

IMPLEMENTATION RULES FOR THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS OF SHANDONG CHENMING PAPER HOLDINGS LIMITED

(Approved by the 8th meeting of the 10th session of the Board of Directors on March 28, 2024)

CHAPTER 1 GENERAL PROVISIONS

Article 1 In order to strengthen the decision making function of the Board of Directors (the “Board”), to accomplish audit in advance and professional audit so as to ensure effective supervision of the management by the Board and to improve the governance structure of Shandong Chenming Paper Holdings Limited (the “Company”), and in accordance with The Company Law of the People’s Republic of China, Guidelines for Corporate Governance of Listed Companies, Guidelines for Self-discipline Regulation of Listed Companies of Shenzhen Stock Exchange No. 1 – Standard Operation of Listed Companies on the Main Board, the Articles of Association, the relevant rules governing the listing of securities or shares on the stock exchanges where the shares of the Company are listed (including but not limited to The Stock Exchanged of Hong Kong Limited (the “Hong Kong Stock Exchange”) and Shenzhen Stock Exchange) (collectively, the “Listing Rules”) and other relevant provisions, the Company sets up the Audit Committee of the Board and formulates the implementation rules (the “Rules”).

Article 2 The Audit Committee of the Board is a specific body set up by the Board pursuant to a resolution of the shareholders’ general meeting. It is mainly responsible for the review of the Company’s financial information and its disclosures, supervision and evaluation of internal and external audit, internal control and other related matters.

Article 3 The Company shall provide the Audit Committee with the means and measures to perform their duties, and engage professionals or agencies to handle daily operation including liaison, organization of meetings, preparation of materials and documentation for the Audit Committee. When the Audit Committee is performing its duties, the management and relevant departments of the Company shall cooperate with it.

CHAPTER 2 COMPOSITION

Article 4 Members of the Audit Committee shall comprise three (3) Directors who are not senior management of the Company, of which independent non-executive Directors shall account for the majority of the members therein, and shall serve as the convener. The convener of the Audit Committee shall be an accounting professional. Members of the Audit Committee shall possess the professional knowledge and experience enabling them to fulfill the duties of the Audit Committee.

Members of the Audit Committee shall be diligent and responsible, supervise and evaluate the internal and external audit of the Company in a practical and efficient way, and procure the Company to establish an effective internal control system and provide true, accurate and complete financial reports.

Article 5 Members of the Audit Committee shall be nominated by Chairman of the Board, more than half of the independent non-executive Directors or one-third of all Directors, and shall be elected by the Board.

Article 6 The Audit Committee shall have a chairman (convener) who shall be an independent non-executive Director who is also an accounting professional and be responsible for leading the work of the committee. The chairman of the committee shall be elected from the members, subject to the approval of the Board.

Article 7 The term of office of the Audit Committee shall be the same as that of the Board. A member of the Audit Committee may serve consecutive terms if re-elected upon the expiration of his term. If any member resigns from the position of Director during his term of office, he shall automatically lose the position of committee members, the vacancy shall be filled by the committee in accordance with the provisions above.

Article 8 The Audit Committee shall have an audit working unit as its routine operation arm. The working unit is established under the Company's audit department and be responsible for the routine work of liaison and organizing meetings.

CHAPTER 3 FUNCTIONS AND POWERS

Article 9 The main functions of the Audit Committee are:

1. to supervise and evaluate the work of external audit and propose the engagement or replacement of the external audit institution:
 - (1) to be primarily responsible for making recommendations to the Board on the appointment, reappointment and removal of the external auditor, and to approve the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal;
 - (2) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards. The Committee should discuss with the auditor the nature and scope of the audit and reporting obligations before the audit commences; and
 - (3) to develop and implement a policy on engaging an external auditor (including any entity that is under common control, ownership or management with the audit firm or any entity that a reasonable and informed third party knowing all relevant information would reasonably conclude to be part of the audit firm nationally or internationally) to supply non-audit services. The Audit Committee should report to the Board, identifying and making recommendations on any matters where action or improvement is needed;
2. to supervise and evaluate the work of internal audit and to be responsible for the coordination between internal and external audits, and to ensure that the internal audit function has adequate resources to operate its duties and appropriate standing within the Company, and to review and monitor its effectiveness;
3. to review the Company's financial information and its disclosures:
 - (1) to monitor the integrity of the Company's financial statements and annual reports and accounts, half-year reports and quarterly reports, if prepared for publication, and to review significant financial reporting judgements contained in them. In reviewing these reports before submission to the Board, the Committee should focus particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgmental areas;

- (iii) significant adjustments resulting from audit;
 - (iv) the going concern assumptions and any qualifications;
 - (v) compliance with accounting standards; and
 - (vi) compliance with the Listing Rules and legal requirements in relation to financial reporting;
- (2) regarding the above matters, the Audit Committee should liaise with the Board and the senior management and the Committee must meet, at least twice a year, with the external auditor to consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts, and it should give due consideration to any matters that have been raised by the Company's staff responsible for the accounting and financial reporting function, compliance officer or the external auditor;
4. to supervise and evaluate the Company's financial reporting system, risk management and internal control systems:
- (1) to review the Company's financial control, and review the Company's risk management and internal control systems;
 - (2) to discuss the risk management and internal control systems with the management to ensure that the management has performed its duty to have the effective systems. This discussion should include the adequacy of resources, staff qualifications and experience, training programmes and budget of the issuer's accounting and financial reporting function;
 - (3) to consider major investigation findings on risk management and internal control matters as delegated by the Board or on its own initiative and management's response to these findings;
 - (4) to review the Group's financial and accounting policies and practices;
 - (5) to review the external auditor's management letter, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;
 - (6) to ensure that the Board will provide a timely response to the issues raised in the external auditor's management letter;
 - (7) to report to the board on the matters in this article; and
 - (8) to consider other topics, as defined by the Board.
5. to review arrangements employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters. The Audit Committee should ensure that proper arrangements are in place for fair and independent investigation of these matters and for appropriate follow-up action;

6. to act as the key representative body for overseeing the Company's relations with the external auditor; and
7. to deal with other matters as authorized by the Board and other matters involved in the relevant laws and regulations as well as the regulations of the Hong Kong Stock Exchange and Shenzhen Stock Exchange.

The Audit Committee shall report to the Board and make recommendations on the measures or improvements it deems necessary.

Article 10 In monitoring and assessing the work of the internal audit department, the Audit Committee shall perform the following main functions:

1. to guide and supervise the establishment and implementation of the internal audit system;
2. to review the annual internal audit plan of the Company;
3. to supervise and facilitate the implementation of internal audit plan of the Company;
4. to guide the internal audit department on effective operation. The internal audit department of the Company shall report its work to the Audit Committee. All types of audit reports, rectification plans and rectification progress related to audit matters submitted by the internal audit department to the management shall report to the Audit Committee at the same time;
5. to report to the Board on the progress and quality of internal audit and major problems identified;
6. to coordinate the relationship between the internal audit department and the external audit units such as the accounting firm and the national audit institutions.

Article 11 The Audit Committee shall be accountable to the Board. The committee shall submit proposals to the Board for examination and decisions. The Audit Committee shall assist in the supervisory audit activities of the Supervisory Committee.

CHAPTER 4 PROCEDURES OF DECISION MAKING

Article 12 The audit working unit is responsible for preliminary preparation for decision making of the Audit Committee, and providing relevant written information of the Company:

1. Relevant financial reports of the Company;
2. Work reports of internal and external audit institutions;
3. External audit contract and relevant work reports;
4. Disclosure of information made by the Company;

5. Audit reports for material connected transactions of the Company;
6. Other relevant matters.

Article 13 The Audit Committee shall monitor and guide the internal audit department to conduct inspections of the following matters at least once every six months, issue inspection reports and submit the same to the Audit Committee. In the event that violations of law or regulation and non-compliance in the operation of the Company are found during the inspection, report to Shenzhen Stock Exchange shall be made in a timely manner:

1. Implementation of significant matters, such as use of proceeds, provision of guarantee, related party transactions, security investment and derivatives transaction, provision of financial support, purchase or sale of assets and external investment of the Company;
2. Large capital flows of the Company and the capital transactions with Directors, supervisors, senior management, controlling shareholders and beneficial controllers and their respective related parties.

The Audit Committee shall issue a written assessment of the effectiveness of the internal control of the Company based on the internal audit report submitted by the internal audit department and related information, and report to the Board; if the Board or the Audit Committee believes that there are material deficiencies or material risks in the internal control of the Company, or if the sponsor, independent financial advisor, accounting firm consider that there are material deficiencies in the effectiveness of the internal control of the Company, the Board shall report and disclose to Shenzhen Stock Exchange in a timely manner. The Company shall disclose the material deficiencies or material risks in the internal control, existing or potential consequences, and measures in place or to be taken in the announcement.

Article 14 The Audit Committee of the Board of the Company is responsible for the review the Company's financial information and its disclosure, supervision and evaluation of internal and external audit. The following matters shall be submitted to the Board for examination, subject to the approval of the majority of all members of the Audit Committee:

1. Disclosure of financial information and internal control evaluation report in financial and accounting reports and periodic reports;
2. Engagement or dismissal of the accounting firm in charge of the accounting matters of the Company;
3. Engagement or dismissal of the chief financial officer of the Company;
4. Changes in accounting policies and accounting estimates or correction of major accounting errors for reasons other than changes in accounting standards;
5. Relevant requirements of the laws, regulations, Shenzhen Stock Exchange and other matters prescribed by the Articles of Association.

The Audit Committee shall review the financial and accounting reports of the Company, advise as to the truthfulness, completeness and accuracy of such reports, and focus on the major accounting and auditing issues in the financial and accounting reports of the Company, especially whether there is any possibility of fraud, corrupt practices or material misstatement in relation to such reports, and supervise the rectification of the issues in the financial and accounting reports.

The Audit Committee shall make recommendations to the Board on the appointment or replacement of the external audit institutions, review the audit fees and employment terms of the external audit institutions, and shall not be improperly influenced by the substantial shareholders, beneficial controllers or Directors, supervisors and senior management of the Company.

The Audit Committee shall urge the external audit institutions to be honest, trustworthy, diligent and responsible, strictly abide by the business rules and industry discipline regulations, strictly implement the internal control system, check and verify the Company's financial and accounting reports, perform the special care obligations, and prudently express professional opinions.

CHAPTER 5 ORDER OF PROCEEDINGS

Article 15 Committee members shall be given not less than five days' prior notice before the convening of an Audit Committee meeting. Meetings shall be chaired by the chairman of the committee. If the chairman cannot attend the meeting, he may appoint another member (independent non-executive Director) to chair the meeting.

Article 16 Meetings of the Audit Committee shall be convened only with the presence of more than two thirds of the members. Each member has one vote. A resolution shall be decided by a majority of votes.

Article 17 The Audit Committee shall meet at least once every quarter. An extraordinary meeting can be convened as proposed by two or more members, or when the convener deems necessary.

Article 18 Audit Committee meetings shall principally be held on site. A meeting may be convened by way of video conferencing, telephone, or other means in accordance with the procedures if necessary, provided that all attending members can fully communicate and express their opinions.

Article 19 Members of the audit working unit may attend meetings of the Audit Committee. Directors, supervisors and other senior management of the Company may be invited to attend such meetings if necessary.

Article 20 If necessary, the Audit Committee may engage an intermediary institution to provide professional opinions on its decision at the costs of the Company.

Article 21 The procedures for convening a meeting, the method of voting and the resolutions passed at the meetings of the Audit Committee shall comply with the provisions of governing laws, regulations, Articles of Association and the Rules.

Article 22 The Audit Committee shall keep minutes of the meetings. Members present at the meetings shall sign the minutes of the meetings that shall be kept by the secretary to the Board of the Company.

Article 23 Proposals passed and voting results at meetings of the Audit Committee shall be reported in writing to the Board of the Company.

Article 24 Members present at meetings shall keep all matters discussed in such meetings confidential, and shall not disclose relevant information without authorization.

CHAPTER 6 SUPPLEMENTARY ARTICLES

Article 25 The Rules shall be put on trial implementation on the date when the relevant resolution is passed by the Board.

Article 26 Any matters not covered by the Rules shall be implemented in accordance with the provisions of governing national laws and regulations, the Listing Rules and the Articles of Association of the Company. If the Rules contravene any future laws and regulations, the Listing Rules or the amended Articles of Association of the Company, implementation shall be in accordance with the provisions of the relevant laws and regulations of China and the Articles of Association of the Company, and the rules shall be amended promptly and reported to the Board for examination and approval.

Article 27 The power of interpretation of the Rules is vested in the Board of the Company.

Board of Directors of Shandong Chenming Paper Holdings Limited
March 28, 2024