

# Zhongshan Huali Industrial Group Co., Ltd

## Self-Disclosure Behavior Management Measures for Employees

### 1. Purpose:

To actively advocating the culture of improving profit and eliminating defects, intensifying the awareness of self-reflection and self-disclosure, establishing the image of an honest corporate and effectively promoting the "integrity, honesty and self-disclosure" project, this Code of Conduct is hereby established.

### 2. Scope:

The "Group" in the Measures refers to all enterprises of the group with shoe-making, shoe-material or shoe-related businesses, and is applicable to all employees regardless of their nationality.

### 3. Authorities:

3.1 Committees (including but not limited to the General Manager or appointed Agent, General Human Resources, SMP, Auditor, and Legal): Responsible for the convening of self-disclosure meetings and the adjudication of cases.

3.2 General Human Resources Department of Group: Responsible for the formulation, revision and explanation of the Measures.

### 4. Definitions:

4.1 Affiliated enterprise: Refers to any form of business organization in which the enterprise, directly or indirectly, controls or be controlled by other enterprises; or be controlled by the same enterprise; or in which the enterprise has the same legal representatives or shareholders holding more than half of the shares with the other enterprises.

4.2 Suppliers: Provides product or service to Huali Industrial Group (including company, branch office, subcompany, office, factory, affiliate enterprise or any other form of organization and individual), including suppliers, third parties, contractors, business partners, foresaid organizations or personal agency, intermediary institutions, etc. A completed deal shall not be the necessary condition to define a supplier.

4.3 Relatives: Refers to spouse, parents, sons and daughters, brothers and sisters and other extended family members within 3 generations.

### 5. Reduced punishment would be considered for those who declare infractions voluntarily:

5.1 Any employee of Huali Industrial Group who has acted improperly or whose behavior caused misunderstanding is required to hand in the "Integrity and Self-disclosure Declaration Form" by August 31st, 2020, and the punishment shall be reduced after the infractions declared based on facts; Otherwise, administrative sanction (warning, minor demerit, major demerit or even dismissal would be given depend on circumstances) shall be imposed once the misconduct is verified or reported to be true. In the case of an act of serious misconduct, the case shall be transferred to judicial authorities.

5.2 Employees shall declare through the “Integrity and Self-disclosure Declaration Form” attached. All departments of the group shall serve the form to related employees and a copy of the form shall be kept in the employee’s personnel file.

## **6. Reward for report:**

6.1 How to report: Send to Group Report Email:anti.corruption@huali-group.com.

6.2 Anonymously reporting shall not be accepted, instead, the whistle-blowers should use their real name. Clear facts and evidence have to be included in report for tracking down the case.

6.3 All reports shall be handled confidentially by project auditors arranged by the senior management of the group, and the department involved shall not be allowed to know the source of the reports.

6.4 The whistleblowers shall be rewarded as follows once the report is verified to be true (the following currency unit are RMB, which can be converted into equivalent currencies):

6.4.1 Reward 2000 RMB if amount of corruption within 5000 RMB;

6.4.2 Reward at least 3000 RMB if amount of corruption within 5000-10000 RMB;

6.4.3 Reward at least 5000 RMB if amount of corruption within 10000-100000 RMB;

6.4.4 Reward at least 10000 RMB if amount of corruption within 100000-500000 RMB;

6.4.5 Reward 3% if amount of corruption over 1000000 RMB.

6.5 The staff and suppliers with misconduct shall receive reduced, remitted punishment or even rewarded on condition that they report others’ misconduct which is verified.

## **7. Misconducts are defined but not limited as below:**

7.1 Frequent attendance by Huali employees or their relatives of meals, karaoke and other entertainments holding by suppliers.

7.2 Acceptance of gifts and gift card (worth more than 100RMB) from suppliers by Huali employees or their relatives.

7.3 Requesting, receiving or making agreements of any improper benefits including travel entertainment, red packets or commissions from suppliers by Huali employees or their relatives.

7.4 Loan relationship between Huali employees and suppliers.

7.5 Selling or leasing high-priced house/car to suppliers by myself or my relatives; Buying or renting house/car with low prices from suppliers by Huali employees or their relatives.

7.6 Huali employees’ demanding or accepting from suppliers to be paid but actually not doing any work under the pretext of arranging job for their relatives and friends.

7.7 Frequent gambling (such as Mahjong) with suppliers by Huali employees or their relatives

7.8 Frequent ball game gambling (such as Golf) or gambling in Macao with suppliers by Huali employees or their relatives.

7.9 Direct or indirect investment in the supplier’s company by Huali employees or their relatives, including selling dividends of shares, receiving dividends from free shares or starting company by co-investment.

7.10 Receiving returns without actual financial contribution or with actual financial contribution but higher than due by entrusting suppliers with the management of wealth (such as Securities, futures, gold, foreign exchange investment) by Huali employees or their relatives.

7.11 Entrusting suppliers to exchange RMB to foreign currency or foreign currency to RMB by Huali employees or their relatives.

7.12 Working for suppliers when in employment with Huali Industrial Group.

7.13 Huali employees' relatives are employed by suppliers without declaration.

7.14 Taking commission from the transaction between suppliers and business departments which he/she is in charge of or the business he/she handled for by Huali employees or their relatives.

7.15 Purchasing with unreasonably high price by Huali employees.

7.16 Occupying property or footwear assets of Huali Industrial Group by theft, misappropriation or fraud by Huali employees or their relatives and the footwear assets include (but not limited to) material, accessories, tools, sample shoes, test shoes, half-finished product, CAD, test reports, product photos.

7.17 Taking the advantage of their position to request or possess improper properties from suppliers by Huali employees.

7.18 Using the name of the third party (including company, enterprise or natural person) or conspiring with them to commit above infractions by Huali employees.

## **8. Implementation and revision:**

The Measures shall be implemented after submitted to the competent authorities for approval, and the same shall apply to amendments.