

To the shareholders:

Pursuant to the Company law of the People's Republic of China, the Listing Rules of The Stock Exchange of Hong Kong Limited ("Listing Rules") and the articles of association of the Company, the Supervisory Committee of Sinopec Zhenhai Refining & Chemical Company Limited (the "Company") has performed faithfully its duties as prescribed by the articles of association of the Company during the year ended 31st December, 2001. By adhering to the principle of good faith, we have contributed our efforts in our work to safeguard the interests of the Company and the shareholders.

In 2001, amid the decline in the price of petroleum products, it was difficult for refining enterprises to increase its profitability. In view of this market condition and the Company's position, the management group of the Company has taken active and effective measures. Although the Company's throughput volume of crude oil was maintained at 2000 level, the Company has achieved improved results, with increased profit, and has preserved and increased the assets value.

On 11th April and 24th August in 2001, the Supervisory Committee convened two meetings (the Third and Fourth meeting of the Third Supervisory Committee), summarized the work of 2000, proposed the working plan of 2001, and reviewed the audited accounts and the dividend distribution scheme.

During the year, the members attended all the meetings of the Board or its executive committee, surveyed and studied issues under seven topics including the implementation of the procurement system and sales system by reviewing the accounts and other accounting information of the Company on a periodic basis, increased the intensity of supervision.

After reviewing the audit reports prepared by Arthur Andersen & Co under IAS, the Supervisory Committee consider that these reports have reflected the financial condition and the business results on a true and all-round basis, and the comments on relevant items are objective and fair.

The Supervisory Committee has examined the Director's Report, 2001 financial reports and the dividend distribution scheme, which are for consideration and approval at the seventh meeting of the Third Board of director for proposing in the Annual General Meeting for consideration. In our opinion, these report have reflected the 2001 results and the assets position of the Company on a true and fair basis, and the dividend distribution scheme has taken into consideration the shareholder interests and the Company's long-term development interests. The transfers of statutory surplus reserve and public welfare fund during the year were in accordance with the laws, regulations and the articles of association of the Company. The directors, general managers and other senior managerial staff have adhered to the articles of association of the Company, and Listing Rules when they performed their duties. There has been no violation of the law and regulations and no harmful act against the benefit of the Company or the interests of the shareholders and staff.

The Supervisory Committee consents to the report of the Board of Directors for the year 2001 and has confidence in the future prospects of the Company.

The Supervisory Committee would like to express its deepest gratitude to all shareholders, Directors of the Company and all staff for their tremendous support.

By order of the Supervisory Committee

Yu Yaoquan

Chairman

29th March, 2002, Ningbo, the PRC