

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

(Approved by the 21st extraordinary meeting of the 10th session of  
the Board of Directors on October 10, 2025)

## **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 (the “Company Law”), 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 established as a specific body of the Board in accordance with the Articles of Association. It is mainly responsible for the review of the Company’s financial information and its disclosures, supervision and evaluation of internal and external audit and internal control. It exercises the functions and powers of the Supervisory Committee as stipulated by the Company Law, and is responsible for the supervision, review, communication and coordination of internal and external audit of the Company.

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 an independent non-executive Director 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 member, 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. the functions and powers of the Supervisory Committee as stipulated by the Company Law;
2. 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 matters 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 Audit 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 and make recommendations on any matters where action or improvement is needed;
3. 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;

4. 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 statements and reports before submission to the Board, the Audit 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 Audit Committee must meet, at least twice a year, with the external auditor of the Company to consider any significant or unusual matters 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;
5. to supervise and evaluate the Company's internal control, 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;
6. 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;
  7. to act as the key representative body for overseeing the Company's relations with the external auditor; and
  8. 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.

Article 12 The Audit Committee shall inspect the Company's finances in accordance with the law, supervise the compliance of Directors and senior management of the Company with laws and regulations, provisions of the Hong Kong Stock Exchange and Shenzhen Stock Exchange and the Articles of Association as well as the execution of their duties of the Company, and may require the Directors and senior management to submit reports on the execution of their duties. Directors and senior management shall truthfully provide the Audit Committee with relevant information and materials and shall not impede the Audit Committee from exercising its functions and powers.

The Audit Committee shall inform the Board or report to the shareholders' general meeting and disclose in a timely manner any violation of laws and regulations, relevant provisions of the Hong Kong Stock Exchange and Shenzhen Stock Exchange or the Articles of Association by the Directors or senior management and may also report directly to the regulatory authorities.

Article 13 In the process of performing its supervisory responsibilities, if the Audit Committee finds that Directors or senior management have violated laws and regulations, relevant provisions of the Hong Kong Stock Exchange and Shenzhen Stock Exchange, the Articles of Association or resolutions of the shareholders' general meeting, it may make recommendations to remove such individuals.

Article 14 The Company shall disclose the annual performance of the Audit Committee in the annual report, including mainly the specific performance of its duties and the convening of the Audit Committee meetings.

If the Audit Committee makes recommendations to the Board on matters within the scope of its duties and responsibilities, and the Board does not adopt such recommendations, the Company shall disclose such matters and fully explain the reasons.

#### **CHAPTER 4 PROCEDURES OF DECISION MAKING**

Article 15 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 16 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, 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 17 The Audit Committee of the Board of the Company is responsible for the review of 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. Other matters required by the laws, regulations, relevant provisions of the Shenzhen Stock Exchange and 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 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 18 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 19 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 20 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 21 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 22 Members of the audit working unit may attend meetings of the Audit Committee. Other Directors and senior management of the Company may be invited to attend such meetings if necessary.

Article 23 If necessary, the Audit Committee may engage an intermediary institution to provide professional opinions on its decision at the costs of the Company.

Article 24 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 25 Minutes of the Audit Committee's resolutions shall be prepared in accordance with the regulations. The meeting minutes of the Audit Committee shall be true, accurate and complete, and shall fully reflect the opinions of the participants on the matters considered. Members and recorders attending the meeting shall sign on the meeting minutes. The meeting minutes of the Audit Committee shall be properly maintained.

Article 26 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 27 The Rules shall take effect upon consideration and approval by the Board.

Article 28 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. If the Rules contravene any future laws and regulations, the Listing Rules or the amended Articles of Association, implementation shall be in accordance with the provisions of the relevant laws and regulations of China and the Articles of Association, and the rules shall be amended promptly and reported to the Board for consideration and approval.

Article 29 The power of interpretation of the Rules is vested in the Board of the Company.

Board of Directors of Shandong Chenming  
Paper Holdings Limited  
October 10, 2025