



LBMA RSG
Independent Reasonable Assurance Report
For third-party audits based on ISAE 3000

Rev. 02
September
2020

Independent Reasonable Assurance Report to Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. on its Refiner's Compliance Report 2020 for the London Bullion Market Association's Responsible Silver Guidance

**To the Board of Directors of
Hunan Huaxin Rare & Precious Metals Technology Co., Ltd.**

We were engaged by Refiner to provide reasonable assurance on its Refiner's Compliance Report for the year ended 31 December 2020. The assurance scope consists of the Refiner's Compliance Report.

Management's Responsibilities

Ms. Qiuxiu Wang/Vice GM of Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. is responsible for the preparation and presentation of the Refiner's Compliance Report in accordance with the *LBMA Responsible Silver Guidance* (v.1) (the "*Guidance*"). This responsibility includes establishing appropriate risk management and internal controls from which the reported information is derived. The criteria identified by Ms. Qiuxiu Wang/Vice GM as relevant for demonstrating compliance with the *Guidance* are the activities described within the Refiner's Compliance Report.

Auditor's Responsibilities

Our responsibility is to carry out a reasonable assurance engagement in order to express a conclusion based on the work performed. We conducted our assurance engagement in accordance with International Standard on Assurance Engagements *ISAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the International Auditing and Assurance Standards Board and the guidance set out in the *LBMA Responsible Silver Programme - Third Party Audit Guidance for ISAE 3000 Auditors* (the "*Audit Guidance*").

This report has been prepared for Refiner for the purpose of assisting Ms. Qiuxiu Wang/Vice GM in determining whether Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. has complied with the *Guidance* and for no other purpose. Our assurance report is made solely to Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. in accordance with the terms of our engagement. We do not accept or assume responsibility to anyone other than Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. for our work, or for the conclusions we have reached in the assurance report.

Inherent limitations

Non-financial information, such as that included in the Refiner's Compliance Report, is subject to more inherent limitations than financial information, given the more qualitative characteristics of the subject matter and the methods used for determining such information. The methods used by Refiners to comply with the *Guidance* may differ. It is important to read the Hunan Huaxin Rare &



LBMA RSG
Independent Reasonable Assurance Report
For third-party audits based on ISAE 3000

Rev. 02
September
2020

Precious Metals Technology Co., Ltd.'s silver supply chain policy available on Hunan Huaxin Rare & Precious Metals Technology Co., Ltd.'s website
http://www.huaxinys.com/detailspage.html?article_id=26.

Independence and competency statement

In conducting our engagement, we have complied with the applicable requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

We confirm that we satisfy the criteria for assurance providers as set out in out in the *Audit Guidance* to carry out the assurance engagement.

Conclusion

In our opinion, the Hunan Huaxin Rare & Precious Metals Technology Co., Ltd.'s Refiner's Compliance Report for the year ended 31 December 2020, in all material respects, describes fairly the activities undertaken during the year to demonstrate compliance, and management's overall conclusion contained therein, is in accordance with the requirements of the *LBMA Responsible Silver Guidance* (v.1).

Bureau Veritas Certification Shanghai Branch

18 May 2021

Chenzhou, China

湖南华信稀贵科技股份有限公司
Hunan Huaxin Rare & Precious Metals Technology Co., Ltd.
合规性报告

Refiner's Compliance Report

为了使冶炼厂利用高标准的尽职调查打击系统性或广泛性的侵犯人权行为、避免产生冲突，以及遵守高标准的反洗钱和打击恐怖主义融资行为，制定了《伦敦金银市场协会可靠性白银规范》。

LBMA Responsible Silver Guidance has been established for the refiners to adopt high standards of due diligence in order to combat systematic or widespread abuses of human rights, to avoid the contribution of conflict and to comply with high standards of anti-money laundering and combating terrorist financing practice.

本报告总结了湖南华信稀贵科技股份有限公司截至 2020 年 12 月 31 日至年度内对《伦敦金银市场协会（LBMA）负责任的白银规范》要求的遵守情况。

This report summarized how Hunan Huaxin Rare & Precious Metals Technology Co., Ltd. has complied with the requirements of *LBMA Responsible Silver Guidance* for the year ended of December 31st, 2020.

表 1：冶炼厂详情

Table1: Refiner's details

冶炼厂名称：湖南华信稀贵科技股份有限公司

Refiner's name: Hunan Huaxin Rare&Precious Metals Co., Ltd.

地址：湖南省资兴市江北工业园

Location: Jiangbei Industrial Park of Zixing City, Hunan Province

报告年度结束日期：2020 年 12 月 31 日

Ending date of the reporting year: 31/12/2020

报告日期：2021 年 5 月 16 日

Date of report: 16/05/2021

负责报告事宜的高级管理人员：王求秀

Senior management responsible for this report: Wang Qiuxiu

联系方式：电话：18075536146 电子邮箱：2056251349@qq.com

Contact information: Tel: 18075536146 E-mail: 2056251349@qq.com

冶炼厂评估

Refiner's evaluation

湖南华信稀贵科技股份有限公司成立于 2008 年，注册资金 4.5 亿元，公司位于湖南省资兴市江北工业园，占地面积 1300 亩。

Established in 2008, Hunan Huaxin Rare&Precious Metals Technology Co., Ltd., with a registered capital of 450 million China Yuan, is located in Jiangbei Industrial Park of Zixing City, Hunan Province, with its own industrial area covering 1300 Mu.

公司自主开发的核心技术“铅阳极泥火湿联合法高效生产高纯银新工艺，被评为”中国好技术”，具有产品质量高，生产周期短，节能减排效果等优点。白银成品纯度达到 99.997%，优于国家 1#银标，纳米级银粉纯度达到 99.999%。新工艺使综合回收生产环节中，白银回收率在为提高，达到了国内先进水平。在生产效率方面，新工艺使我公司白银产能较传统工艺提升了 20%。

The core technology independently developed by the company-“the new process of high-efficiency production of high-purity silver by fire-wet combination method of lead anode

slime, has been rated as “China’s productive technology”, with high quality, short production cycle and energy saving and emission reduction effects, etc. The purity of silver finished product reaches 99.997%, which is above the national No.1 silver standard, and the purity of nano-grade silver powder reaches 99.999%. The new process has improved the silver recovery rate in the comprehensive recovery production process to reach the domestic advanced level. Moreover, the new process is conducive to improvement of production efficiency and does increase our silver production capacity by 20% compared with the traditional process.

公司为伦敦金银市场协会（LBMA）银锭合格精炼商、上海期货交易所可提供标准银锭企业；公司通过了 ISO9001 质量认证、ISO4001 环境管理体系认证、CMA 计量认证。先后获得“中国驰名商标”“湖南名牌产品”等称号和奖励。

The Company is a silver Good Delivery Refinery of London Bullion Market Association (LBMA), as well as an enterprise capable of providing standard silver ingots recognized by Shanghai Futures Exchange. The Company has obtained certificates of ISO9001 *Quality Management Systems*, ISO4001 *Environmental Management System* and CMA and has successively won the titles and awards of “China’s Well-known Trademark” and “Hunan Famous Brand Products”.

表 2：合规性验证活动概要

Table2: Summary of activities undertaken to demonstrate compliance

第 1 步：建立强有力的公司管理体系

Step 1: Establish strong company management systems

合规声明：

Compliance Statement with Requirement:

我方已完全遵照第 1 步：建立强有力的公司管理体系。

We have fully complied with Step 1: Establish strong company management systems.

公司政策：

Company Policy:

公司于 2020 年 8 月 10 日重新修订并发布了《白银供应链尽职调查规则》（以下简称“调查规则”），该调查规则与 2013 年《经济合作与发展组织受冲突影响和高风险地区矿产可靠供应链尽职调查指南》附件 II 规定的模式一致。该调查规则规定了公司内部的组织架构及责任、白银供应链的风险评判标准、尽职调查、交易监控、文件和记录的保存（在财年结束后至少 5 年）、培训、沟通等做了规定。在该调查规则的基础上，制定了《供应商管理政策》、《白银尽责调查管理制度》《风险评估流程》、以及《风险来料缓解策略》，使得在管理组织、制度、操作上有据可依。

The Company revised and issued the *Silver Supply Chains Due Diligence Rules* (hereinafter referred to as the Due Diligence Rules) on August 10, 2020, which is consistent with the model set out in Annex II of *OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* in 2013. These due diligence rules stipulate the organizational structure and responsibilities within the Company, the risk evaluation criteria for silver supply chains, due diligence, transaction monitoring, preservation of documents and records (at least 5 years after the end of the financial year), training and communication, etc. Based on these due diligence rules, the *Supplier Management Policy*, the *Silver Due Diligence Management System*, the *Risk Evaluation Process*, and the *Risk Incoming Mitigation Strategy* are formulated, providing foundation for the organization management, system and operation.

2020 年公司政策明确，制度有效，确保了公司白银尽责体系的有效运行。

In 2020, the clear policy and effective system of the Company provides guarantee for the effective operation of the silver responsible system.

Internal Management Structure:

公司根据《白银供应链尽职调查规则》建立白银合规小组，明确了管理岗位以及对应的职责，公司设置了一名合规总监，五名合规专员。公司的合规总监由林锡廷（副总工程师）担任，从事白银精炼生产加工、经营管理工作 18 年，拥有丰富的行业经验。原料采购，财务，质检，贵金属库管员设置合规专员。

The Company has established a silver compliance team to define the management positions and corresponding responsibilities as per the *Silver Supply Chains Due Diligence Rules*, with one Compliance Director and five Compliance Officers. The Compliance Director of the Company is Lin Xiting (Deputy Chief Engineer), who has been engaged in the silver refining, production, processing and operation and management for 18 years with rich experience in such field. The Compliance Officer is set up in the Raw Material Procurement Department, Finance Department, Quality Control Department and precious metal storekeeper.

合规总监主持全面负责公司白银供应链尽职调查工作。监督检查白银供应链尽职调查过程，并评估尽职调查是否充分进行；对已识别出风险的白银供应链或交易采取恰当的措施减少风险直至消除风险；及时向公司高管层汇报并采取严格的控制措施；定期对员工进行责任白银准则和供应链尽职调查政策培训；负责起草和修订公司白银供应链相关的政策和方针；为公司高管层履行尽职调查责任提供必要的准确信息。

The Compliance Director is comprehensively in charge of the due diligence of the Company's silver supply chain. He should supervise and inspect the due diligence process in the silver supply chain and assess whether due diligence is fully conducted; take appropriate measures to reduce risks until they are eliminated for silver supply chains or transactions with identified risks; timely report to the Company's senior management and take strict control measures; regularly conduct training of employees on responsible silver guidelines and supply chain due diligence policies; draft and revise the Company's relevant policies and guidelines of silver supply chain; provide necessary and accurate information for the Company's senior management to fulfill their due diligence responsibilities.

合规专员负责日常工作，设置于原料采购部门的两名合规官员负责在签订合同前组织实施对供应商进行评估，监督与合格供应商的交易，并进行年度重估。并在业务谈判和原料采购过程中组织贯彻和落实 LBMA 的白银尽职调查理念。

The Compliance Officer is responsible for daily work. Two Compliance Officers set up in the Raw Material Procurement Department are responsible for organizing and implementing the evaluation of suppliers before the conclusion of the contract, supervising the transactions with qualified suppliers and conducting annual reevaluation, as well as implementing the LBMA's silver due diligence concepts in the process of business negotiation and raw material procurement.

设置于财务的合规专员，负责供应商、销售及代加工的合同审批，从财务专业的角度把控合同和资金；对相关的业务、资金活动进行监督；负责金银物料在精炼厂内部的管理。

The Compliance Officer set up in the Finance Department is responsible for the contract approval of suppliers, sales staff and processing agents, controlling the contracts and funds from the finance perspective, supervising the relevant business and fund activities, and managing the gold and silver materials in the refinery.

设置与综合部及安保运输部门的两名合规专员其中一名负责培训，并协助风控官制定公司尽责管理的各项制度建设；另一名则负责接洽原料进入精炼厂或离开精炼厂，实施白银物

流运输过程中的尽责工作。

One of the two Compliance Officers set up in the General Affairs Department and Security and Transportation Department is responsible for training and assisting the Risk Officer in formulating the system construction of the Company's duty management; while the other is responsible for the raw materials into or out of the refinery, and fulfilling the duties in the process of silver logistics transportation.

2020 年，华信稀贵严格执行《白银供应链尽职调查规则》，对供应商进行风险尽职调查。对所有交易进行监控，以避免与高风险供应商建立关系。同时，合规官员对所有尽职调查发现的结果进行审查，所有的银物料采购合同都经过了财务合规专员的审批以及公司首席执行官的批准。

In 2020, Hunan Huaxin Rare&Precious Metals Technology Co., Ltd followed the *Silver Supply Chains Due Diligence Rules* strictly and conducted risk-based due diligence investigation for suppliers. All the transactions were monitored to avoid building relationship with the suppliers associated with high risk. Meanwhile, all due diligence investigation findings and results were reviewed by the Compliance Officer, and all silver material procurement contracts were approved by the Compliance Officer in the Finance Department and the Company's CEO.

白银在精炼厂内部的流转体系：

Flow System of Silver within the Refinery:

来料：经调查后，符合公司供应商规则的供应商和客户，与公司签订合同，供应商的白银原料被运输到公司。

Incoming materials: After investigation, contracts are entered into with the suppliers meeting the Company's requirements and customers, and then the silver raw materials of suppliers are transported to the Company.

我公司拥有专业的金银安保运输团队，负责从供应商处接洽原料到精炼厂。该团队中设置有合规专员，在这一过程中，合规专员会根据来料地址、发货地址进一步排除风险，若有异常会立即报告给风控官并拒收、拒发原料或隔离原料。到厂的原料由验收人员再复核，每批次原料给一个唯一的编号，并由验收人员在熔铸过程中取样。白银经精炼之后出售，出售给符合公司审查要求的客户，这一过程中，财务的合规专员需要审批发货单据并审查付款凭证，付款过程实名制并必须可追溯。

The Company is equipped with a professional gold and silver security transportation team, responsible for transporting raw materials from suppliers to the refinery. In this process, a Compliance Officer designed to the team will further eliminate the risk according to the incoming material address and delivery address. In case of any abnormality, the Compliance Officer will immediately report to the Risk Officer and reject to receive and to send or isolate the raw materials. The raw materials into the refinery should be rechecked by the acceptance personnel. Each batch of raw materials should be given a unique number, by which the acceptance personnel should take samples during the smelting and casting process. Silvers are sold after refining to customers meeting the Company's review requirements. In such process, the Compliance Officer in the Finance Department is required to check the delivery documents for approval and review the payment vouchers. The payment process must be traceable with real name.

发货：根据客户需求，我们可以配送，也支持客户上门取货。

Delivery: The Company provides delivery services and also supports customers to pick-up personally as per the customers' demand.

原料采购部门（经过合规专员初步判断合规）提供客户信息并出具发货单，财务部门（经

合规专员)审查资金,押运部门(经合规专员)安排实施。上述三个环节层层把关,若押运在实施过程中发现可能存在高风险,则会立即报告并暂停发货。

The Raw Material Procurement Department (being compliant upon the Compliance Officer's preliminary judgment) provides the customer information and issues the delivery documents, and the Finance Department (by Compliance Officer) reviews the funds, and the Escorting Department (by Compliance Officer) arranges the implementation. The above three links are checked at all levels. If high risk is found during the implementation of escorting, the delivery will be immediately suspended after reporting.

交易监控:

Transaction Monitoring:

我公司所有白银的收付款,都通过公司在银行的账户进行,不进行现金交易。这些收付款都受到银行及国家财税部门的监督。银行账户的收付款以及现金支付都层层审批,必须经过设置于财务的合规专员及公司高管审批。

All collection and payment in connection with silver of the Company were made through the Company's bank account, no transactions by cash. These receipts and payments were supervised by the bank and the national financial and taxation departments. The collection and payment of bank account and cash payment were approved at all levels, which also got approved by the Compliance Officer in the Finance Department and the Company's senior management.

与白银供应合约对方订约:

Engagement with Silver-supplying Counterparty:

在完成对供应商和客户风险评估之后,与供应商签订合同时,现货国内及现货国际业务部门业务人员依据设置于本部门的合规专员要求,与所有白银供应合约对方签署《LBMA 合规承诺书》,并进行《问卷调查》以确保他们了解公司 LBMA 管理的要求、供应链政策以及所要求的承诺。在该承诺书中,白银供应合约对方应以书面形式承诺并承认,不存在与矿产开采、运输或贸易有关的严重侵犯人权行为,没有直接或间接支持非国家武装组织,没有直接或间接支持公共或私人安全部队,没有贿赂或虚假误报矿产来源,没有洗钱。此外,还向政府支付与受冲突影响地区和高风险地区的矿产开采、贸易和出口有关的税费和特许权使用费。

After the risk evaluation on suppliers and customers is completed and at the time of signing the contract with suppliers, the business personnel of the Domestic and International Business Departments of Spot Stock should require all silver-supplying counterparties to sign the *Letter of Commitment for LBMA Compliance* as required by the Compliance Officer set in their own departments, and conduct the questionnaire survey to ensure that they are aware of Company's commitment to LBMA management, the supply chain policy and respective requirements. In this letter of commitment, silver-supplying counterparties should commit to, and acknowledge in writing that there is no serious human rights abuse associated with the extraction, transport or trade of minerals, no direct or indirect support to non-state armed groups, no direct or indirect support to public or private security forces and no bribery and fraudulent misrepresentation of the origin of minerals, money laundering. Also, the payment of taxes, fees and royalties related to mineral extraction, trade and export from conflict-affected and high-risk areas are paid to governments.

2020 年度签约的所有供应商均签署了相关的承诺书。

All suppliers contracted in 2020 have signed the relevant letter of commitment.

沟通机制:

Communication Mechanism:

培训：为帮助所有参与白银供应链的员工深入了解尽职调查制度，设置与综合部门的合规专员制定了培训计划。培训对象主要是含有白银物料部门的员工。此类培训计划旨在帮助有关员工深入了解《LBMA 可靠白银规范》和相关工具包，包括 LBMA 对白银的监管要求、可靠白银供应链尽职调查管理政策和白银采购流程风险管理（风险预控、风险评估、监控和沟通机制等）。

Training: In order to help all staff involved in the silver supply chain to have a thorough understanding of the due diligence system, the Compliance Officers of Comprehensive Department have launched training program. The trainees are mainly employees of the silver-bearing material departments. The purpose of training program was to help them establish a deep-through understanding of the *LBMA Responsible Silver Guidance* and the related toolkit, including the LBMA regulatory requirements for silver, due diligence management policy for reliable silver supply chain and the risk management of silver procurement process (Risk Pre-Control, Risk Evaluation, Monitoring and Communication Mechanisms, etc.)

内部沟通：合规专员可以随时与风控官沟通，也可以向本部门上一级领导就相关 LBMA 事宜汇报沟通，若有重大事项，在公司生产经营例会上进行沟通、汇报和安排。

Internal communication: the Compliance Officer can communicate with the Risk Control Officer at any time, or report and communicate with the superior leaders of the Department on relevant LBMA matters. In case of major matters, communication, report and arrangement shall be conducted at the regular production and operation meeting of the Company.

外部沟通：在年度风险评估时公司向供应商、客户介绍 LBMA 的管理理念和要求，也可以根据客户要求提供相关知识。在在日常的采购和销售业务活动中，也随时可以接受客户咨询帮助其把控风险。

External communication: during the annual risk evaluation, the Company introduces the management concept and requirements of LBMA to suppliers and customers, and can also provide relevant knowledge in accordance with customer requirements. We can also accept customer consultation at any time to help them control risks in the daily purchasing and sales business activities.

2020 年公司制定了培训计划，按照计划组织实施了 LBMA 相关知识的培训。同时向供应商、客户宣贯了 LBMA 的尽责要求并签订承诺，实施了有效的内外沟通。

The Company formulated a training plan, and organized and implemented training about LBMA according to the plan in 2020. At the same time, the due diligence requirements of LBMA to suppliers and customers was publicized, commitments were signed, and effective internal and external communication was implemented.

Confidential grievance mechanism:

公司已制定申诉机制，公司的 LBMA 风控官，各级合规专员的电子邮箱以及手机号码均对外做了公布，外部利益相关的人可以匿名提意见或建议，也可以举报有关白银供应链风险。工厂也设置有 LBMA 举报意见箱，员工及相关人员也可以随时提出书面意见和建议，也可以匿名举报，举报箱由风控官定期开箱检查。

The Company has established a grievance mechanism. The e-mail address and mobile phone number of the LBMA Risk Control Officer and Compliance Officers at all levels have been published. The external stakeholders can provide anonymous opinions or suggestions, or report the supply chain risks of silver. The factory also has a LBMA report box. Employees and relevant personnel can put forward written opinions and suggestions at any time, or report anonymously.

The report box is opened and inspected regularly by the Risk Control Officer.

2020 年度，暂未发生申诉事件。

No appeal occurred in 2020.

第 2 步：识别和评估供应链中的风险

Step 2: Identify and assess risk in the supply chain

合规声明：

Compliance Statement with Requirement:

我方已完全遵照第 2 步：识别和评估供应链中的风险。

We have fully complied with Step 2: Identify and assess risk in the supply chain.

一、华信稀贵有确定的识别供应链风险的流程

I. Hunan Huaxin Rare&Precious Metals Technology Co., Ltd has an identification process for identifying supply chain risks

我公司已明确供应链风险识别方法，并在此基础上制定了《LBMA 白银风险评估流程》，以此风险识别程序进行风险评估。公司建立的《风险识别程序》涵盖了整个白银供应链从产地到精炼厂的全部风险，《风险识别程序》辨识了下列风险：与/白银提取、运输或交易有关的有预谋的、日益猖獗的人权侵犯行为，直接或间接支持非政府武装组织、或公共/私人安保部队的行为，对白银来源的贿赂、隐瞒欺诈行为，洗钱行为和金融恐怖活动，资助冲突的行为等。

Our company has defined the risk identification method of supply chain, and on this basis, we have formulated *LBMA Silver Risk Evaluation Process*, which is used for risk evaluation. The *Risk Identification Process* established by the Company covers all risks of the whole silver supply chain from the origin to the refinery. The *Risk Identification Process* identifies the following risks: premeditated and increasingly rampant human rights violations related to silver extraction, transportation or transaction, direct or indirect support for non-governmental armed organizations, or public / private security forces, bribery, fraud concealment, money laundering, financial terrorism and conflict financing of silver sources.

在评估时，调查人员依据《LBMA 白银风险评估流程》收集供应商信息，包括 1、供货商身份验证文件；2、供货商受益方的身份验证文件；3、检查供货商与受益方是否在政府公布的洗钱犯罪、诈骗犯或恐怖分子名单上；4、供货商的商务活动调查及财务信息调查。5、有意愿进行合作的供货商的信息。对原料供应公司的类型、注册地点和交易类型信息进行核实，并通过第三方了解该供应商的口碑信息等，以便对新出现的供应商风险进行评估。

During the evaluation, the investigators collected the supplier information in accordance with *LBMA Silver Risk Evaluation Process*, including 1. The supplier's identity verification document; 2.The identity verification document of the supplier's beneficiary; 3.Inspection of whether the supplier and beneficiary are on the list of money laundering crime, fraud or terrorist published by the government; 4.The supplier's business activity investigation and financial information investigation. 5. Information of suppliers willing to cooperate. It is needed to verify the type, registration place and transaction type information of the raw material supply company, and understand the reputation information of the supplier by a third party, so as to assess the emerging supplier risk.

二、华信稀贵根据尽职调查的风险评估标准评估了风险

II. Hunan Huaxin Rare&Precious Metals Technoloty Co., Ltd assessed the risk according to the risk evaluation criteria of due diligence

在 2020 年，华信稀贵在与供应商业务关系建成之前，业务部门需要填写《白银供应链

尽职调查表》，依据《供应商管理政策》和《LBMA 白银风险评估流程》针对不同的原料，原有客户也定期重新进行评估，如下进行分类风险评估：

Before the establishment of the business relationship between Huaxin Non-Ferrous Metal and its suppliers in 2020, the Business Department needs to fill in the *Due Diligence Questionnaire on Silver Supply Chain*. In accordance with the *Supplier Management Policy* and *LBMA Silver Risk Evaluation Process*, the original customers also conduct regular re-evaluation for different raw materials as follows:

再生银：1、原料采购进出口部门需要了解国际交易对手类别、受益人，资信，财务信息，是否在政府的洗黑钱、已知诈骗分子或恐怖分子名单内等，比如是否为大型跨国银行和金商，是否为 LBMA 认可的供应商，以及供应商的历史负面信息等。2、国内现货部采购再生银，需要确定再生银供应商的营业执照，并了解原料来源，以及相关受益人信息，调查其从业地点，必要时实地考察收购现场。

Renewable silver: 1. The Import and Export Raw Material Purchase Department needs to know the type of international counterparties, beneficiary, credit, financial information, the information to indicate whether it is in government list on the money laundering, known fraudsters or terrorists, etc., such as whether it is large multinational banks and gold merchants, whether they are LBMA approved suppliers, and the historical negative information of suppliers, etc. 2. When renewable silver is purchased from the Domestic Spot Good department, it is necessary to determine the business license of the renewable silver supplier, understand the source of raw materials and relevant beneficiary information, investigate its employment location, and visit the acquisition site on the spot if necessary.

2020 年通过以上工作，对供应商进行评估。2020 年度，公司总共有白银供应商 5 家，都是再生银供应商家，2020 年度根据前期供应商的调查和评估，目前所有的供应商均为低风险供应商。

The supplier will be evaluated by the above work in 2020. In 2020, the Company has a total of 5 silver suppliers, all of which are renewable silver suppliers. According to the investigation and evaluation of prophase suppliers in 2020, all of the suppliers are low-risk suppliers at present.

交易监控

Transaction Monitoring

精炼厂建立并执行《交易监控控制程序》，以确保能对白银供货商供应链上的风险进行交易监督。精炼厂对收到的每批产品接收货运单据，重量单据，检验报告，发票等文本进行检查。风控官总体负责负责交易监控工作，精炼厂确认文件和材料彼此符合，并满足《交易监控控制程序》，对不符或以任何形式疑似不符的交易背景进行检查，并书面确认调查结果，报告给合规官员。另外任何不符或疑似不符白银物料应采用物理方式隔离，按本指南第3步的要求确保其安全，直至解决不符合项为止。这些调查结果应上报给有关部门。

The Refinery has established and implemented the <Transaction Monitoring and Control Process> to ensure the transaction supervision of the risks in the supply chain of silver suppliers. The Refinery shall check the received shipping documents, weight documents, inspection reports, invoices and other texts of each batch of products. The Risk Control Officer is generally responsible for the transaction monitoring. The Refinery confirms that the documents and materials are consistent with each other and meet the <Transaction Monitoring and Control Process>. It checks the transaction background that is inconsistent or suspected to be inconsistent in any form, and confirms the investigation results in writing and reports to the Compliance Officer. In addition, any non-conforming or suspected non-conforming silver materials shall be

physically isolated and secured in accordance with Step 3 of this Guidance until the non-conforming items are resolved. These findings shall be reported to the relevant departments.
2020年度未出现不符《交易监控控制程序》现象。

No non-compliance with the *Transaction Monitoring and Control Process* has occurred in 2020.

三、华信稀贵供应商风险评估报告的提交。

III. Risk Evaluation Report submission from suppliers of Hunan Huaxin Rare&Precious Metals Co., Ltd

白银原材料供应商风险评估报告提交：在完成上述相应工作之后，我公司的原料采购部门的合规专员负责依据《供应商管理政策》、《LBMA 白银风险评估流程》，对所有来料供应商进行评分，根据评分结果将供应商划分为高风险、中风险、以及低风险，评估报告提交给风控官。风控官负责审核尽职调查的真实性、有效性和完整性，确认后签字并向首席执行官汇报，首席执行官最后批准。若有供应商被归类为高风险供应商，首席执行官则必须批准，公司将不与该供应商合作。

Risk Evaluation Report submission from silver raw material suppliers: After the corresponding work above is completed, the Compliance Officer of the Raw Material Purchase Department of the Company is responsible for scoring all incoming material suppliers in accordance with the *Supplier Management Policy* and *LBMA Silver Risk Evaluation Process*, and classifying the suppliers into high risk, medium risk and low risk according to the scoring results. The appraisal report shall be submitted to the Risk Control Officer. The Risk Control Officer is responsible for reviewing the authenticity, effectiveness and integrity of the due diligence, signing after confirmation, and reporting to the Chief Executive Officer for final approval. If a supplier is classified as a high-risk supplier, the Chief Executive Officer has to approve that the Company will not cooperate with the supplier.

第3步：设计并实施管理策略，应对已识别的风险。

Step 3: Design and implement a management strategy to respond to identified risks

我方已完全遵照第3步：设计和实施管理策略，应对已识别的风险。

We have fully complied with Step 3: Design and implement a management strategy to respond to identified risks.

1、精炼厂已建立文件化的《LBMA 风险缓解策略》，合规官负责缓解策略的落实工作，并得到总经理的支持。

1. The documented <LBMA Risk Mitigation Strategy> has been established in the refinery, and the Compliance Officer is responsible for the implementation of the mitigation strategy, with the support of the general manager.

通过以下三种方式进行风险管理：

The Company carries out risk management in three ways:

(i) **在继续交易时缓解风险：**当对供应商的评估处于低风险时，我们继续从该供应商获得白银原料，但是对其中的调查项目进行完善，使之符合 LBMA 的规范，比如对于部分供应商，我们通过帮助该供应商学习和了解 LBMA 的管理要求，向其提供方法及帮助建立、完善风险管控中的不足，使其在其日常经营活动中降低风险。再比如在行业内部，我们通过同行去了解某供应商的行业口碑，以及该供应商经营管理人员的信息对已识别的风险项进行补充和佐证。

(i) **Risks mitigation while continuing to trade:** When the evaluation of suppliers is at a low risk, we continue to obtain silver raw materials from the suppliers, but improve the investigation items to make them conform to the specifications of LBMA. For example, for some suppliers, we help

the suppliers learn and understand the management requirements of LBMA, provide them with methods and help to establish and improve the deficiencies in risk management and control, so that they can reduce risks in their daily business activities. For another example, in the industry, we learn about the industry reputation of a supplier with peers, and the information of the supplier's management personnel to supplement and prove the identified risk items.

(ii) 在暂停交易时缓解风险: 对低风险供应商的进行合作时, 发现可疑的风险使该供应商可能变为中风险供应商, 没有取得确定结果之前, 暂停与该供应商合作, 并调查该可疑风险, 直至确定该供应商为低风险供应商, 再依据评估结果进行处理。当评估结果为中风险时, 需要暂停与该供应商的合作, 同时隔离来料。公司的白银库房设置有高风险来料隔离区, 以应对可能性极小的可疑、风险来料及突发状况。将可疑及风险来料隔离汇报调查处置。

(ii) Risk mitigation while suspending of transactions: When cooperating with low-risk suppliers, it is found that the suspicious risks may make the supplier become a medium risk supplier. Before obtaining the determined results, it is necessary to suspend cooperation with the supplier and investigate the suspicious risks until it is determined that the supplier is a low-risk supplier, and then deals with it in accordance with the evaluation results. When the evaluation result is medium risk, the cooperation with the supplier needs to be suspended and the incoming materials need to be isolated. The silver warehouses of the Company are established with isolation areas for high-risk incoming material to deal with suspicious, risky incoming materials and emergencies with little possibility. Isolate suspicious and risk incoming materials are reported investigated and disposed.

在规定的 2 周期限内, 供应商整改该风险项, 解除风险, 则恢复交易, 如整改达不到要求或者无法解除风险, 则最后停止与该供应商合作。

Within the specified 2-week period, the supplier rectifies the risk item, removes the risk, and then resumes the transaction. In case the rectification fails to meet the requirements or the risk cannot be removed, the cooperation with the supplier will be stopped finally.

(iii) 停止交易脱离风险: 对供应商的评估为高风险, 或者与供应商合作时发现高风险项目, 则停止与其合作, 将评估报告及高风险项汇报给首席执行官, 由首席执行官进行司法举报或付诸于其他法律手段。使之进入司法程序。

(iii) Risk mitigation while stopping the transaction: If the supplier is assessed as high risk, or if high-risk items are found during the cooperation with the supplier, the cooperation with the supplier shall be stopped, the evaluation report and high-risk items shall be reported to the chief executive officer. The chief executive officer shall make judicial reports or put them into other legal means, making them into the judicial process.

2、采取降低风险的管理策略时, 采取了可以量化的手段, 并进行积分评估, 定期风险重新评估以及定期向指定的高级管理人员报告。

2. When the Company adopts the risk mitigation management strategy, it adopts quantifiable means, and carries out integral evaluation, regular risk re-evaluation and regular report to the designated senior management.

量化手段及积分评估: 我公司制定了《LBMA 风险缓解策略》。如果尽职调查的结果处于低风险 (评分值大于等于 6), 但供应链中的被评估公司一直尽其合理和有诚意的努力, 只要该公司在两周的时间范围内采取了明确绩效目标的改进策略, 我们将继续从其处获取白银。如果白银供应链尽职调查结果处于中风险 (评分小于 6 但大于 2)、高风险 (评分小于等于 2), 这说明可能存在洗钱、恐怖主义融资、助长冲突、侵犯人权的行为, 或者存在这种情况的可能性很高, 我们将立即停止从其处获取白银, 直到其他信息或数据能证实或反驳初步评估。

Quantitative means and integral evaluation: The Company has formulated LBMA Risk Mitigation Strategy. If the results of due diligence show it is at low risk (with a score greater than or equal to 6), but the assessed company in the supply chain is using reasonable and good faith effort, we will continue to refine silver coming from this source provided that it adopts an improvement strategy stating clear performance objectives within two weeks. If the due diligence results of silver supply chain show it is at medium risk (score less than 6 but greater than 2) and high risk (score less than or equal to 2), which indicates that there may exist money laundering, terrorist financing, contribution to conflict, human rights abuses, or if the possibility of the same is deemed high, we will stop immediately to refine silver from this source until additional information or data confirming or refuting the preliminary evaluation.

根据 2020 年的尽职调查结果，无供应商需要进行风险缓解的管理策略。也无可疑来料。

According to the due diligence results for 2020, there was no supplier that need a management strategy of risk mitigation or suspicious incoming materials.

定期重新评估与持续监控: 1、每年，原料采购部门的合规专员组织人员收集供应商信息的所有变更情况，持续监控交易结果并进行年度供应链尽职调查重新评估，以决定是否继续合作。2、采购的每一批次的白银原料在运输、出入库、生产、付款过程都有合规专员的监控，其中出入库必须有押运 LBMA 合规专员或 LBMA 风控官的签字，付款必须有财务的 LBMA 合规专员及首席执行官的批准。

Regular reevaluation and continuous monitoring: 1. Every year, the Raw Material Purchase Department is responsible for collecting all changes to suppliers' information, the on-going monitoring results of transactions and conducting the annual supply chain due diligence reevaluation to decide whether to continue cooperation. 2. Each batch of silver raw materials purchased shall be monitored by the Compliance Officer in the process of transportation, warehousing, production and payment. The warehousing must be signed by the LBMA Escort Compliance Officer or LBMA Risk Control Officer, and the payment must be approved by the LBMA Financial Compliance Officer and the Chief Executive Officer.

定期报告: 每季度风控官根据 LBMA 管理的实际情况，向首席执行官提交报告。报告本季度 LBMA 管理体系运行情况进行总结，提出不足及改进措施。

Regular report: The Risk Control Officer shall submit reports to the Chief Executive Officer quarterly in accordance with the actual situation of LBMA management. The operation of LBMA management system in this quarter is summarized, and deficiencies and improvement measures are put forward in the report.

2020 年，我公司采取了量化的手段对供应商进行评分管理，对除新供应商外的所有供应商进行年度补充风险评估。风控官已对评估结果进行审核。风控官每季度向首席执行官提交了报告。

In 2020, the Company took a quantitative approach to score and manage suppliers, and conducted annual supplementary risk evaluation for all suppliers except new suppliers. The evaluation results have been reviewed by the Risk Control Officer. The Risk Control Officer reports to the Chief Executive Officer every quarter.

第 4 步: 安排对供应链尽职调查的独立第三方审计

Step 4: Arrange for an independent third-party audit of the supply chain due diligence

合规声明:

Compliance Statement with Requirement:

我方已完全遵照第 4 步: 安排对供应链尽职调查进行独立的第三方审计。

We have fully complied with Step 4: Arrange for an independent third-party audit of the supply chain due diligence.

湖南华信稀贵科技股份有限公司为符合《伦敦金银市场协会可靠性白银规范》的具体要求，委托必维检验认证集团上海分公司进行 2020 年度的合理保证鉴证业务。我公司按时编制了截至 2020 年 12 月 31 日的《冶炼厂合规性报告》。

In order to meet the specific requirements of *LBMA Responsible Silver Guidance*, Hunan Huaxin Rare&Precious Metals Technology Co., Ltd. entrusted the Shanghai Branch of Bureau Veritas to carry out the reasonable guarantee verification business in 2020. In addition, the Company has compiled *the Refiner's Compliance Report* as of December 31, 2020 on time.

第 5 步：供应链尽职调查报告

Step 5: Report on supply chain due diligence

合规声明：

Compliance Statement with Requirement:

我方已完全遵照第 5 步：供应链尽职调查报告。

We have fully complied with Step 5: Report on supply chain due diligence.

湖南华信稀贵科技股份有限公司根据《伦敦金银市场协会（LBMA）可靠白银指导原则》的具体要求制定的白银供应链政策中规定了关于系统、程序、流程和控制措施的相关信息和具体细节，并以上传到我公司官网（华信稀贵官网：<http://www.huaxinys.com/>）公开发布欢迎查阅。

According to the specific requirements of *LBMA Responsible Silver Guidance*, the silver supply chain policy formulated by Hunan Huaxin Rare&Precious Metals Technology Co., Ltd. stipulates relevant information and specific details on systems, procedures, processes and control measures, which are uploaded to the Company's official website (official website of Huaxin Non-Ferrous Metal: <http://www.huaxinys.com/>) for public reference.

湖南华信稀贵科技股份有限公司总体结论

Overall conclusion of Hunan Huaxin Rare&Precious Metals Technology Co., Ltd.

表 3：管理层结论

Table 3: Management conclusion:

总体而言，2020 年湖南华信稀贵科技股份有限公司完成供应链管理体系，识别和评估了供应商的相关风险，设计并实施了风险管理策略，对供应链尽职调查进行了独立的第三方审计。综上所述，在报告年度截至 2020 年 12 月 31 日的财年内，根据《伦敦金银市场协会（LBMA）可靠白银指导原则》的要求，湖南华信稀贵科技股份有限公司实施了有效的管理制度、程序、流程和实践。

Overall speaking, in 2020, Hunan Huaxin Rare&Precious Metals Technology Co., Ltd. has improved the supply chain management system, identified and assessed the associated risk for our suppliers, designed and implemented risk management strategy, and conducted independent third-party audit for supply chain due diligence investigation. In conclusion, in the financial year ended December 31, 2020, Hunan Huaxin Rare&Precious Metals Technology Co., Ltd. has implemented effective management systems, procedures, processes and practices in accordance with the *LBMA Responsible Silver Guidance*.

在下一阶段的工作中，我方将致力于持续改进，以更有效地将可靠性白银供应链流程与我方现有的供应链流程结合起来。将定期在内部对任何已确定的纠正措施进行监控。

In the next phase of work, we will be committed to continuous improvement to more effectively integrate the supply chain processes of responsible silver with our existing supply chain processes.

Any identified corrective actions will be monitored internally on a regular basis.

表 4：其他报告意见

Table 4: Other report comments

如果本报告的使用者希望就本报告向我方提供任何反馈，请随时拨打电话 18075536146 或发送电子邮件至 768971975@qq.com 与我们联系。

If users of this report wish to provide any feedback to us with respect to this report, feel free to contact us by telephone 18075536146 or E-mail 768971975@qq.com.