

Risk Assessment Report of Chemchina Finance Co., Ltd.  
as of June 30, 2020  
TZYZ [2020] No.31947

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Chemchina Finance Co., Ltd.,

We accepted your entrustment and reviewed the management's evaluation and affirmation of design rationality and implementation effectiveness of risk management related to financial statements of ChemChina Finance Co., Ltd. (hereinafter referred to as "Chemchina Finance") as of June 30, 2020. The responsibility of Chemchina Finance's management authority is to establish, improve and rationally design the risk management and keep its effectiveness as well as the authenticity and integrity of risk management policies and procedures. We are responsible for commenting on the implementation of risk management related to the accounting statements of Chemchina Finance.

During the review, we understood, tested and commented on the rationality and implementation of the risk management design by Chemchina Finance in respect of the preparation of accounting statements, and performed other procedures that we considered necessary. We believe that our audit provides a reasonable basis for our opinion.

Due to the inherent limitations of risk management, misstatements may occur and remain undiscovered due to errors or fraud. In addition, risk management may become inappropriate or the degree of conformity to control and risk management policies and procedures may decline due to changes in circumstances. Predicting the future effectiveness of risk management according to the risk assessment results is risky in some way. According to our understanding of and comments on the risk management, we did not find any significant defects in the risk management relating to the preparation of financial statements of ChemChina Finance as of June 30, 2020.

The Report is only used for disclosure by the listed companies among the member enterprises of ChemChina Finance. It shall not be used for any other purposes without written permission.

Beijing, China  
July 6, 2020

Chinese CPA: **Chi Wenzhou (signed)**

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Chi Wenzhou  
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# **Risk Assessment Notes of Chemchina Finance Co., Ltd.**

## **I. Company Profile**

ChemChina Finance Co., Ltd. (hereinafter referred to as "the Company") is a non-banking financial institution approved by China Banking Regulatory Commission (Financial License code: L0100H211000001) and registered at the State Administration for Industry and Commerce of the People's Republic of China (ID: L087H101110108001). The registered capital was RMB 632.50 million at the time of establishment. The place of registration and business is No. 62, West Road, North 4<sup>th</sup> Ring Road, Haidian District, Beijing, China. The opening time was July 2, 2009. On October 12, 2016, as approved by Beijing Regulatory Authority of the CBRC, the Company's capital was increased to RMB 841.225 million. The shareholders and their equity ratios were: China National Chemical Corporation (holding, 49.41%), China National Bluestar (Group) Co., Ltd. (26.88%), China Haohua Chemical Group Co., Ltd. (15.81%) and China National Agrochemical Co., Ltd. (7.9%).

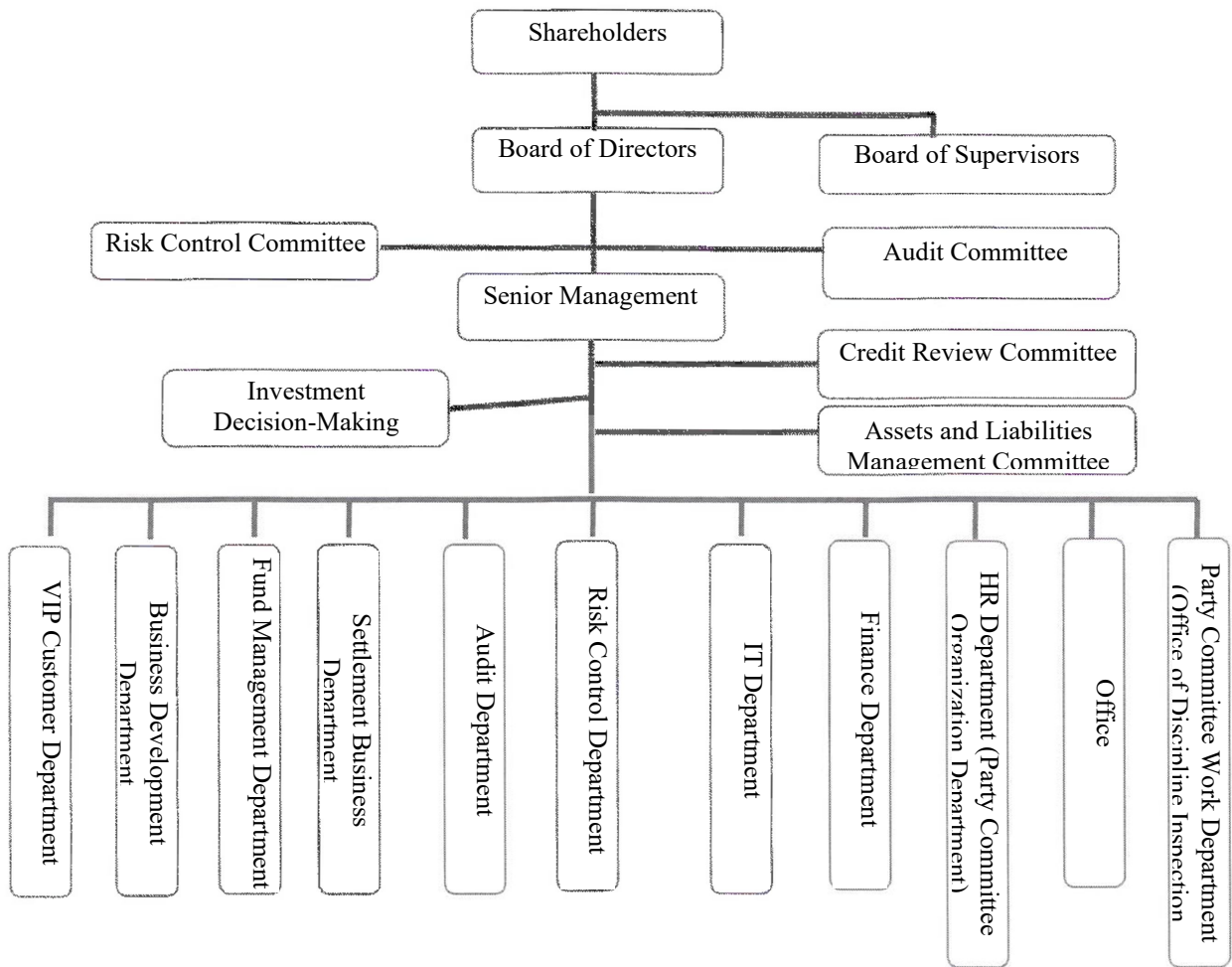
The business scope of the Company includes: handling financial and financing, credit verification and related consulting and agency services for members organizations; helping member organizations with the receipt and payment of transaction proceeds; approved insurance agency business; provision of security to member units; handling the entrusted loans and investments among the member organizations; handling bill acceptance and discount to the member organizations; handling internal transfer and settlement and the design of appropriate settlement & liquidation programs among member organizations; taking the deposits of member organizations; loans and finance leases to member organizations; engaged in interbank lending; underwriting corporate bond and fixed-income securities of the member organizations.

## **II. Company's Internal Control**

### **(I) Control environment**

With a sound structure of corporate governance, the Company has established a governance structure consisting mainly of the "three boards (the Board of Shareholders, the Board of Directors, and the Board of Supervisors) and one management". Each governing body has formulated complete rules of procedure and job responsibilities and held meetings as required. The management and operation are carried out in a scientific and normalized way, providing the necessary preconditions for the effectiveness of risk management. On the principle of ensuring check and balance among the decision-making system, executive system and supervisory & feedback system, the Company has set up an organizational structure with reasonable division of labor, definite responsibilities and clear reporting relationships. The decision-making system includes the Board of Shareholders, the Board of Directors and their subordinate Risk Control Committee and Audit Committee. The executive system includes senior management and its subordinate Credit Review Committee, Assets and Liabilities Management Committee, Investment Decision-Making Committee and business functions. The supervisory and feedback system includes the Board of Supervisors as well as the Risk Control Department and Audit Department directly responsible for the Board of Directors, and the three working procedures of separated front, middle and back ends and the risk control system.

Organization structure of the Company is as follows:



**Board of Directors:** responsible for reviewing and approving the Company's overall business strategies and major policies, determining the acceptable risk level of the Company, approving the policies, systems and procedures relating to each business, appointing the management, supervising the effectiveness of internal control, regularly discussing with the management about the effectiveness of internal control, regularly reviewing the internal control assessment reports provided by the management, audit authority and regulators, and urging the management to implement the rectification measures.

**Board of Supervisors:** responsible for supervising the Board of Directors and senior management to improve the internal control system, supervising the Board of Directors and directors, senior management and senior executives to perform the internal control duties, asking the directors, Chairman of the Board and senior executives to correct their actions against the interests of the Company and supervising the implementation. Each year, the Board of Supervisors will assess the performance of duties of directors and senior executives and report to the Board of Shareholders.

**Risk Control Committee:** responsible for the Board of Directors. As the supreme decision-making body for enterprises-wide risk management, it is responsible for reviewing the Company's risk management framework, developing risk strategies and basic risk management policies, supervising and inspecting the execution, supervising the senior management's risk control in the Company, deliberating the judgement standard or judgement mechanism for major decision, major risk, major event and important business process of the Company; examining and approving the identification of liability for non-performing assets and the disposal and verification plans of non-performing assets etc. The Risk Control Committee consists of 3 members including at least 2 directors.

**Audit Committee:** responsible for the Board of Directors for ceaselessly supervising the internal control system of the Company, reviewing the management rules and regulations of the Company and

their implementation, checking and assessing the compliance and effectiveness of the Company's major business activities, reviewing the Company's financial information and its disclosure, inspecting, supervising and evaluating the Company's internal audit etc. The Committee consists of at least 3 members, of whom most are directors.

Senior management: responsible for executing the decisions of the Board of Directors; developing internal control policies, monitoring and evaluating the adequacy and effectiveness of the internal control system; establishing and implementing sound and effective internal control, and taking measures to rectify internal control problems. Further, they are responsible for establishing the procedures and measures for identifying, measuring, monitoring and controlling risks; establishing an internal organizational structure characterized by definite authorization and responsibilities and clear reporting relationship, to ensure that the responsibilities of internal control are to be effectively fulfilled;

Credit Review Committee: responsible to the General Manager for reviewing and approving the relevant working systems and work procedures relating to credit business, and making examination and approval decisions on the credit business and other businesses declared by the VIP Customer Department.

Assets and Liabilities Management Committee: responsible to the General Manager for monitoring the risk indicators in the Company's on- and off-balance-sheet assets, implementing measures to prevent and resolve asset risks, examining the Company's interest rates, rates and other price policies, and timely working out countermeasures and formulating adjustment plans according to the Company's assets and liabilities and existing problems.

Investment Decision-Making Committee: responsible to General Manager for reviewing the annual investment strategy and annual investment plan; formulating risk management policies and strategies for portfolio investment; examining and approving the portfolio investment business within the authority of the Board of Directors.

Business departments: the Company's credit, fund, settlement, financial, information and other departments involve most of the Company's assets and businesses and directly face various risks in daily work, constituting the front line of the Company's risk management. Each business department undertakes the following risk management responsibilities:

1. Fully recognize and analyze various risks of respective department to make sure the businesses follow the established process and various internal control measures are effectively implemented.
2. Record and file the results of risk assessment and internal control measures as well as report routine risk monitoring reports required by Risk Control Department in an accurate and timely manner.
3. Keep testing and assessing the effectiveness of internal control measures, and propose suggestions on the improvement of operation process and internal control measure to Risk Control Department.
4. Discover and report the possible risk category in time, and propose risk management suggestions.

Risk Control Department: As the specific implementation department for the decisions of the Risk Control Committee, it is responsible for leading and coordinating the risk management of the Company's departments, with main responsibilities of formulating the Company's risk management policies and systems, supervising and warning the risks of various business activities of the Company; organizing and implementing early warning, monitoring, analysis and implementation of internal control systems for all kinds of risks, and writing risk assessment reports; organizing the research and audit of the Company's rules and regulations, operational procedures, and reviewing customer credit rating evaluation methods and standards; organizing the implementation of asset risk classification

and verification and authenticity inspection, and organizing the management and disposal of non-performing assets transferred; managing the Company's general legal affairs; and conducting compliance review of the Company's policies, procedures and systems.

Audit Department: independent from the business and management layers, responsible for evaluating the Company's internal control, with primary responsibilities of conducting comprehensive audits and supervision of various departments, positions and operations, reporting regularly to the Board of Directors or its subordinate Audit Committee, and tracking the proposed rectification.

## (II) Risk identification and assessment

The implementation of the internal control of the Company is organized by the Risk Control Department and supervised and evaluated by the Audit Department. All departments and agencies formulate their own different risk control systems, standardized operational procedures, operating standards and risk (including credit risk, operational risk, liquidity risk and compliance risk) prevention measures within the scope of their responsibilities according to the different characteristics of each business. The departments have separated responsibilities and are mutually supervised. Besides, they predict, assess and control various risks in self-operation.

## (III) Control activities

### 1. Fund management

As per rules and regulations of China Banking and Insurance Regulatory Commission, the Company has formulated the following business management measures and operation procedures: *Fund Management Measures of Chemchina Finance Co., Ltd.*, *Measures for the Management of Deposit Business of Chemchina Finance Co., Ltd.*, *Measures for the Management of RMB Settlement Account of Chemchina Finance Co., Ltd.*, *Measures for the Management of Foreign Exchange Accounts of Chemchina Finance Co., Ltd.*, *Settlement Business Management Measures of Chemchina Finance Co., Ltd.*, *Internal Control System of Settlement Business of Chemchina Finance Co., Ltd.*, *Measures for the Management of Use of Online Banking System of Chemchina Finance Co., Ltd.*, *Measures for the Management of Bank Accounts of Chemchina Finance Co., Ltd.*, *Measures for the Management of Fund Liquidity Risk of Chemchina Finance Co., Ltd.*, *Measures for the Management of Interest Rate of Chemchina Finance Co., Ltd.*, *Measures for Assets and Liabilities Management of Chemchina Finance Co., Ltd.*, *Measures for the Management of Deposit Pricing of Chemchina Finance Co., Ltd.*, and *Measures for the Management of Loan Pricing of Chemchina Finance Co., Ltd.*, etc. The Company specified the operation norms and control standards to control business risks through procedures and processes.

(1) In the aspect of fund plan management, the Company strictly follows *Management Approach for Finance Companies of Enterprise Groups* to manage assets and liabilities, guarantees fund security, benefit and liquidity of the Company through formulating and implementing fund plan management.

(2) In the aspect of deposit business of member organizations, the Company strictly follows the principles of equality, free will, fairness, honesty and credibility to guarantee fund security of the members and to maintain legal interests of each party involved.

(3) In the aspect of account transfer and settlement, the member organizations set up settlement accounts in the Company, and achieve fund settlement through logging in the settlement platform of the Company and submitting the command online, which strictly ensures settlement security, rapidness and smoothness as well as high data security.

(4) In the aspect of bank financing, the Company has established *Measures for the Management of Transfer Discounting and Rediscounting of Commercial Bills of Chemchina Finance Co., Ltd.*, *Operation Procedure for Transfer Discounting and Rediscounting of Commercial Bills of Chemchina Finance Co., Ltd.*, and *Measures for the Management of Interbank Borrowing of*

*Chemchina Finance Co., Ltd.*, and strictly follows the business scope and business scale of China Banking Regulatory Commission and People's Bank of China in practical operation.

## 2. Accounting business control

In accordance with the requirements of the accounting system, the Company has established and implemented the standardized accounting procedures. The Company has established an independent financial accounting department so that the accounting department and accounting personnel can independently handle the accounting business in accordance with the unified national accounting system. The Company has clearly defined the privileges of the accounting department and accounting personnel. The accounting personnel shall handle the relevant business within their respective powers. Any business beyond such powers must be subject to further authorization. The principle of separation of duties and mutual restraint is practiced for the Company's settlement and accounting positions. Any person is strictly prohibited from serving on incompatible positions or completing the entire process of settlement and accounting operations alone. The Company will reconcile the accounting books with the physical objects, funds and related materials on a regular basis to ensure that the relevant contents between the records and the physical objects, notes, payments, documents, accounts and statements are consistent.

In accordance with the principle of concierge management, mutual restraint, proper review and approval and strict registration, the Company strengthens the management of contracts, notes, seals and keys, and separated custody of seals and bills. For important contracts and notes, serial number control, obsolescence control, blank voucher control, recipient registration control and other special measures are implemented. In case of any changes in accounting personnel, handover procedures shall be conducted with the receivers as strictly supervised by the supervisor.

## 3. Credit business control

The loan objects of the Company are only limited to the members of China National Chemical Corporation. In accordance with different features of various businesses, the Company has formulated *Measures for Loan Management of Chemchina Finance Co., Ltd.*, *Operation Procedure for Loan Business of Chemchina Finance Co., Ltd.*, *Measures for the Management of Customer Credit Rating of Chemchina Finance Co., Ltd.*, *Measures for the Management of Post-loan Inspection of Chemchina Finance Co., Ltd.*, *Measures for the Management of Entrusted Loans of Chemchina Finance Co., Ltd.*, *Interim Procedures for Low Risk Credit Business Management*, *Measures for Syndicated Loan of Chemchina Finance Co., Ltd.*, and *Measures for the Management of Commercial Bill Acceptance of Chemchina Finance Co., Ltd.*, etc. Through continuous revision and improvement, the operation procedures of various businesses have been standardized, and the complete pre-loan, in-loan and post-loan credit management system has been established.

### (1) Establish audit-loan separation system with explicit duties and mutual restraint.

The Company determines the review procedures and approval authority according to the scales, types, terms and guarantee conditions of the loans, then reviews and approves the loans in strict accordance with the procedures and authorities.

The Company has established and improved the job responsibility system for VIP Customer Department and credit post. The post setting of VIP Customer Department shall achieve reasonable work division and clear duties. Loan investigation and appraisal personnel take charge of credit investigation and appraisal and are liable for investigation errors and inaccurate appraisal; the loan reviewers take charge of the review of credit risks, and are liable for the review errors; the loan originators take charge of the check and collection of loans, and are liable for check errors and poor collection.

The Company has established an effective mechanism for loan decision making. The Credit Review Committee has been set up to review all types of credit businesses submitted for consideration by departments concerned. The Committee considers and votes on the principle of

collective review, express opinions, and majority rule, and all the opinions are recorded. For the project approved by the Credit Review Committee, the General Manager has a veto; for those not approved by the Credit Review Committee, the General Manager shall never give credit or issue loans.

(2) Strictly execute post-loan management system. The VIP Customer Department is responsible for monitoring and managing loan applications, interest receipts, overdue loans and rollover loans, and carries out post-loan inspection on the safety and recoverability of loans.

The Company has set up an asset risk classification system to normalize the standards and procedures for the identification of asset quality. The authenticity of the asset quality must be ensured and it is forbidden to cover up the real situation of non-performing assets.

(3) Establish customer management information file, overall master the customer's credit level, financial situation, debt paying ability and other information, classify and manage customers, and carry out credit extension prohibition for the borrowers who are listed in the "backlist" and have the behaviors of escaping and revoking debts.

#### 4. Investment business control

The Company obtained the qualification to conduct fixed income portfolio investment business on December 21, 2016. In 2018, the Company started its investment in the monetary fund and the bond investment business of the Group. In order to control the risks in investing new businesses, the Company has established the Investment Decision-Making Committee, developed investment strategies and plans, formulated and implemented the *Working System of Investment Decision-Making Committee of Chemchina Finance Co., Ltd.*, *Measures for the Management of Negotiable Securities Investment Business of Chemchina Finance Co., Ltd.*, *Rules for the Management of Bond Investment Business of Chemchina Finance Co., Ltd.*, *Rules for Operation of Monetary Fund of Chemchina Finance Co., Ltd.*, *Rules for the Management of Securities Trading Accounts of Chemchina Finance Co., Ltd.*, *Measures for the Management of Investment Business Risks of Chemchina Finance Co., Ltd.* and other investment business management systems. In addition, the Company has identified and evaluated the risks in investment businesses, and established an investment businesses hierarchical authorization system.

In terms of risk management, the Company has established an organizational structure of investment business risks, in which the risk limits are set based on the target that regulatory indicators get full scores in rating to monitor the implementation of the quotas and the level of regulatory indicators.

In terms of system construction, the Company has developed the investment business system to embed supervision rules and internal control requirements in the information system. At present, it is in the stage of test and acceptance.

#### 5. Internal audit control

The Company implements internal audit and supervision system. An internal audit department responsible for the Board of Directors - Audit Department has been set up. Internal audit management methods and operating procedures have been established for the performance of internal audit and oversight of various economic activities of the Company.

The Audit Department is responsible for the Company's internal audit, i.e. assessing the adequacy and effectiveness of the following controls over risks within the organization such as internal governance, operation and information systems: the reliability and integrity of financial and operational information; the efficiency and effectiveness of operations and procedures; the security of assets; compliance with laws, regulations, policies, procedures and contracts; and proposing valuable improvement opinions and suggestions to the management.

#### 6. Information system control

The Company has established an overall control system of the computer information system, in an effort to strengthen the general control and application control to the computer information system. The Company has strictly divided the responsibilities of computer information system development, management and application departments, established and improved the risk prevention systems and measures of computer information system. The Company has formulated multiple management systems such as *Measures for Emergency Management of Information System of Chemchina Finance Co., Ltd.*, *Measures for the Management of Remote Disaster Recovery System of Chemchina Finance Co., Ltd.*, *Information Security Management Measures of Chemchina Finance Co., Ltd.*, and *Outsourcing Management Measures of Chemchina Finance Co., Ltd.*, and meets the regulation requirements of the *Information System Risk Management Guide for Banking Financial Institutions* (YJH [2007] No.63), and *Basic Requirements of Information System Security Grade Protection*, etc.

The system is constructed according to the commercial bank information construction standards from the respects of physical security, network security, host security, application security, data security and backup recovery, and technical means such as access control and intrusion prevention, CA certification encryption technology, dual-computer multi-level three-dimensional protection are adopted to ensure the security and stability of the system. The main technologies applied are dual Internet link, and dual redundant hot standby. The business platform is stable and reliable. The data transmission encryption, RAID and data offline backup technology are employed to effectively ensure the data security. The core layer of the information system network environment is configured with two Cisco firewalls (transparent mode) and two TOPSEC firewalls (routing mode), realizing the heterogeneity of network security equipment. Internet behavior management system, monitoring platform, bastion host, virus server, leak scanning and anti-attack modules are deployed. In terms of host, storage and backup, the core of the Company's information system has the security architecture of two locations and three centers. The production host is equipped with the double hot standby, and the two storages form the mirror mode. The adoption of personal CA certificate for authentication has effectively identified the user identity, and prevented impersonation, tampering and repudiation. The development, management and application of the information system are separated from each other. The information system is managed by specially assigned full-time persons from IT Department. The information system is subdivided into different business departments according to the business modules, and the operation authorities are granted by General Manager of the Company to the operators within their business scope. Specific operations are divided by the operators according to the Company's business departments, with each performing his own functions.

#### (IV) Emergency preparation and handling

To implement the instructions of China Banking Regulatory Commission and Beijing Municipal Government - "there is no minor matter in financial field, and there is no minor matter in Beijing", the Company regards risk management as the daily work and implements it continuously. The Company has formulated and reported the *Emergency Response Plan of Chemchina Finance Co., Ltd.*, and *Measures for the Management of Fund Liquidity Risk of Chemchina Finance Co., Ltd.* Besides, the Company has designed the emergency disposal plan and procedure for the circumstances affecting fund security of the Company due to operation or other problems to recognize possible accidents or emergencies (including computer system), prevent or reduce the possible loss and ensure continuous business. Meanwhile, the Company stipulates in Article 80 of the Articles of Association that, "In the event of payment difficulty of the Company, China National Chemical Corporation shall increase the corresponding capital fund according to the actual need of solving payment difficulty, and immediately report to China Banking Regulatory Commission."

#### (V) Overall evaluation of internal control

Guided by the *Management Approach for Finance Companies of Enterprise Groups* and the *Guidelines on Internal Control of Commercial Banks*, the Company has established relatively sound rules and regulations for business management, financial accounting and public administration from different levels of basic systems and department business rules, and keeps updating and improving

the rules and regulations based on business department. System improvement makes the business operation have rules to follow, make the risks defined, make internal control requirements implemented, and provides strong support for compliant operation and management of various businesses. Such risk prevention mechanism that departments, posts, front end and back end cooperate with, separate from, check, balance and monitor each other forms. The Company has established effective information exchange and feedback mechanism to guarantee that the Board of Directors, Board of Supervisors and the management timely understand the business and risk of the Company, and to ensure that information can be transmitted to the relevant staff, and that relevant information of departments and staffs can be smoothly fed back. On the whole, the Company's internal control system is sound and the implementation is effective. In terms of capital management, the Company has better controlled the risks of fund flow. In the aspect of credit and investment business, the Company has established the corresponding risk control procedures to make the overall risk controlled within a reasonable level.

### III. Company's Business Management and Risk Management

#### 1. Business conditions

As of June 30, 2020, total asset value of the Company was RMB 11.089 billion. The net loan was 5.433 billion, and the amount of total liabilities was RMB 9.67 billion. The deposit absorbed from the member organizations was RMB 9.589 billion, and the owner's equity was RMB 1.418 billion. From January to June, 2020, the Company achieved gross revenue of 188.9307 million; the total profit was RMB 80.4999 million; the net profit was 60.3749 million.

#### 2. Management conditions

Since its establishment, the Company has always adhered to the principle of prudent operation, and strictly complies with the *Company Law of the People's Republic of China*, *Law of the People's Republic of China on Regulation of and Supervision over the Banking Industry*, *Accounting Standards for Business Enterprises*, and *Management Approach for Finance Companies of Enterprise Groups* as well as the national financial regulations, rules and the Company's articles of association to standardize the business practices and strengthen the internal management.

Based on the regulatory requirements of listed companies, the Company shall check the deposits of listed companies daily in order not to exceed the deposit limits disclosed. Meantime, according to the risk management requirements of some listed companies, the Company shall daily monitor and weekly feed back the proportion of listed companies' deposits to the total deposits of the Company.

#### 3. Regulatory indicators

According to Article 34 of the *Management Approach for Finance Companies of Enterprise Groups*, as of June 30, 2020, the Company's regulatory indicators were in line with the requirements.

(1) Capital adequacy ratio shall not be lower than 10%:

Capital adequacy ratio = Net capital / Risk-weighted assets) = 20.61%

The Company's capital adequacy ratio was 20.61%, in line with the regulatory requirements.

(2) Non-performing asset ratio shall not be higher than 4%

Non-performing asset ratio = Bad credit risk assets / Credit risk assets = 0

The Company's non-performing asset ratio was zero, in line with the regulatory requirements.

(3) Non-performing loan ratio shall not be higher than 5%

NPL ratio = NPL / Loans = 0

The Company's NPL ratio was zero, in line with the regulatory requirements.

(4) Adequacy ratio for asset loss reserves shall not be less than 100%

Adequacy ratio of reserves for asset loss = actual reserves of credit risk assets / required reserves of credit risk assets = 162,852.23 %. The Company's adequacy ratio of reserves for asset loss was 100%, in line with the regulatory requirements.

(5) Adequacy ratio of reserves for loan loss shall not be less than 100%

Adequacy ratio of reserves for loan loss = Actual reserves for loan loss / Required reserves for loan loss = Infinite

The Company's adequacy ratio of reserves for loan loss exceeded 100%, in line with the regulatory requirements.

(6) The funds borrowed from other banks shall not be higher than the total capital:

Fund borrowing ratio = Inter-bank borrowing / Total capital = 0.00%

The Company's fund borrowed from other banks was zero, in line with the regulatory requirement.

(7) The proportion of investment to capital sum shall not be higher than 70%

Investment ratio = investment cost / total capital = 9.98%

The investment proportion of the Company was 9.98%, in line with regulatory requirements.

(8) The guarantee proportion shall not be higher than 100%:

Guarantee proportion = (credit extension business equivalent to loan - security deposit - bank deposit receipt - national debt - bank acceptance) / total capital = 0.00%

The guarantee proportion of the Company was zero, in line with regulatory requirements.

(9) The proportion of self-owned fixed assets and total capital shall not be higher than 20%:

Self-owned fixed assets ratio = self-owned fixed assets / total capital = 0.13%

The proportion of self-owned fixed assets to total capital of the Company was 0.13%, in line with regulatory requirements.

(10) The liquidity ratio shall not be lower than 25%:

Liquidity ratio = liquid assets / liquid liabilities = 63.17%

The liquidity ratio of the Company was 63.17%, in line with regulatory requirements.

(11) Deposits and loans of shareholders: (unit: RMB 10,000)

Name of shareholder			Investment amount	Deposit	Loan
China National Chemical Corporation			41,562.50	48,663.25	150,000.00
China Haohua Chemical Group Co, Ltd.			13,300.00	6,891.95	64,000.00
China National Bluestar Co., Ltd.	(Group)		22,610.00	69,665.04	31,200.00
China National Agrochemical Co., Ltd.			6,650.00	4,603.99	15,200.00
<u>Total</u>			<u>84,122.50</u>	<u>129,824.22</u>	<u>260,400.00</u>

According to Article 46 of the *Management Approach for Finance Companies of Enterprise Groups*, "If the balance of loans granted by Chemchina Finance to a single shareholder exceeds 50% of the registered capital of Chemchina Finance or the shareholder's contribution to Chemchina Finance, it shall be promptly reported to the China Banking Regulatory Commission". The Company

reports quarterly to the Beijing Regulatory Authority of China Banking and Insurance Regulatory Commission.

To sum up, the Company has legal and valid *Financial License* and *Business License for Legal Person*, has established a relatively complete and reasonable internal control system, and can better control the risks. The Company has never experienced a run of deposits, nonpayment of matured debts, large loans overdue or guaranteed advances, neither robbery nor fraud, directors or senior executives involved in severe disciplinary violations, criminal cases or other major matters. The Company has never suffered from any major organizational changes, equity transaction or operational risks that might affect its normal operation. The Company has never been punished or ordered to rectify by the China Banking Regulatory Commission or other regulators. There has been no violation of *the Management Approach for Finance Companies of Enterprise Groups* promulgated by the China Banking Regulatory Commission, and all the regulatory indicators have met the requirements of Article 34 of the Management Approach.

Chemchina Finance Co., Ltd.

July 6, 2020