

# Business Ethics and Conducts

## Summary

Jalon Business Ethics and Conducts is established to prevent unethical behavior and promote honesty and ethical conduct, including the ethical handling of conflicts of interest, whether substantive or apparent, between personal and professional interests.

## Applicability

This policy is applicable to all employees of the company headquarter, subsidiaries or affiliates.

## Duties

The Department of Audit is responsible for the formation of policies and implement of Business Ethics and Conducts.

## Procedure

1. Anyone working for Jalon or representing Jalon should uphold honesty and integrity. Both business ethics and personal ethics shall be maintained at a high standard without distinction. It is imperative for Jalon employees to adhere to the highest ethical principles.
2. Ethical standards refer to the moral principles that comply with laws and regulations and guide judgments of just and unjust, rights and obligations, and other ethical criteria.
3. Anyone working for Jalon shall be honest and ethical when cooperate with colleagues, clients, suppliers, and other third parties. Jalon does not engage in any illegal collaborations and strictly prohibits industry alliances aimed at manipulating material prices. Deceptive behavior towards clients and society is strictly prohibited. Any individual has the right and obligation to expose and criticize such conduct.
4. Employees must not offer, request or accept kickbacks, commissions, or any other form of illegal undue advantage. Bribing individuals involved in business dealings with Jalon is also strictly prohibited. Employees who fail to comply with this principle may be subject to criminal sanctions as provided for by applicable laws.

5. Employees must respect the rights of their colleagues, subordinates and third parties and refrain from engaging in discriminatory, harassing, or defamatory behavior. Regardless of age, race, gender, sexual orientation, skin color, beliefs, religion, country of origin, marital status, or disability, everyone is entitled to equal rights.
6. Jalon maintains regular dialogue, active listening and a relationship of trust, ensuring that employees are committed to their work and uphold honesty and integrity.

## **Conflict of Interest**

A conflict of interest occurs when an individual's personal interests could compromise his or her judgment, decisions, or actions in the workplace, interfering with the overall interests of Jalon. Some examples of a conflict of interest could be:

1. Business Competition: Employees shall not apply to other rival companies during their employment in Jalon.
  - 1.1. Corporate Opportunities: Employees must refrain from leveraging company property, information, or their position within Jalon to seek business opportunities that rightfully belong to Jalon. If an employee has the potential to secure a business opportunity within Jalon's operational scope using company resources, information, or their position, they must first present the opportunity to Jalon before pursuing personal development.
  - 1.2. Financial Interests: Anyone is not allowed to directly or indirectly accept the financial benefits (equity or otherwise) from other business entities through their spouse or other family relationships if such benefits would compromise the employee's duties or responsibilities in the workplace. Furthermore, employees are prohibited from dedicating their working hours to other activities to gain financial benefits. Employees shall not hold ownership interests in competing businesses or those with which they have business dealings. If an employee's responsibilities involve managing and overseeing transactions with other companies, they are prohibited from holding ownership interests in those companies.
  - 1.3. Loans and Other Financial Transactions: Employees are strictly prohibited from obtaining loans, personal debt guarantees, or entering into any personal financial transactions with major customers, suppliers, or competitors. This policy does not, however, strictly prohibit long-term transactions with recognized banks or other financial institutions.
2. Disclosure: Jalon mandates that employees promptly disclose any potential situations that may give rise to a conflict of interest. If an employee becomes aware of a conflict of interest

or if others suspect a conflict, they must report it through the established hierarchical channels.

3. Principles for Managing Relationships with Interested Parties: ‘Relationships with interested parties’ refer to the connections between employees and clients, business partners, competitors, regulators, and other stakeholders. Employees must approach clients, business partners, competitors, regulators, and colleagues with fairness and impartiality.
4. Actions of family members outside the workplace may result in a conflict of interest, potentially influencing employees subjectively when making decisions on behalf of Jalon. Employees, whose family has vested interest in businesses that have dealings with Jalon, whether directly or indirectly, shall declare any involvement of their family members that may cause a conflict of interest to the management. The term ‘family member’ mentioned in this code includes the spouse, siblings, parents, in-laws, and children.

### **Gifts and Hospitality**

1. Appropriate business gifts, hospitality and entertainment are recognized as courteous gestures to foster relationships between business partners. Anyone working for Jalon or presenting Jalon are expected to be vigilant with regard to the nature and frequency of such gestures. Employees must determine if a gift or hospitality received from or offered to Jalon’s business partners may influence a commercial relationship or business decision. However, gifts and hospitality shall never influence employees to make subjective or unfair business decisions.
2. Employees are only allowed to accept appropriate gifts. We encourage employees to submit gifts that should be accepted by Jalon. Acceptance of gifts from the same business partner should not exceed RMB 200 per quarter. While we do not mandate the submission of small-value gifts, gifts valued above RMB 200 shall be promptly submitted to the Department of Administration.
3. Dealing with government officials differs from interactions with other partners, since government officials are strictly prohibited from accepting any form of gratuity, including hospitality and entertainment. Anyone working for Jalon shall not bribe government officials or personnel for business purposes. Employees shall be cautious and adhere strictly to these regulations when dealing with government entities.
4. Corporate business practices are built on the fair dealings. We announce Jalon corporate code of ethics to our partners. Employees must adhere to the company's Anti-Bribery and Whistle-blowing Management System. No employee shall engage in bribery, bribe others, or clandestinely accept commissions and other personal benefits. Any activities related to giving

or receiving bribes, kickbacks, or similar incentives must be immediately terminated and reported to the relevant management. Bribery or kickbacks include any attempts to gain preferential treatment through illegal methods. Jalon ensures that our employees will not face demotion or adverse consequences if refusing to participate in corrupt practices, although such actions may lead to the loss of business.

### **Use and Protection of Jalon's Assets**

1. Employees are required to protect company assets and ensure that they are used only for legitimate business purposes. The use of company assets and funds for personal interest or any illegal or inappropriate purposes is strictly prohibited.
2. To ensure the protection and proper use of company assets, each employee shall:
  - 2.1. Take care of company property to prevent theft, damage, and misuse;
  - 2.2. Promptly report any theft, damage, or misuse of company property;
  - 2.3. Safeguard all digital copies, data, communication record, and written documents to prevent unauthorized use;
  - 2.4. Use company property exclusively for legitimate business purposes.

### **Intellectual Property and Confidentiality**

1. Jalon also owns intangible assets such as: inventions, concepts, and creative works developed by our employees, lists of suppliers, clients, information relating to orders and more generally to various contracts, results, forecasts or any other financial data, technical and product information, and any other confidential information or trade secret.
2. Jalon adheres to a strict confidentiality policy. Information obtained from clients, suppliers, and other parties related to business activities shall be kept confidential. Employees are required to comply with all written or unwritten confidentiality rules and fulfill personal confidentiality obligations and responsibilities.
3. Even outside of workplace, employees shall be vigilant and are strictly prohibited from disclosing business information of Jalon or its business partners.
4. Employees shall not disclose, publicize, or publish proprietary or other confidential business information without the permission. Upon termination of the employment relationship, employee's confidentiality responsibilities remain effective until Jalon publicly discloses the relevant information.

## Competition and Fair Trade

Jalon actively seeks fair competition. Every employee is dedicated to respecting and treating the rights of Jalon's clients, suppliers, competitors, and fellow employees fairly. No employees are allowed to gain advantages from others through manipulation, concealment, abuse of privileged information, dissemination of misinformation about significant facts, or any other illegal transaction.

We firmly believe that fair competition is essential for the long-term success and sustainability of our business. Jalon's commitment to ethical business practices extends to all levels of our organization, and we expect each team member to uphold these principles with the highest level of integrity.

## Whistle-blowing System

1. All employees have obligations to report any known or suspected violations, including those against laws, regulations, standards, and company policies to safeguard the reputation and credibility of Jalon and its employees.
2. Employee has the responsibility to promptly report the violation or suspicious behaviour to company management. Jalon will handle all such inquiries and reports with discretion.
3. Any person who wishes to make a report can do so through the following secure email address or phone number: [sjb@jalon.cn](mailto:sjb@jalon.cn) / +86 0379-67758256.
4. Jalon strictly prohibits the disclosure of the whistle blower's name, department, company name, and any related details. It is forbidden to reveal the details of the report to the accused person or department. During the investigation and auditing process, the original or copied whistle-blowing materials shall not be presented. For the letters and materials provided by anonymous whistle-blower, handwriting analysis is not permitted, and the materials should not be loaned or disclosed to external parties without authorization and permission.

**Luoyang Jalon Micro-Nano New Material Co., Ltd**