



SINOPEC



Sinopec Finance Co., Ltd.
Annual Report
2022

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

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About US »»



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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 also obtains the membership in derivatives trading on interbank foreign exchange market.

According to the Measures for the Administration of Finance Companies of Enterprise Groups, SFC's business scope includes the following domestic and foreign currency services: absorbing deposits from member units; handling loans of member units; conducting discounting of bills for member units; handling settlement, receipt and payment of funds for member units; providing member units with entrusted loans, bond underwriting, non-financing letters of guarantee, financial consulting, credit verification and related consulting and agency business; engaging in interbank borrowing; handling acceptance of bills for member units; handling buyer's credit and consumer credit for member units' products; investing in fixed income securities; engaging in general derivatives trading (the trading varieties are limited to customer-initiated agency forward transactions of RMB-foreign exchange).

Upon the approval of the State Administration of Foreign Exchange, SFC can carry out foreign exchange settlement and sales business, centralized foreign exchange receipt and payment business and RMB two-way "fund pool" business for member companies of the Group. With the approval of the PBoC and written authorization from member companies, SFC can centrally manage and operate its bank sub-accounts on behalf of member companies of the Group. With the approval of the China Foreign Exchange Trading Center, the company can conduct foreign currency lending transactions through the China Foreign Exchange Trading Center and the National Interbank Funding Center. According to the documents of the China Interbank Market Dealers Association, the company can carry out non-financial enterprise debt financing instrument underwriting business for member companies of the Group.

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 15 departments and offices at SFC headquarters, namely Administration Office (Party Committee Office, Board Office, Enterprise Management Department), Party Committee Organization Department (Human Resources Department), Party-mass & Corporate Management Department (Party Committee Publicity Department, Corporate Culture Department), 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 member 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 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

Welcome to our 2022 annual report. I would like to thank you for your care, support and help to the Company.

2022 was a remarkable year. The successful convocation of the 20th CPC National Congress drew an ambitious blueprint for advancing the great rejuvenation of the Chinese nation on all fronts and sounded a clarion call of the times for us forging ahead on a new journey. Under the strong leadership of the Sinopec Group's Leading Party Group, the whole company thoroughly studied and implemented the significant instructions proposed by President Xi Jinping when inspecting SINOPEC Shengli Oilfield, and guided various works with the actions themed with "Bearing in Mind the Expectations, Making New Achievements, Producing Satisfactory Outcomes, Welcoming, Studying and Implementing the Spirits of the 20th CPC National Congress". SFC took the initiative to overcome difficulties, effectively coped with difficult situations beyond expectations such as multiple sporadic resurgences of the COVID-19 pandemic in China and the overall decline of returns on financial assets, and successfully achieved every goal and task of the year. The Company registered a profit of RMB2.939 billion, and hit a record high in such indicators as the scale of proprietary assets, the scale and number of settlement business, the scale of deposits and loans, and the scale of foreign exchange settlement and sale, thereby contributing its financial strength to Sinopec Group's fulfillment of three core responsibilities.

Over the past year, SFC carried out actions themed with "Bearing in Mind the Expectations, Making New Achievements, Producing Satisfactory Outcomes, Welcoming, Studying and Implementing the Spirits of the 20th CPC National Congress" in an in-depth manner, and achieved all the given goals for 30 key tasks by focusing on enabling the high-quality development of Sinopec Group with high-quality financial services. SFC proactively integrated into the development of the Group's treasury management system and ensured the steady and efficient operation of the centralized funds management platform. SFC made full use of the advantages of industry-finance coordination, formulated and implemented the financial service guiding opinions featuring "one enterprise, one policy", and produced significant results in serving the development of the Group's main business. SFC promoted the capability enhancement project in a solid manner, and carried out research on more than 20 subjects in the headquarters and branches, which enabled the steady improvement in the quality of financial business development. SFC consolidated the "grassroots development, basic work and basic skills training" to fix loopholes, and carried out special campaigns such as comprehensive control themed with "Practising Stringent Financial and Economic Disciplines and Operating in Accordance

with Laws And Regulations" and "Identifying Deficiencies, Shoring Up Weak Links and Strengthening Weaknesses" to solidify and deepen risk prevention and control and compliance management. In addition, by focusing on key points and breaking through difficulties, SFC completed 38 key tasks in five aspects of the Company's three-year action for further reform, as well as 37 improvement measures for benchmarking the world-class management improvement as scheduled.

The achievements of the past year is really hard-won. These outcomes could not be achieved without the correct leadership of Sinopec Group's Leading Party Group and the Party Working Committee of the sector, the care and guidance of relevant regulatory authorities, the support of relevant departments and member companies of Sinopec Group, and the hard work of all employees of SFC. Here, on behalf of the Board of Directors and the Management of SFC, I would like to express my sincere respect and heartfelt thanks to all departments and all member companies of Sinopec Group, all employees of SFC and their family members, and regulatory authorities and financial peers caring for and supporting the development of the Company.

In 2023, the Company will thoroughly study, publicize and practise the spirits of the 20th CPC National Congress and the work conferences of Sinopec Group, earnestly implement the work arrangements of the Sinopec Group's Leading Party Group and the sector, deeply stick to the political nature and mass nature of finance work and provide more professional services under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. Following the overall working idea of closely adhering to "one common thread", focusing on "two services", strengthening "three guarantees", building "six core capabilities", and consolidating "five demonstration positions", the Company will work intensely and forge ahead with enterprise and fortitude to cultivate its service brand, improve its management quality and efficiency, build up its core capabilities, and set the benchmark for Party building, striving to become the paradigm of serving the main business in an in-depth manner in the industry.

Message from the General Manager



GENERAL MANAGER : CHENG ZHONG

2022 was a very important year in the development history of the Party and the country, as well as an extraordinary and challenging year in the history of SFC. Confronted with resurgences of the COVID-19 pandemic in China, the overall decline of returns on financial assets, reduced and limited business scope of the Company and other adverse factors beyond expectations, SFC insisted on given goals, forged ahead against pressure, acted proactively, and overcome numerous difficulties under the guidance of a series of important expositions of the financial work and significant instructions proposed when inspecting SINOPEC Shengli Oilfield by President Xi Jinping and by taking the actions themed with "Bearing in Mind the Expectations, Making New Achievements, Producing Satisfactory Outcomes, Welcoming, Studying and Implementing the Spirits of the 20th CPC National Congress" as a lever. It successfully achieved every goal and task in 2022, a year of political significance, and produced operation results exceeding expectations. The Company was granted the title of "Advanced Unit in Thematic Actions" by Sinopec Group's Leading Party Group. SFC achieved operating income of RMB5.636 billion and total profit of RMB2.939 billion for the whole year, representing increases of 8.87% and 7.93% respectively. At the end of the year, the total assets of SFC were RMB270.245 billion, and the owner's equity was RMB32.731 billion.

Over the past year, SFC adhered to the operation purpose of maximizing the Sinopec Group's interests, made full use of the advantages as a financial institution, and remarkably improved the quality of comprehensive financial services. The Company created benefit of RMB2.15 billion for the main business of Sinopec Group in a coordinated manner through various services such as settlement, bills, foreign exchange settlement and sale, deposits and loans, letters of guarantee and entrusted loans. New breakthroughs were made in foreign exchange service, and the role as the main channel of domestic foreign exchange purchase and payment for Sinopec Group was leveraged. The Company handled a total of USD97.7 billion foreign exchange settlement and sale, representing an increase of 19.4%, which helped enterprises reduce nearly RMB1 billion in the cost of foreign exchange purchase. The Company also consolidated and deepened risk prevention and control and compliance management. Taking special campaigns such as comprehensive control themed with "Practising

Stringent Financial and Economic Disciplines and Operating in Accordance with Laws And Regulations" and "Identifying Deficiencies, Shoring Up Weak Links and Strengthening Weaknesses" as the lever, the Company carried out the "Year of Basic Work Improvement" activities, which further strengthened risk prevention and control in key areas, improved internal control and compliance management system, and continued to consolidate the foundation for high-quality development of the Company.

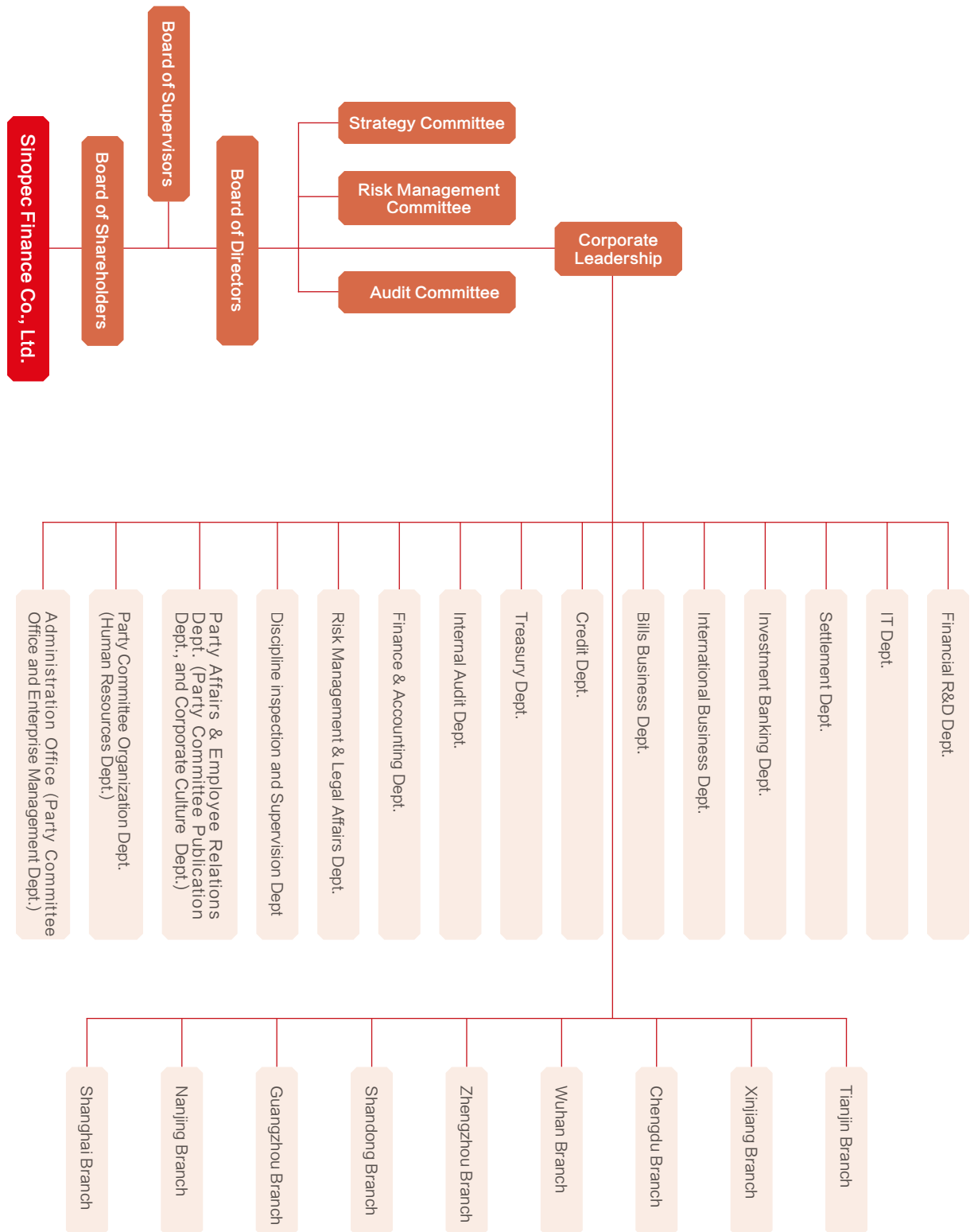
2023 marks the first year to fully practise the spirits of the 20th CPC National Congress, a crucial year for securing a decisive victory in the implementation of the 14th Five-Year Plan, and also the 40th anniversary of Sinopec Group and the 35th anniversary SFC. SFC will earnestly implement the work arrangements of the Sinopec Group's Leading Party Group and the sector, deeply stick to the political nature and mass nature of finance work, and provide more professional services. The Company will make progress while maintaining stability, and uphold fundamental principles and break new ground to implement the action requirements for high-quality development, seize development opportunities, cultivate the service brand, improve the management quality and efficiency, build up core capabilities, prevent material risks and set the benchmark for Party building. By forging ahead with enterprise and fortitude, the Company will strive for the best and resolutely accomplish the targets and tasks for the whole year.

A great era requires magnificent endeavors and a great journey undergoes great changes. We should uphold fundamental principles and break new ground, and move forward against all challenges, so as to contribute greater financial strength to "building a Sinopec Group with strong strategic support, robust livelihood guarantee and powerful spiritual appeal", and to composing a new chapter of a modern Chinese petrochemical enterprise.

程忠



Organizational structure



Senior executives

Members of SFC's Board of Directors:

Chairman	Jiang Yongfu
Vice Chairman	Yu Qiming; Zhang Weicheng
Directors	Cheng Zhong; Xie Zhenglin; Liu Haiyan; Ma Xinhua Hou Guomin; Liu Yingxin; Zhang Zhigang; Xue Degui

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, Chief Supervisor

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



02

In 2022, SFC actively responded to the complex and fickle economic and financial environment, built on improving the risk management system, regarded the internal control system and risk control measures as the effective means, and strictly implemented the regulatory requirements of the regulators. In the meantime, the Company carefully performed the work arrangement of the Board of Directors, and constantly enhanced modernized corporate governance and comprehensive risk management. All of these efforts provided strong supports for the sustainable, steady and high-quality development of the Company.

Corporate governance

SFC set up the corporate governance structure, with the shareholders' meeting as the highest authority, the Board of Directors responsible for major operating decisions of SFC, the Board of Supervisors responsible for supervision, and the Senior Management responsible for the daily operation and management. 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 senior management. The governance bodies were subject to clear authorities and 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 Auditing Department 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 2022, SFC held two shareholders' meetings, seven 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 2022, 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.

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, the State Administration of Foreign Exchange (SAFE) and other government agencies. For years, SFC has won the recognition of the supervisory authorities for its development. By the end of 2022, 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, investment ratio and liquidity ratio standing at 17.06%, 0.07%, 0.11%, 1.86%, 1678.51%, 67.51% and 57.51%, 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 15 versions of *Internal Control Manuals*.

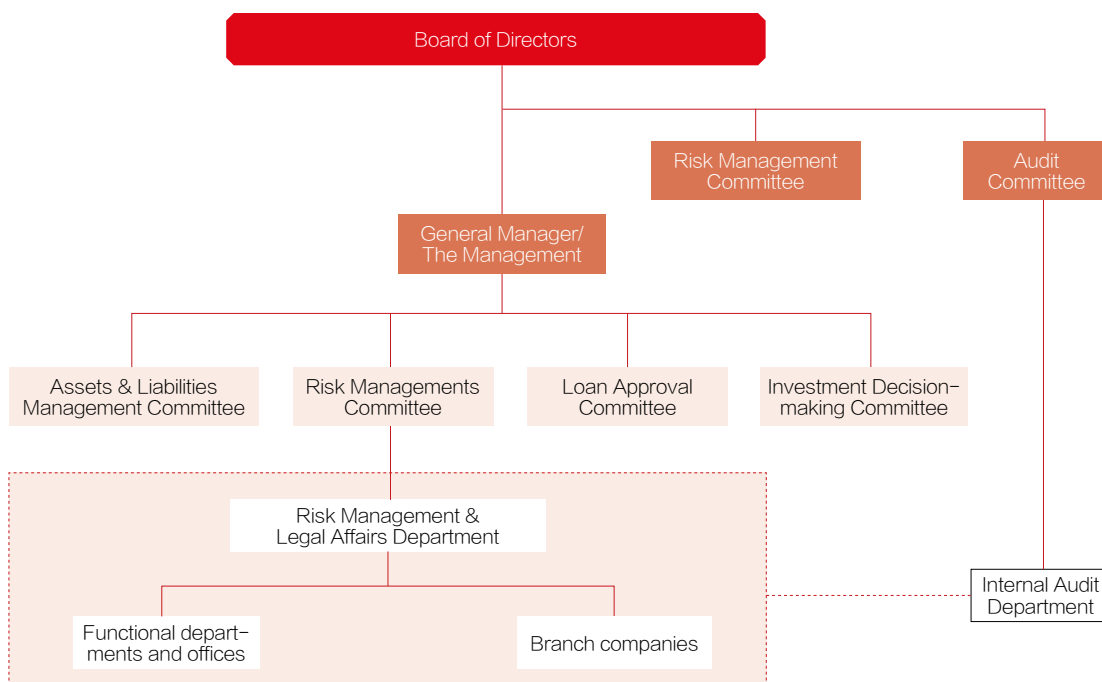
In order to enhance the implementation of the internal control system, SFC formulated the *Measures for the Examination, Appraisal and Evaluation of Internal Control*; conducted the comprehensive examination and appraisal of internal control through quarterly self-inspection test, auditing and examination, 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

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 Control (Legal Affairs) Department plans as a whole the risk management work of SFC and actively promotes the orderly progress of various work; the Auditing 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 Auditing 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

SFC set up the decision-making mechanism of the loan review committee, convened 18 meetings throughout the year, and deliberated on 107 matters. The Company pursued comprehensive credit management, established and optimized two sets of internal rating models and risk evaluation systems for credit customers and commercial banks, solidly and meticulously conducted pre-loan investigation, loan review and post-loan follow-up, and constantly built up the core capability in credit risk management. At the same time, the Company enhanced the prevention of credit risks of inter-bank counterparties, continuously perfected the functions of the credit customer service system, and achieved the scientific decision-making, full-flow management and online control of the credit business. 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 2021, SFC did not have newly-increased non-performing loans, maintained credit risk generally controllable, and ensured 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. SFC conducted the spot exchange settlement and sale business in strict accordance with the real demands of member units, and engaged in the RMB foreign exchange agency long-term business in strict accordance with the "back-to-back" liquidation strategy of the day, did not leave behind overnight risk exposure, and maintained the exchange risk controllable. Meanwhile, SFC constantly improved the management on the pricing of internal capital transfer and products, strengthened market judgment and sensitivity analysis, and effectively elevated the management of interest rate risk.

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 12 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. Additionally, according to regulatory requirements and the provisions of the articles of association, when the Company is subject to the emergency of payment difficulty, Sinopec Group, the controlling shareholder of the Company, will increase the capital base of the Company based on the real demand of addressing the payment difficulty.

5

Operation risk management

SFC constantly improved the development of the internal control system. By the end of 2022, SFC had had a total of more than 210 systems and over 80 internal control procedures, covering all business fields. At the same time, 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 of employees; continuously tightened the management of business authorization, and strictly implemented the internal approval decision-making procedures; advanced business electronization, deepened the gradual replacement of manual operation by intelligent application, and constantly promoted the shift from "man's control" to "mechanical control"; enhanced post supervision management, self-examination, auditing and examination of internal control, and ensured the effective execution of rules and regulations. In 2021, all businesses of SFC 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 strengthened the operation and maintenance management of information system, and consolidated advance maintenance and real-time monitoring, so as to ensure that all major information systems function well. SFC also meticulously conducted safety evaluation, eliminated potential risks, completed the three-level safety evaluation of centralized fund management and other important information systems, and constantly built up the capacity in system protection. Moreover, SFC enhanced emergency system management, perfected emergency plans, conducted comprehensive emergency drills of information systems, and effectively enhanced the level of business continuity management. Throughout the year, all major information systems of SFC were run safely and stably, enabling the Company to obtain Level A rating in the special evaluation of network safety management of Sinopec in 2022, with its informatization management ranking top in the industry.

7

Management of legal compliance risk

The Company comprehensively modified the articles of association, improved the authorization of all governance levels, and elevated the corporate governance level. The Company deepened corporate governance according to laws and regulations, strictly met regulatory requirements, promoted the establishment of the compliance management system, and put in place the institutional system for compliance management, which centers on compliance management measures and is supported by the compliance list of full business flow and the compliance guideline of major fields. The Company improved a full set of standard contracts on financial business, and strictly launched law abidance and compliance review. The Company constantly enhanced the law abidance and compliance awareness of all staff, and made the risk compliance culture that "compliance is first, all-staff remains proactive, risks are controllable, and prudence and steadiness are highlighted" popular among all staff. In 2022, SFC did not witness the occurrence of legal disputes or legal risk events, and all operation and management activities were conducted according to laws and regulations.

In 2023, SFC will continue to strengthen the development of the corporate governance mechanism based on the requirements of the regulatory authorities, give full play to the corporate governance functions of the "shareholders' meeting, the Board of Directors, the Board of Supervisors and the management", constantly better the internal control, risk control and compliance management system, and enhance various risk control measures, thus safeguarding the efforts to develop the Company into a first-rate finance company of the enterprise group.

Analysis of Financial and »» Operational Conditions in 2022



03

Financial summary

Unit: RMB million

Year	2018	2019	2020	2021	2022
Pre-tax profit	244,139	281,333	267,538	272,290	293,883
After-tax profit	186,814	223,404	202,701	216,808	233,768
Interest income	403,790	433,926	417,264	467,331	492,890
Investment yield	66,981	69,615	82,017	80,775	88,340
Interest expenditure	200,221	218,894	207,486	243,774	274,272
Business and administration expenses	20,212	23,894	23,015	28,514	31,931
Realized taxes and dues	81,791	101,948	93,322	91,813	103,029
Total assets	22,619,614	19,929,607	22,814,690	24,954,354	27,024,452
Loans and entrusted loans	13,701,735	15,613,133	15,993,266	16,175,376	17,426,075
Total liabilities	20,073,437	17,118,972	19,838,592	21,858,828	23,751,307
Deposits and entrusted deposits	18,148,497	16,436,231	18,769,342	20,379,591	23,526,538
Owners' equity	2,546,177	2,810,635	2,976,098	3,095,526	3,273,145

Analysis of financial and operational conditions

In 2022, the Company recorded 2938.8 million yuan in total profit, indicating an increase of 215.93 million yuan year-on-year. The total assets of the Company reached 270,244.52 million yuan, indicating an increase of 20,700.98 million yuan year-on-year. The Company posted 7.34% in the rate of return on capital, 57.51% in liquidity ratio, 17.06% in capital adequacy ratio, 0.07% in non-performing asset ratio, and 2500.80% in capital loss provision adequacy ratio. The Company ensured a reasonable asset-liability structure, adequate capital and steady operation.

2022 Annual Audit Report and Financial Statements >>>



04



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 [2023] No.ZK20251

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 financial position as at 31 December 2022, the statement of income, statement of cash flows and statement of changes in equity for the reporting year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2022, and its operating results and its cash flows for the year ended in accordance with Accounting Standards for Business Enterprises.

II. Basis for Our Opinion

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants of the Chinese Institute of Certified Public Accountants ("CICPA Code"), and we have fulfilled our other ethical responsibilities in accordance with the CICPA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 the preparation and fair presentation of the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, if applicable, matters related to going concern and using the going concern basis of accounting 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.



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

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 CSAs 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.

As part of an audit in accordance with CSAs, 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) Obtain and understand of 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 Company's 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 and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.



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



Certified Public Accountant of China:
Zhu Xiao Dong



Certified Public Accountant of China:
Miao Song



Shanghai, China

March 13, 2023

This auditor's report and the accompanying notes to the financial statements are English translation of the Chinese auditor's report. In case of doubt as to the presentation of these documents, the Chinese version shall prevail.

Sinopec Finance co., Ltd

Statement of Financial Position

AS at December 31, 2022

(All the amounts are denominated in CNY unless otherwise stated.)

Item	As at December 31, 2022	As at December 31, 2021
Assets:		
Cash and deposits in central bank	9,544,582,901.33	7,027,947,672.29
Placements with banks and other financial institutions	30,380,933,197.62	18,803,326,940.57
Loans to banks and other financial institutions		1,981,100,000.00
Redemptory monetary capital for sale	1,525,651,013.72	137,878,333.25
Loans issued and advances to others	122,540,154,681.96	96,290,675,042.19
Capital in Vicarious Business	57,334,612,400.00	76,357,629,400.00
Financial assets:		
Financial assets held for trading	17,610,599,874.95	14,720,822,484.41
Other debt instruments	30,263,871,000.00	33,097,707,933.98
Fixed assets	40,714,964.33	42,833,525.64
Right-of-use assets	69,641,179.35	104,268,862.47
Intangible assets	47,164,648.23	51,783,069.91
Deferred tax assets	575,682,491.53	637,136,881.73
Other assets	310,910,856.83	290,424,422.45
Total assets	270,244,519,209.85	249,543,534,568.89
Liabilities:		
Loans from banks and other financial institutions		3,000,000,000.00
Financial assets sold for repurchase		9,040,000,000.00
Deposits	177,930,767,029.78	127,438,284,360.78
Employee benefits payable	10,520,000.00	14,115,500.00
Tax payable	71,262,812.38	159,785,246.22
Liabilities from Vicarious Business	57,334,612,400.00	76,357,629,400.00
Estimated liabilities	568,690,357.19	396,152,346.15
Lease liabilities	72,603,260.36	106,681,377.95
Deferred tax liabilities	64,164,094.87	129,568,854.15
Other liabilities	1,460,452,277.01	1,946,068,929.97
Total liabilities	237,513,072,231.59	218,588,286,015.22
Equity:		
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	40,738,958.09	-47,784,292.43
Surplus reserve	3,291,694,409.84	3,057,926,892.43
General risk reserve	2,811,185,242.73	2,298,510,129.47
Retained earnings	8,568,942,823.65	7,627,710,280.25
Total equity	32,731,446,978.26	30,955,248,553.67
Total equity and liabilities	270,244,519,209.85	249,543,534,568.89

Sinopec Finance co., Ltd

Statement of Income

For the Year Ended December 31, 2022
(All the amounts are denominated in CNY unless otherwise stated.)

Item	2022	2021
1. Operating revenue	3,121,389,701.41	3,643,313,426.98
Net interest income	2,186,175,086.52	2,235,573,645.17
Interest income	4,928,898,788.99	4,673,312,375.87
Interest expense	2,742,723,702.47	2,437,738,730.70
Net fee and commission income	674,475,903.66	471,855,396.87
Fee and commission income	705,463,893.39	501,346,821.89
Fee and commission expense	30,987,989.73	29,491,425.02
Investment income	883,398,795.73	807,751,818.42
Other income	1,661,581.59	979,296.72
Losses from fair value changes ("-" for gains)	-667,329,417.12	136,654,629.35
Gain on foreign exchange	40,973,636.81	-10,451,833.84
Other revenue	1,783,086.55	2,033,699.76
Gains on disposal of assets ("-" for losses)	251,027.67	-1,083,225.47
2. Operating costs	182,724,012.92	919,887,039.55
Taxes and surcharges	31,090,017.68	35,366,048.49
Administrative expenses	319,306,400.79	285,135,893.37
Expected credit losses	-167,672,405.55	599,385,097.69
3. Operating income	2,938,665,688.49	2,723,426,387.43
Add: non-operating income	162,413.63	5,412.67
Less: non-operating expenses	106.60	527,794.16
4. Profit before tax	2,938,827,995.52	2,722,904,005.94
Less: income tax expense	601,152,821.45	554,824,913.79
5. Net profit	2,337,675,174.07	2,168,079,092.15
6. Other comprehensive income after tax	88,523,250.52	26,184,318.08
7. Total comprehensive income	2,426,198,424.59	2,194,263,410.23

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审图号: GS(2016)1580号
自然资源部 监制

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