

## **TEXHONG TEXTILE GROUP**

### **Anti-bribery and Anti-corruption Management Regulations**

**(2021 revised version)**

#### **1. Purpose**

In order to firmly adhere to the anti-corruption principles of the Group and its subsidiaries, purify the business environment and social atmosphere, solidly facilitate the governance of corruption and bribery in business activities, strengthen the internal control mechanism of Texhong Textile Group, and uphold the attributes of honesty and trustworthiness, the Group hereby formulates the Management Regulations (hereinafter referred to as the “Regulations”) to strengthen the supervision of the system and implement the anti-corruption system, enhance the supervision and management of key processes and key positions that are prone to frequent corruption, ensure the governance of commercial bribery commitment system, strictly follow the fair competition rules, guide the management of the Company to act according the law and be honesty and trustworthy, consciously resists the acts of corruption, such as sacrificing principles for profit, injuring the public interest to benefit one's private interest, acting in bad faith etc., and establish a good corporate image based on its actual situation.

#### **2. Scope of Application**

All companies under Texhong Textile Group Limited are applicable, including the wholly-owned subsidiaries and joint ventures.

#### **3. Professional Ethics Standards for Employees**

The Company is committed to maintaining the highest ethical standards in business conduct. Honesty, integrity and fairness are the core values for all the directors and employees of “Texhong Textile Group” (hereinafter referred to as the “Group”) to safeguard at all times. The “Code of Conduct for Employees” of Texhong Textile Group shall be implemented in respect of the basic standards of conduct that the directors and employees must adhere to and the policies on acceptance of benefits and declaration of conflicts of interest when dealing with the affairs of the Group.

#### **4. Classification of Corrupt Practices**

**4.1 Corrupt practices involved in the Regulation in violation of national laws mainly include bribery, acceptance of bribes by non-state employees, embezzlement, misappropriation of funds and other illegal activities, as defined below:**

4.1.1 Bribery: it refers to the act of giving property and improper commercial interests to others or related institutions for the purpose of seeking improper personal interests.

- 4.1.2 Acceptance of bribes by non-state employees: it refers to the act of the employees of the Company, in the course of economic dealings, to take advantage of their positions to ask for property of others or illegally accept property of others, and to include all kinds of rebates and handling fees in their own names and seek benefits for others.
- 4.1.3 Embezzlement: it refers to the act of embezzling, stealing or using other means to illegally occupy the property of the unit for their own possession by taking advantage of their positions
- 4.1.4 Misappropriation of funds: The employees of the Company take advantage of their positions to misappropriate the funds of the unit for personal use or lending to others (organizations) for profit.
- 4.1.5 Other illegal acts: it refers to theft, damage to production and operation, fraud, etc.
- 4.1.6 The Company does not accept any form of corrupt practices of individuals or government officials, nor does it participate in any form of unethical incentives or payments.
- 4.1.7 The Company, its employees and agents shall not act as an intermediary for public or private bribery, i.e. directly delivering bribes in accordance with the instructions of the bribe-giver or the bribe-taker, or otherwise assisting in the completion or execution of agreements between the bribe-giver and the bribe-taker, so as to take a bribe and offer a bribe.
- 4.1.8 The directors and employees are not allowed to abuse their position to obtain personal benefits. Personal benefits include the financial and personal interests of the directors and employees and their family members, relatives or personal friends, including travel, education, medical care, insurance, etc.

#### **4.2 Other acts in violation of corporate rules and regulations, including:**

- 4.2.1 Related party transactions.
- 4.2.2 Texhong Prohibits money-laundering and insider trading/dealing.
- 4.2.3 “Three kinds of relationships” (relatives, friends, students).
- 4.2.4 Malfeasance of duty.
- 4.2.5 Gambling.
- 4.2.6 Improper treats.
- 4.2.7 Improper giving or receiving of gifts.
- 4.2.8 Theft.
- 4.2.9 Front and back office irregularities.
- 4.2.10 Others.

#### **4.3 Non-compliance with the “Code of Conduct for Employees” regarding prevention of bribery and provision of advantages**

## 5. Principles of Corruption Handling

- 5.1 Any directors or employees who contravene the “Regulations” will be subject to disciplinary action, including termination of employment. The Company has “zero tolerance” to corruption, therefore, any personnel involved in corruption will be disclosed with their real names and will be reported together for investigation and punishment.
- 5.2 A vote against corruption: the Group must recover losses for relevant acts in violation of the provisions; in serious cases, dismissal actions shall be taken; for those who violate the law shall be handed over to judicial agencies for accountability.
- 5.3 Joint and several responsibilities of the leaders: for the corrupt practices of subordinates, depending on the severity of the cases, they shall be held responsible for the management failure; in particularly serious cases, they shall be handed over to judicial agencies.
- 5.4 Principle of loss recovery: direct losses caused by all kinds of corrupt practices must be recovered and indirect loss claims must be made.
- 5.5 Where the amount involved in a corruption case is less than RMB 1000, the claim shall be 2 to 10 times of the amount of the corruption.
- 5.6 For those who violate the "Criminal Law" of the People's Republic of China and the relevant regulations of the country of residence due to corrupt practices may be subject to criminal liabilities according to law.

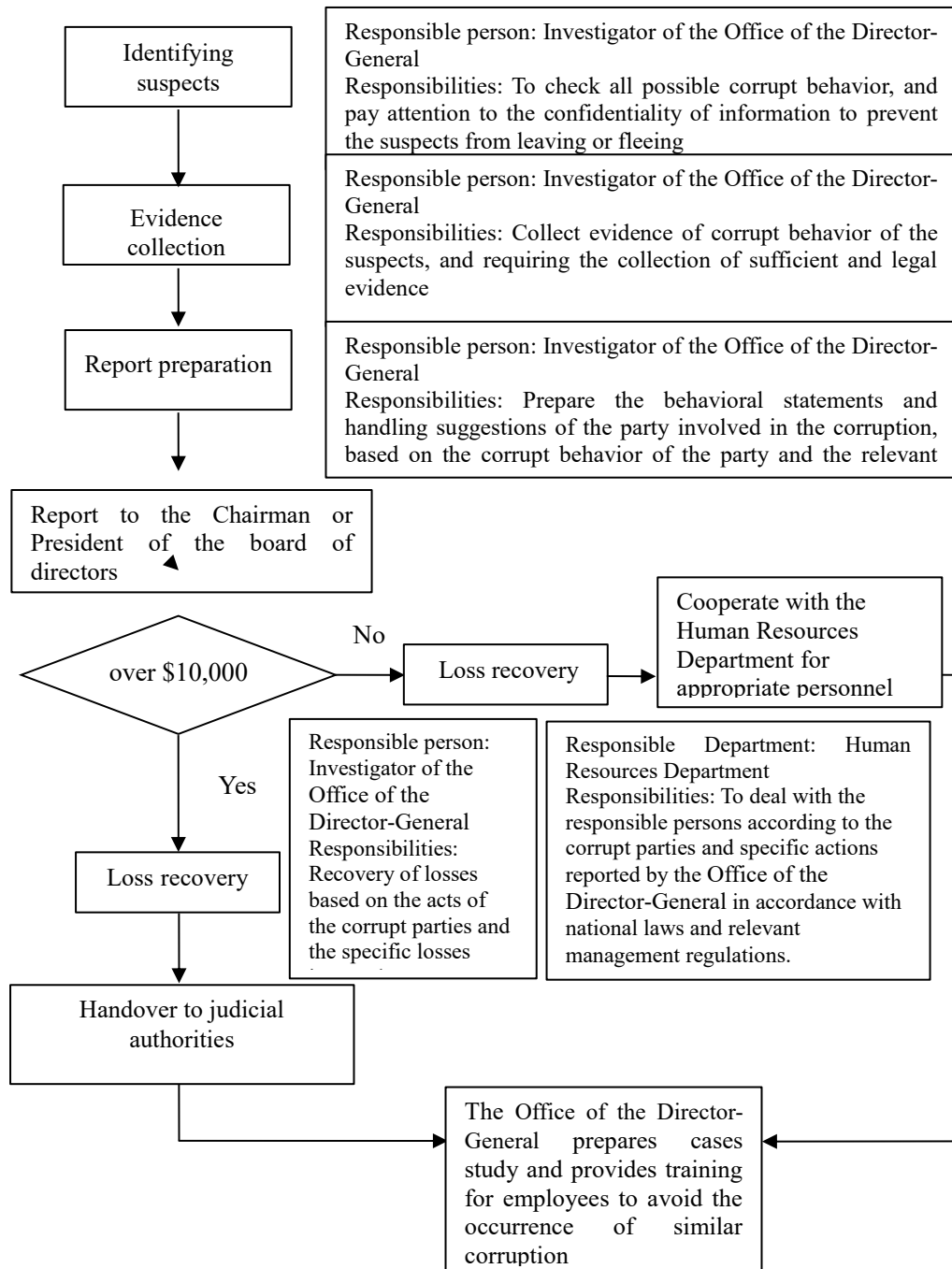
## 6. Organizational Structure

The board of directors is the highest governance body for the Group's business ethics management:

- Audit Committee  
It is responsible for monitoring compliance with the Company's code of conduct, standards and policies.
- Office of the Director-General  
It is the centralized management body for anti-corruption of the Group, it is responsible for:
  - ✓ Sorting out the work flow of each field of the Group, identifying corruption and formulating specific measures to prevent corrupt practices;
  - ✓ Investigating all suspected corrupt practices and reporting the investigation results to the board of directors in a timely manner;
  - ✓ Submitting the cases to the judicial agencies according to the law for any corrupt practices that violate the law;
  - ✓ Urging all departments and subsidiaries to conduct self-inspection on corruption and carrying out anti-corruption training.
- Subsidiaries

It is responsible for formulating specific measures to prevent corrupt practices according to the actual situation; it is also responsible for investigating or unconditionally cooperating with the Office of the Director-General of the Group to investigate the Company's internal corrupt practices, and handling them in a timely manner according to the Company's system.

## 7. Corruption Handling Process



## 8. Internal Audit

The internal audit department of the Group shall cooperate with the Office of the Director-General to carry out the audit tasks once every three years in the form of special audit. The business departments of the Group shall be audited together with all relevant departments and companies, or subsidiaries can be audited independently. Detailed plans are formulated by the Internal Audit Department.

## 9. Staff Training

The “Regulations” and “Whistleblower Protection and Reward System of Texhong Textile Group”, “Incentive Scheme for Integrity and Self-discipline of Texhong Textile Group” and “Employee Commitment to Integrity of Texhong Textile Group” will be issued to every director, officer and employee of the Company. All updated versions will be circulated internally and made available on the Company’s website.

The Human Resources Department of the Group is responsible for staff training, formulating training plans for employees’ anti-corruption management regulations and relevant regulations, developing training scheme and maintaining the up-to-date training materials.

## 10. Protection of whistleblowers

The Group implements “Whistleblower Protection and Reward System of Texhong Textile Group” and “Whistleblower Protection and Reward System of Texhong Textile Group” - Reporting guidelines and requirements for suppliers and customers. Employees, suppliers and customers should understand the confidentiality, protection and reward system of the Company for whistleblowers.

## 11. Relevant Requirements

Integrity commitment is implemented in key areas, and employees in key positions are required to sign “Employee Commitment to Integrity of Texhong Textile Group”, and business units or individuals that have business relationships with the companies of the Group or its subsidiaries are required to sign " Anti-Commercial Bribery Agreement of Texhong Textile Group".

## 12. SUPPLEMENTARY PROVISIONS

12.1 The “Regulations” apply to any law and regulation of a company against bribery (whether public or private), including the anti-corruption laws and regulations of the Mainland China and Hong Kong, Macau and Taiwan, Vietnam, Cambodia, Turkey, Nicaragua, Mexico and the United States.

12.2 “Regulations on the Administration for Anti-Bribery and Anti-Corruption of Texhong Textile Group” shall be effective and implemented from the date of issuance, and the final interpretation right shall be vested in the Office of the Director-General of the Group.

12.3 “Employee Commitment to Integrity”, “Anti-Commercial Bribery Agreement”, “Report on Gifts/Advantages Received” and “Declaration of Conflict of Interest” are attached.

12.4 The Office of the Director-General of the Group is responsible for drafting, modification, interpretation, and abolition of the provisions.

12.5 The provisions shall be implemented from 1 August 2021.

**Texhong Textile Group Limited**  
**1 August 2021**