



Shanghai M&G Stationery Inc.

Management System Against Fraudulence

To prevent fraud and enhance governance and internal controls at Shanghai M&G Stationery Inc. (hereinafter referred to as "the Company"), measures have been taken to reduce corporate risks and standardize business practices. These measures also aim to protect the Company's legal rights and interests, ensuring the achievement of its operational goals and fostering continuous, stable, and healthy growth. In addition, they safeguard shareholders' legal rights and interests. Based on the Company's objectives, its legal and regulatory requirements, securities market regulations, and the guidance of regulatory authorities, this policy has been jointly developed and released by the Audit Department and Legal Department, taking into account the Company's specific circumstances.

The Company is committed to promoting compliance with laws and regulations in its business operations and encourages employees to report illegal and non-compliant conduct. This policy establishes a series of management and operational procedures, including:

1. Concept and forms of fraud;
2. Assigning responsibility for anti-fraud;
3. Prevention and control of fraud;
4. Reporting of fraud cases;
5. Handling procedures for fraud cases;
6. Authority of anti-fraud investigators;
7. Remedies and penalties for fraud;
8. Company policy prohibiting illegal retaliation or discriminatory conduct against whistleblowers.

This policy applies to Shanghai M&G Stationery Inc. and its subsidiaries.

I. Concept and Forms of Fraud

Fraud, as referred to in this policy, is any behaviors by internal or external personnel using deception or other illegal means to seek personal illegitimate gains, causing harm to the Company's legitimate economic interests, or seeking improper Company economic benefits, which may simultaneously bring personal illegitimate gains. This includes but is not limited to the following situations:

1. Accepting bribes or kickbacks;
2. Illegally using Company assets, embezzlement, misappropriation, theft, or fraudulently obtaining Company property;
3. Causing the Company to make payments for fictitious transactions;
4. Forging, altering, destroying, or concealing accounting records, contracts, original documents, various vouchers, Company seals, etc.;
5. Intentionally concealing or misreporting transaction information, including but not limited to inflating income and underestimating liabilities, issuing incorrect financial reports, concealing or omitting important information that should be disclosed externally, causing financial statement readers or users to be misled and make inappropriate investment and financing decisions;



6. Transferring transactions that would normally generate profits for an organization to other individuals or companies, including but not limited to third parties where oneself, one's spouse, relatives, or specific stakeholders hold positions or shares;
7. Holding part-time jobs or providing paid services for competitor companies, business partners, or personal interest-related parties;
8. Disclosing the Company's business or technical secrets;
9. Engaging in business management conduct that is in competition with the Company without authorization, including but not limited to operating or participating in businesses that compete with the Company during employment;
10. Failing to truthfully disclose or report any existing or potential conflicts of interest with the Company prior to employment or during periodic reporting required by the Company, including: any relatives holding positions in the Company; the employee or their spouse, close relatives, or specific stakeholders holding any interests in or holding positions in companies that have business dealings with the Company (such as Company dealers, suppliers, and partners); the employee or their spouse, close relatives, or specific stakeholders holding any interests in or holding positions in companies that are in competition with the Company.
11. Collusion in fraud, including but not limited to collusion between employees, employees and clients, channels, and suppliers;
12. Purchasing or selling non-existent (fabricated) assets;
13. Engaging in illegal, non-compliant, or serious violations of Company rules and regulations;
14. Other fraudulent conducts that harm the Company's economic interests.

II. Assigning Responsibility for Anti-fraud

The Board of Directors is responsible for supervising management in establishing a company-wide anti-fraud culture and developing a sound internal control system, including fraud prevention, reporting channels, and investigative procedures.

Management is responsible for establishing a sound internal control mechanism that includes fraud prevention. They are also in charge of implementing control measures to reduce the likelihood of fraud and taking appropriate and effective remedial actions against fraudulent conduct.

The Audit Committee serves as the primary body responsible for the Company's anti-fraud efforts, overseeing the Audit Department's anti-fraud activities and providing continuous supervision.

The Audit Department is the designated department responsible for the Company's anti-fraud initiatives. Its responsibilities include formulating and revising anti-fraud policies, assisting management in establishing a sound anti-fraud mechanism, managing fraud report hotlines and email channels, receiving complaints and tips about fraudulent conduct, responding and following up on such reports, organizing anti-fraud investigations, establishing anti-fraud investigation teams, and tracking and handling information related to investigated fraud cases, activity, and individuals.

The Legal Department assists in revising anti-fraud policies, supports anti-fraud investigations, reviews cases and evidence materials submitted by the investigation team, provides legal opinions on fraud incidents, refers fraud cases that meet the criteria for legal action to judicial authorities, and represents the Company in legal proceedings against the individuals involved in the case.

The Human Resources Center is responsible for administering disciplinary actions and handling labor relations matters for individuals involved in fraud cases, based on the results of the fraud investigation and the Company's decisions.

Heads of each department and center within the Company serve as the "primary responsible parties" for anti-fraud efforts. They are responsible for establishing, maintaining, and effectively implementing internal controls, as well as rectifying fraudulent conduct.

III. Prevention and Control of Fraud

The Company's anti-fraud efforts mainly include: advocating for a culture of integrity and honesty, fostering an anti-fraud environment, assessing fraud risks and establishing specific control procedures and mechanisms to reduce the likelihood of fraud, and establishing a standing anti-fraud organization to receive, investigate, report, and propose responses to fraud complaints, while being supervised by the Board of Directors and Audit Committee.

The Company's anti-fraud efforts focus on adhering to prevention principles and promoting a culture of integrity and honesty, striving to create an anti-fraud environment through various methods, including but not limited to the following:

1. Top management leads by example, adhering to Company policies and regulations through their actions;
2. The Company's anti-fraud policies, procedures, and related measures should be promoted both internally and externally to ensure employees become familiar with the relevant codes of conduct and regulations, develop habits of compliance and integrity in their work, and resist the temptation of improper gains;
3. New employees receive anti-fraud training and education on laws, regulations, and ethical principles; key position employees submit a "Commitment to Integrity and Self-Discipline" letter to the Company, making all employees aware of the company's serious attitude towards preventing fraud and their own responsibilities in anti-fraud efforts, and enhancing their understanding of anti-fraud principles;
4. The Human Resources Department conducts background checks on candidates for important positions, including education, work experience, personal credit records, administrative penalties, criminal records, and litigation history. The background check process should have a formal written record, which is kept in the employee's file;
5. The Company encourages employees to comply with laws, regulations, and ethical principles in their daily work, helps them properly handle temptations for any improper gains, and communicates the Company's advocacy for compliance and integrity to all stakeholders who have direct or indirect relationships with the Company, including but not limited to customers, suppliers, regulatory agencies, and shareholders.
6. Establish channels for reporting fraudulent conduct within the Company, either by real name or anonymously;
7. Criticize and educate employees in a timely manner on unethical and dishonest behaviors, and impose penalties when necessary, encouraging employees to actively report and fostering a positive anti-fraud atmosphere.

IV. Reporting Procedures for Fraud Cases

Employees at all levels within the Company and any parties with direct or indirect economic ties to the Company can report actual or suspected fraudulent activities through phone calls, emails, or letters, including complaints and reports about employees violating professional ethics.

Whether anonymous or real-name reporting, whistleblowers will be protected by the Company. The Company encourages and promotes real-name reporting, and whistleblowers should provide truthful information about the reported person's name, department, and specific violations and evidence (such as the time, offense, amount involved, operation method, and personnel involved in the misconduct) for prompt and efficient investigation. When employees have sufficient reason to believe they have discovered fraudulent conduct (see Section I for Definitions and Forms of Fraud), they can report to the Audit Department through the following channels:

Hotline: 021-31820110

Email: mg110@mg-pen.com

The Audit Department, as the standing anti-fraud authority, is responsible for unpacking, reviewing, and registering each piece of reported material, including phone calls, emails, and letters. The Audit Department will conduct a preliminary assessment of the reported matter within three working days from the date of receiving the report, and decide whether to investigate based on the urgency and severity. Whistleblowers have a responsibility to assist Company-authorized investigators, help them understand the specific information of the reported matter, and collect related evidence, including but not limited to providing internal and external documents, emails, or recorded materials.

The Audit Department does not accept complaints or reports that are groundless, unsubstantiated, hearsay, fabricated, or made with malicious intent for retaliation.

The Company has established formal channels for reporting complaints and will not accept complaints or reports made through mass emails, mass WeChat messages, QQ groups, or Weibo.

V. Handling Procedures for Fraud Cases

All reports will be processed according to the anti-fraud procedure (Appendix I). If necessary, the Audit Department may collaborate with the Company's Legal Department, Human Resources Center, and other departments to form a joint investigation team to gather more details and supporting evidence for the reported matter. For reports involving senior management, the Audit Department must report to the president within three working days of receiving the report, who will then decide on further investigation and may engage external organizations to assist if needed.

For real-name reporting, regardless of whether an investigation is initiated, the Audit Department should provide feedback to the whistleblower about the decision to initiate an investigation and the investigation results.

Employees receiving reports or complaints or involved in fraud investigations must not disclose any information about the whistleblower or the content of the report to any department or individual without authorization. Those who need to access the reported materials for work purposes must first obtain approval from the head of the Audit Department and register their basic information, the content reviewed, and the time of access.

The Audit Department is responsible for archiving materials related to reports or fraud cases and will report the investigation results to the Audit Committee every six months.

VI. Authority of Anti-fraud Investigators

Anti-fraud investigators refer to internal auditors, legal and human resources personnel, or other investigators authorized/appointed by the Company's Board of Directors or Audit Committee. The investigators' authority includes: the right to inspect the investigated department, its annual plans, monthly plans, contracts, agreements, accounting vouchers, ledgers, financial statements, meeting records, documents, invoices, and other paper and electronic materials, licenses, assets, and other items under investigation; the right to conduct inventory checks on cash, notes, fixed assets, and other assets; the right to copy, take photos, and archive relevant documents and materials; and the right to take measures to hold accountable those who obstruct anti-fraud investigations, refuse to provide materials, or are causing serious harm to the Company's interests, violating financial regulations, or engaging in serious wasteful behavior, in order to stop their detrimental actions.

Anti-fraud personnel handling cases involving themselves or their relatives with conflicting interests should voluntarily recuse themselves.

VII. Remedies and Penalties for Fraud

1. After a fraud case occurs, the Company should promptly take remedial measures, assess and improve the internal controls of the affected business unit, and, if necessary, announce the handling results internally within the Company.
2. Employees confirmed to have engaged in fraud will be subject to corresponding internal economic and administrative disciplinary penalties according to Company regulations; if the fraudulent behavior violates the law, the case may be transferred to relevant government departments or judicial authorities for handling.
3. The Company shall hold those responsible for fraud accountable, including both leadership and direct responsibility.

(a) Leadership responsibility refers to the responsibility borne by managers with corresponding leadership authority for their negligence or oversight that led to a fraud incident within their supervised or assigned work scope.

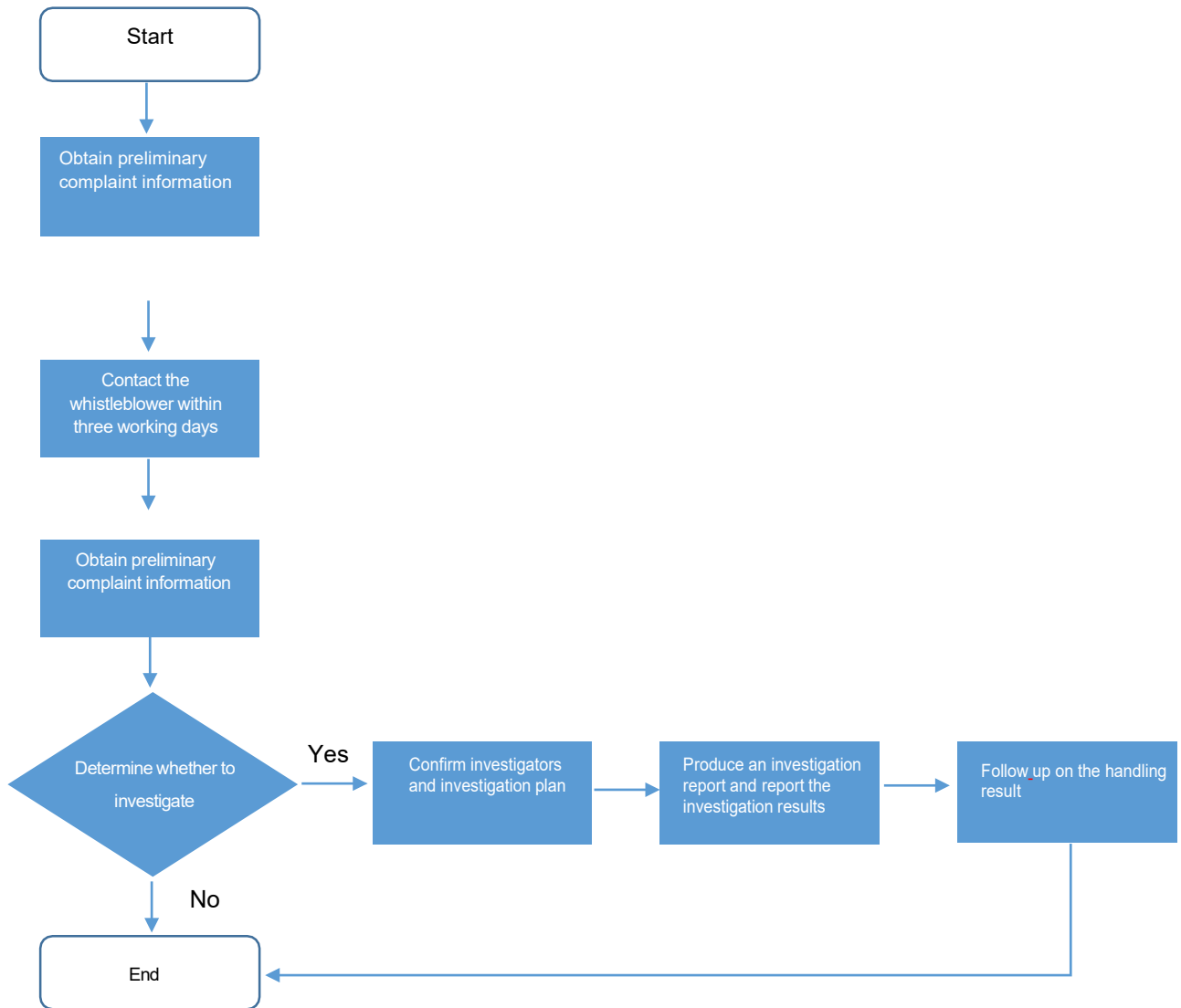
(b) Direct responsibility refers to the responsibility borne by Company managers and related personnel within their duty scope who directly operate or participate in relevant decisions, instruct, order, force, accessorize, or cover up fraudulent behavior, or fail to fulfill or correctly fulfill their duties, leading to the occurrence of fraud.

VIII. Policy Prohibiting Illegal Retaliation and Discrimination

Complainants and whistleblowers must be protected when assisting in the investigation. The Company prohibits any discrimination or retaliatory actions and forbids taking any obstructive, interfering, or hostile measures against individuals participating in the investigation. For those who violate regulations by disclosing information about complainants or whistleblowers, or who take retaliatory actions against them, the Company will impose penalties ranging from warnings and demotions to termination of employment contracts. If the actions violate the law, the Company will transfer the case to relevant government departments or judicial authorities for handling.



Appendix: Anti-fraud Handling Procedure



Complied by:

Approved by: