

## **KraussMaffei Company Limited**

### **Announcement on the Estimation of Daily Related Transactions in 2021**

The board of directors and all directors of the company guarantee that there are no false records, misleading statements or major omissions in the contents of this announcement, and bear individual and joint obligation for the authenticity, accuracy and integrity of the contents.

#### **Important content reminders:**

- Whether it needs to be submitted to the general meeting of shareholders for deliberation: Yes
- The daily related party transactions expected to occur in 2021 will not affect the independence of KraussMaffei Company Limited. (Hereinafter referred to as "Listed Company"), and the main business of the Listed Company will not depend on related parties.

According to the relevant provisions on the daily related party transactions of listed companies in the *Listing Rules of Shanghai Stock Exchange* and the *Guidelines for the Implementation of Related Party Transactions of Listed Companies in Shanghai Stock Exchange*, considering the business characteristics of Listed Company and the transactions with related parties, in order to strengthen the management of related party transactions and improve the efficiency of decision-making, The total amount of daily related party transaction contracts signed by Listed Company and holding subsidiaries (hereinafter referred to as "the Company") with related parties in 2021 is estimated as follows:

#### 1、 Basic information of daily related transactions

(1) Deliberation procedures for daily related party transactions performance

Due to the needs of daily operation, in order to make full use of the effective resources of the actual controller and the controlling shareholder, and fully promote the completion of the annual business objectives and tasks, according to the *Listing Rules of Shanghai Stock Exchange*,

After communication and negotiation, in 2021, the Company plans to carry out related transactions related to daily operation with the enterprises affiliated to the actual controller China National Chemical Industry Group Co., Ltd., including selling goods, providing labor services, technical consultation, technical services, equipment supervision, equipment inspection, etc. to related parties; purchasing goods, accepting labor services, technical consultation, technical services, etc. from related parties. The total amount of related party transactions of the Company is expected to be RMB 500 million within the period from 2021 to the date of the annual general meeting of shareholders in 2021.

On March 31, 2021, the 16th meeting of the 7th Board of Directors of the Company deliberated and passed the *Proposal on the Estimation of Daily Related Party Transaction of the Company in 2021*. When the Board of Directors deliberated the related party transaction proposal, the related directors Mr. Liu Tao, Mr. Bai Xinping and Mr. Kang Jianzhong avoided voting on the proposal, which was passed by other non-related directors at the meeting without any objection or abstention.

Three independent directors of the Company, Mr. He Binhui, Ms. Wang Qingyun and Mr. Chen Shuping, expressed their prior approval opinions on the daily related party transactions of the Company, and expressed their independent opinions at the meeting of Board of Directors.

Prior approval opinions:

1) In 2021, the related transaction of the Company is carried out in accordance with the principle of "voluntary, fair, equivalent and paid". The terms of the relevant transaction are fair and reasonable. The price of the related transaction is determined by consulting the market pricing, which is a fair and reasonable pricing method. The transaction is conducive to the production and operation of the Company;

2) The related party transactions of the Company in 2021 comply with the provisions of relevant laws, regulations, normative documents and the *Articles of Association*, and there is no behavior that damages the interests of the Company and all shareholders.

Based on the above situation, we agree to promote the relevant work of the Company and submit the *Proposal on the Estimation of Daily Related Party Transaction of the Company in 2021* to the Board of Directors of the Company for deliberation.

Independent opinions:

The voting procedure of the related party transaction is in line with the relevant provisions. The transaction is a necessary, fair and legal economic act. The price is determined by both parties through negotiation, and the pricing is objective, fair and reasonable. After the completion of this transaction, it will further expand the Company's profit sources and improve the Company's core competitiveness and overall competitive advantage. The transactions do not damage the interests of the Company and other shareholders, especially the interests of minority shareholders and non-affiliated shareholders.

After deliberation, we unanimously agreed on the related matters of the company's daily related party transactions in 2021. When the Board of Directors deliberated on the related party transactions, the related directors should avoid voting. We agree to submit the *Proposal on the Estimation of Daily Related Party Transaction of the Company in 2021* to the general meeting of shareholders for deliberation.

The Audit Committee of the Board of Directors of the Company issued the following written opinions on the daily related party transactions in 2021:

The voting procedure of the related party transaction is in line with the relevant provisions. The transaction is a necessary, fair and legal economic act. The price is determined by both parties through negotiation, and the pricing is objective, fair and reasonable. After the completion of this transaction, it will further expand the Company's profit sources and improve the Company's core competitiveness and overall competitive advantage. The transactions do not damage the interests of the Company and other shareholders, especially the interests of minority shareholders and non-affiliated shareholders. Agreed to submit the proposal to the board meeting for deliberation.

According to the relevant rules, the company's daily related party transactions in 2021 are expected to be submitted to the company's 2020 annual general meeting for approval, and the related shareholders should avoid voting.

(2) Estimation and implementation of the previous daily related party transactions

Unit: RMB 10,000

Categories of related party transactions	Related parties	Estimated amount of last year (previous)	Actual amount of last year (previous)	Reasons for large difference between estimated amount and actual amount
Sell goods, provide labor services, technical consultation, technical services, equipment supervision, equipment inspection and other services to related parties	Affiliated enterprises of China National Chemical Industry Group Co., Ltd	25,000	13,128	During the reporting period, the actual demand of enterprises affiliated to China National Chemical Industry Group Co., Ltd. decreased compared with the estimated amount, and there was a certain difference between the actual amount and the estimated amount.
Purchase, accept related party labor service, technical consultation, technical service, etc. from related parties	Affiliated enterprises of China National Chemical Industry Group Co., Ltd	25,000	1,724	During the reporting period, the actual demand of the Company decreased significantly compared with the estimated amount, and the actual amount was quite different from the estimated amount.
Total		50,000	14,852	

In addition, according to the *Financial Services Agreement* signed by the Company and China Chemical Finance Co., Ltd. (hereinafter referred to as the "Finance Company") and effective on September 20, 2019 (effective for three years from the effective date of the agreement). The Finance Company provides deposit, settlement, credit and other financial services for the Company and its subsidiaries, and stipulates the upper limit of various daily related party transactions. See the website of Shanghai Stock Exchange on July 25, 2019 for details ([www.sse.com.cn](http://www.sse.com.cn)) *Announcement on Signing Financial Service Agreement and Related Party Transactions with China Chemical Finance Co., Ltd.* (Announcement No. 20)19-044) 。

On December 31, 2020 the balance of the Company's deposit with Finance Company was RMB 100,915,574.26, the loan balance is RMB 200 million. The Company's deposit interest in the Financial Company, as well as the relevant interest and handling charges incurred due to settlement, discount and other businesses, shall

be implemented in accordance with the relevant provisions of the *Financial Service Agreement* signed between the Company and the Financial Company. As of December 31, 2020, the Company has obtained deposit interest income of RMB 1,209,544.11 from the Financial Company, the interest expense is RMB 8,055,213.89.

(3) Estimated amount and category of daily related party transactions in 2021

Unit: RMB 10,000

Categories of related party transactions	Related parties	Pricing principles of related party transactions	Estimated amount	Proportion of similar businesses in 2020	Accumulated transaction amount with related parties from the beginning of this year to the disclosure date	Actual amount of last year	Proportion of similar businesses in 2020	Reasons for the large difference between the estimated amount and the actual amount of the previous year
Sell goods, provide labor services, technical consultation, technical services, equipment supervision, equipment inspection and other services to related parties	Affiliated enterprises of China National Chemical Industry Group Co., Ltd	Fair market price	25,000	2.5%	29.19	13,128	1.3%	During the reporting period, the actual demand of enterprises affiliated to China National Chemical Industry Group Co., Ltd. decreased compared with the estimated amount, and there was a certain difference between the actual amount and the estimated amount.
Purchase, accept related party labor service, technical consultation,	Affiliated enterprises of China National Chemical	Fair market price	25,000	3.2%	682.80		0.2%	During the reporting period, the actual demand of the Company decreased significantly

technical service, etc. from related parties	Industry Group Co., Ltd					1,724		compared with the estimated amount, and the actual amount was quite different from the estimated amount.
<b>Total</b>	--	--	<b>50,000</b>	--	<b>711.99</b>	<b>14,852</b>	--	

## 2、Related party introduction and relationship

### (1) Basic information of related parties.

#### 1) China National Chemical Industry Group Co., Ltd

China National Chemical Industry Group Co., Ltd. is the actual controller of KraussMaffei Co., Ltd., with a registered capital of 11.1 million yuan. Its registered address is No. 62, Beisihuan West Road, Haidian District, Beijing. Its legal representative is Ning Gaoning, and its sole shareholder is the State Owned Assets Supervision and Administration Commission of the State Council. Its main business scope: production and sales of chemical raw materials, chemical products, chemical minerals, plastics, tires, rubber products, membrane equipment and chemical equipment; production and sales of mechanical products, electronic products, instruments, building materials, textiles, light industrial products, forest products and forest chemical products; research on chemical equipment, chemical cleaning, anti-corrosion, petrochemical and water treatment technologies, development, design and construction; technical consultation, information service, equipment leasing (the above products do not contain hazardous chemicals); rental office space.(enterprises shall choose their own business projects and carry out business activities according to law; projects that need to be approved according to law shall carry out business activities according to the approved contents after being approved by relevant departments; shall not engage in business activities of projects prohibited or restricted by the city's industrial policies.)

#### Latest financial data (not audited)

As of September 30, 2020, the total assets is RMB 874,112.59 million and the net assets is RMB 178,326.98 million. The operating income is RMB 301,284.67 million, and the net profit is RMB -410.72 million.

2) China Chemical Equipment Industry Group (Hong Kong) Co., Ltd. is the parent company of the controlling shareholder of the Company, with a registered capital of Euro 365.1 million. Its registered address is 6th floor, St. John's building, 33 Garden Road, central, Hong Kong, and its main business is investment holding.

Latest financial data (not audited)

As of December 31, 2020, the total assets is RMB 3,410.71 million and the net assets is RMB 3,289.53 million. In 2020, the operating income is RMB 0 million and the net profit is RMB -21.41 million.

3) China Chemical Equipment Global Holdings (Hong Kong) Co., Ltd. is the controlling shareholder of the Company, with a registered capital of RMB 550.01 million. Its registered address is room 1906, 19 / F, Lee Garden one, 34 Hysan Avenue, Causeway Bay, Hong Kong. Its main business is investment holding.

Latest financial data (not audited)

As of December 31, 2020, the total assets is RMB 2,478.34 million and the net assets is RMB 2,477.33 million. In 2020, the operating revenue is RMB 0 million and the net profit is RMB -560.21 million.

4) China Academy of Chemical Engineering Science Co., Ltd

China Academy of Chemical Engineering Science Co., Ltd. is the second largest shareholder of the Company, with a registered capital of RMB 187,628,961.26. Its registered address is No. 62, Beisihuan West Road, Haidian District, Beijing, and its legal representative is Hu Dongchen. Its main business: engineering technology research; chemical experiment; technology promotion, technical consultation; scientific research project bidding agent.(enterprises shall choose their own business projects and carry out business activities according to law; projects that need to be approved according to law shall carry out business activities according to the approved contents after being approved by relevant departments; they shall not engage in business activities of projects prohibited or restricted by the city's industrial policies.)

Latest financial data (not audited)

As of December 31, 2020, the total assets is RMB 3441.44 million and the net assets is RMB 1,446.1 million. In 2020, the operating revenue is RMB 406.3 million and the net profit is RMB -93.37 million.

(2) Relationship with Listed Company

China National Chemical Industry Group Co., Ltd. holds 100% equity of China National Chemical Equipment Industry Group (Hong Kong) Co., Ltd. and China

Academy of Chemical Sciences respectively, China National Chemical Equipment Industry Group (Hong Kong) Co., Ltd. holds 84.16% equity of China National Chemical Equipment Global holding (Hong Kong) Co., Ltd., China National Chemical Equipment Global holding (Hong Kong) Co., Ltd. and China Academy of Chemical Engineering Science Co., Ltd holds 41.69% and 28.83% shares of the Company respectively. China National Chemical Industry Group Co., Ltd., China National Chemical Equipment Global Holdings (Hong Kong) Co., Ltd. and China Academy of Chemical Engineering Science Co., Ltd. are affiliated legal persons of the Company in accordance with article 10.1.3 of the *Listing Rules of Shanghai Stock Exchange*.

### 3、 Analysis on the execution and performance ability of similar related party transactions in the early period

The above-mentioned related parties have good credit standing, normal financial and operating conditions, and are fully capable of performing the contract. In recent years, there has been no bad debt due to the payment to our company. At the same time, it is estimated that there is little possibility of bad debt in the future.

### 4、 Main contents and pricing policies of related party transactions

According to the actual needs and market conditions, the Company will sign related transaction contracts with the above-mentioned related parties within the amount authorized by the general meeting of shareholders. All related transactions between the Company and the above-mentioned related parties adopt fair market-oriented pricing principle, and the transaction price is determined by both parties through negotiation based on the market price. The transaction price will be calculated according to the agreed price and the actual transaction quantity, and the payment arrangement and settlement method will be determined by both parties referring to the industry recognized standards and general business practices.

### 5、 The purpose of related party transaction and its influence on Listed Company

The above-mentioned related party transactions are generated in the process of the company's normal production, operation, purchase and sales activities. The pricing policy and pricing basis are open, fair and just, which is conducive to the company's concentration on the production and operation of its main business and the



improvement of its core competitiveness. It is in line with the interests of the Company and all shareholders, and does not harm the interests of the Company and all shareholders, especially small and medium-sized shareholders, It will not have adverse effects on the company's financial situation, operating results, sustainable operation ability and independence, and the Company will not rely on or be controlled by related parties.

It is hereby announced.

Board of Directors of KraussMaffei Company Limited

1st April 2021