

PACIFIC TEXTILES HOLDINGS LTD.

互太紡織控股有限公司

《CODE OF CONDUCT》

Introduction

The Company believes that honesty, integrity and fair play are important company assets in business. It is therefore important for all directors and staff members to ensure that the Company's reputation is not tarnished by dishonesty, disloyalty or corruption. This Code of Conduct sets out the standards of behavior expected from the Company and the guidelines on how to handle different situations in business dealings. Contents of this Code of Conduct are applicable both inside and outside Hong Kong.

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Chapter 1 LEGAL REQUIREMENTS

1. Under Section 9(1) of the Prevention of Bribery Ordinance, any director or staff member soliciting or accepting an advantage in connection with his work without the permission of the employer commits an offence. The term “advantage”, as defined in the Ordinance, includes money, gift, loan, fee, reward, employment, contract, service and favour. The person who offers the advantage may also commit an offence under Section 9(2) of the Ordinance.
2. Any director or staff member who, with intent to deceive the Company, falsifies documents or furnishes false accounting records may be guilty of an offence under Section 9(3) of the Ordinance. The full text of Section 9 and other relevant provisions of the Ordinance are given in **Appendix 1**.

3. Soliciting or Accepting Advantages

3.1 It is the company policy that no director or staff member may solicit or accept any advantage from any person having business dealings with the Company (e.g. clients, suppliers, contractors). However, they are allowed to accept (but not solicit) the following gifts offered voluntarily:

- (a) advertising or promotional gifts of a nominal value; or
- (b) gifts given on festive or special occasions, for example: moon cakes, candies, liquors, hampers and other small items received at Mid-Autumn festival, Chinese New Year and Christmas, but subject to a maximum limit of HK\$1,000 in value.

3.2 Directors and staff members should decline an offer of a gift if acceptance of it could affect their objectivity in conducting the Company’s business, or induce them to act against the interest of the Company, or lead to allegations of impropriety. If a director or staff member wishes to accept a gift not covered in paragraph 3.1, he should seek permission in writing (via **Form A**) from Board of Directors or immediate Director.

4. Offering Advantages

Under no circumstances may a director or staff member offer an advantage to any person or company for the purpose of influencing such person or company in any business dealings. Any advantage given in the conduct of the Company’s business should be in accordance with the Company’s prevailing policies on such matters and prior written approval of the Company should be obtained. It is also illegal to offer an advantage to a public servant to influence any contract, tender or auction in relation to the public body concerned.

5. Observing Local Laws when Working in Another Jurisdiction

Paragraphs 3-4 above apply whether the solicitation, acceptance and offering of advantages are within or outside the boundary of Hong Kong. Any director or staff member who conducts business on behalf of the Company in another jurisdiction must abide by the laws of that jurisdiction, including laws and regulations on anti-corruption, and all other laws and regulations pertaining to ethical business conduct.

6. Entertainment

6.1 As defined in Section 2 of the Ordinance, “entertainment” refers to food or drink provided for immediate consumption on the occasion, and of any other entertainment provided at the same time. Although entertainment is an acceptable form of business and social behaviour, staff must not accept lavish or frequent entertainment from persons with whom the Company has business dealings (e.g. suppliers or contractors) to avoid placing themselves in a position of obligation to the offeror.

6.2 Directors and staff members should be particularly vigilant to entertainment offered to them outside Hong Kong, and turn down invitations to meals or entertainment that are excessive in nature or frequency. It should be noted that any free trips or travelling expenses are not included in the definition of "entertainment" but are considered as "advantages" under the Ordinance. Without prior consent of the company, acceptance of these advantages is strictly prohibited.

Chapter 2 CONFLICTS OF INTEREST

1. A conflict of interest situation arises when the private interest of a director or staff member competes or conflicts with the interest of the Company. Private interest includes both the financial and personal interests of staff members and those of their connections. Connections include family members, relatives, and close personal friends.
2. Directors and staff members should avoid any situation which may lead to an actual or perceived conflict of interest, and should make a declaration in writing (via **Form B**) to Board of Directors or immediate Director when such a situation arises. Failure to do so may give rise to criticism of favoritism, abuse of authority or even allegations of corruption.
3. Some common examples of conflicts of interest include:
 - (a) A staff member involved in the procurement process is closely related to or has a beneficial interest in a company which is being considered by the Company in the selection of a supplier or service provider; or
 - (b) one of the candidates under consideration in a recruitment or promotion exercise is a family member, a relative or a close personal friend of the staff member responsible for the recruitment or promotion.

4. Gambling

Directors and staff members are advised not to engage in frequent and excessive gambling of any kind, including games of mahjong, with persons having business dealings with the Company. In social games of chance with clients, suppliers or business associates, they must exercise judgment and withdraw from any high stake games.

5. Loans

Directors and staff members or their immediate family members should not grant or guarantee a loan to, or accept a loan from or through the assistance of, any individual or organisation having business dealings with the Company. There is, however, no restriction on normal bank lending.

6. Outside Employment

If directors and staff members wish to take concurrent employment, either on a regular or consulting basis, they must seek the prior written approval of Board of Directors or immediate Director before accepting the employment.

Chapter 3 HANDLING CONFIDENTIAL INFORMATION / COMPANY PROPERTY

1. All directors and staff members are prohibited from disclosing any information classified by the Company to anybody without authorization. Those who have access to or are in control of such information should at all times ensure its security and prevent any abuse or misuse of the information. Examples of misuse include disclosure of information in return for monetary rewards, or use of information for personal gain.
2. The term "Confidential Information" includes information not previously disclosed to the public or to the trade by the Company's management, or otherwise in the public domain, with respect to any member of the Company's products, facilities, applications and methods, trade secrets and other intellectual property, systems, procedures, manuals, confidential reports, product price lists, customer lists, technical information, financial information, business plans, prospects or opportunities.
3. All notes, memoranda, records and writings made by staff or in his/her possession relating to the business of the Company shall be and remain the property of the Company and shall be handed over by him/her to the Company from time to time on demand by the Company and, in any event, upon the termination his/her employment.
4. Staff recognizes that the Company may receive confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out his/her work for the Company consistent with the Company's agreement with such third party.
5. All directors and staff members are strictly prohibited from appropriating Company property for personal use or for resale. All company property, including corporate mainframes, minicomputer systems, data networks, software packages or equipment shall be used only for conducting the Company's business or for purposes authorized by the management.
6. No director or staff member of the Company should alter equipment, facilities or install software without specific authorization or develop his own applications without management approval. Security precautions should be exercised when using personal computers, and personal computer software should be obtained only from sources identified in the Company's relevant policy. All computer software should be used in strict compliance with the Copyright Ordinance.

Chapter 4 USE OF INFORMATION AND COMMUNICATION SYSTEMS

1. Directors and staff members are not allowed to browse any unauthorized websites or to download, e-mail, store or print any materials that may be considered inappropriate, offensive or disrespectful to others. Besides, the e-mail system of the Company is to be used primarily for business purposes. The Company reserves the right to monitor all e-mail messages and internet usage.
2. Directors and staff members are responsible for protecting and keeping confidential their own passwords and all other network access information. Any attempt by an unauthorized person to obtain sensitive information or to gain access to secure corporate locations, computers and internal information systems should be reported at once to the management or MIS department.
3. Directors and staff members should follow the following password practice guidelines when handling Company's confidential information.
 - (a) All classified files in your workstations (including PC & lab-top) must be encrypted by yourself.
 - (b) When sending out classified file, ensure that (1) the file is properly encrypted AND (2) the e-mail is also encrypted before it is sent out.
 - (c) Disposal of classified file in any format must be done in a way without the content/data disclosure.
 - (d) All passwords are to be jointly hold by the Department Heads (or the authorized staff) AND his/her superior. Such passwords are to be tested periodically by either party.
 - (e) Change of password must be done either by the Department Head or jointly with his/her subordinate.
 - (f) No backup classified data into portable format such as CD, floppy-disk etc by the user. Please inform MIS hardware/network team to do for you. Before the file is passed to MIS Department, please ensure that it is properly encrypted.

Chapter 5 RELATIONS WITH SUPPLIERS AND CONTRACTORS

1. Fair and Open Competition

The Company promotes fair and open competition and aims to develop and secure long-term relationships with suppliers and contractors based on mutual trust.

2. Meeting the Public Interest and Accountability Standards

The procurement of supplies or services should be conducted in a manner consistent with the highest ethical standards which assure a quality end product as well as the continued confidence of customers, suppliers and the public.

3. Procurement and Tendering Procedures

3.1 The contracting of services and the purchase of goods should be based solely upon price, quality and need.

3.2 Procurement and tendering actions should be conducted according to the following principles:

- The impartial selection of capable and responsible suppliers and contractors;
- The maximum use of competition;
- The selection of appropriate contract types according to need;
- Compliance with laws, relevant regulations and contractual obligations; and
- The adoption of an effective monitoring system and management controls to detect and prevent bribery, fraud or other malpractice in the procurement and tendering process.

3.3 Procurement and tendering processes implemented according to this policy will specifically include procedures and practices designed to detect and prevent fraudulent activity.

4. Bribery and Corrupt Practices

The Company prohibits bribery and corrupt practices. Directors and staff members should follow company policy on the acceptance of advantages. Those involved in the selection of and purchase from suppliers and contractors should avoid any misuse of authority or engage in situations which could affect or appear to affect their ability to make free and independent decisions regarding the purchase and procurement of goods and services.

5. Payment Procedures

The Company undertakes to pay suppliers and contractors on time and according to the agreed terms of trade.

Chapter 6 RESPONSIBILITIES TO SHAREHOLDERS AND THE FINANCIAL COMMUNITY

1. Attractive Returns in Terms of Increased Earnings and Long-term Growth

The Company endeavours to achieve growth in earnings for shareholders over the long term. Shareholders and the financial community shall benefit from the productive, efficient and competitive operations of the Company.

2. Disclosure of Information

The Company respects the right of shareholders and potential shareholders to obtain all information necessary for evaluating how their investments are being managed.

True and accurate information regarding the management of the Company, its financial position and its general plans shall be available to anyone with an interest in the Company.

3. Keeping of Proper Books and Records

3.1 It is the policy of the Company to maintain complete and accurate records and accounts. All accounting records must be kept in compliance with all applicable laws.

3.2 The books and records of the Company should, in reasonable and accurate detail, reflect all the transactions entered into by the Company and the Company's assets and liabilities. Detailed guidelines as to accounting controls and financial reporting are available to the directors and staff members of the Company.

3.3 No false, incorrect or misleading statements or entries should be made in the Company's books, accounts, electronic records, documents or financial statements. Any director or staff member who has information regarding any hidden funds or false entries in the Company's records should report the matter promptly to Director or Department Head.

4. Inside Information

4.1 The Company will not tolerate the use of inside information by directors or staff members to secure a personal advantage at the expense of the Company or of those not in the Company. The use for personal gain of inside information that has not been made public is illegal, unethical and strictly prohibited.

- 4.2 Directors and staff members of the Company should not disclose any inside information to anyone of the Company who does not need to know this information for operational purposes or to anyone outside of the Company. They should not circumvent these guidelines by acting through another party or by giving inside information to others for their use even if the Company will derive a financial benefit from this.

Chapter 7 RELATIONS WITH CUSTOMERS AND CONSUMERS

1. Service to Customers

The Company seeks to provide an efficient and courteous customer service in order to maintain customer satisfaction and co-operation with the Company. The Company shall keep its customers informed of the exact nature of the Company's capabilities and shall avoid making any misrepresentation, exaggeration or overstatement.

2. Commitment to Offering Quality and Fair-value Products

The Company shall always put customers first by providing them with good quality products at prices which represent good value for money.

3. Safety and Fitness for Use of Goods

It is the policy of the Company of offer to its customers products that meet high standards of safety, quality and reliability.

4. Prompt Product Recall and Related Practices

The Company will bear full responsibility for all products which do not meet the required standards of safety, quality and reliability. In cases where product recalls are required, they shall be implemented promptly and expediently.

5. Product Policies

The Company accepts its social responsibility to improve its products in order to promote a higher quality of life.

6. Pricing Policies

The Company believes in the economic system of the free market, in which price is determined by supply and demand. The Company also seeks to provide customers with the highest quality products at fair prices which allow the Company a reasonable profit in relation to the value provided.

7. Customer Information

All directors and staff members of the Company are committed to protecting the personal information of customers in strict compliance with the Personal Data (Privacy) Ordinance. The personal information of customers should be used in the proper context only for authorised business purposes and shall be accessible only to those employees who have a legitimate need to know.

Chapter 8 COMPLIANCE WITH THE CODE

1. It is the duty of every director and staff member to understand and comply with the Code. Department Head should also ensure that their subordinates understand well and comply with the standards and requirements stated in the Code.
2. Anyone who is in breach of the Code will be subject to disciplinary action, including but not limited to termination of employment. In cases of suspected corruption or other criminal offences, a report will be made to the ICAC or the appropriate authorities.
3. To improve the value of ethics and Code of Conducts between staff, in case of any suspicion of violation on Chapter 1-7, anyone may file or report to respective directors or human resources department. Channels of complaint are open to all shareholders and potential shareholders, customers and consumers, suppliers and contractors and all directors and staff members of the Company. Any enquiries about the Code or complaints on possible breaches of this Code should be channeled to Director or Department Head for advice and action. The Company shall keep all complaints impartially and efficiently. The Company will not tolerate any harassment, threats or acts of retaliation or any type of discrimination or other adverse employment action against any employee made a complaint or cooperated or assisted with an investigation in good faith. The Company will not tolerate attempts to harm or slander another through false accusations, malicious rumours, or other bad faith actions, all of which may result in disciplinary or other action up to and including termination of employment. All information received will be kept confidential.
4. We encourage and welcome suggestions and recommendations to improve the collaboration and communication between departments by setting up a complaint or reporting system, such that all staff members may file their complaints directly and effectively.

Should you have any suggestions or recommendations in this code of ethics and conducts. Please contact Human Resources Department.

Appendix 1 Extracts from the Prevention of Bribery Ordinance (Laws of Hong Kong Cap. 201)

Section 9 Corrupt transaction with agents

- (1) Any agent who, without lawful authority or reasonable excuse, solicits or accepts any advantage as an inducement to or reward for or otherwise on account of his-
- (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
 - (b) showing or forbearing to show, or having shown or forborne to show, favor or disfavor to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

- (2) Any person who, without lawful authority or reasonable excuse, offers any advantage to any agent as an inducement to or reward for or otherwise on account of the agent's-
- (a) doing or forbearing to do, or having done or forborne to do, any act in relation to his principal's affairs or business; or
 - (b) showing or forbearing to show, or having shown or forborne to show, favor or disfavor to any person in relation to his principal's affairs or business,

shall be guilty of an offence.

- (3) Any agent who, with intent to deceive his principal, uses any receipt, account or other document-
- (a) in respect of which the principal is interested; and
 - (b) which contains any statement which is false or erroneous or defective in any material particular; and
 - (c) which to his knowledge is intended to mislead the principal,

shall be guilty of an offence.

- (4) If an agent solicits or accepts an advantage with the permission of his principal, being permission which complies with subsection (5), neither he nor the person who offered the advantage shall be guilty of an offence under subsection (1) or (2).

- (5) For the purposes of subsection (4) permission shall-
- (a) be given before the advantage is offered, solicited or accepted; or
 - (b) in any case where an advantage has been offered or accepted without prior permission, be applied for and given as soon as reasonably possible after such offer or acceptance,
- and for such permission to be effective for the purposes of subsection (4), the principal shall, before giving such permission, have regard to the circumstances in which it is sought.

Section 11 **Giver and acceptor of bribe to be guilty notwithstanding that purpose not carried out, etc.**

- (1) If, in any proceedings for an offence under any section in this Part, it is proved that the accused accepted any advantage, believing or suspecting or having grounds to believe or suspect that the advantage was given as an inducement to or reward for or otherwise on account of his doing or forbearing to do or having done or forborne to do, any act referred to in that section, it shall be no defense that –
- (a) he did not actually have the power, right or opportunity so to do or forbear;
 - (b) he accepted the advantage without intending so to do or forbear; or
 - (c) he did not in fact so do or forbear.
- (2) If, in any proceedings for an offence under any section in this Part, it is proved that the accused offered any advantage to any other person as an inducement to or reward for or otherwise on account of that other person's doing or forbearing to do, or having done or forborne to do, any act referred to in that section, believing or suspecting or having reason to believe or suspect that such other person had the power, right or opportunity so to do or forbear, it shall be no defense that such other person had no such power, right or opportunity.

Section 19 **Custom not to be a defense**

In any proceedings for an offence under this Ordinance, it shall not be a defense to show that any such advantage as is mentioned in this Ordinance is customary in any profession, trade, vocation or calling.

Section 2 Interpretation

‘Advantage’ means:

- (a) any gift, loan, fee, reward or commission consisting of money or of any valuable security or of other property or interest in property of any description;
- (b) any office, employment or contract;
- (c) any payment, release, discharge or liquidation of any loan, obligation or other liability, whether in whole or in part;
- (d) any other service, or favor (other than entertainment), including protection from any penalty or disability incurred or apprehended or from any action or proceedings of a disciplinary, civil or criminal nature, whether or not already instituted;
- (e) the exercise or forbearance from the exercise of any right or any power or duty; and
- (f) any offer, undertaking or promise, whether conditional or unconditional, of any advantage within the meaning of any of the preceding paragraphs (a), (b), (c), (d) and (e),

but does not include an election donation within the meaning of the Elections (Corrupt and Illegal Conduct) Ordinance (Cap 554), particulars of which are included in an election return in accordance with that Ordinance.

‘Entertainment’ means:

The provision of food or drink, for consumption on the occasion when it is provided, and of any other entertainment connected with, or provided at the same time as, such provisions.

Appendix 2 REPORT ON GIFTS RECEIVED (Form A)

(Form A)

REPORT ON GIFTS RECEIVED

Part A – Declaration *(To be completed by Receiving Staff)*

To : (Approving Authority)

Description of Offeror :

Name & title of offeror : _____

Company : _____

Relationship (business / personal) : _____

Occasion on which the gift
was / is to be received : _____

Description & (assessed) value of the gift : _____

Suggested Method of Disposal :

- () Retained by the receiving staff
() Retained for display / as a souvenir in the office
() Share among the office
() Reserve as lucky draw prize at staff function
() Donate to a charitable organization
() Return to offeror
() Others (please specify) : _____

Remark :

(Date)

(Name of Receiving Staff)
(Title / Department)

Part B – Acknowledgement *(To be completed by Approving Authority)*

To : (Receiving Staff)

The recommended method of disposal is ***approved / not approved.**

The gift(s) concerned should be disposed of by way of : _____

(Date)

(Name of Approving Authority)
(Title / Department)

*Please delete as appropriate

Appendix 3 DECLARATION OF CONFLICT OF INTEREST (Form B)

(Form B)

DECLARATION OF CONFLICT OF INTEREST

Part A – Declaration *(To be completed by Declaring Staff)*

To : (Approving Authority)

I would like to report the following ****existing / potential*** conflict of interest situation arising during the discharge of my official duties :-

Persons/companies with whom/which I have official dealings and/or personal interests
Brief description of my duties which involve the persons/companies mentioned above

(Date)

(Name of Declaring Staff)
(Title / Department)

Part B – Acknowledgement *(To be completed by Approving Authority)*

To : (Declaring Staff)

The information contained in your declaration form of _____ (Date) _____ 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.

☐ You may continue to handle the work as described in Part A, provided that there is no change in the information declared above.

☐ Others (please specify) : _____

(Date)

(Name of Approving Authority)
(Title / Department)

*Please delete as appropriate