Purpose

1. In order to prevent and control fraud, strengthen the corporate governance of China Lesso Group Holdings Limited (the “Company”) and its subsidiaries (including overseas subsidiaries) (“the Group”) and safeguard the legitimate rights and interests of the Group, this document is formulated in accordance with relevant laws and regulations and the actual situation of the Group.
2. To standardise the professional behaviors of all employees of the Group and the relevant business partners, including the management, employees at all levels and third parties (such as agents, suppliers and contractors) engaged in business with the Group.

Article 2 Range of Application

1. This document is applicable to all employees of the Group (including the management and employees at all levels) and third parties (such as agents, suppliers and contractors) engaged in business with the Group, covering the whistle-blowing, accepting, investigating and reporting of the processing results of fraudulent activities.
2. This document also applies to the overseas subsidiaries, which must also comply with the relevant laws and regulations of the place of incorporation.

Article 3 Definitions

The term “fraud” in this document refers to the improper behaviors of employees of the Group or third parties engaged in business with the Group, which harm the economic interests of the Group by resorting to fraud, demanding and accepting bribes, interfering with examination, disclosing secrets and other illegal means for their own interests; or the improper behaviors of the employees of the Group who use illegal means to damage the interests of the state, other organizations, individuals or shareholders, in order to gain improper economic benefits for the Group and gain relevant benefits for themselves.

Any one of the following circumstances constitutes a fraudulent act:

1. Offering any form of bribe or rebate to any person for the purpose of obtaining business or other improper benefits for the Group;

2. Accepting any form of bribe or commission from any person in return for providing any business (any business, contract or other benefit) relating to the Group;
3. Illegal use, embezzlement, misappropriation and theft of the Group's assets;
4. Transferring to others transactions that would normally benefit the Group;
5. Deliberately concealing or misstating transactions, so that the Group makes payments for the false transactions;
6. Divulging business or technical secrets of the Group;
7. Forging or altering accounting records or vouchers and providing false financial reports;
8. Other fraudulent acts damaging the economic interests of the Group or seeking improper economic interests.

Article 4 Responsibilities of Relevant Functional Departments and Organisations

1. The Group's Board of Directors and Audit Committee continuously supervise anti-fraud work and conduct investigation and guidance work when necessary. The Anti-fraud Control Unit is responsible for making decisions on fraud case acceptance, auditing and handling decisions. The Internal Audit Department, a standing body for anti-fraud work, is responsible for complaint information acceptance, audit and investigation, and in case of complex cases, the Fraud Report Investigation Team be set up to handle the cases.
2. All employees must abide by the Group's code of conduct, code of ethics and laws and regulations involved in the country and industry; third parties partners must abide by the Group's anti-fraud guidelines and the *Supplier Code of Conduct*, and sign the *Integrity Agreement*.

Chapter 2 Whistle-blowing, Receipt, Investigation, Reporting and Punishment of Fraud Cases

Article 5 Report of Fraudulent Acts

1. Employees of the Company and external parties with direct or indirect economic relations with the Company must report any violation of professional ethics by the Company's employees or report actual or suspected fraud cases through the following reporting channels:
 - Contact the Anti-fraud Control Unit privately;
 - Mail to the special mailbox: Special Mailbox for Fraud Report, 1/F, Building C5, Zone C, Lesso Industrial Village, Longjiang Town, Shunde District, Foshan City, Guangdong Province, China, Postal Code: 528318;
 - Send to the dedicated email address: DSJ@lesso.com;
 - Other appropriate reporting channels.
2. The Group accepts anonymous reports and encourages real-name reporting. The whistleblowers must inform the Group of the names, departments, specific circumstances and evidence of violations by the case suspect according to the facts for timely and rapid investigation. In principle, the Group gives priority to real-name reporting or reporting with evidence or clear clues.

In view of confidentiality considerations, we will not provide a complete investigation report to the real-name whistleblower, but we will promptly notify the real-name whistleblower of the relevant investigation results. The complainant and whistleblower shall keep it confidential if the results of the investigation involve content that is not to be disclosed or confidential. If the whistleblower is a third party, he/she must sign a confidentiality agreement before receiving the results of the investigation. Those who leak, diffuse, or improperly use relevant information shall bear corresponding responsibilities.

Article 6 Access to and Handling of Fraud Report Information

The Anti-fraud Control Unit receives real-name or anonymous reports from employees and external third parties, and the Investigation Organisations conduct preliminary verification of the reported information. The fraud report information will be recorded if necessary, but the consent of the whistleblower must be obtained before recording. All the fraud reports must be registered, and the report materials must be sealed in the file bag, labeled with numbers, and archived. The Internal Audit Department is responsible for file management.

Article 7 Acceptance of Fraud Report Information

The Anti-fraud Control Unit processes the fraud report information on a regular basis and, depending on the type of case, transfers the case to the Internal Audit Department or set up a temporary Investigation Team for investigation and process.

The Investigation Organisations must evaluate the scope and complexity of fraud in a confidential manner in time, and submit the evaluation results to the Anti-fraud Control Unit to decide whether to accept the report and investigate. Major fraud cases must be reported to the Board of Directors and the Audit Committee in a timely manner, and the Board of Directors must make decisions and issue relevant opinions. Major fraud cases must be reported to the Board of Directors and the Audit Committee in a timely manner, and the Board of Directors must make decisions and issue relevant opinions.

Article 8 Investigation of Fraud Report

8.1 Principles for Fraud Investigation

1. The Investigation Organisations must abide by the principle of confidentiality, strictly keep the identity and information of the whistleblower confidential and respect the confidentiality of any information collected for the purpose of an investigation; and must only use the information for the investigation, and must not use it for the benefit of themselves or others.

2. The Investigation Organisations must, in accordance with the principles of concrete evidence, objectivity and justice, accurate conclusion and proper handling, advise the Anti-fraud Control Unit to punish the case suspect during the investigation. If the case suspect committed a crime, the case must be sent to the Judiciary.
3. Disciplinary action and punishment must be imposed on the Investigation Organisations' fraud investigators who violate the relevant anti-fraud management system, have major negligence in work and dereliction of duty, abuse of power, neglect of duty, play favoritism and commit malpractice, embezzlement and bribery, and divulge secrets. The Anti-fraud Control Unit must seriously punish the units and individuals who delay or refuse to implement the handling decision. If the case constitutes a crime, it must be sent to the Judiciary.

8.2 Procedures for Fraud Investigation

The Investigation Organisations must conduct the investigation in accordance with the following requirements:

1. To assess the qualifications, skills and independence of the Investigation Organisations' investigators involved in the detection or investigation of fraud.
2. To assess the scope and complexity of the fraud and avoid providing information to or being misled by the information provided by the case suspect.
3. To design an appropriate fraud investigation scheme to find out about the person(s) committed the fraud, the extent, method used in and reason of the fraud.
4. To communicate with the company management, fraud investigators, legal counsel and other experts in the process of fraud investigation.
5. To maintain due professional care, protect the legitimate rights and interests of the whistleblower, and safeguard the interests of the Group, and avoid damaging the legitimate rights and interests of the relevant companies or personnel.

Article 9 Report on Fraud Report Investigation

During the fraud report investigation, the Investigation Organisations must make prompt report. After the Investigation Organisations complete the procedures for the investigation, it must consider the severity of the case in terms of the nature and amount, and issue a corresponding investigation report.

Article 10 Implementation of Handling Decision on Fraud Reports

10.1 Formation of Handling Decision

The Investigation Organisations suggest handling according to the nature of the case and the facts of the investigation, which must be approved by the Vice Presidents or above of each line of the Anti-fraud Control Unit. When the handling decision on fraud reports is issued to the unit under investigation for implementation, the unit under investigation must strictly implement the decision.

10.2 Fraud Litigation

The Anti-fraud Control Unit must decide whether to proceed with a lawsuit based on the amount of money involved or lost, the nature of the case and the degree of impact. In case of a litigation, the Legal Department must provide the prosecution evidence and professional advice on legal prosecution based on the investigation evidence, and follow up on the litigation as directed by management and as required by the Judiciary.

10.3 Review of Handling Decision

If the unit or individual against whom a complaint is lodged disagrees with the investigation result or the handling decision, it may apply to the Investigation Organisations for a review. The Investigation Organisations must arrange a review by designated persons to report the results to the Anti-fraud Control Unit, who decides whether the original report and decision are maintained, changed or revoked.

Article 11 Punishment on Fraudulent Acts

The responsible persons must be held liable for the fraudulent acts according to the relevant provisions of the applicable laws, regulations and the rules of the Group. The penalties may be adopted separately or in combination, including but not limited to admonishment, announcement and criticism, transfer from the post, demotion, salary reduction, termination, dismissal, economic compensation liability, etc. If the case constitutes a crime, it must be sent to the Judiciary.

Any employee who is dismissed due to fraud is deemed a serious violation of the Company's rules, and the Company does not bear any economic compensation liability. In principle, the employee never get hired again.

The punishment imposed on the third party committed fraud in business cooperation including but not limited to suspension of business payment, blacklist, reporting of the fraud to the relevant supervision department or relevant regulatory agency, supervision of the relevant third party for punishing the relevant responsible person, etc.

Chapter 3 Management of Whistleblower

Article 12 Whistleblower Protection Policy

The fraud investigators must keep the information of the whistleblower as well as the reported content confidential. When accepting a report from the whistleblower or verifying the information with the whistleblower, it must keep the information confidential and not expose the identity of the whistleblower. No retaliation against the whistleblower is allowed under any pretext. The principle of protecting the legitimate rights and interests of the whistleblower from infringement must be strictly followed. For those whistleblowers who do experience retaliation, the Group provides necessary legal assistance.

The reporting materials must be classified as confidential document, and it is strictly prohibited for anyone to transfer the reporting materials to the reported department or the reported person for their own interests.

Article 13 Responsibilities, Rewards and Punishments

The whistleblower must guarantee the authenticity and reliability of the fraud report information. If the whistleblower deliberately fabricates facts, provides false information and defames others in the name of reporting, it must be seriously dealt with in accordance with relevant regulations of the Company. If the case constitutes a crime, it must be sent to the Judiciary.

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Chapter 4 Supplementary Provisions

Article 14 Relevant Internal Documents of the Group

Internal Audit Standards of China

Internal Audit Charter

Article 15 Notes

1. This policy will be published on the Group's website.
2. This policy shall take effect on the date of issuance after being signed by the President.
3. This policy may be adjusted according to the business development and management needs of the Group, and the adjusted system shall take effect after being signed by the President.
4. The internal control center is responsible for the interpretation of this policy.