



Prinx Chengshan Holdings Limited
浦林成山控股有限公司
(“Prinx Chengshan” or “The Company”)
Stock Code: 1809.HK

Prinx Chengshan
Code of Integrity and Compliance

(This Code first took effect on October 11, 2024, and its revised version,
approved by the Board on 16 December 2025, is now in effect)

THE BACKGROUND:

The current unprecedented changes in the world are accelerating, while the globalization process is encountering headwinds, and international trade rules are facing restructuring. International compliance is the cornerstone for Prinx Chengshan Holdings Limited (hereinafter referred to as the “Company”) to progress steadily and go far, the bridge to integrate into the global economy, and the guarantee to achieve mutual benefits and win-win outcomes. Prinx Chengshan draws on advanced international experience, strengthens international compliance capability building, enhances compliance management level, and actively responds to changes in the international trade environment and rules.

The ancients said, "Without rules, nothing can be accomplished." Prinx Chengshan actively promotes the compliance construction, guides the employees to establish compliance awareness, and builds a sound compliance management system to better adapt to the international market rules and enhance its competitiveness. The *Prinx Chengshan Code of Integrity and Compliance* is the basic standard of Prinx Chengshan's compliance requirements. Through lawful and compliant management, the company aims to achieve the vision and mission of "leading tire innovation, contributing to smart travel and sustainable development, and achieving a better life."

Scope of Application:

The *Prinx Chengshan Code of Integrity and Compliance* applies to all employees of Prinx Chengshan Holdings Limited and other personnel who represent Prinx Chengshan or conduct various tasks in the name of Prinx Chengshan. The company encourages its third-party partners (including but not limited to suppliers, consultants, contractors, distributors, etc.) to maintain integrity and compliance, and to ensure their actions are consistent with the relevant provisions of the *Code of Integrity and Compliance*.

Key Content:

I. Obey the law, operate in compliance with the regulations

- 1) Accounting and financial compliance
 - Abide by financial accounting regulations, strictly follow the company's relevant review and approval procedures.
 - Comply with financial voucher management requirements and adhere to the relevant provisions of the fiscal and tax system of the country (or region) where the business is located.
 - Fulfil tax obligations according to the law, and disclose tax information in accordance with the applicable tax laws and regulations of China and each country (region) where business is conducted.
- 2) International Trade and Investment
 - The Company complies with the trade control laws and regulations and international conventions of China, the countries (regions) where it operates, fulfilling its export control responsibilities and obligations, establishing an image of corporate integrity and

responsible international operations to gain the trust of partners and customers.

3) Business Partner Management

- The company's business partners include suppliers, contractors, subcontractors, agents, distributors, joint venture partners, and customers. The company's development cannot be separated from the support and help of its business partners. The company is committed to establishing a cooperative relationship of mutual respect, mutual trust, and fair trade with them.

4) Compliance Consultation and Reporting

- Prinx Chengshan commits to establishing a good compliance consultation and reporting mechanism, encouraging all employees, customers, business partners, and other relevant parties to consult or report possible violations through appropriate channels. As needed, employees can provide relevant information about potential violations confidentially or anonymously, and the company will review all reports and take appropriate measures. The Company will protect whistleblowers from unfair dismissal or harm for reporting any true incidents.
- Prinx Chengshan Compliance Management Department is the Internal Control Office under the President's Office. For the reporting process, please refer to the Company's 'Regulations on the Management of Reporting and Handling'.
 - a) Ethics Hotline: 0631-7520235
 - b) DingTalk: Internal Audit Department
 - c) Reception Room: Prinx Chengshan (Shandong) Eastern Office Area A213
 - d) Reports against senior management can be made via email (whistleblower@prinxchengshan.com).

II. Respect human rights, protect employees' rights and interests

1) Working Conditions

- The working conditions provided by Prinx Chengshan for employees comply with all applicable laws and regulations. The Company commits to signing written employment agreements with employees in accordance with laws and regulations, clearly stipulating employment conditions in easily understandable language. The Company respects and cares for employees, and effectively safeguards their legitimate rights and interests.

2) Salary and Benefits

- Prinx Chengshan promises to adhere to internationally accepted human rights and labour standards, providing fair remuneration and benefits, paid leave, and health protection in accordance with applicable laws, regulations, and local market conditions. The company strictly follows relevant regulations to pay employees' salaries on time and in full, pays social insurance for employees in accordance with the law, ensures employees' rights to rest and vacation according to the law, and strives to improve and enhance employee benefits. The company employs, promotes, and provides development opportunities to employees based on their overall qualifications and performance in their respective positions. According to each person's knowledge, experience, and ability, provide appropriate support and development opportunities.

3) Equality and Inclusion

- The Company provides equal opportunities for every employee, and does not discriminate or treat employees differently in recruitment, compensation and benefits, career development, rewards and punishments due to ethnicity, religion, gender, nationality, and other reasons. The company formulates rules, regulations, and policies concerning the vital interests of employees, fully listens to their opinions and suggestions, and all are reviewed through the employee representative conference system.
 - The Company respects the cultural traditions of each country and region. Employees should also understand, grasp, and respect the culture, religion, customs, and business etiquette of the countries and regions where they conduct business.
- 4) Prohibit Discrimination and Harassment
- Prinx Chengshan is committed to providing fair opportunities to all employees, prohibiting discrimination based on age, race, colour, gender, sexual orientation, origin, nationality, religion, or disability. The company actively promotes employee diversity to create a diverse work environment that respects different opinions, perspectives, and beliefs.
 - The Company does not tolerate any acts of discrimination and harassment, and prohibits threats, violence, bullying, and other similar behaviours; it is forbidden to insult, discriminate against, and harass others in speech or behaviour; and it is prohibited to spread rumours or other defamatory and discriminatory information.
- 5) Prohibition of child labour and forced labour
- Prohibit the use of child labour, and child labour shall not be used at any stage of work. ("Child labour" refers to those under 16 years old, or those subject to stricter regulations according to local laws.) Do not accept any suppliers or subcontractors using child labour or forced labour.
- 6) Occupational Health and Safety (Safe Production, Labour Protection Appliances, Safety Education and Training, Hidden Hazard Accident Report)
- Everyone is responsible for safe production, and the Company always puts safe production and employee safety first. Employees must perform any work under effective safety management, eliminating all behaviours that violate safety management.
 - Company employees must dress according to regulations when entering the production workshop, wearing masks, safety shoes, dust-proof clothing, and other protective appliances; they must apply for a permit and obtain approval before working inside containers and equipment.
 - The Company attaches great importance to employees' occupational health, continuously improves specialised management of occupational health, and constantly enhances the Company's occupational health management level; employees should take it seriously and actively participate in related activities organised by the Company, such as inspections, physical examinations, notifications, and training, and wear personal protective appliance as required.
 - The company conducts diversified safety training, including three-level safety training, key position safety training, and safety technical training for special operation personnel, etc. All employees should actively cooperate and participate in various trainings organised by the company, learning and mastering relevant knowledge through safety drills, safety production, safety knowledge competitions, and safety videos, etc..

- Employees should report potential accident hazards promptly. If a major hazard threatening personal safety is discovered, they should take all possible measures and then evacuate the production site. Employees must report any discovered or occurring accidents immediately, rescue the injured promptly, and protect the accident scene, taking appropriate measures to prevent further accidents or injuries.
- 7) Labour Relations Dispute
- The Company encourages and guides employees to reasonably reflect their demands. If employees believe they are being treated unfairly or their legitimate rights are not being protected, they can report it to the company's union or the Human Resources Department in a timely manner. Even in the event of a dispute, the Company strives to seek solutions that reflect the interests of both the Company and its employees.
- 8) Training and Development
- The Company has always attached great importance to employees' career development and growth, and is committed to building a diversified learning platform and a sound promotion mechanism. Through a systematic annual performance appraisal system, the Company provides employees with clear career development paths and customized training programs. Meanwhile, the Company encourages employees to grow together with the Company, co-create value and achieve win-win development in the process of realizing their personal career goals.

III. Protect the Company's Assets

- 1) Business Records and Document Management
- Prinx Chengshan promises to honestly, accurately, and objectively record all financial and non-financial information of the Company, ensuring the integrity and security of the documents.
- 2) Information Disclosure and Insider Information Management
- Prinx Chengshan, as a listed company, is required to fulfil the disclosure obligations of a listed company. The company discloses information about the company and related matters to investors and the public through announcements, periodic reports, and interim reports. Each employee involved in information disclosure or aware that the provided data will be used for information disclosure must ensure the truthfulness, accuracy, completeness, and timeliness of the information disclosed.
 - Prinx Chengshan promises that the disclosed information is true and accurate, protects insider information, and avoids insider trading. Personnel aware of inside information shall not use or disclose inside information without authorization.
- 3) Intellectual Property
- Employees should protect the company's intellectual property, must not illegally obtain, use, disclose, protect, and strictly prohibit the leakage of the company's confidential information. Preventive and corrective measures should be actively taken against infringement and leakage.
- 4) Data and Information Security
- Prinx Chengshan ensures the availability, integrity, and confidentiality of data and information through employee management, business process control, and related

technical safeguards. By promoting and implementing various data and information security management systems, we ensure information security during business operations and interactions with all parties, and guarantee the continuity of business development.

- If employees discover situations that may lead to data and information security risks, they should report to the company's information technology department in a timely manner.
- 5) Protection of trade secrets
- Prinx Chengshan emphasises strengthening employees' confidentiality awareness by signing confidentiality agreements with employees or cooperating third-party companies and other measures to prevent the leakage and loss of the company's trade secrets.
- 6) Privacy Protection
- Prinx Chengshan respects and protects the personal information and privacy of employees, customers, and other partners. Protecting company data is the responsibility of every employee.
 - Employees should only collect, store, process, and use personal information for legitimate business needs or to comply with specific legal or policy requirements. The collection, processing, disclosure, and retention of personal information must comply with the principles of legality, transparency, fairness, and purpose limitation. If it is necessary to transmit or share personal information for legitimate business purposes, reasonable authorization must be obtained, and the data must be encrypted as necessary.

IV. Open and transparent, adhering to the bottom line of integrity

- 1) Anti-bribery, anti-corruption
- Prinx Chengshan adopts a zero-tolerance attitude towards bribery and corruption. In business operations, the company always adheres to the principles of integrity and honesty, and strictly complies with the applicable laws and regulations of the place of operation and high standards of business ethics. Company employees must conduct business activities in a legal and compliant manner, and must not offer or accept any form of bribe, kickback, or other improper benefits in business dealings.
 - Example: A sales representative shall not pay cash, make fund transfers, or provide equivalent property to customers in the name of "gratitude fee", "promotion fee" or other similar designations, in exchange for such commercial benefits as order renewal or increased market share.
- 2) Gifts and Hospitality Management
- Prinx Chengshan permits legitimate reciprocal courtesy that complies with business ethics and applicable laws and regulations, but strictly prohibits seeking improper commercial benefits through gifts or hospitality in any form. When conducting relevant activities, employees must satisfy the following requirements simultaneously:
 - a) The gift/hospitality item shall be directly related to business activities;
 - b) Its value shall not exceed the ceiling standard stipulated by the Company;
 - c) It shall conform to local customs and industry practices;
 - d) It shall be truthfully recorded and reported in accordance with relevant provisions.
 - Example: During business negotiations, employees shall not arrange high-consumption entertainment activities such as golf and luxurious banquets in the name of "team

building", "inspection and study" or similar designations; the expense of a single hospitality event shall not exceed the hierarchical standards specified in the Administrative Measures for Reception Work.

3) Prevision and Control of Conflict of interest

- Resource Usage Rules

Company resources accessed by employees during the performance of their duties (including funds, information, equipment, business opportunities, etc.) shall be used exclusively for corporate business purposes. Misappropriation, embezzlement, or use for personal gain or the benefit of third parties is strictly prohibited.

- Declaration of Internal Relationships

Where an employee has a kinship relationship (lineal relatives or collateral relatives within three generations) with another employee of the Company, or an intimate relationship that may affect the impartial performance of duties, the employee shall submit a written declaration to the Human Resources Department and the Compliance Department within 3 working days upon employment or the formation of such relationship. The employee shall also implement job recusal or business segregation in accordance with the Company's instructions.

- Restrictions on External Interests

Without the Company's prior written approval, employees shall not:

- a) Hold a position or concurrent employment in an organization that is in competition with the Company;
- b) Take up a substantive position in the Company's suppliers, customers or partner entities;
- c) Provide technical support, commercial information or other forms of assistance to the aforementioned organizations.

- Example: Where a procurement specialist discovers that a relative holds a senior management position in a bidding enterprise during the supplier evaluation process, the specialist shall immediately submit a Conflict of Interest Declaration Form to the Compliance Department, and voluntarily recuse themselves from the decision-making processes such as evaluation and negotiation of the project.

4) Fair Competition and Anti-monopoly Compliance

- The Company is committed to participating in market competition through legitimate means such as technological innovation and service optimization. It strictly complies with the Anti-Monopoly Law and the relevant anti-monopoly laws and regulations of various countries, and strictly prohibits the following behaviors:

- a) Entering into monopoly agreements (including written, oral or other implied forms) with competitors to fix prices, divide markets, restrict output, etc.;
- b) Abusing dominant market position to engage in conduct that eliminates or restricts competition, such as imposing unfair high prices, predatory pricing, and refusal to deal;
- c) Illegally implementing concentration of undertakings, or concealing key information in the process of concentration of undertakings.

- Example: No entity shall enter into a "market division agreement" with enterprises in the same industry (e.g., Company A exclusively operates in the East China market and

Company B exclusively operates in the North China market), or agree on a unified pricing standard through arrangements organized by industry associations.

5) Export Controls and Trade Sanctions Compliance

- The Company has established a compliance system covering the entire transaction process for export control and trade sanctions, and strictly implements the following requirements:
 - a) Conduct compliance screenings on the countries/regions, entities and individuals involved in transactions to confirm that they are not included in international sanction lists or restricted lists;
 - b) Complete the necessary licensing and approval procedures in advance for import and export businesses involving sensitive technologies and products;
 - c) Regularly update the trade compliance database to ensure that business activities comply with the latest international conventions and regulatory requirements of various countries.

6) Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT)

- Prinx Chengshan strictly complies with the Anti-Money Laundering Law and relevant international conventions, and has established internal control mechanisms including customer identification, transaction record retention and suspicious transaction reporting:
 - a) Conduct due diligence on customers and partners with whom new business relationships are established to verify the legality of their identities and the sources of their funds;
 - b) Conduct enhanced reviews of large-value transactions and unusual transactions; immediately report any suspected money laundering or terrorist financing activities to the Compliance Department and regulatory authorities;
 - c) Refrain from conducting business with third parties of unknown identity or with questionable fund sources.
- Example: When a business partner fails to provide valid business licenses, property right certificates or refuses to explain the source of funds, the business department shall suspend cooperation and submit the relevant information to the Compliance Department, which will conduct a risk assessment jointly with the Legal Department.

7) Compliance Management Across the Value Chain

- The Company extends compliance requirements across the entire business value chain, and implements the following management measures for partners such as suppliers and distributors:
 - a) Onboarding Stage: Take compliance performance (including business ethics, labor rights and interests, environmental protection standards, etc.) as a prerequisite for cooperation;
 - b) Cooperation Period: Conduct regular compliance audits and require partners to rectify identified issues in a timely manner;
 - c) Exit Mechanism: Immediately terminate cooperation with partners that have committed serious compliance violations (such as child labor employment, major environmental violations, and commercial bribery) and include them in the blacklist.

8) Anti-Fraud Management

- Prinx Chengshan undertakes to provide true, accurate and complete information to all

stakeholders (including investors, employees, customers, regulatory authorities, etc.), and strictly prohibits fraudulent acts of any form:

- a) It is strictly prohibited to forge or alter financial data, business contracts, documents and vouchers, and other such documents;
 - b) It is strictly prohibited to fabricate false performance or conceal material information for the purpose of obtaining bonuses, securing investments or evading liabilities;
 - c) It is strictly prohibited to conduct transactions using inside information or disclose inside information for profit.
- Example: Employees shall not inflate performance by forging sales contracts, issuing false invoices, inventing fictitious customers, or by other such means. Violators shall have their labor contracts terminated and be held liable for financial compensation; where violations constitute suspected crimes, the case shall be referred to judicial authorities for handling.

V. Environmental Protection

1) Environmental Management

- The Company strictly complies with the relevant environmental protection laws, regulations, and standards in the places where it operates. The Company has established and implemented environmental protection procedures, a comprehensive environmental management system, and policies. It has also set up procedures for identifying and controlling environmental factors to effectively manage risks related to climate change, resource utilisation, and environmental pollution. Two of its production bases have obtained ISO 14001 Environmental Management System Certification, and they annually promote and achieve energy-saving and emission reduction targets to minimise the Company's impact on the environment. The Company promotes environmental protection regulations and internal policies of the Company to employees annually and provides relevant training.

2) Energy Management

- Prinx Chengshan formulated and implemented the '*Energy and Energy-saving Management Measures*', actively promoting the construction of the company's energy management system. At the same time, the Company has set medium-term and long-term environmental KPI targets for water and energy consumption according to the requirements of the Hong Kong Stock Exchange:
 - a) As of 2025, the solar power generation is more than three times than that of 2021.
 - b) By 2030, the company's CO₂ emissions per unit of product in the tyre production (including tyre refurbishment) process will be reduced by 27% compared with the data in 2021.
 - c) Energy Management:
 - i. Shandong Production Base: By 2025, the energy consumption limit per unit product for TBR/PCR tires will reach 175/226 kilogrammes of standard coal per tonne of qualified products; by 2030, the energy consumption limit per unit product for TBR/PCR tires will reach 168/219 kilogrammes of standard coal per tonne of qualified products.

- ii. Thailand Production Base: By 2025, the energy consumption limit per unit product for TBR/PCR tires will reach 199/243 kilogrammes of standard coal per tonne of qualified products; by 2030, the energy consumption limit per unit product for TBR/PCR tires will reach 191/234 kilogrammes of standard coal per tonne of qualified products.
 - d) By 2025, water consumption per unit of product will be reduced by approximately 50% compared with 2021; By 2030, water consumption per unit of product will be reduced by approximately 50% compared with 2021.
- 3) Green Office
- The Company promotes a green office culture, integrates low-carbon concepts into daily operations, requires all employees to practice resource-saving behaviors, reduces the negative environmental impact of office activities, and jointly achieves the annual carbon emission reduction targets.
 - Measures:
 - a) Energy Management:
 - Implement the system of "turn off lights and power down equipment when leaving" in office areas. Employees must switch off the power supply of personal computers, printers, air conditioners and other devices before leaving work (excluding special equipment such as servers);
 - Set air conditioner temperatures appropriately (no lower than 26°C in summer and no higher than 20°C in winter). Turn off air conditioners in public areas during non-working hours;
 - Prioritize the use of energy-efficient lighting fixtures and office equipment with an energy efficiency rating of Level 2 or above.
 - b) Resource Conservation:
 - Promote paperless office work. Internal documents shall be circulated via the office system on a priority basis; double-sided printing is mandatory when printing is absolutely necessary, with the label "Waste paper for recycling" marked on the documents;
 - Standardize the application for office supplies. Consumables such as pens and notebooks shall be requisitioned on an as-needed basis, and the use of stationery with replaceable refills is encouraged;
 - Conserve water, install water-saving appliances, and report water pipe leaks and other issues for repair in a timely manner.
 - c) Waste Management:
 - Place classified trash bins (recyclables and residual waste) in office areas. Recyclables such as paper and plastic bottles shall be stored separately and collected and disposed of uniformly by the Administration Department;
 - Discarded electronic devices (computers, printers, etc.) shall be handed over to qualified third-party organizations for disposal. Random disposal is strictly prohibited.
 - Management and Supervision:
 - a) Employees who discover violations of green office regulations may report them through internal reporting channels. After verification, the responsible department or

individual shall be given a reminder and education.

- Example: When organizing meetings, the Marketing Department shall prioritize remote communication via the online meeting system; if meeting materials must be printed, double-sided printing shall be adopted and the number of copies shall be controlled. Surplus materials after the meeting shall be collected uniformly for reuse.

VI. Product and Service Quality

1) Quality Management

- Prinx Chengshan establishes a brand philosophy centred on quality, adheres to quality commitments, relies on a scientific management system and advanced technological methods to achieve comprehensive quality control, and continuously improves the quality of its product and service.
- Training company employees should be proficient in and continuously learn the quality standards related to their positions, and strictly implement various process requirements and specifications.

2) Customer Service

- Prinx Chengshan insists on being customer-centered, striving to provide products and services that meet customer needs and exceed expectations by understanding customer demands and expectations.

3) Consumer Rights Protection

- Prinx Chengshan adheres to the principle of honesty and trustworthiness, providing true and accurate product information to protect consumer rights from infringement. At the same time, it also provides channels for consumers to file complaints and appeals, ensuring that consumers' legitimate rights and interests are promptly protected.
 - a) Service Hotline: 400-618-8899;
 - b) Service Mailbox: CS400@prinxchengshan.com

VII. Supply Chain Management

- Prinx Chengshan and all its suppliers follow the principles of sustainable development in procurement activities. It practices and encourages all suppliers to take positive actions in corporate social responsibility, to reduce impact to the environment, to promote the enhancement of social responsibility, and to improve the overall efficiency and transparency of the supply chain. Please refer to the *Prinx Chengshan Sustainable Procurement Policy* for specific details. Meanwhile, the Company has set the following relevant targets for sustainable procurement:
 - Percentage of target suppliers that have signed the Sustainable Procurement Charter/Supplier Code of Conduct:
By 2025, the signing rate of the “Supplier Code of Conduct” (including sustainability requirements) is over 90%.
 - Percentage of suppliers that have signed contracts containing environmental, labour, and human rights requirement clauses:
By 2025, the proportion of contracts with requirements in environmental, labour, and

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- human rights signed by suppliers reaches over 95%.
- Percentage of target suppliers that have undergone Corporate Social Responsibility (CSR) assessments (e.g., questionnaires):
“The Supplier CSR Survey” has been updated to include new CSR content, requiring the supplier CSR completion rate rising every year and to increase at least 5 suppliers per year by 2030.
 - Percentage of target suppliers that have undergone CSR onsite audits:
Suppliers undergo onsite audits for CSR and related content, with a completion rate of at least 5 suppliers per year by 2030.
 - Percentage of procurement staff trained in sustainable procurement across all regions:
A sustainable procurement training program has been established, with over 90% of procurement staff trained in sustainable procurement by 2025.
 - Percentage or number of audited/evaluated suppliers participating in improvement actions or capacity-building:
By 2030, at least 5 manufacturers are selected for pilot improvement actions or capacity-building.
 - Key Performance Indicators (KPIs) regarding other CSR aspects of suppliers:
The certification rate of major raw materials suppliers obtaining ISO 14001 Environmental Management System Certification is aimed to exceed 40% by 2025, increasing to over 60% by 2030.

VIII. Social Responsibility

Prinx Chengshan integrates social responsibility into its corporate development strategy and adheres to the principles of "sustainable development, stakeholder collaboration, and transparency and accountability". While pursuing commercial value, it actively fulfills its responsibilities to society, the environment, and stakeholders.

- Community Engagement
 - a) In the course of business operations, the Company must fully respect the cultural traditions, public interests, and legitimate demands of the communities where it operates, and avoid exerting negative impacts on community environments, public facilities, and residents' lives due to production and business activities.
 - b) Establish a community communication mechanism. Regularly disclose information such as environmental impacts and safety measures of business activities to the community through channels including forums, bulletin boards, and online platforms, listen to community opinions, and respond in a timely manner.
 - c) Make overall plans for community public welfare projects, with a focus on supporting areas such as education assistance, poverty alleviation, and public health. Public welfare donations and sponsorship activities must comply with the requirements of laws and regulations.
 - d) Encourage employees to carry out social responsibility practices in light of the characteristics of their positions, and the Company shall provide necessary support for employees to participate in volunteer activities.
 - e) It is strictly prohibited to conduct commercial publicity or hype, or seek improper

interests in the name of "public welfare activities". Complete records must be retained during the implementation of public welfare projects, which shall be subject to internal audits.

- Example: When the production department carries out environmental science popularization activities around the community, it is required to communicate the activity plan with the community neighborhood committee in advance to avoid affecting the normal lives of residents. Student-aid donation activities organized by employees must be implemented through the public welfare foundation designated by the Company to ensure the use of donation funds is transparent and traceable.

IX. Penalty Measures

The Company adheres to the principles of "proportionate punishment to the offense, procedural justice, and combination of punishment and education" for violations of this Code. Penalty decisions must be based on facts and comply with national laws and regulations as well as the Company's internal relevant systems such as the Employee Reward and Disciplinary Management System.

• Handling of Employee Violations

According to the severity of the violation, the losses caused, and the subjective fault, the following hierarchical penalty measures shall be adopted:

- a) **Minor Violation:** Refers to a first-time violation that causes no actual loss. Oral warning, written warning, and an order for rectification within a time limit shall be given;
- b) **General Violation:** Refers to repeated violations or violations that cause minor losses. A demerit record, salary reduction, or position adjustment shall be given, and economic compensation may be imposed concurrently (the compensation amount shall be determined based on the actual loss);
- c) **Serious Violation:** Refers to intentional violations that cause major losses or adverse impacts, including but not limited to commercial bribery, major fraud, and disclosure of core confidential information. Termination of labor contract shall be given, and full economic losses shall be recovered;
- d) **Criminal Liability Pursuit:** For acts suspected of constituting crimes such as embezzlement, misappropriation of funds, and commercial bribery, the Company shall take the initiative to report to judicial authorities, hand over relevant evidence, and cooperate with investigations.

Example: If an employee accepts a bribe of RMB 20,000 from a customer, which constitutes a serious violation, the Company shall terminate the labor contract with the employee, recover the illegal gains, and transfer the case to public security organs for handling.

• Handling of Violations by Business Partners such as Suppliers and Customers

In accordance with the provisions of cooperation agreements and the nature of violations, the following measures shall be adopted for violations by business partners such as suppliers and customers:

- a) **Rectification within a Time Limit:** For minor violations, issue a written rectification notice, requiring the completion of rectification and submission of a rectification report within 15 working days;

- b) Economic Penalty: Deduct liquidated damages in accordance with the contract agreement (generally 5%–20% of the contract amount), and suspend new business cooperation until the rectification is accepted and qualified;
- c) Termination of Cooperation: For serious violations (such as offering commercial bribery, supplying counterfeit or shoddy products, and malicious breach of contract), immediately terminate the cooperation relationship and pursue liability for breach of contract;
- d) Blacklist Management: Include business partners with serious violations in the Company's business partner blacklist, permanently prohibit them from participating in the Company's business cooperation again, and notify industry associations as appropriate.

Example: If a supplier provides false qualification certificates during the bidding process, upon verification, the Company shall cancel its winning bid qualification, deduct the bid bond, and include it in the blacklist.

- Remedy and Appeal
 - a) If an employee has objections to the penalty decision, he/she may submit a written appeal to the Company's Compliance Committee within 5 working days after receiving the penalty notice. The execution of the original penalty decision shall not be suspended during the appeal period;
 - b) If a business partner has objections to the penalty, it may resolve the dispute through negotiation, arbitration, or litigation in accordance with the dispute resolution clause in the cooperation agreement.