

Risk Assessment Report of Chemchina
Finance Co., Ltd.
as of December 31, 2019
TZYZ [2020] No. 11883

Table of Contents

Risk Assessment Report—————1
Risk Assessment Notes—————2



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as of December 31, 2019

TZYZ [2020] No. 11883

Chemchina Finance Co., Ltd.,

We accepted your entrustment and reviewed the management's evaluation and identification to the rationality of, and the effectiveness of execution, the risk management design associated with the financial statements of Chemchina Finance Co., Ltd. (hereinafter referred to as "Chemchina Finance") as of December 31, 2019. The responsibility of Chemchina Finance's management authority is to establish, improve and rationally design the risk management and keep its effectiveness, and the authenticity and integrity of risk management policies and procedures. We are responsible for commenting on the implementation of risk management relating 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 accounting statements of Chemchina Finance as of December 31, 2019.

This Report is used for Chemchina Finance to be reviewed by regulators only when conducting financial business. It shall not be used for any other purposes without written permission.

Beijing, China

March 1, 2020

Chinese Certified

Public Accountant:

Chinese Certified
Public Accountant:

Risk Assessment Notes of Chemchina Finance Co., Ltd.

I. The Company's Basic Situation

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 in the State Administration for Industry and Commerce of the People's Republic of China (ID: L087H101110108001). The registered capital was CNY 632.50 million at the time of establishment. The registered place of business is No. 62 West Road, North 4th 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 CNY 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%).

As of now, the Company's scope of business approved by China Banking Regulatory Commission covers financial and financing advisory services, credit verification and related consulting, agency business to member units; provision of security to member units; helping member units with the receipt and payment of transaction proceeds; the approved insurance agency business; the entrusted loans and investments among the member units; bill acceptance and discount to the member units; internal transfer and settlement and the design of appropriate settlement & liquidation programs among member units; taking the deposits of member units; loans and finance leases to member units; interbank lending; underwriting the corporate bonds of member units; fixed income portfolio investment. The business of spot foreign exchange settlement and sales has been approved by the Beijing Foreign Exchange Administrative Department of the State Administration of Foreign Exchange. Filed with the Cross-Border Office of Operations Office of the People's Bank of China for record, the Company has the qualification to conduct two-way cross-border RMB capital pool

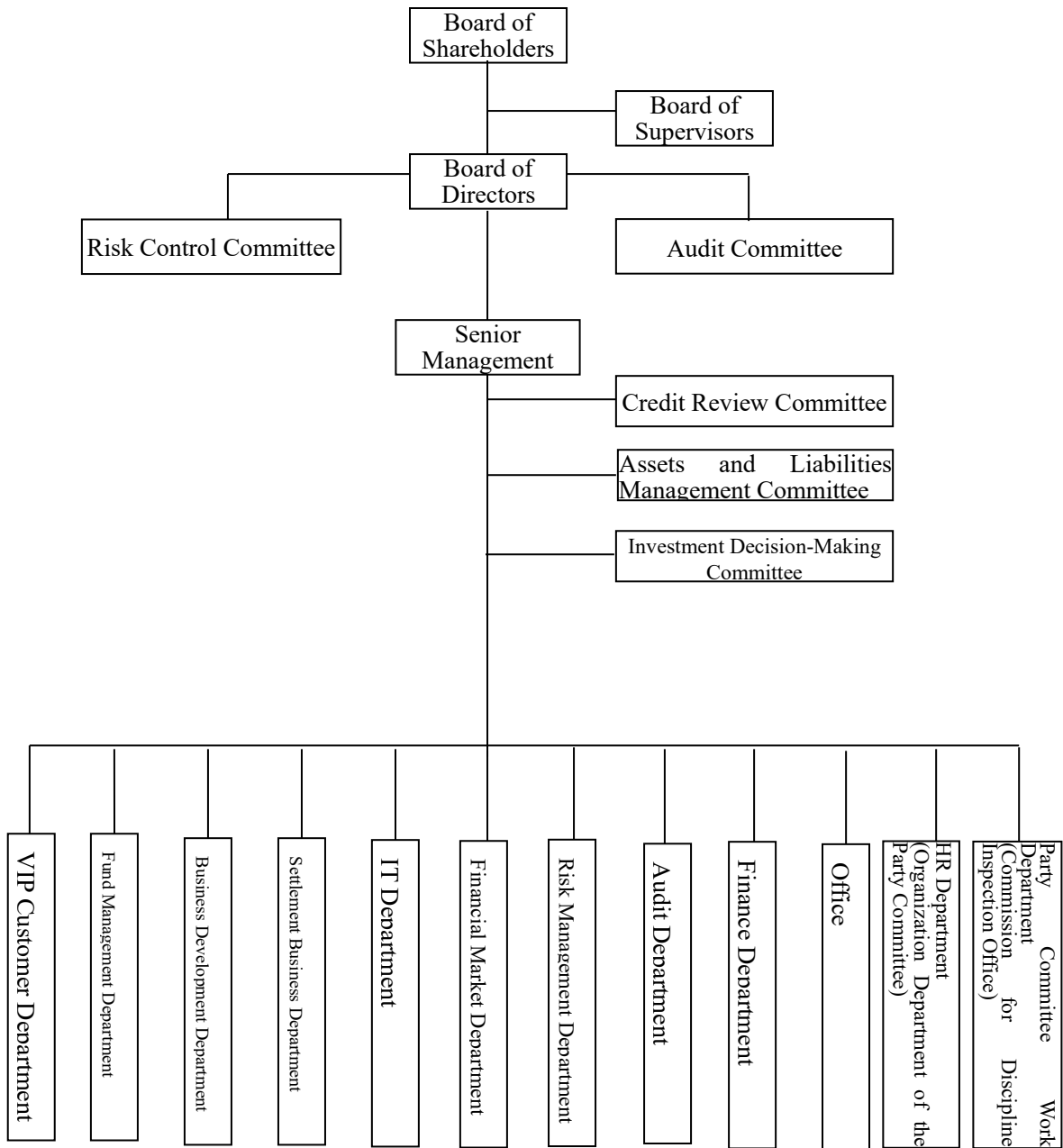
business etc.

II. The Company's Internal Control

(I) Control environment

The Company has a sound structure of corporate governance with the establishment of 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 checks and balances 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 & feedback system includes the Board of Supervisors and the Risk Control Department and Audit Department directly responsible to the Board of Directors, constructing the three working procedures and the risk control system of separated front, middle and back grounds.

The Company's organization chart is as follows:



Board of Directors: responsible for reviewing and approving the Company's overall business strategy 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 supervision department, 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 to the Board of Directors, as the supreme decision-making body for enterprises-wide risk management, 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, reviewing the judgment criteria or mechanism of the Company's major decisions, major risks, major events and important business processes, 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 to 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, and inspecting, supervising and evaluating the Company's internal audit etc. The Committee consists of at least three members, of whom two are directors.

Senior management: responsible for the execution of the Board decisions, the development of internal control policies, monitoring and evaluation of the adequacy and effectiveness of the internal control system, the establishment and implementation of sound and effective internal control, and taking measures to rectify internal control problems. Further, they are responsible for the establishment of procedures and measures for identifying, measuring, monitoring and controlling risks, the establishment of 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 the General Manager for reviewing the annual investment strategy and annual investment plans, 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 frontline of the Company's risk management. Each business department undertakes the following risk management responsibilities:

1. Fully understanding and analyzing various risks in their department(s) to ensure that all businesses are conducted in accordance with the established procedures and that all internal control measures are effectively implemented;
2. Recording and archiving the results of risk assessment and the implementation of internal control measures, accurately and promptly reporting the daily risk monitoring reports required by the Risk Control Department;
3. Ceaselessly testing and assessing the effectiveness of internal control measures, and proposing improvement suggestions on operational procedures and internal control measures to the Risk Control Department; and
4. Identifying and reporting any possible categories of risks in a timely manner and offering risk management suggestions.

Risk Control Department: As the specific implementation department for the decisions of the Risk Control Committee, 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 different characteristics of each business. The departments have separated responsibilities and are mutually supervised. Various risks in the proprietary operation are predicted, evaluated and controlled.

(III) Control activities

1. Fund management

Based upon all rules and regulations of the China Banking Regulatory Commission, the Company has formulated the *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 Risk Control System for 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 Risks in Bank Accounts of Chemchina Finance Co., Ltd.*, *Measures for Assets and Liabilities Management of Chemchina Finance Co., Ltd.*, *Measures for the Management of Pricing of Deposit and Loan Interest Rates of*

Chemchina Finance Co., Ltd. and other business management measures and operation procedures, so that the business risks are first controlled by the rules of practice and control standards set forth in the procedures and processes.

(1) In terms of fund plan management, the Company's business operations are strictly following the asset and liability management rules set forth in the *Management Approach for Finance Companies of Enterprise Groups* to ensure the safety, profitability and liquidity of the Company's funds by formulating and implementing the fund plan management.

(2) In terms of deposit business for member units, the Company strictly follows the principles of equality, voluntariness, fairness and good faith to protect the funds of member units and safeguard the legitimate rights and interests of all parties concerned.

(3) In terms of transfer and settlement business, member units open settlement accounts in the Company and submit instructions for funds settlement online through the Company's settlement platform to ensure safe, fast and smooth settlement of accounts with high data security.

(4) In terms of bank financing, the Company has established the *Measures for the Management of Discount by Transfer and Operation Procedures of Chemchina Finance Co., Ltd.* and *Measures for the Inter-bank Lending Management of Chemchina Finance Co., Ltd.*, and strictly followed the limits on business scope and scale stipulated by the CBRC and the PBC in practice.

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. One 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 are conducted with the receivers as strictly supervised by the supervisor.

3. Credit business control

The receivers of the Company's loans are limited to the member units of China National Chemical Corporation. According to the different characteristics of various businesses, the Company has formulated the *Management of Comprehensive Credit Granting in Credit Business of Chemchina Finance Co., Ltd.*, *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.* and *Measures for the Management of Commercial Drafts Discount of Chemchina Finance Co., Ltd.* etc. With constant revision and improvement, the Company has standardized the business operation processes and established the complete pre-loan, in-loan and post-loan credit management system.

(1) A system of separated credit review and approval has been established with definite responsibilities and mutual restraints.

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 responsibility system of the credit department and credit posts, which are of well-defined functions and clear-cut responsibilities. 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 various types of credit businesses submitted for consideration by relevant departments. 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, General Manager has a veto; for those not

approved by the Credit Review Committee, General Manager shall never give credit or issue loans.

(2) The post-loan management system is strictly implemented. 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) Customer management information files have been established to have a comprehensive and centralized grasp of customer information such as creditworthiness, financial status and solvency. Customers are subject to classified management so that those "blacklisted" borrowers of bad credit standing or involved in debt evasion and revoking are banned credit.

4. Investment business control

The Company obtained the qualification to conduct fixed income securities 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 keep the risks in investing new businesses controllable, 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, identified and evaluated the investment business risks, and established a hierarchical authorization system of investment businesses.

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, in order to embed various regulatory provisions and internal control requirements into the information system, the Company initiated the development of the investment business system, and is currently in the selection development stage.

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 are 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 developed the *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.*, *Outsourcing Management Measures of Chemchina Finance Co., Ltd.* and other management systems, in line with the *Information System Risk Management Guide for Banking Financial Institutions (YJH [2007] No. 63)*, *Basic Requirements of Information System Security Grade Protection* and other regulatory requirements.

The system is constructed according to the commercial bank information construction standards from the perspectives of physical security, network security, host security, application security, data security and backup and recovery, and technical means such as access control and intrusion prevention, CA certification encryption technology, dual-computer multi-level three-dimensional protection are utilized to ensure the security and stability of the system. The main features are dual Internet link, dual redundant hot standby technology, stable and reliable business platform; 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. Deployment of Internet behavior management system, monitoring platform, bastion host, virus server, leakage and anti-attack modules; in terms of host, storage and backup, the core of the Company's information system adopts the security architecture of two locations and three centers, the production host adopts 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 response

In order to carry out the directive spirit of the CBRC and the Beijing Municipal Government that "Everything matters in financial industry and in Beijing", the Company has paid persistent attention to risk management as its daily routine, formulated and submitted the *Emergency Response Plans of Chemchina Finance Co., Ltd. on Contingencies* and *Measures for the Management of Fund Liquidity Risk of Chemchina Finance Co., Ltd.*, and designed the emergency response plans and procedures for the situations where financial safety of Chemchina Finance is affected by operations or other issues, in an effort to identify possible contingencies or emergencies (including computer systems), prevent or minimize the potential losses and ensure the continuous operation of the businesses. In addition, Article 80 of the Articles of Association states: "When China National Chemical Corporation increases its capital in accordance with the actual needs of solving the urgent payment difficulties of Chemchina Finance, it shall be immediately reported to the China Banking Regulatory Commission."

(V) Overall evaluation of internal control

The Company has implemented the "abolishing, revising and formulating" systems. By systematically reviewing the existing rules and regulations and operational procedures in each business, revising the clauses that do not meet the internal control requirements of the regulatory authorities, and timely abolishing the rules and regulations that no longer apply, it has effectively improved the compliance of the existing rules and regulations, providing a strong support for compliant operations and management of all businesses. 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 terms of credit business, the Company has established the appropriate credit business risk control procedures, so that the overall risk control is in a reasonable level.

Effective information exchange and feedback mechanisms have been established to ensure that the Board of Directors, the Board of Supervisors and the management team keep abreast of the Company's operation and risk situation, that every piece of information can be communicated to the relevant employees, and that all relevant departments and employees can provide feedback smoothly. The information exchange and feedback mechanisms for risk management mainly include the following aspects:

1. The Risk Control Department reports regularly the risk management situation to the Board of Directors and the Board of Supervisors every year.

2. Feedback is promptly delivered to the relevant departments and employees.

3. The Company strengthens the internal training and learning of risk management to raise the risk management awareness of all employees.

4. The Company has established the internal control report and information feedback systems. In case business departments, internal audit departments and other control personnel identify any hidden dangers and defects of internal control, they can timely report to the management or departments concerned.

5. The Company's Audit Department conducts periodic inspection and assessment to the construction and implementation of the internal control systems, puts forward suggestions for improvement and gives advice on punishing the entities and individuals in violation of the provisions.

6. The Company has established a mechanism to rectify internal control issues and defects. The management puts forward rectification opinions and corrective actions based on the inspection and assessment results of internal control, and urges the business departments to implement them.

III. The Company's Business Management and Risk Management

1. Business conditions

As of December 31, 2019, Chemchina Finance's total assets are CNY 16.656 billion, including net loans of CNY 8.077 billion, total liabilities of CNY 15.248 billion, deposit taking of CNY 15.184

billion from member units, owners' equity of CNY 1.408 billion, 2019 realized revenues of CNY 383 million, total profit of CNY 104 million and net profit of CNY 78 million.

2. Management

Since its establishment, the Company has always adhered to the principle of prudent operation, and strictly complied 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*, *Management Approach for Finance Companies of Enterprise Groups* and 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, daily monitoring and weekly feedback are given to the proportion of listed companies' deposits in 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 December 31, 2019, Chemchina Finance's regulatory indicators are in line with the requirements:

- (1) The capital adequacy ratio shall not be less than 10%:

$$\text{Capital adequacy ratio} = \text{Net capital} / \text{Risk-weighted assets} = 14.40\%$$

The Company's capital adequacy ratio was 14.40%, in line with the regulatory requirements.

- (2) The non-performing asset ratio shall not exceed 4%

$$\text{Non-performing asset ratio} = \text{Bad credit risk assets} / \text{Credit risk assets} = 0$$

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

- (3) The non-performing loan (NPL) ratio shall not exceed 5%

$$\text{NPL ratio} = \text{NPL} / \text{Loans} = 0$$

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

- (4) The adequacy ratio of reserves for asset loss 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 = 182,592.58%

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

(5) The 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 balance of funds from other banks shall not be higher than the total capital:

Fund borrowing ratio = Inter-bank borrowing / Total capital = 0

The Company's fund borrowed from other banks was less than the capitalization, which is in line with the regulatory requirement.

(7) The ratio of investment to total capital shall not exceed 70%

Investment ratio = Investment / Total capital = 6.53%

The Company's investment ratio was 6.53%, in line with the regulatory requirements.

(8) The guarantee ratio shall not exceed 100%:

Guarantee ratio = (Credit business equivalent to loans - Security deposit - Bank deposit receipts - National debts - Bank acceptance) / Total capital = 6.75%

The Company's guarantee ratio was 6.75%, in line with the regulatory requirements.

(9) The ratio of owned fixed assets to total capital shall not exceed 20%:

Ratio of owned fixed assets = Owned fixed assets / Total capital = 0.15%

The ratio of the Company's own fixed assets to total capital was 0.15%, in line with the regulatory requirements.

(10) The liquidity ratio shall be no less than 25%:

Liquidity ratio = Liquid assets / Liquid liabilities = 63.70%

The Company's liquidity ratio was 63.70%, in line with the regulatory requirements.

(11) Shareholders' Deposits and Loans (Unit: CNY 10,000)

Name of shareholder			Investment amount	Deposit	Loan
China National Chemical Corporation			41,562.50	185,190.85	344,000.00
China Haohua Chemical Co., Ltd.	Group		13,300.00	5,878.33	80,000.00
China National Bluestar Co., Ltd.	(Group)		22,610.00	166,626.00	
China National Agrochemical Co., Ltd.			6,650.00	534.30	77,500.00
Total			<u>84,122.50</u>	<u>358,229.48</u>	<u>501,500.00</u>

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

To sum up, the Company has legal and valid *Financial License, 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 was no violation of the *Management Approach for Finance Companies of Enterprise Groups* promulgated by the China Banking Regulatory Commission, and all the regulatory indicators met the requirements of Article 34 of the *Management Approach*.

Chemchina Finance Co., Ltd.
March 1, 2020