Sinochem Finance Co., Ltd.

Risk Assessment Report

DHHZ [2024] No. 0011005080

Da Hua Certified Public Accountants (Special General Partnership)

MOORE 大华国际 | 大華會計師事務所

Da Hua Certified Public Accountants (Special General Partnership)
F/12, Building 7, Yard 16, West Fourth Ring Road Middle, Haidian District, Beijing, 100039
Tel.: 86 (10) 5835 0011 Fax.: 86 (10) 5835 0006
www.dahua-cpa.com

Sinochem Finance Co., Ltd.
Risk Assessment Report
(As of December 31, 2023)

Contents

Da Hua Certified Public Accountants (Special General Partnership)
F/12, Building 7, Yard 16, West Fourth Ring Road Middle, Haidian District, Beijing, 100039
Tel.: 86 (10) 5835 0011 Fax.: 86 (10) 5835 0006
www.dahua-cpa.com

Risk Assessment Report

DHHZ [2024] No. 0011005080

Sinochem Finance Co., Ltd.,

Being entrusted, we have audited the evaluation and affirmation made by the management of Sinochem Finance Co., Ltd. (hereinafter referred to as "Sinochem Finance") on the rationality of risk management design and the effectiveness of implementation related to accounting statements as of December 31, 2023. Establishing sound and reasonable risk management while maintaining its effectiveness, and ensuring the authenticity and integrity of risk management policies and procedures, are the responsibilities of the management of Sinochem Finance. Our responsibility is to provide opinions on the implementation of risk management related to Sinochem Finance and its financial statements.

During the audit, we conducted procedures including understanding, testing, and evaluating the rationality and implementation of the risk management design related to the preparation of financial statements by Sinochem Finance, as well as any other procedures we deemed necessary. We believe that our audit has provided a reasonable basis for issuing opinions.

Risk management has inherent limitations, and there is a possibility that misstatements may occur or go undetected due to error or fraud.

Furthermore, changes in circumstances may render improper risk management or reduce the degree to which controls, risk management policies, and procedures are followed, posing a certain risk to the effectiveness of future risk management as inferred from the results of risk assessments. Based on our understanding and evaluation of risk management, we did not identify significant deficiencies in the risk management related to the preparation of financial statements by Sinochem Finance as of December 31, 2023.

This report is intended solely for external disclosure by Sinochem Finance to the listed companies among its member enterprises. Without written permission, it may not be used for any other purposes.

Da Hua Certified Public Accountants (Special General Partnership)

Certified Public Accountant of

Zhou Huiyan

Beijing, China

Certified Public Accountant of

Du Li

March 21, 2024

Sinochem Finance Co., Ltd.
Statement on Risk Assessment

I. Company Profile

Sinochem Finance Co., Ltd. (hereinafter referred to as "the Company" or "Sinochem Finance") is a limited liability company established in Beijing on June 4, 2008 upon approval by the China Banking and Insurance Regulatory Commission (now National Financial Regulatory Administration), with the financial license obtained on May 26, 2008. Its institution number is L0091H211000001 and its financial license number is 00805550. The Unified Social Credit Identifier of the Company is 911100007109354688, and the registered capital is RMB 6 billion. The Company's legal representative is Xia Yu and its registered address is F3, Central Tower, Chemsunny World Trade Center, No. 28 Fuxingmennei Street, Xicheng District, Beijing.

The current equity structure of the Company is as follows:

Name of Shareholder	Shareholding Proportion (%)	Subscribed Capital Contribution (RMB 10,000)	Paid-in Capital Contribution (RMB 10,000)
Sinochem Holdings	37.00	222,000.00	222,000.00
Sinochem Corporation	35.00	210,000.00	210,000.00
Sinochem Capital	28.00	168,000.00	168,000.00
Total	100.00	600,000.00	600,000.00

Sinochem Holdings is the parent company and ultimate controlling party of Sinochem Finance.

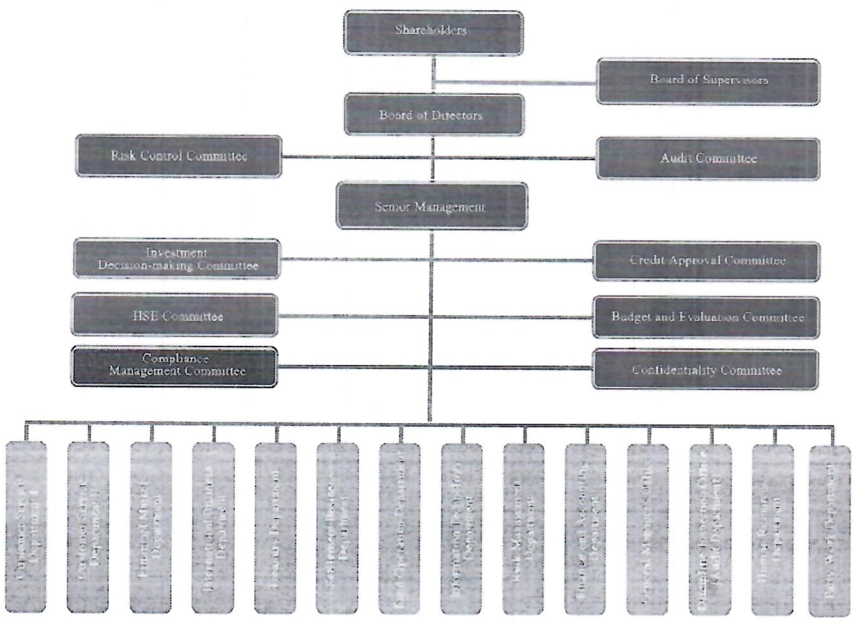
Organizational structure of Sinochem Finance: general manager responsibility system under the leadership of the Board of Directors.

Its business scope is to provide services as a finance company of the enterprise group. Business scope: (I) Absorbing deposits from member organizations; (II) Handle the loans of member organizations; (III) Handle bill discounting of member organizations; (IV) Handle the fund settlement, receipt and payment of member organizations; (V) Provide entrusted loans, bond underwriting, non-financing guarantees, financial consultancy, credit verification and consulting agency services for member organizations; (VI) Engage in interbank lending; (VII) Handle the bill acceptance of the member organizations; (VIII) Handle buyer's credit for the products of member organizations; (IX) Invest in negotiable securities with fixed income; (X) Handle financial leasing for member organizations; (XI) Conduct equity investment in financial institutions; (XII) Operate ordinary derivative trading business, the trading varieties are limited to client-initiated forward foreign exchange settlement and sale, foreign exchange swaps, currency swaps handled on behalf of clients, and transactions carried out to hedge the risks of the aforementioned transactions.

II. Overview of the Company's Internal Control

(I) Control Environment

Sinochem Finance has established a modern corporate governance structure with the separation of powers among the Board of Shareholders, the Board of Directors, and the Board of Supervisors, as stipulated in the *Articles of Association of Sinochem Finance Co., Ltd.* The responsibilities of the Board of Directors, directors, supervisors, and senior management in internal control have been clearly defined. The Board of Shareholders is the highest decision-making body of Sinochem Finance, while the Board of Directors decides on major issues of the Company and is accountable to the Board of Shareholders. The management team, led by the General Manager, is responsible for the daily operations of Sinochem Finance. The corporate governance structure of the Company is sound, management operations are standardized, and an organizational structure with clear division of labor, defined responsibilities, and transparent reporting relationships has been established, providing necessary conditions for the effectiveness of risk management. The Company has added a Compliance Management Committee, a Confidentiality Committee, and a Treasury Department, while reducing the Shared Services Department. The organization chart of the Company is as follows:



(II) Risk Identification and Assessment

Sinochem Finance has formulated a series of internal control systems, as well as management methods and operational procedures for various businesses. It has established a Risk Management Department and an Inspection Office (Audit Department) to conduct comprehensive risk management and supervisory audits of the Company's business operations. Sinochem Finance has established tailored risk control systems, operational processes, and risk prevention measures to address the distinct characteristics of different business activities. Departments are segregated with mutual supervision to effectively predict, assess, and control various risks.

(III) Control Activities

1. Fund Management

Sinochem Finance strictly manages its funds. Based on the principles of safety, liquidity, and profitability, the Company prioritizes meeting settlement and payment needs before conducting asset allocation under the premise of ensuring fund security.

In terms of fund planning, Sinochem Finance has established a Fund Operation Department responsible for implementing lean fund management. The department comprehensively plans, coordinates, and arranges fund inflows and outflows. All departments compile weekly, monthly, and annual fund plans as required, which are then aggregated and balanced by the Fund Operation Department. The primary focus of fund utilization is to meet the settlement needs of member organizations, followed by planned fund requirements, and lastly, unplanned fund requirements. Sinochem Finance analyzes and summarizes the implementation of the fund plans and the main existing problems on a weekly, monthly, and annual basis for continuous improvement.

In terms of interbank deposits, after ensuring settlement payments and other fund utilization as per the fund plans, Sinochem Finance arranges surplus funds for interbank deposits. Following the fund plans, the Company requests quotations from various banks and selects cooperative banks based on the principle of prioritizing safety while considering returns. Sinochem Finance follows a strict approval process, with relevant departments signing on interbank business approval documents for confirmation, which are then reviewed and approved by the Deputy General Manager and the General Manager of the Company. Throughout the specific operations and maturity payment process, there are dedicated personnel liaising with banks, meticulously verifying and confirming details to ensure fund security.

In terms of deposits of member organizations, Sinochem Finance strictly adheres to the principles of equality, voluntariness, fairness, and good faith. Member organizations have the right to own, use, and benefit from deposits, and the Company ensures the safety of member organizations' funds in accordance with the relevant requirements of the People's Bank of China.

In terms of interbank lending, Sinochem Finance has established an organizational structure for interbank lending business. The Fund Operation Department is responsible for the specific operations of interbank lending business, the Settlement Business Department handles fund settlements, the Risk Management Department conducts risk assessments, the Finance and Accounting Department manages the accounting treatment of interbank lending business, and the head of the Fund Operation Department is responsible for final approval. This setup effectively prevents interbank lending risks.

2. Control of Credit Business

The key focus of internal control for credit business at Sinochem Finance is to prevent and control credit risks, enhance the quality of credit assets, and optimize the structure of credit assets. Sinochem Finance has formulated regulations such as *Management Measures for Credit Rating of Non-Financial Corporate Clients*, *Management Measures for Credit Business of Non-Financial Corporate Clients*, *Management Measures for Working Capital Loans*, *Management Measures for Fixed Asset Loans*, *Management Measures for Syndicated Loans*, *Management Measures for Electronic Commercial Bills*, *Management Measures for Bill Discounting*, *Management Measures for Commercial Bill Acceptance*, *Management Measures for Entrusted Loans*, and *Management Measures for Guarantee Business*, to ensure the standardized operation of credit business.

At present, Sinochem Finance adopts the credit business system of "customer credit rating + comprehensive credit line + interest rate risk pricing". It combines customer credit ratings, credit management, and interest rate risk pricing. Credit rating is a prerequisite for credit approval and interest rate risk pricing, as well as an essential basis for categorizing member enterprises' clients. Interest rate risk pricing is the specific implementation of credit policies and embodies the fundamental application of credit ratings. Considering the characteristics of a finance company, the Company draws from the interest rate pricing model of commercial banks to ensure consistency among interest rate management, credit management, and credit ratings, balancing the management requirements of fund security, liquidity, and profitability.

In principle, member organizations engaging in credit business with Sinochem Finance must first have their comprehensive credit limit verified by Sinochem Finance based on the *Management Measures for Credit Rating of Non-Financial Corporate Clients* and *Management Measures for Credit Business of Non-Financial Corporate Clients*. The comprehensive credit limit is reviewed by the Credit Approval Committee of Sinochem Finance and submitted to the General Manager for approval. The Credit Approval Committee is responsible for approving credit business within the authority of the General Manager and is accountable to the General Manager. For any case exceeding the General Manager's authority, after review by the Credit Approval Committee and deliberation by the Risk Control Committee of the Board of Directors, it is submitted to the Board of Directors for approval. The Customer Service Departments are responsible for handling and investigating credit business, conducting pre-loan due diligence, verifying the authenticity of credit application materials, and preparing investigation reports. The Risk Management Department is responsible for credit review and risk assessment, as well as objective evaluation of credit risks, credit rationality, and compliance. Sinochem Finance scientifically and rigorously verifies the comprehensive credit limit of member organizations based on their asset size, production and operation status, financial condition, credit status, debt repayment capacity, and development prospects.

1) Self-operated loan

Sinochem Finance strictly enforces the system of separation between loan granting and review, hierarchical review, and approval by the Company's General Manager. The loan business is centrally managed by the Customer Service Departments, with the Risk Management Department responsible for examination and supervision. The Credit Approval Committee reviews and makes decisions on the loan business, and the General Manager holds the ultimate veto power. Decisions of the Credit Approval Committee comply with the principles of collective deliberation, voting, and majority approval, with all opinions documented and archived.

Sinochem Finance clearly defines the responsibilities of departments and posts and strictly follows the work processes and standards of pre-loan investigations, in-loan reviews, and post-loan inspections. For pre-loan investigations, it strives to conduct on-site research, gather information on member organizations' operational status through multiple channels, and objectively and truthfully prepare loan reports. For in-loan reviews, it conducts independent loan approval, objectively reveals business risks, and makes scientific and reasonable judgments on business feasibility. For post-loan inspections, it makes accurate records and discloses existing problems fully and promptly without concealing or glossing over them, ensuring early detection and handling of risks.

2) Bill discounting

Sinochem Finance can conduct bill discounting business for member organizations of Sinochem Group. In business operations, it strictly follows the *Management Measures for Bill Discounting*, with clear process norms for business application, review, approval, lending, collection, and file management. The Risk Management Department monitors the entire process, effectively preventing risks.

3) Bill acceptance

Sinochem Finance strictly follows the business process specified in the *Management Measures for Commercial Bill Acceptance* when processing bill acceptance business. Bills meeting acceptance criteria are submitted to the Risk Management Department after being reviewed by Customer Service Departments. The Deputy General Manager in charge of credit business and the General Manager of the Company approve and sign off before issuing acceptance bills. After the commercial bills are accepted, the Customer Service Departments conduct supervisory checks in accordance with the relevant requirements of the *Guidelines for Post-loan Inspections of Sinochem Finance* to ensure that the risks of bill acceptance business are under control.

4) Guarantee business

Sinochem Finance follows the principles of "compliance with laws and regulations, genuine transactions, risk prevention, and ensuring profits" in its guarantee business operations, which are integrated into credit management and subject to overall quantity control. After review by the Customer Service Departments, guarantee business is submitted to the Risk Management Department. The Deputy General Manager in charge of credit business and the General Manager of the Company approve and sign off before the guarantee business is processed. The Customer Service Departments conduct tracking inspections of the guarantee business. If any issues are identified to possibly affect the performance of the guaranteed party in fulfilling contracts or debt repayment, timely communication with the Risk Management Department will be carried out to effectively prevent and resolve risks.

3. Control of Entrusted Loan Business

Entrusted loans are considered intermediary business for Sinochem Finance, where the Company only charges a service fee and does not assume any form of loan risk. Entrusted loans must follow the principle of "deposit before lending". Sinochem Finance operates on a "collect-before-disbursal" basis for the principal and interest of the loan from the principal, without providing advance funds. Additionally, the total amount of entrusted loans must not exceed the total entrusted deposit amount. Sinochem Finance focuses on reviewing the source of entrusted funds, the purpose of the loan, and compliance of the interest rate and term of the entrusted loan with national policies, and strictly follows the internal approval process.

4. Control of Securities Investment Business

Sinochem Finance engages in securities investment business and follows the principle of "division of responsibilities and checks and balances" for departments or posts related to securities investment operations. It scientifically sets control points for each post to ensure independent and effective constraints on decision-making, operation, risk monitoring, accounting, auditing, and other responsibilities, so as to prevent business risks. At any given time, Sinochem Finance's investment ratio must not exceed 70% of its net capital amount.

Sinochem Finance conducts investment operations based on the business scope and variety specified by the China Banking Regulatory Commission, following strict internal approval processes. To ensure the timely transmission of risk information, the Financial Market Department has established a regular reporting system for securities investment, allowing the leadership of the finance company, members of the investment committee, and the Risk Management Department to comprehensively understand the progress of investment operations. Risk management personnel in the Risk Management Department have established a regular risk monitoring and reporting system to track the risks of investment projects and issue risk warning prompts.

5. Control of Settlement Business

Sinochem Finance has established systems such as the *Management Measures for Settlement Business*, which determine the authorities of personnel in different posts to handle settlement business based on management levels, types of business, transaction amounts, and risk levels. Various internal control measures are implemented following the principles of unified management, hierarchical authorization, clear rights and responsibilities, and strict supervision, ensuring that settlement business personnel strictly adhere to operational procedures without unauthorized operations or overstepping their roles, and safeguarding the security of settlement operations and funds.

6. Control of Foreign Exchange Settlement and Sale Business

The foreign exchange settlement and sale business of Sinochem Finance includes client-entrusted foreign exchange settlement and sale and internal foreign exchange settlement and sale. The Company has formulated systems such as *Management Measures for Spot Foreign Exchange Settlement and Sale*, *Management Measures for Agent Forward Foreign Exchange Settlement and Sale*, and *Management Procedures for Spot Foreign Exchange Settlement and Sale*, to standardize the daily operation of foreign exchange settlement and sale business.

Sinochem Finance strictly follows the principle of separating front, middle, and back-office functions when handling foreign exchange settlement and sale business. The International Business Department is responsible for pricing and relevant procedures of foreign exchange settlement and sale business; the Settlement Business Department handles fund settlements for RMB and foreign exchange; the Fund Operation Department oversees the fund allocation for both RMB and foreign currencies; the Finance and Accounting Department is in charge of the accounting for foreign exchange settlement and sale business; the Risk Management Department supervises and manages the risk control of foreign exchange settlement and sale business, conducts compliance review on business operation process, and oversees the authority of business personnel. Sinochem Finance strictly follows the rules and regulations, and continuously standardizes the operation procedures to effectively prevent the occurrence of risks.

7. Control of Internal Audit

Sinochem Finance has established the Discipline Inspection Office (Audit Department) to perform audit functions on the Company's business activities and operations. The Discipline Inspection Office (Audit Department) conducts audits to ensure the legality and compliance of various business activities, promptly correcting errors and preventing fraud. Based on different stages of Sinochem Finance's development, the Discipline Inspection Office (Audit Department), from time to time, conducts institutional diagnostics, proposes modifications, evaluates, supervises, and inspects the adequacy and effectiveness of the internal control system, and drives improvements. In addition, it formulates and implements various audit work plans based on regulatory requirements, Sinochem Group's audit requirements, and the operational management needs of Sinochem Finance. After identifying weaknesses in internal control, deficiencies in management, and risks caused thereby, it puts forward improvement opinions and suggestions to the management. The Discipline Inspection Office (Audit Department) enhances the appropriateness, comprehensiveness, and effectiveness of internal control.

8. Control of the Information System

Sinochem Finance's information system design adheres to the principles of advancement, practicality, security, reliability, efficiency, and flexibility, incorporating an advanced fund management system. This system covers fund settlement, credit management, bill management, bank-enterprise direct connection, interfacing with the financial system and other business systems, user-defined fund reporting, and fund monitoring, meeting Sinochem Finance's requirements for centralized fund management. In addition, the information system is continuously improved and expanded to address new needs and business demands. To ensure the safe operation of the system, the Company has formulated a series of security measures and strictly followed them. The Company attaches great importance to information confidentiality and security, with specific security and confidentiality responsibilities assigned to each individual. Regular security checks are conducted on all confidential information and carriers. The information system is housed in a dedicated computer room equipped with firewall, intrusion detection, intrusion prevention, security auditing, network load balancing, Internet behavior monitoring, VPN, and other devices to ensure the stability and security of the network. There are full-time personnel conducting daily inspections of the computer room environment, system host, and network equipment, with critical data backed up daily. Login to the Company's system requires keys and passwords, and system administrators are responsible for permissions allocation. Key management follows the principle of exclusive use and individual responsibility, strictly prohibiting casual placement or lending to others. In terms of hardware equipment, Sinochem Finance has also formulated contingency plans for the core business system. Once an event that affects the safe operation of the business system occurs, contingency plans with different handling procedures will be initiated according to the type and level of emergencies to ensure that the business is not affected. Sinochem Finance safeguards fund payment security and business continuity from various aspects such as corporate policies, staffing, and software and hardware environments of the information system.

(IV) Overall Evaluation of Internal Control

The internal control system of Sinochem Finance is well-established and effectively implemented. In terms of fund management, it effectively controls the risks associated with fund circulation. For credit business, corresponding risk control procedures have been established to maintain overall risk at a reasonable level.

III. Operation and Risk Management of the Company

(I) Operation

As of December 31, 2023, Sinochem Finance reported total assets of RMB 65.279 billion in its individual financial statements. Owner's equity was RMB 10.756 billion, deposits from member organizations amounted to RMB 54.101 billion, and loans and advances disbursed totaled RMB 40.527 billion. In 2023, the Company achieved interest income of RMB 1.4 billion, service charge income of RMB 6 million, total profits of RMB 708 million, and net profit of RMB 600 million.

(II) Management

Since its establishment, Sinochem Finance has adhered to the principle of prudent operation, strictly following the Company Law of the People's Republic of China, Law of the People's Republic of China on Banking Regulation and Supervision, Accounting Standards for Business

Enterprises, Measures for the Administration of Finance Companies of Enterprise Groups, relevant national financial laws and regulations, and the Company's articles of association to regulate its operations and strengthen internal management.

(III) Regulatory Indicators

According to the *Measures for the Administration of Finance Companies of Enterprise Groups* (Order No. 6 [2022] of the China Banking and Insurance Regulatory Commission) revised by China Banking and Insurance Regulatory Commission, as of December 31, 2023, all regulatory indicators of Sinochem Finance met the regulatory requirements. The specific indicators are as follows:

Item	Standard	Actual Value
Capital adequacy ratio	≥10%	14.04%
Liquidity ratio	≥25%	45.57%
Loan balance/(deposit balance + paid-in capital)	≤80%	69.41%
Total external liabilities of the Group/net capital	≤100%	No external liabilities of the Group
Bill acceptance balance/total assets	≤15%	3.74%
Bill acceptance balance/interbank deposit balance	≤300%	73.85%
Total amount of bill acceptance and rediscount/net capital	≤100%	37.19%
Balance of acceptance bill margin/total deposit	≤10%	Acceptance bill margin not collected
Total investment/net capital	≤70%	61.82%
Net fixed assets/net capital	≤20%	0.03%

In summary, Sinochem Finance holds a legal and valid financial license and business license, and has established a relatively comprehensive and reasonable internal control system that enables effective risk management. The Company has never experienced major incidents such as runs on deposits, inability to pay overdue debts, large overdue loans or guarantees, robbery, or fraud. There have been no major institutional changes, equity transactions, operational risks, or any issues that could adversely affect the Company's normal operations. Additionally, the Company has not received any administrative penalties or rectification orders from regulatory authorities such as the China Banking and Insurance Regulatory Commission. It has not violated the regulations stipulated in the *Measures for the Administration of Finance Companies of Enterprise Groups* issued by the China Banking and Insurance Regulatory Commission, with all regulatory indicators meeting the requirements outlined in Article 34 of the Measures.

Sinochem Finance Co., Ltd.

March 21, 2024

LAN-BRIDGE (BEIJING) INFORMATION TECHNOLOGY CO.LTD
蓝桥（北京）信息技术有限公司
翻译专用章
11010210016570