

REPORT OF THE SUPERVISORY COMMITTEE

To all shareholders :

During the report period, all members of the Supervisory Committee have faithfully fulfilled their supervising duties to safeguard the interests of Sinopec Corp. and its shareholders in accordance with the Company Law of the People's Republic of China and the Memorandum and Articles of Association of Sinopec Corp.

During the report period, the Supervisory Committee convened five meetings. At the fifth meeting of the finding of the First Supervisory Committee held on 2nd March 2001, members of the Committee were reported on the findings of the site investigations and inspections conducted by some of the members at Sinopec Corp.'s Shanghai Gaojiao Branch and Jiangsu Oilfield Branch. At the sixth meeting held on 12th April 2001, the Committee considered a report by Sinopec Corp.'s Finance Department on the 2000 final financial results and the auditors' report prepared by KPMG. After consideration, the Committee approved the 2000 Report of the Supervisory Committee of Sinopec Corp. The Committee was also reported on findings of the site investigations and inspections conducted by some of the members at Sinopec Corp.'s Jiangxi Petroleum Branch. At the seventh meeting held on 11th June 2001, the Committee was reported on inspection carried out by some of its members on the internal supervisions system of several major companies in Germany and the United States. At the eighth meeting held on 23rd and 24th August 2001, the Committee considered The Report on the Operating Results and Financial Position of Sinopec Corp. for the first half of 2001 and the interim review report prepared by KPMG in respect of Sinopec Corp.'s interim financial statements, and reviewed and verified the 2001 Interim Financial Statement of Sinopec Corp. and the 2001 Interim Report of Sinopec Corp. A resolution approving the same was passed. The Committee was also briefed on the findings of site investigations and inspections conducted by some of its members at Sinopec Corp.'s Jinan Branch and Shandong Petroleum Branch. At the ninth meeting held on 14th December 2001, the Committee reviewed and agreed the "Standardized operation questionnaire of Sinopec Corp." passed by the Board of Supervisory Committee, and a resolution approving the same was passed. The Committee was also briefed on the findings of site investigations and inspections conducted by some of its members at



Mr. Yu Qingbo, Chairman of Supervisory Committee

Sinopec Corp.'s Anhui Petroleum Branch and Anqing Branch.

In the opinion of the Supervisory Committee, Sinopec Corp.'s operations in 2001 were in strict compliance with the operation principles of standardization, precision and integrity. First, Sinopec Corp. made amendments to its Internal Accounting System based on the Enterprise Accounting Principles and Enterprise Accounting System laid down by the Ministry of Finance of the PRC, together taking into account the internal management system and internal management

requirements of Sinopec Corp. and the IAS. Secondly, the Company established a co-ordination channel between the senior and the junior levels in respect of its operation and production, which centralised the decision-making process of the Company in accordance with the Company Law of the People's Republic of China, the relevant laws and regulations of the State together with the requirements of both domestic and overseas securities regulatory authorities and the provisions of the Memorandum and Articles of Association of Sinopec Corp.; in respect of

fixed assets investments, it adheres firmly to the principle of Centralised decision-making and based on any income that is available to the Company. Thirdly, the Directors, President and senior management of Sinopec Corp. adhere to the principles of hard working and integrity, and faithfully carry out business operations aiming at maximising the interests of the Company. The Committee was not aware of any violation of laws, regulations and the Memorandum and Articles of Association of Sinopec Corp., or anything that was harmful to the interests of Sinopec Corp. or any infringement of the shareholders' interests caused by the above personnel during the discharge of their duties in the report period.

The Supervisory Committee has thoroughly reviewed the relevant information including the unqualified financial reports for 2001 issued by domestic and international auditors, which are to be submitted to the Annual General Meeting by the Board of Directors. The Supervisory Committee is of view that the financial statements for 2001 has been prepared in compliance with the PRC Accounting Rules and Regulations and the IAS, and the accounting policy has been consistent. In this year, Sinopec Corp. achieved a sales revenue and other operating revenue of RMB318.471 billion, the cash operation cost and expenditure on its four segments, namely, oil-fields, refineries, chemicals and marketing and distribution have reached their respect annual targets, and under PRC Accounting Rules and Regulations and International Accounting Standards, the Company achieved a net profit of RMB14.018 billion and RMB16.025 billion, respectively. The figures in the statements truly and fairly reflect the financial position and operating results of Sinopec Corp.

In the first half of 2001, Sinopec Corp. issued 2.8 billion A shares, raising a total of RMB 11.816 billion in proceeds, and applied RMB 6.446 billion in cash for the acquisition of Sinopec National Star, which is in line with the undertakings stated in the prospectus and the consideration paid was in accordance with the property valuation by the independent valuer. The Supervisor Committee is of the opinion that the acquisition price is fair and reasonable, and neither the minority shareholders

were prejudiced nor it caused a reduction of the assets Sinopec Corp. In addition, through the acquisition of Sinopec National Star, it has further strengthened the capability of Sinopec Corp. in the area of gas and oil exploration and its overall risk resistance.

The Supervisory Committee conducted studies and investigations on the connected transactions made by some of the subsidiaries of Sinopec Corp. It considers that the connected transactions are in compliance with the principles of "Standardization, Fairness and Transparency" and has not prejudiced the interests of Sinopec Corp.

Pursuant to the PRC Accounting Rules and Regulations, the net profit achieved for the period was 22.2% lower than the forecast figures. In this regard, the Supervisory Committee agrees with the explanations presented by the Board of Directors of Sinopec Corp. The Supervisory Committee is of the opinion that in 2001, Sinopec Corp. operated in severe market conditions. However, through the concerted efforts of the whole company to adopt proactive countermeasures, costs of Sinopec Corp. have been reduced and markets have been expanded, and by more thorough reforms and strengthened management, it was able to obtain satisfactory operating results.

In the year ahead, the Supervisory Committee of Sinopec Corp. will focus on the effectiveness of the use of proceeds, the research and investigations on the investment operations of fixed assets, the review on all the activities, and will further strengthen its supervision and investigations on the Company's financial condition. Based on the principle of moving ahead in an aggressive spirit and bona fides, it will perform its supervisory functions thoroughly and promote the growth of profit of the Company for 2002 and safeguard the interests of shareholders.

Yu Qingbo
Chairman of the Supervisory Committee

Beijing, the PRC, 28th March, 2002