



ARTHUR ANDERSEN

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TO THE SHAREHOLDERS OF SINOPEC ZHENHAI REFINING & CHEMICAL COMPANY LIMITED

(a joint-stock limited company incorporated in the People's Republic of China)

We have audited the accompanying consolidated balance sheet of Sinopec Zhenhai Refining & Chemical Company Limited (the "Company") and its subsidiaries (hereinafter together with the Company referred to as the "Group") and balance sheet of the Company as of 31st December, 2001, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended. These financial statements set out on pages 24 to 91 are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31st December, 2001, and of the result of operations and cash flows of the Group for the year then ended in accordance with International Financial Reporting Standards as published by the International Accounting Standards Board, and comply with the disclosure requirements of Hong Kong Companies Ordinance.

Arthur Anderson & Co

Hong Kong, The People's Republic of China
29th March, 2002