



**SINOPEC**



Sinopec Finance Co., Ltd.  
**Annual Report**  
**2020**

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This Annual Report is published in both Chinese and English.  
In case of disagreement, the Chinese one shall prevail.

# About US »»



# 01

## Company profile

Sinopec Finance Co., Ltd. (hereinafter referred to as "SFC" or "the Company") was founded as a non-bank financial institution on July 8, 1988 upon the approval of the People's Bank of China (PBoC). SFC was exclusively initiated by the former China Petrochemical Corporation for the purpose of strengthening the centralized management of funds and enhancing the fund utilization efficiency of Sinopec Group. SFC's businesses are mainly supervised and managed by the China Banking and Insurance Regulatory Commission (CBIRC), and also specifically regulated by the PBoC, the State Administration of Foreign Exchange, the China Securities Regulatory Commission and other government agencies. Currently, SFC is a member of the China Foreign Exchange Trade System, national interbank market, China Central Depository & Clearing Co., Ltd., Shanghai Clearing House, National Association of Financial Market Institutional Investors, Shanghai Commercial Paper Exchange Corporation Ltd. and one of the first IPO inquiry objects recognized by the China Securities Regulatory Commission, and also obtains the membership in derivatives trading on interbank foreign exchange market.

Upon the approval of the CBIRC, SFC is mainly engaged in the following financial services in both Chinese and foreign currencies: providing member companies with finance and financing consultancy, credit verification and related consultancy and agent business; assisting member companies in effecting receipt and payment of money for transactions; providing guarantees for member companies; handling entrusted loans and investments among member companies; conducting acceptance and discounting of bills for member companies; settling internal transfers among member companies and designing plans for related settlements and clearances; absorbing deposits from member companies; making loans and financing lease for member companies; undertaking interbank borrowing; issuing financial bonds upon approval; underwriting member companies' corporate bonds; making equity investment in financial institutions; investing in securities; carrying out consumer credits, buyer credits and financing leases for member companies' products; and engaging in the approved insurance agent business.

Upon the approval of the PBoC, the CBIRC, the SAFE and other relevant departments, SFC can open, change or close sub-accounts in banks for the member companies of the Group in a concentrated way, conduct foreign currency lending through the China Foreign Exchange Trade System and National Interbank Funding Center, handle foreign exchange settlement and sale business as well as centralized foreign exchange receipt and payment business, carry out the two-way RMB "Capital Pool" business, underwrite the debt financing instruments involving non-financial enterprises, and conduct pilot business extending financial services for the industry chain.

SFC has two shareholders with a registered capital of RMB 18 billion (including USD 60 million), with a 51-49 split between Sinopec Group and China Petroleum & Chemical Corporation. There are 14 departments and offices at SFC headquarters, namely Administration Office (Party Committee Office and Enterprise Management Department), Party Committee Organization Department (Human Resources Department), Party-mass & Corporate Management Department (Party Committee Publicity Department, Corporate Culture Department, and Discipline Inspection and Supervision Department), Risk Management & Legal Affairs Department, Finance & Accounting Department, Internal Audit Department, Treasury Department, Credit Department, Bills Business Department, International Business Department, Investment Banking Department, Settlement Department, IT Department, and Financial R&D Department. SFC has set up 9 branches in Shanghai, Nanjing, Guangzhou, Shandong, Zhengzhou, Wuhan, Chengdu, Xinjiang and Tianjin where the member companies of Sinopec Group are concentrated. SFC provides comprehensive financial products and services for more than 500 members companies of the Group in all levels and types, with its service network covering Sinopec Group's businesses in oil and natural gas exploration and development, oil refining and chemical engineering, pipeline transmission, sales of oil and gas refining products, petroleum engineering technology services and other fields.

Since its establishment, SFC has always adhered to the purpose of "keeping a foothold in petrochemical sector, serving the main business". Under the guidance of regulatory authorities and thanks to the support and help from shareholders and member companies, SFC has given full play to its functions as the internal and external unified settlement platform, centralized management platform of the Group's funds and fund-raising & financing platform, and has continuously provided member companies with financial services and support. SFC has established a leading domestic "Capital Pool" of the Group in China, a relatively perfect service network and financial service function systems, with its asset size, operating income, total profit, owner's equity and other indicators ranking top among finance companies nationwide for many years in a row. SFC has been successively awarded numerous honorary titles in the industry: the most innovative finance company, the finance company with best service of the year, the best spot-transaction member of the national interbank foreign exchange market, and top 100 participants of national interbank domestic currency trading. Besides, SFC's multiple management achievements have won innovative achievement awards for enterprise management modernization by the state and Sinopec Group.

## Message from the Chairman



CHAIRMAN : JIANG YONGFU

2020 was an extraordinary year. Despite the severe challenges brought by the spread of COVID-19 and the superposition of various risks, under the strong leadership of the Sinopec Group's Leading Party Group, the Party Working Committee of the sector, the Board of Directors and the Management of the Company together with all employees, adhered to the political direction and considered the overall situation, strengthened service efforts, expanded markets and prevented risks; with great efforts put on party building as well as quality and vitality improvement, SFC successfully completed various goals and tasks, and achieved the "double victory" in epidemic prevention & control and service management.

**Over the past year, SFC strengthened the leadership of party building, kept the whole situation in mind, and grasped the right direction.** SFC implemented the general requirements for party building in the new era, adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, laid emphasis on the work requirements of "focusing on party building around the center, doing a good job in party building to promote development", exploited the political advantages of party building in corporate governance, implemented the decision-making system of "three importance and one greatness.", strictly executed the pre-decision procedure of the Party Committee regarding major operating decisions, promoted the transformation of party building work into "visible and tangible" advanced productive forces, and gave full play to the leading role of the Party Committee in grasping direction, managing overall pattern and advancing implementation. In addition, SFC unanimously facilitated the establishment of "three no" mechanism, improved the overall supervision pattern and integrity risk prevention and control mechanism, and created a good ecology of being clean and upright and entrepreneurial.

**Over the past year, SFC maintained functional orientation and offered superior and high-efficient financial services.** SFC focused on the mission and purpose of "keeping a foothold in petrochemical sector, serving the main business". Faced with the sudden outbreak of COVID-19, SFC gave play to internal banking

advantages, vigorously supported the epidemic prevention & control and production management of the main business in the Group, and formulated five safeguard measures to strengthen financial services immediately after the epidemic outbreak. SFC took the centralized management of funds as the life project and the primary task, continuously maintained the stable operation of "Capital Pool", "Bills Pool", e-commerce payment and other fund management systems, and optimized and improved various system functions. SFC actively responded to the actions of "100-day tackling and creating efficiency" and "continuously tackling and creating efficiency" of Sinopec Group, and achieved the goal of tackling and creating efficiency beyond expectations. At the end of 2020, SFC recorded RMB 228.1 billion, RMB 29.8 billion, and RMB 2.675 billion in total assets, owner's equity, and total profit, respectively.

**Over the past year, SFC focused on consolidating foundation and enhanced management ability steadily.** SFC revised and improved the Articles of Association, completed the office term change of the Board of Directors, convened the first Board of Directors meeting and the first Board of Supervisors meeting of the Tenth Session, and the first and second shareholders' meetings in 2020, and continuously perfected corporate governance structure. SFC continued to strengthen the building of information system, the optimization and upgrade of core business system, and the operation & utilization of anti-money laundering system, second-generation credit reporting system, comprehensive liquidity management system and other systems. SFC kept on reinforcing systems and mechanisms, and completed the "establishment, revision and abolition" of 70 systems in various categories. There were 205 existing systems in 15 categories that cover all business areas and can better satisfy the operation and management demands. SFC fully implemented the action of benchmarking the world-class management improvement, improved the evaluation standards of lean management, specified improvement priorities, and promoted each benchmarking work in an orderly manner. Moreover, SFC solidly conducted capacity improvement projects, focused on core business, profoundly researched results

application, and achieved fruitful research outcomes.

The achievement is really hard-won, which not only benefits from the strong support of higher-level regulatory agencies, Sinopec Group and member companies, but also benefits from the cohesion, hard work and innovation of all employees of SFC. Here, on behalf of the Board of Directors and the Management of SFC, I would like to express my heartfelt thanks and lofty respect to all parties caring for and supporting the development of the Company.

2021 marks the 100th anniversary of the founding of the Communist Party of China, and also the first year of the "14th Five-Year Plan" of the Company. The blueprint for the new era has been drawn, and we are at the right time to march on the new journey. SFC will adhere to the general tone of the work of seeking progress while maintaining stability, the new development concept, and the principle of maximizing the Group's interests, fully integrate into the Group's world-leading development strategy, serve the "one base, two wings and three new" industrial structure pattern, coordinate the promotion of strengthening services, expanding market, preventing risks, promoting reforms and increasing vitality, focus on building the "five demonstration positions" of political construction, enterprise development by relying on talents, grassroots party building, political ecology, and entrepreneurship, boost high-quality development with high-quality party building, and make new and greater contributions for building Sinopec Group into a world leading clean energy chemical company.

盼尔高

## Message from the General Manager



GENERAL MANAGER : CHENG ZHONG

In 2020, SFC was confronted with COVID-19 and complicated and changeable financial market environment. Under the strong leadership of Sinopec Group's Leading Party Group, the Party Working Committee of the sector and the Board of Directors of the Company, the Management led the massive cadres and employees to constantly raise the awareness of financial services, improve financial service ability, and comprehensively promote fund management, financial services, risk management & control, and enterprise management. SFC registered RMB 4.742 billion and RMB 2.675 billion in operating income and total profit, respectively; and the total assets of the Company at the end of the year reached RMB 228.1 billion, and the owner's equity amounted to RMB 29.8 billion.

**Firstly, the centralized management of funds was featured by stability and high efficiency.** SFC continuously maintained the stable operation of "Capital Pool", "Bills Pool", e-commerce payment and other fund management systems, improved the functions of new modules, perfected the application of new online banking, and optimized and upgraded various information system functions. SFC completed the settlement of a total of 27.4774 million sums of funds amounting to RMB 4.052 billion, and the online settlement of 720,900 sums of funds by e-commerce payment amounting to RMB 482.75 billion, and also offered 86,000 sums of bills involving RMB 113.8 billion. SFC continuously maintained "no input error, no loss of receipt and payment, and no service complaint".

**SFC made remarkable achievements in financial services.** SFC carried out the financial services featuring "one enterprise, one policy" in a deep-going way, followed up on the key projects of Sinopec Group and financial service demands in the fields of "new energy source, new material and new economy", worked out comprehensive financial service plan, and contributed to the strategic transition and development of Sinopec Group. SFC efficiently implemented the action requirements of "100-day tackling and creating efficiency" and "continuously tackling and creating efficiency", adjusted structure, reduced costs, and successfully achieved the goal of tackling and creating efficiency. The average daily scale of proprietary assets ran up to RMB

147.8 billion, and the average daily scale of loans ran up to RMB 71.9 billion, both hitting a record high. SFC issued the acceptance bills amounting to RMB 46.3 billion, handled the discount of bills with the average daily amount of RMB 5.761 billion, and carried out the guarantee letter business involving RMB 8.5 billion and the foreign exchange settlement and sale business involving RMB 56.9 billion. Therefore, SFC's financial service functions were effectively exerted.

**Thirdly, risk management & control was consolidated and deepened.** SFC further promoted the integrated construction of risk control, internal control and compliance, established a risk control matrix for the whole business process, formed a more complete risk list, compiled a compliance list covering important regulatory system compliance points, and realized dashboard management of the risk control, internal control and compliance according to business processes and posts. SFC strengthened the prevention and control of key risks across-the-board, continuously enhanced the ability of credit risk management and control, established the credit risk evaluation model for commercial banks, formulated the implementation plan for the "control of high-risk business and management of high-risk positions and key personnel", and implemented the whole process control over major projects. SFC also carried out on-site audits, and completed 194 audit items, thus effectively giving play to the role of internal audit and supervision. In addition, SFC vigorously cultivated compliance culture, organized compliance commitment and training for all employees, carried out case warning education for financial institutions in banking industry, and further improved compliance awareness of all employees. All business risks of the Company were always under control throughout the year with no major risk events occurring.

**Fourthly, enterprise management was continuously improved.** The assets and liabilities were managed in a more scientific way, the accuracy rate of credit plan execution was constantly raised, the pricing model for basic bills price was continually optimized, and the electronic settlement business and electronic business accounting demonstrated remarkable achievements. The comprehensive budgeting management was further

deepened, the guiding role of financial value was effectively played, and pricing system and decision-making support system were optimized and perfected. Furthermore, SFC promoted the delicacy management and gave full play to the "baton" role of "annual appraisal and special appraisal" in performance appraisal. SFC carried out the "Nursery Project", built and dramatically adjusted the two-level pool of outstanding young cadres, and further strengthened the building of cadre talent teams. SFC unanimously promoted the establishment of "three no" mechanism, improved the overall supervision pattern and integrity risk prevention and control mechanism, deeply carried out a series of activities of "inheriting the petroleum spirit and carrying forward the petrochemical tradition", and gathered the positive energy of the massive cadres and employees to love their jobs and work tirelessly. The whole company always maintained a good ambience of being clean and upright, entrepreneurial, united and energetic at work.

In 2021, the Company will strictly implement the decision-making arrangements of Sinopec Group, the Capital and Finance Department and the Board of Directors, adhere to the new development concept, the general tone of the work of seeking progress while maintaining stability, and its functional orientation, deepen the integration of industry and finance, actively serve the industrial pattern of "one base, two wings and three new" industrial pattern, and fully promote advance the work of strengthening services, expanding market, preventing risks, promoting reforms, and increasing vitality, so as to promote boost the Company's high-quality development in all directions, and celebrate the 100th anniversary of the founding of the Communist Party of China with outstanding achievements.

程忠

## Report on corporate governance, internal control and risk management

In 2020, faced with complicated and changeable economic and financial environment, SFC strictly implemented various regulatory requirements raised by regulatory authorities, meticulously carried out the working arrangements of the Board of Directors, constantly improved corporate governance, always adhered to bottom-line thinking, and continued to strengthen internal control risk management, thus enormously supporting its comprehensive and high-quality development.

### 1 Corporate governance

SFC set up the corporate governance structure, with in which the shareholders' meeting is as the highest authority, the Board of Directors is responsible for major operating decisions of SFC, the Board of Supervisors is responsible for supervision, and the Senior Management is responsible for the daily operation and management control. SFC strictly abided by the provisions of the *Company Law* and other laws and regulations, seriously implemented corporate governance systems such as the *Articles of Association* and the rules of procedures of the shareholders' meeting, the Board of Directors, the Board of Supervisors and the Senior Management. The governance bodies were subject to clear authorities and responsibilities responsibly as well as effective balance and fully performed their duties, hence ensuring the scientific making of management decisions, effective supervision and steady operation.

#### Shareholders' meeting

As the authority of SFC, the shareholders' meeting has two shareholders, namely Sinopec Group (ratio of investment: 51%) and China Petroleum & Chemical Corporation (ratio of investment: 49%). It is responsible for electing and replacing directors and supervisors taken up by shareholder representatives; deliberating on and approving the reports of the Board of Directors and the Board of Supervisors; deliberating on and approving the annual profit distribution plan and profit and loss settlement plan of SFC; making resolutions on SFC's increase or decrease of registered capital, shareholders' transfer of capital contribution, merger, separation, change of company form, dissolution and liquidation, and issuance of bonds; and amending the *Articles of Association*.

#### Board of Directors

As the decision-maker of SFC, the Board of Directors is responsible convening the shareholders' meeting, reporting the work to the shareholders' meeting, and implementing the resolutions of the shareholders' meeting; deliberating on and approving the development plan and annual business plan, external equity investment plan, institutional setup plan, special rewards and penalties plan, annual financial budget and accounting plan of SFC; deliberating on the profit distribution and profit and loss settlement plan; appointing the General Manager, Deputy General Manager and other senior executives; formulating the plan for SFC to increase or decrease the registered capital and issue bonds, and the draft for the amendment to the *Articles of Association*. The Board of Directors has the Strategic Committee, the Risk Management Committee and the Audit Committee reporting to it.

#### Strategic Committee of the Board of Directors

The Committee is responsible for studying on the long-term development strategic plan, major investment and financing plan, major capital operation project, information technology strategic plan and other major items affecting the development of SFC, and putting forward suggestions to the Board of Directors.

#### Risk Management Committee of the Board of Directors

The Committee is responsible for studying on and putting forward risk management policies; launching regular assessment on the risk status of SFC; and listening to the risk management report of SFC.

#### Audit Committee of the Board of Directors

The Committee is responsible for supervising the internal audit system of SFC and its implementation; checking the financial information of SFC and its disclosure; examining the internal control system of SFC; listening to reports related to internal audit of SFC; and assessing the appointment and removal of the director of the Internal Audit of SFC.

#### Board of supervisors

As the supervisory and assessment body of SFC, the Board of Supervisors is responsible for checking the financial affairs of SFC; supervising the performance and fulfillment of duties of directors and senior executives; mapping out the measures for appraising the performance of directors and supervisors, and appraising the performance of directors and supervisors; proposing the convocation of interim shareholders' meeting, convening and presiding over the shareholders' meeting when the Board of Directors fails to fulfill the duty of convening and presiding over the shareholders' meeting; and bringing forward the proposal to the shareholders' meeting.

#### Senior Management

The General Manager reports to the Board of Directors and manages the daily work of SFC. The Deputy General Manager and other senior executives assist the work of the General Manager. The General Manager is responsible for bringing forward the development plan and annual business plan, external equity investment plan, profit distribution and profit and loss settlement plan of SFC; reporting the work of SFC in the previous year; formulating the plan for setting up the functional departments and branches of SFC; recruiting, rewarding and punishing employees of SFC; formulating the rules and regulations of SFC and organizing the implementation thereof; and acting on behalf of SFC to sign agreements and other documents under entrustment. The Senior Management has the Assets & Liabilities Management Committee, the Loan Approval Committee, the Risk Management Committee, the Investment Decision-making Committee and other specialized committees, which are responsible for the deliberation and decision-making of matters related to the operation control of SFC, respectively.

The shareholders' meeting, the Board of Directors and the Board of Supervisors of SFC convene meetings and perform duties according to the rules of procedure and decision-making procedures. In 2020, SFC held two shareholders' meetings, three meetings of the Board of Directors, one Board of Supervisors meeting, and one meeting of every specialized committee of the Board of Directors. Members of the Board of Directors, the Board of Supervisors and the Senior Management of SFC have been engaging in financial management for many years, with profound professional background and extensive hands-on experience. In 2020, the directors, supervisors and senior executives were diligent and responsible, fully played their own advantages, and ensured the implementation of the governance systems of SFC, thus providing full support and guarantee for SFC's continuous and steady development.

### 2 Internal control and risk management

#### (I) External supervision

CBIRC Beijing Office is the business supervisory agency of SFC, and SFC's daily operation control is subject to its onsite and off-site supervision. Meanwhile, SFC is also subject to the business supervision of the PBoC, SAFE and other government agencies. For years, SFC has won the recognition of the regulatory authorities for its development. By the end of 2020, SFC had enjoyed sound status of business, with the capital adequacy ratio, non-performing asset ratio, non-performing loan ratio, loan provision rate, provision coverage, rate of borrowing funds, guarantee ratio, investment ratio and liquidity ratio standing at 20.02%, 0.06%, 0.12%, 2.21%, 1,832.57%, 25.49, 55.57%, 67.52% and 48.68%, respectively. All of the regulatory indicators met with supervisory requirements.

#### (II) Development of the internal control system

According to the requirements of the supervisory authorities and internal management needs, SFC summarized its major matters and businesses from internal environment, risk assessment, control activities, information and communication, internal supervision and other perspectives by centering on the development strategy and compliance objective, asset safety objective, financial report objective and

performance efficiency objective, and compiled the *Manual for Internal Control Management* (hereinafter referred to as the "*Internal Control Manual*"), thus realizing the internal control of all factors.

SFC has continuously improved the development of the internal control system since it implemented the internal control system in 2007. Each year, SFC makes dynamic updates based on the supervisory requirements, business management needs and changes in business procedures. As of now, SFC has released 13 versions of *Internal Control Manuals*.

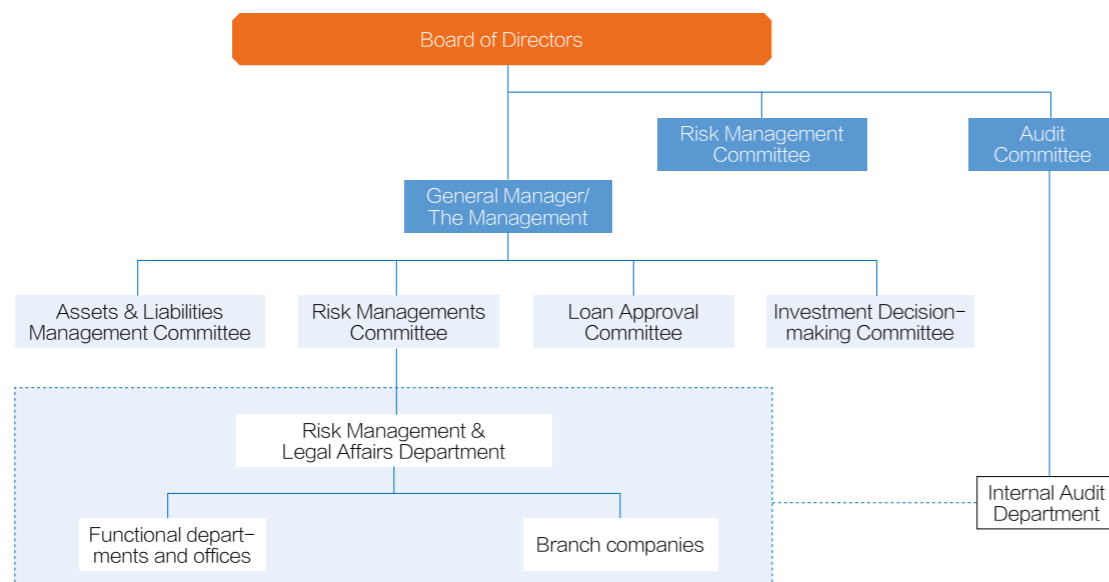
In order to enhance the implementation of the internal control system, SFC formulated the *Measures for the Examination, Appraisal and Evaluation of Internal Control*; conducted the comprehensive examination and appraisal of internal control through quarterly self-inspection test, auditing and examination, special examination of internal control, and other means, so as to look up deficiencies or weak links in the design and implementation of internal control, made timely rectification and improvement, and ensured the effectiveness of internal control.

**(III) Risk management**

**1 Organizational structure for risk management**

SFC has put in place a relatively perfect organizational structure for risk management. The Board of Directors is responsible for establishing the risk management strategy, approving risk management policies and procedures, identifying the risk preference and risk limits of SFC, and deliberating on the risk management report. The Board of Directors has the Risk Management Committee, the Audit Committee and other specialized committees responsible for fulfilling such functions as risk management and internal audit. The Senior Management and the Risk Management Committee, the Assets & Liabilities Management Committee, the Loan Approval Committee, the Investment Decision-making Committee and other specialized committees under it comprehensively implement the risk management policies of the Board of Directors and strictly perform their respective duties; the Risk Management & Legal Affairs Department plans as a whole the risk management work of SFC and actively promotes the orderly progress of various work; the Internal Audit Department organizes and carries out onsite examination and appraisal and earnestly performs the responsibilities of audit supervision and examination; the functional departments and offices and branch companies earnestly implement various risk management policies and measures based on their respective duties and authorities as well as business realities, so as to recognize and control various types of risks from the origin. The self-control of SFC's business departments and offices as well as branch companies represents the first line of defense, the risk control of the Risk Management Department is the second line of defense, and the supervision and examination of the Internal Audit Department is the third line of defense. The authority and division of labor of each line were refined layer by layer, and the risk management and control responsibility of each body were implemented, so as to ensure the effective execution of all risk management policies and measures.

The organizational structure for risk management of SFC is shown in the chart below:



**2 Credit risk management**

Credit risk management. SFC established the decision-making mechanism of the Loan Approval Committee, and convened a total of 22 meetings and deliberated on 177 items in the whole year; practiced the comprehensive credit extension management, strictly implemented pre-loan investigation, loan examination and post-loan follow-up, and adopted client credit rating and other technical means to continuously improve the functions of the credit client service system, thus realizing the scientific decision-making, full course management, and online management and control of credit operation. Clients of SFC's credit operation were mainly member companies of the Group, and the financial counterparties were mainly superior leading financial institutions having established long-term partnership with SFC, so the credit risk was relatively small and controllable. In 2020, SFC did not increase non-performing loans, with a sound asset quality.

**3 Market risk management**

SFC always adhered to the concept of value investment and the steady and prudent investment strategy to enhance market analysis and judgment. It conducted investment businesses, mainly involving low-risk debts such as national debt and CDB debt, and standardized products such as publicly offered bond fund and monetary fund, enhanced the management of limit and profit and loss stoppage, and strictly controlled the risks of investment businesses. As for foreign currency trading, SFC carried out sight exchange settlement and sales business in strict accordance with the real demands of member companies, making exchange rate risk controllable. Meanwhile, SFC constantly improved the management on the pricing of internal capital transfer and products, strengthened market judgment and sensitivity analysis, and for the purpose of effectively preventing interest rate risks.

**4 Liquidity risk management**

SFC established the regular meeting mechanism of the Assets & Liabilities Management Committee, enhanced the overall management of assets and liabilities, and convened a total of 13 meetings in the whole year; constantly strengthened the follow-up, analysis and assessment of capital plan implementation, and reasonably allocated fund position. In the meantime, A comprehensive liquidity monitoring system was established and officially launched to further strengthen real-time monitoring and early warning of the liquidity status, thus effectively guarding against liquidity risk. SFC always maintained the liquidity ratio at a reasonable level, higher than 25% required by regulatory authorities.

**5 Operation risk management**

SFC constantly improved the development of the internal control system. By the end of 2020, SFC had had a total of more than 200 systems and over 90 internal control procedures, covering all business fields. At the same time, t SFC made clear the standards and work rules of posts, enhanced the proper separation of front desk, middle ground and back office and the management of the operation of incompatible posts, strengthened professional integrity education, and elevated the responsibility awareness of employees; continuously tightened the management of business authorization, and strictly implemented the internal approval decision-making procedures; enhanced post supervision management, self-examination, auditing and examination of internal control, and ensured the effective execution of rules and regulations. All businesses of the Company all the year around maintained "no input error and no fund loss".

**6 Risk management of information systems**

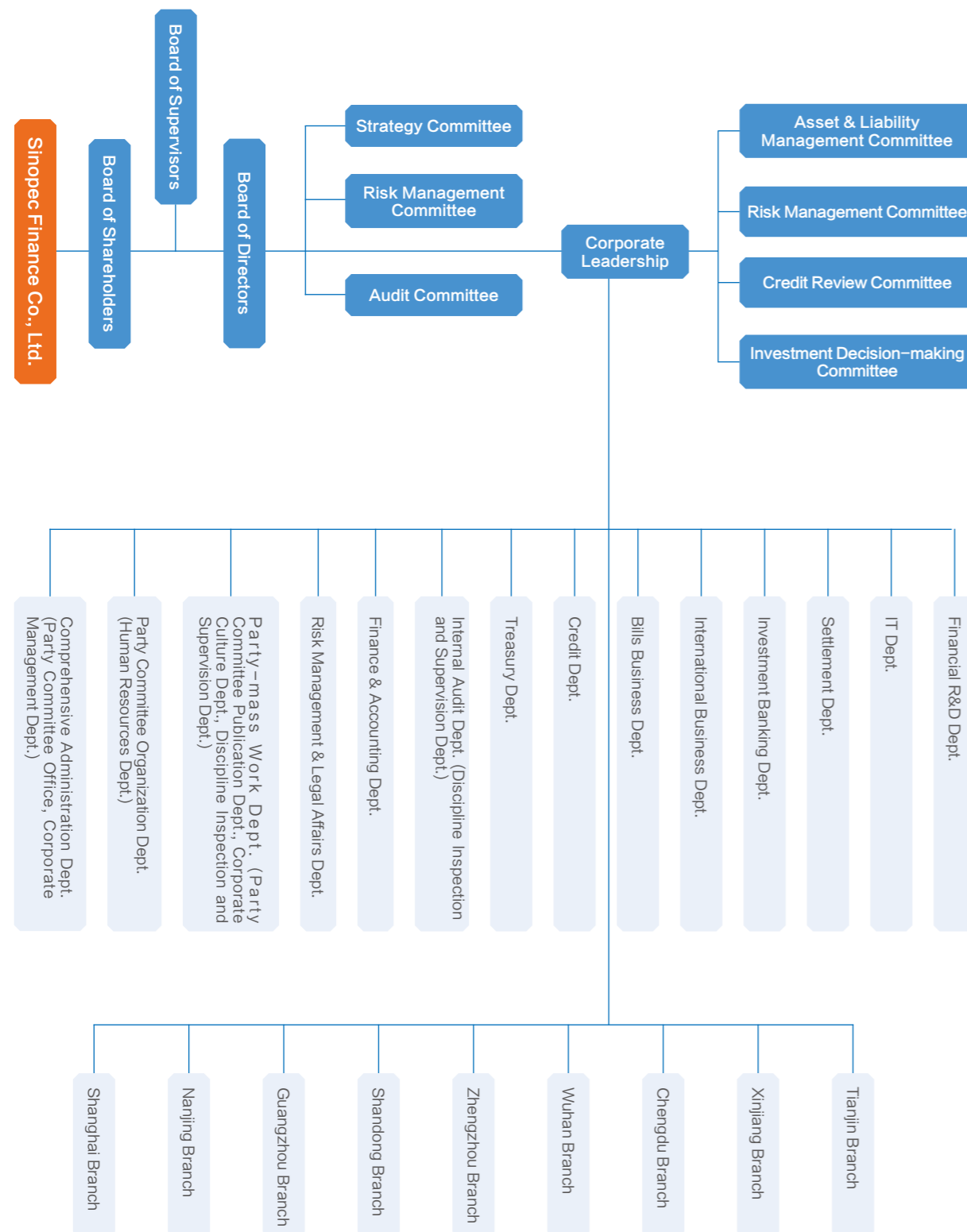
SFC actively advanced the development of the information systems, completed and put to use 23 important information systems successively, realizing the full informatization coverage of operation and management activities. SFC constantly improved the operation and maintenance management of information systems, enhanced advance maintenance and real-time monitoring, and ensured the sound performance of major information systems; earnestly conducted safety assessment, eliminated latent risks, upgraded and updated the firewall of intranet and extranet as well as application boundaries, and constantly built up the capacity in system protection; enhanced emergency system management, perfected emergency plans, conducted comprehensive emergency drills of information systems, and effectively enhanced the level of business continuity management. In 2020, all major information systems of SFC operated all major information systems of SFC operated safely and stably, safely and stably, making SFC an industrial leader in terms of the informatization management level.

**7 Management of legal compliance risk**

SFC continuously enhanced the law-abiding and compliance awareness, and strengthened the publicity and implementation of laws and regulations, supervisory provisions, rules and regulations; conducted compliance management in strict accordance with supervisory requirements, and effectively enhanced business compliance; ensured strict and careful contract management and legal review, and promoted the effective fulfillment of legal risk prevention and control responsibilities, thereby providing a strong support for strong support for corporate governance according to laws and corporate governance according to laws and regulations. In 2020, SFC did not witness the occurrence of legal disputes or legal risk events, and all operation and control activities were conducted according to laws and regulations.

In 2021, SFC will further adhere to the general tone of seeking progress while maintaining stability based on the requirements of regulatory authorities, lay emphasis on the modernization of governance system and governance capacity, and give full play to the corporate governance functions of the Board of Shareholders, the Board of Directors, the Board of Supervisors and the Management. Additionally, SFC will constantly improve compliance management system, continue to reinforce various management & control measures for internal control risk, and facilitate the further enhancement of corporate governance level and risk management capacity.

## Organizational structure



## Directors, supervisors and the Management

### Members of SFC's Board of Directors:

Chairman	Jiang Yongfu
Directors	Xie Zhenglin; Cheng Zhong; Ye Huiqing; Hou Guomin; Zhang Baolong; Wang Zhixiang

### Members of SFC's Board of Supervisors:

Chief Supervisor	Zheng Jin
Supervisors	Xiang Xiwen; Cheng Zhongyi; Jia Yiqun; Chai Ying

### SFC's Management Team:

Jiang Yongfu	Chairman & Party Committee Secretary
Cheng Zhong	General Manager & Deputy Party Committee Secretary
Zhang Yuhong	Deputy General Manager & Party Committee Member
Wang Shuqi	Deputy General Manager & Party Committee Member
Zheng Jin	Deputy Party Committee Secretary & Discipline Inspection Committee Secretary, Labor Union Chairman & Chairman of the Board of Supervisors



# Analysis of Financial and Operational Conditions in 2020

## Financial summary

Unit: RMB 10,000

Year	2016	2017	2018	2019	2020
Pre-tax profit	190,574	209,476	244,139	281,333	267,538
After-tax profit	142,877	153,296	186,814	223,404	202,701
Interest income	215,972	314,924	403,790	433,926	417,264
Investment yield	70,165	85,460	66,981	69,615	82,017
Interest expenditure	99,697	181,171	200,221	218,894	207,486
Business and administration expenses	18,553	18,617	20,212	23,894	23,015
Realized taxes and dues	97,725	69,069	81,791	101,948	93,322
Total assets	16,612,311	17,896,191	22,619,614	19,929,607	22,814,690
Loans and entrusted loans	10,871,851	12,053,866	13,701,735	15,613,133	15,993,266
Total liabilities	14,256,863	15,421,445	20,073,437	17,118,972	19,838,592
Deposits and entrusted deposits	13,486,338	13,884,875	18,148,497	16,436,231	18,769,342
Owners' equity	2,335,448	2,474,746	2,546,177	2,810,635	2,976,098

## Analysis of financial and operational conditions

In 2020, faced with the sudden outbreak of COVID-19 and complicated and changeable financial market situations, SFC implemented new development concept, paid attention to new development pattern, actively integrated into the development of the Group's main business, and continuously gave play to the main force role of finance. SFC ceaselessly raised the awareness of financial services, improved financial service ability, and proactively adapted to the changes of financial market. SFC continuously improved market-based operation level, successfully completed all operation objectives for the whole year, and achieved the "Double victory" in epidemic prevention & control and service management.

In 2020, SFC recorded RMB 2,675,384,793 in total profit with a year-on-year decline of RMB 137,946,745, and RMB 228,146,899,114 in total assets with a year-on-year increase of RMB 28,850,831,848. The rate of return on common shareholders' equity was 7.01%, liquidity ratio was 48.68%, capital adequacy ratio was 20.02%, non-performing asset ratio was 0.06%. SFC had rational structure of assets and liabilities, sufficient capital and sound operations.

# 02

# 2020 Annual Audit Report and Financial Statements >>>



# 03



立信会计师事务所(特殊普通合伙)  
BDO CHINA SHU LUN PAN CERTIFIED PUBLIC ACCOUNTANTS LLP

## Auditors' Report

PCPAR [2021] No. ZK20395

To all shareholders of Sinopec Finance co., Ltd,

### I. Opinion

We have audited the accompanying financial statements of Sinopec Finance co., Ltd (hereinafter referred to as "the Company"), which comprise the statement of balance sheet as at 31 December 2020, the statement of income, and the statement of cash flows for the year then ended.

In our opinion, the financial statements attached are prepared, in all material respects, in accordance with the Accounting Standards for Business Enterprises, and fairly present the Company's financial position as at December 31, 2020, and the Company's operating results and cash flows for the year then ended.

### II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of this auditors' report. According to the Code of Ethics for Certified Public Accountants of China, we are independent of the Company, and we have fulfilled other responsibilities in the aspect of code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### III. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management of the Company (hereinafter referred to as "the Management") is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, the Management is responsible for assessing the Company's going-concern ability, disclosing the matters related to going concern (if applicable) and using the going-concern assumption unless the Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### IV. Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or



error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements may arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

During the process of an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Understand the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control.
- (3) Evaluate the appropriateness of accounting policies used by and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting. Meanwhile, according to the audit evidence acquired, the management comes to conclusion on matters which may cause significant misgiving against the going-concern ability of the Company or whether the said situation exists material uncertainty or not. If we conclude that a material uncertainty exists, we are required to, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future matters or situation may cause failure of the Company in going concern.
- (5) Evaluate the financial statements' overall presentation, structure and contents, and whether the financial statements fairly represent the underlying transactions and events.

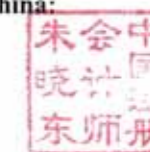


We communicate with those charged with governance regarding the planned scope and timing of the audit, significant audit findings and other matters, including any significant deficiencies in internal control that we identify during our audit.



Shanghai, China

Certified Public Accountant of China:  
Zhu Xiao Dong



Certified Public Accountant of China:  
Miao Song



March 29, 2021

*This auditors' report and the accompanying financial statements are English translations of the Chinese auditors' report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. In case the English version does not conform to the Chinese version, the Chinese version shall prevail.*

## Sinopec Finance co., Ltd Statement of Balance Sheet

AS at December 31, 2020  
(Amounts are expressed in RMB unless otherwise stated)

Item	Balance as at December 31, 2020	Balance as at December 31, 2019
<b>Assets:</b>		
Cash and deposits in central bank	6,116,142,843.33	4,761,246,957.71
Placements with banks and other financial institutions	15,451,880,584.48	4,159,191,814.89
Loans to banks and other financial institutions	798,597,280.39	
Loans issued and advances to others	89,944,804,453.58	67,983,806,006.36
Capital in Vicarious Business	75,968,545,600.00	101,365,712,400.00
<b>Financial assets:</b>		
Financial assets held for trading	11,839,157,875.63	9,779,384,589.86
Other debt instruments	27,129,027,566.40	10,463,433,035.93
<b>Fixed assets</b>	<b>46,679,460.20</b>	<b>44,544,656.51</b>
Intangible assets	29,967,557.49	34,080,987.00
Deferred tax assets	469,832,867.81	410,542,401.41
Other assets	<b>352,263,024.97</b>	<b>294,124,416.87</b>
<b>Total assets</b>	<b>228,146,899,114.28</b>	<b>199,296,067,266.54</b>
<b>Liabilities:</b>		
Loans from banks and other financial institutions	1,000,000,000.00	5,000,000,000.00
Financial assets sold for repurchase	8,208,791,015.21	468,928,453.80
Deposits	111,724,874,399.37	62,996,596,978.86
Employee benefits payable	6,184,300.00	5,072,900.00
Tax payable	154,416,740.44	164,350,049.52
Liabilities from Vicarious Business	75,968,545,600.00	101,365,712,400.00
Estimated liabilities	459,784,876.55	425,180,742.17
Deferred tax liabilities	53,735,813.55	143,630,930.00
Other liabilities	809,581,225.72	620,242,225.68
<b>Total liabilities</b>	<b>198,385,913,970.84</b>	<b>171,189,714,680.03</b>
<b>Equity:</b>		
Paid-in capital	18,000,000,000.00	18,000,000,000.00
Capital reserve	18,885,543.95	18,885,543.95
Other comprehensive income	-73,968,610.51	298,411,487.46
Surplus reserve	2,841,118,983.21	2,638,417,717.72
General risk reserve	2,035,964,801.15	1,761,374,325.93
Retained earnings	6,938,984,425.64	5,389,263,511.45
<b>Total equity</b>	<b>29,760,985,143.44</b>	<b>28,106,352,586.51</b>
<b>Total equity and liabilities</b>	<b>228,146,899,114.28</b>	<b>199,296,067,266.54</b>

## Sinopec Finance co., Ltd Income Statement

Year ended December 31, 2020  
(Amounts are expressed in RMB unless otherwise stated)

项目	Year ended December 31, 2020	Year ended December 31, 2019
<b>1. Operating revenue</b>	<b>3,467,371,484.94</b>	<b>3,763,187,226.85</b>
Net interest income	2,097,751,166.18	2,150,298,171.32
Interest income	4,172,625,726.41	4,339,244,672.60
Interest expense	2,074,874,560.23	2,188,946,501.28
Net fee and commission income	152,160,657.49	118,685,159.16
Fee and commission income	180,896,650.07	149,125,690.70
Fee and commission expense	28,735,992.58	30,440,531.54
Investment income	820,166,627.78	696,151,009.99
Other income	1,591,286.01	2,148,876.36
Losses from fair value changes ("-" for gains)	38,301,517.47	310,454,095.94
Gain on foreign exchange	-31,483,100.04	7,879,588.58
Other revenue	388,830,311.02	477,552,548.20
Gains on disposal of assets ("-" for losses)	53,019.03	17,777.30
<b>2. Operating costs</b>	<b>792,274,027.89</b>	<b>949,947,134.61</b>
Taxes and surcharges	35,808,077.03	29,994,297.73
Administrative expenses	230,147,834.85	238,942,032.06
Expected credit losses	526,318,116.01	681,010,804.82
<b>3. Operating income</b>	<b>2,675,097,457.05</b>	<b>2,813,240,092.24</b>
Add: non-operating income	287,362.45	91,966.86
Less: non-operating expenses	26.10	520.60
<b>4. Profit before tax</b>	<b>2,675,384,793.40</b>	<b>2,813,331,538.50</b>
Less: income tax expense	648,372,138.50	579,294,390.31
<b>5. Net profit</b>	<b>2,027,012,654.90</b>	<b>2,234,037,148.19</b>
Continuous operating profit and loss	2,027,012,654.90	2,234,037,148.19
<b>6. Other comprehensive income after tax</b>	<b>-372,380,097.97</b>	<b>410,540,451.67</b>
Items that may be reclassified subsequently to profit or loss	-372,380,097.97	410,540,451.67
1. Changes in fair value on other debt instruments investment	-127,537,720.72	242,340,214.39
2. Allowance for credit losses on investments in other debt instruments	-244,842,377.25	168,200,237.28
<b>7. Total comprehensive income</b>	<b>1,654,632,556.93</b>	<b>2,644,577,599.86</b>

# Contact Information »»



# 04

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