Risk Assessment Report of ChemChina Finance Co., Ltd. as of December 31, 2021
TZYZ [2022] No.7199

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Risk Assessment Report of Chemchina Finance Co., Ltd. as of December 31, 2021

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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 December 31, 2021. The management of Chemchina Finance is responsible for establishing, improving and reasonably designing the risk management and maintaining its effectiveness, as well as the authenticity and integrity of the risk management policies and procedures. We are responsible for commenting on the implementation of risk management related to the financial 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 financial statements, and performed other procedures that we considered necessary. We believe our audit work have built a reasonable basis for making audit opinions.

Because of 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. There are certain risks to predict the future effectiveness of risk management based on the evaluation results. 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 December 31, 2021.

The Report is only used for disclosure by the listed companies among the member enterprises of ChemChina Finance. Without written permission, it may not be used for any other purpose.

Beijing, China
February 18, 2022

Chinese CPA:

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Chinese CPA:

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Risk Assessment Notes of Chemchina Finance Co., Ltd.

I. Basic Information of the Company

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 (Organization 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 4th Ring Road, Haidian District, Beijing, China. The operation start time was July 2, 2009. On October 12, 2016, as approved by CBRC Beijing Bureau, the Company's capital was increased to RMB 841.225 million. The shareholders and their equity ratios were as follows: China National Chemical Corporation (holding, 49.41%), China National Bluestar (Group) Co., Ltd. (participating, 26.88%), China Haohua Chemical Group Co., Ltd. (participating, 15.81%) and China National Agrochemical Co., Ltd. (participating, 7.9%).

The business scope of the Company includes: handling financial and financing consultation, credit verification and related consulting and agency services for member organizations; assisting member organizations in collecting and paying transaction funds; providing approved insurance agency service; providing security for member organizations; handling entrusted loans and entrusted investment between member organizations; handling bill acceptance and discounting for member organizations; handling internal transfer and settlement of accounts among member organizations, and corresponding settlement and liquidation scheme design; accepting the deposits of member organizations; handling loan and financing lease for member organizations; engaging in inter-bank borrowing; underwriting corporate bond and fixed-income securities of member organizations.

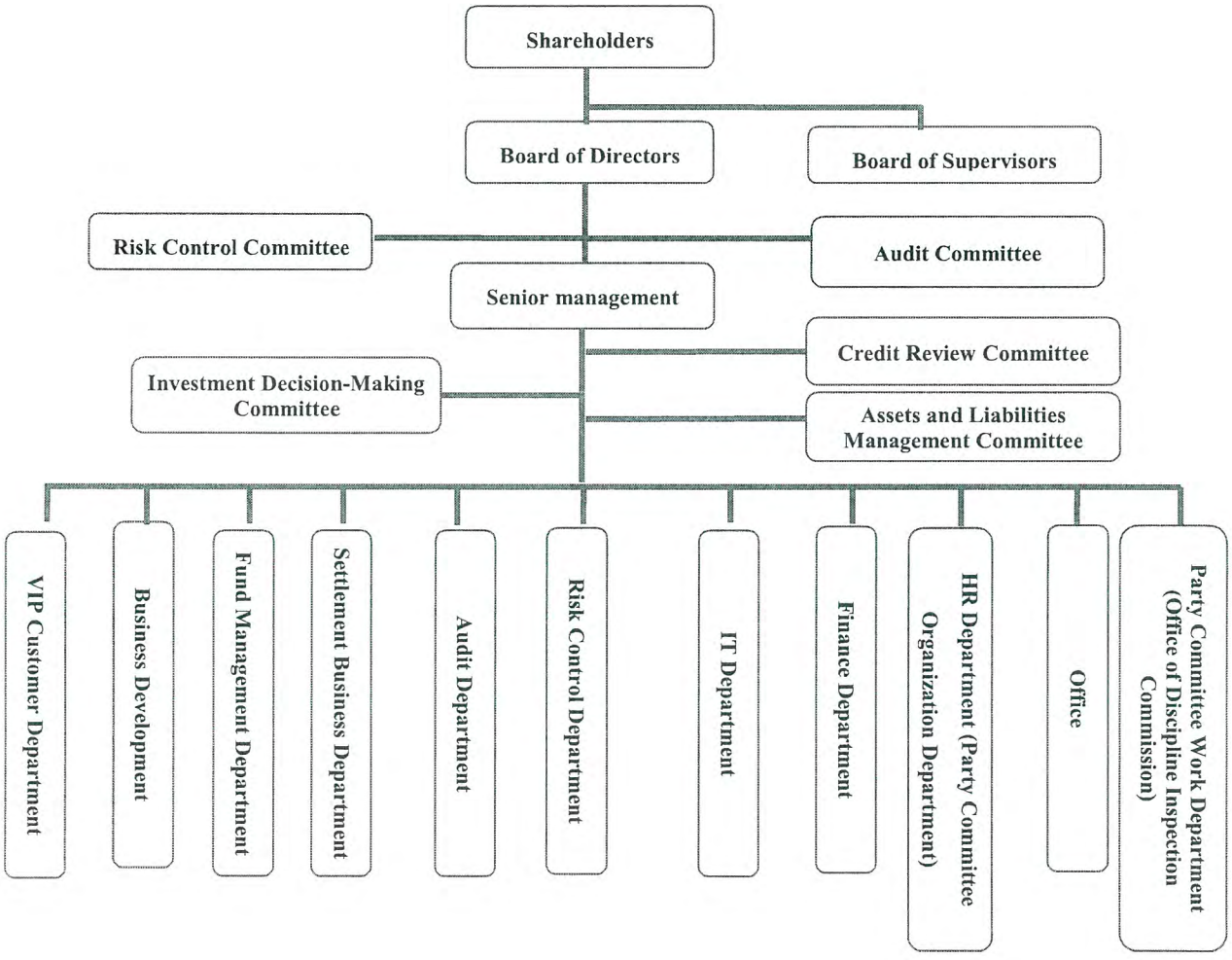
II. Internal Control of the Company

(I) Control environment

The Company has a sound structure of corporate governance with a governance structure consisting mainly of the "three boards (the Board of Shareholders, the Board of Directors, and the Board of Supervisors) and one layer (the management)". Each governing body has formulated complete rules of procedure and job responsibilities and holds meetings according to the requirements. 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 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 its 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 various business functional departments. 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 prevention and control system of separated front, middle and back grounds.

Organization structure of the Company is as follows:



Board of Directors: Responsible for examining and approving the general business strategy and major policies of the Company, determining the risk level that the Company can accept, approving the policy, system and procedure of each business, appointing the management, and supervising the effectiveness of internal policy. The Board of Directors shall discuss the effectiveness of internal control with the management regularly, review the internal control assessment reports regularly provided by the management, audit institution and supervision department, supervise and urge 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, directors, senior management and senior management personnel to perform internal control duties; and requiring the directors, president and senior management personnel to correct the behaviors damaging the interests of the Company and supervising the implementation. The Board of Supervisors shall assess the duty performance of directors and senior management personnel, and report to the Board of Shareholders.

Risk Control Committee: Responsible to the Board of Directors. It is the highest decision-making organ of total risk management of the Company, responsible for deliberating the risk management framework of the Company, formulating the risk strategy and basic policy of risk management, supervising and inspecting the implementation; supervising the senior management's risk control for the Company; deliberating the judgement standard or judgement mechanism for major decision, major risk, major event and important business process of the Company; and examining and approving confirmation of responsibility for non-performing assets, and disposal and write-off plan for non-performing assets, etc. The Risk Control Committee consists of 3 persons, and all are directors of the Company.

Audit Committee: Responsible to the Board of Directors. It is responsible for continuously supervising internal control system of the Company, auditing the Company's management regulations and the implementation, inspecting and assessing compliance and effectiveness of major operation activities of the Company; examining and verifying financial information of the Company and its disclosure; inspecting, supervising and assessing the Company's internal audit work, etc. The members of Audit Committee are not fewer than 3, and most members are the directors.

Senior management: Responsible for implementing the resolutions of the Board of Directors; responsible for formulating internal control policies, monitoring and assessing the adequacy and effectiveness of internal control system; establishing and implementing sound and effective internal control, and taking measures to correct the problems of internal control; establishing the procedures

and measures for identifying, measuring, monitoring, and control risks; establishing an internal organization structure with explicit authorization, responsibility and reporting relationship to ensure that the responsibilities of internal control are 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 General Manager. It is responsible for monitoring the Company's asset risk indicators in and out of the statements, and implementing the measures to prevent ad resolve asset risks; examining and approving pricing policies such as the Company's interest rate and rate; studying the countermeasures and making the adjustment plan in time according to the assets, liabilities and problems of the Company.

Investment Decision-Making Committee: Responsible to General Manager. It is responsible for reviewing the annual investment strategy and annual investment plan; drafting risk management policy and strategy of negotiable securities investment; examining and approving negotiable securities investment business within the authorization scope of the Board of Directors.

Business departments: The Company's VIP Customer Department, fund, settlement, finance, information and other departments handle most of the Company's assets and businesses and directly face various risks in the daily work, constituting the frontline of the Company's risk management. Each business department undertakes the following risk management responsibilities:

1. Fully cognize 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, report routine risk monitoring reports required by the 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 the Risk Control Department.

4. Identify and report possible categories of risks in a timely manner and offer risk management suggestions.

Risk Control Department: It is a decision execution department of Risk Control Committee, which leads and coordinates risk management work of each department. It is mainly responsible for

drafting risk management policy and system of the Company, supervising and prompting the risks of various businesses, organizing and implementing early warning, monitoring, and analysis of various risks, inspecting the implementation of internal control system, and writing the risk assessment report; organizing to study and audit the rules, regulations and operation procedures of the Company, and auditing customers' credit rating assessment methods and standards; organizing to confirm asset risk classification and inspect the authenticity, and organizing management and disposal of non-performing assets which have been handed over; managing general legal affairs of the Company; responsible for reviewing the compliance of various policies, procedures and systems of the Company, etc.

Audit Department: It is a department independent of business and management layers, which is responsible for evaluating the Company's internal control. Its key responsibilities are to carry out audit and review, implement all-round audit, inspection and supervision of each department, post and business, report to the Board of Directors or its subordinate Audit Committee regularly, and track and inspect the corrections.

(II) Risk identification and assessment

The implementation of the internal control of the Company is organized by the Risk Control Department, 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 and mutually supervised. Various risks in self-operation are predicted, evaluated and controlled.

(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 and guarantees fund security, benefit and liquidity of the Company through formulating and implementing fund plan management.

(2) In the aspect of deposit business, 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 transfer and settlement of accounts, the members 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 operates in the business scope and scale stipulated by the CBRC and the PBC in practice.

2. Accounting business control

As per the requirements of accounting system, the Company establishes and executes standard accounting procedures. The Company sets up the independent Financial Accounting Department to make sure the Accounting Department and accounting personnel can independently handle accounting businesses as per the uniform accounting system. The Company has clearly defined the authority of the Accounting Department and accounting personnel. The accounting personnel handle the relevant business within their respective authority. Any business beyond the authority shall be subject to further authorization. The principle of separation of duties and mutual restraints is

implemented for the Company's settlement and accounting positions. One person is strictly prohibited to serve on incompatible positions or complete the entire process of settlement and accounting operations alone. The Company reconciles 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.

The Company enhances the management of contracts, bills, seals and secret keys in accordance with the principles of specially-assigned person management, mutual restraint, proper approval, and strict registration. The seals and bills are kept and used by different persons. Special measures are taken for important contracts and bills, including consecutive number control, cancellation control, blank voucher control, and application registration control, etc. In case of accounting personnel changes, handover procedures shall be conducted with the takeover personnel strictly as supervised by the supervisor.

3. Credit business control

The loan objects of the Company are only limited to member organizations 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 Measures for the Management of Low Risk Credit Business, Measures for the Management of Syndicated Loans of Chemchina Finance Co., Ltd.*, *Management Rules for Electronic Commercial Bill Acceptance of Chemchina Finance Co., Ltd.*, and *Commercial Bill Discount Operation Process 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 audit procedures and approval permission according to the scale, category, deadline and guarantee conditions of loans, examines and approves loans in strict accordance with the procedures and permissions.

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. The loan investigation and evaluation personnel shall be responsible for loan investigation and assessment and undertake the liability for investigation error and evaluation fault. The loan review personnel shall be responsible for the investigation of loan risks, and undertake the liability for investigation fault. The loan issuing personnel shall be responsible for loan inspection, liquidation and collection, and undertake the liability for investigation fault and poor performance of liquidation and collection.

The Company has established an effective loan decision-making mechanism. Credit Review Committee is set up to take charge of deliberating credit businesses submitted by relevant departments. The Committee should follow the principles of collective deliberation, explicit comments, and majority voting, and all opinions shall be recorded and filed. For the projects agreed by the Credit Review Committee, General Manager has the one-vote veto. For the projects that the Credit Review Committee disagrees, General Manager shall not decide to give credit extension or issue the loan.

(2) Strictly execute post-loan management system. VIP Customer Department shall be responsible for monitoring and managing loan use, interest collection, overdue loan, and extended loan, and performing post-loan inspection of loan security and collectability.

The Company has established asset risk classification system, standardized the standards and procedures for determining asset quality, and strictly prohibits covering up the veracity of non-performing assets to ensure the authenticity of asset quality.

(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 gained the investment qualification of negotiable securities of fixed income category on December 21, 2016, and conducted money fund investment and bond investment business of the group company in 2018. In order to control the risks in investing new businesses, the Company has established an investment decision-making committee; schemed, 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 risks in investment businesses; established an investment businesses hierarchical authorization system.

In terms of risk management, the Company has established the risk organization structure of investment business, set the risk limit with the purpose of gaining the full score of supervision indexes in the rating, monitored the limit execution, and monitored the level of supervision indexes.

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 has been put into operation.

5. Internal audit control

The Company carries out internal audit supervision system, sets up an internal audit department responsible to the board of directors - Audit Department, and establishes internal audit management measures and operation procedures to internally audit and supervise economic activities of the Company.

The Audit Department is responsible for the internal audit of the Company. The Audit Department shall evaluate the adequacy and effectiveness of risk control for internal governance, operation and information system: reliability and completeness of financial and operation information; efficiency and effect of operation and procedures; asset security; abidance by laws, regulations, policies, procedures and contracts. The Audit Department shall propose valuable improvement opinions and suggestions to the management.

6. Information system control

The Company has established the overall control system for computer information system. The Company has enhanced general control and application control of computer information system. The Company has strictly divided the responsibilities of Computer Information System Development Department, Management Department and Application Department, established and improved risk prevention system 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 (Document YJH [2007] No.63), and *Basic Requirements of Information System Security Grade Protection*, etc.

The system takes information construction standards of commercial banks as the blueprint, focuses on physical security, network security, mainframe security, application security, data security, and backup recovery, and adopts multiple technical means to ensure system security and stability, including access control and intrusion prevention, CA authentication encryption technology, dual-computer, and multi-level three-dimensional protection. The main technologies applied are dual Internet link, and dual redundant hot standby. The business platform is stable and reliable. Data transmission encryption, RAID and data offline backup technology are used to effectively ensure data security. The core layer of information system network environment is configured with two Cisco firewalls (transparent mode) and two TOPSEC firewalls (route mode), which achieves heterogeneity of network security equipment. Internet surfing behavior management system, monitoring platform, bastion host, virus server, and sweeping leakage and anti-attack module are deployed. In the aspect of host, storage and backup, the information system core of the Company adopts the security architecture of two places and three centers. The production host adopts double hot standby, and two storage devices form the mirror image mode. Personal CA certificate authentication is applied to effectively screen user identity and prevent false name, manipulation and denial. The development, management and application of information system are separate from each other. The information system is managed by the specially-assigned person of IT Department. The information system is installed at each business department according to the business module, and General Manager of the Company endows operating authorization to operating personnel within the business scope. Specific operations are divided by the operators according to the Company's business departments, with each performing his own functions.

(IV) Emergency preparedness 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.*, *Measures for the Management of Fund Liquidity Risk of Chemchina Finance Co., Ltd.*, and *Measures for the Management of Information Report of Major Business Risk Events 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, makes the risks defined, makes 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 ensure that the Board of Directors, Board of Supervisors and the management timely understand the business and risk of the Company, information can be transmitted to the relevant staff, and relevant information of departments and staffs can be smoothly fed back. On the whole, the internal control of the Company is sound, and the execution is effective. In the aspect of fund management, the Company has well controlled fund flow risks. 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. Business Management and Risk Management of the Company

1. Business conditions

As of December 31, 2021, total asset value of the Company was RMB 14.236 billion. The net loan was RMB 7.594 billion, and the amount of total liabilities was RMB 12.808 billion. The deposit absorbed from member organizations was RMB 12.794 billion, and the owner's equity was RMB 1.428 billion. The Company achieved a gross revenue of RMB 134.1035 million, a total profit of RMB 88.8664 million, and a net profit of RMB 66.812 million in 2021.

2. Management

Since the setup, the Company has adhered to the principle of steady operation, standardized operation behaviors and enhanced internal management in strict accordance with *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*, national relevant financial regulations, rules and Articles of Association.

As per the supervision requirements of listed companies, the Company shall check the deposits of listed companies every day to make sure the limit of deposits disclosed is exceeded. Meanwhile, as per risk management requirements of some listed companies, the Company shall monitor every day and feed back weekly the proportion of deposits of listed companies to all 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, 2021, the Company's regulatory indicators were in line with the requirements.

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

Capital adequacy = net capital / risk-weighted assets = 14.32%

Capital adequacy ratio of the Company was 14.32%, conforming to regulatory requirements.

(2) The non-performing loan (NPL) ratio should not exceed 4%

Non-performing asset ratio = bad credit risk assets / credit risk asset = 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) The adequacy ratio of reserves for asset loss shall not be less than 100%

Adequacy ratio for asset loss reserves = actual provision for credit risk assets / the required provision for credit risk assets = infinity

Adequacy ratio for asset loss reserves of the Company exceeded 100%, conforming to regulatory requirements.

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

Adequacy ratio for loan loss reserves = actual provision for loans / the required provision for

loans = 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:

Proportion of borrowing funds = inter-bank borrowing / capital sum = 0.00%

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

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

Investment ratio = investment / total capital = 6.42%

The investment proportion of the Company was 6.42%, 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 0, conforming to regulatory requirements.

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

Owned fixed assets ratio = self-owned fixed assets / total capital = 0.08%

The proportion of self-owned fixed assets and capital sum of the Company was 0.08%, conforming to regulatory requirements.

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

Liquidity ratio = liquid assets / liquid liabilities = 79.71%

The liquidity ratio of the Company was 79.71%, conforming to 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	1,997.49	250,000.00
China Haohua Chemical Group Co., Ltd.	13,300.00	5,221.24	84,000.00

Name of shareholder	Investment amount	Deposit	Loan
China National Bluestar (Group) Co., Ltd.	22,610.00	94,810.57	70,000.00
China National Agrochemical Co., Ltd.	6,650.00	11,082.28	15,000.00
Total	84,122.50	113,111.58	419,000.00

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.

In conclusion, the Company owns legal and valid *Financial License* and *Business License for Legal Person*, has established a complete and rational internal control system, and could well control risks. Significant events have never happened to the Company, such as bank runs, inability to pay matured debts, overdue large loans or guaranteed advances, being robbed or swindled, directors' or senior management's act in severe violation of discipline, and criminal case. Major organization changes, equity transactions or operational risks which may affect normal operation of the Company have never occurred. And the Company has never received administrative punishment and rectification order from China Banking and Insurance Regulatory Commission. The situations violating *Management Approach for Finance Companies of Enterprise Groups* issued by China Banking and Insurance Regulatory Commission do not exist, and the various regulatory indicators conform to the requirements of Article 34 in the Management Approach.

Chemchina Finance Co., Ltd.

February 18, 2022