Mr. Li Yizhong, Chairman

To all shareholders,

On behalf of the Board of Directors of Sinopec Corp., I would like to extend my sincere appreciation to our employees for their hard work, and to our shareholders for their constant support.

While the global economy continued to experience turbulences without momentum for growth in 2002, China's economy still achieved a fast and healthy development, and registered a GDP growth rate of 8%. China's robust demand for major petroleum and petrochemical products created tremendous market demand for the Company's products and thus room for its business expansion. In 2002, the first year after China's accession to WTO, the Company faced more fierce competition as the Chinese market is now opened wider to the rest of the world. In 2002, due to various factors, the global energy market also experienced significant fluctuations. At the beginning of 2002, international prices of crude oil and refined oil products were at a rather low level, and the chemical market cycle remained in the trough. In addition, the Chinese government further reduced its import tariff on petroleum and petrochemical products. As a result, the prices of crude oil, refined oil products and chemical products all plunged in January and February of 2002. The combination of these factors quickly drove down the Company's profitability for these months. After March 2002, the prices of crude oil and refined oil products significantly improved and the prices of chemical products also began to recover. As the market conditions improved, the Company's operating results also improved.

In response to the severely harsh business environment in the beginning months of 2002, the Company closely monitored the market conditions both at home and abroad, and effected a series of countermeasures, including adjustments of its operating strategy, reinforcement of internal management, as well as striving proactively for improvement of the market environment. Thanks to the generous support from our shareholders and the joint efforts by our employees, we managed to seize the opportunities presented when the product prices and market orders began to improve by expanding our market and resources, reducing our costs and enhancing our operation efficiency. As a result, we overcame these difficulties and since March 2002 our operating results have improved significantly and continued to maintain a fair growth momentum. Over the year, our upstream operations maintained at a fair level of profitability, the refining and marketing and distribution segments significantly improved their profitability level, and the chemicals segment gradually turned operating loss into operating profit. The Company's competitive strength as an integrated operator of upstream, midstream and downstream activities also helped the Company achieve its reasonably satisfactory operating results in 2002.

Year 2002 was unusual for the international capital market. After the exposure of such corporate governance scandals like Enron and WorldCom, regulators in China and overseas began to implement more stringent corporate governance standards upon public companies. Responding to the new regulatory requirements and market environment, the Company intended to establish a modern corporate system. As directed by the Listed Company Corporate Governance Standards promulgated by China Securities Regulatory Commission (CSRC) and the former State Economic and Trade Commission (SETC), and with reference to the relevant U.S. corporate reform acts, the Company proposed, in a systematic manner, a number of amendments to the Company's Articles of Association and other corporate governance documents to enhance its corporate governance standards. Moreover, the Company continued to adhere to its corporate culture of "competition, openness, standardization and integrity" and emphasized the importance of business integrity and corporate responsibility. In addition, we have strengthened the role of the Board of Directors as the decision-making body as well as the distinctive function of each of the three committees under the Board, so that the corporate decisions of the Company are now made in a more accountable way. As a result of our enduring efforts, the Company's corporate governing practices won broader recognition in the capital market.

Year 2002 also saw the Company further strengthen its corporate reform. To adapt to the market changes and ensure the effective implementation of its business strategies, the Company further improved its corporate structure. In the exploration and production segment, the Company established Southern Exploration and Production Company and Shanghai Offshore Oil and Gas Company and strengthened the exploration and production work force in the newly explored areas in western China. In the refining segment, the Company established a lubricants subsidiary for more specialized marketing management, and improved crude oil purchasing procedures to further optimize the deployment of crude oil resources. The refining, chemicals and marketing and distribution segments continued to implement measures to further flatten the management hierarchy in order to improve operating efficiency and market competitiveness. In 2002, the Company was further restructured by swapping the Company's non-core assets for certain assets of Sinopec Group Company, and as a result, profitability improved. Through capital operations, the Company acquired the remaining petrochemical assets of Hubei Xinghua, an A-share listed subsidiary of Sinopec Corp. During the reform process, the Company has constantly paid attention to keep the reform at the right depth and at the right pace, so as to strike a balance among the various impacts it would have on the employees, the Company and the society as well as between its benefits to the whole and benefits to a part of the concern. As a result, the Company's reform programmes were carried out smoothly.

In 2002, to capture the market opportunity presented, the Board made proper business decisions and proactively endeavored to improve the external market climate. The management continued to carry out the Company's strategy of "expanding resources and market, reducing cost and disciplining investment", and achieved reasonably satisfactory operating results. In respect of resource expansion, through strengthened exploration efforts and technological improvements, the Company made breakthroughs in its new areas in western China and increased its oil and gas reserves and productions. The Company increased proved reserves by 391 million barrels of oil equivalent and the reserve composite structure has been improved remarkably. The Company has realized a reserve replacement ratio of over 100% for 6 consecutive years in a row. In respect of market expansion, the marketing subsidiaries of refined oil products played a leading role in the improvement of distribution structure. Retail, distribution and direct distribution sales were significantly enhanced. As a result, the Company's retail volume in 2002 rose by 14.1% over that in 2001 and retail market share in its principal markets climbed to 68% from 65% in 2001. Refining subsidiaries' through science and technology advancements improved the quality and the product mix of refined products. In addition, the Company strengthened its marketing efforts of refined products other than gasoline, diesel and kerosene including jet fuel and increased the production proportion of products with higher added value. As a result, the refining margin improved. With the expanded market, the Company processed 105 million tonnes of crude oil, up by 3.5% over that in 2001. With the advantages of being close to the markets and various technological advancements, the chemical subsidiaries lowered costs, made active efforts in promoting direct sales and online transactions, and increased the sales of higher value-added products. Two ethylene production facilities completed revamping and were put into operation. The total ethylene production in 2002 was 2.716 million tonnes, 26.2% higher than that in 2001. Major chemical products maintained 100% production/sales ratio. In respect of cost reduction, the Company reduced costs by RMB 2.52 billion, fulfilled the cost-saving objective for year 2002 and various unit cash operating costs were reduced to some extent. Operation efficiency in upstream, midstream and downstream businesses all increased. As for disciplining investment, we continued to adhere to the investment policy of "capital expenditure based on operating cash flow; controlled total investment size; centralizing decision-making, rationalizing investment variety; individually optimizing projects and increasing returns on investment". As a result, the total investment size was significantly reduced in comparison to that in 2001, and the investment structure was further optimized. The total capital expenditure in 2002 was RMB 41.6 billion, down by 29.3% from that in 2001, which would lay down a firm foundation for the Company's business expansion in the future.

In 2002, under the PRC Accounting Rules and Regulations, the Company's income from the principal operations was RMB 324.184 billion, up by 6.5% from that in 2001; net profit was RMB 14.121 billion, 0.7% up from that in 2001. Based on the number of shares outstanding at the end of 2002, earnings per share were RMB 0.16. Under the International Financial Reporting Standards, the Company's turnover and other operating revenues were RMB 340.042 billion, up by 6.8% from that in 2001. Profit attributable to shareholders amounted to RMB 16.08 billion, up by 0.34% from that in 2001. Based on the number of shares outstanding at the end of 2002, earnings per share were RMB 0.19.

The Board of Directors now proposes a final dividend of RMB 0.08 per share for the year ended 31 December 2002. After deducting the interim dividends distribution of RMB 0.02 per share, the year-end dividend is RMB 0.06 per share, which is equivalent to RMB 6 per ADS.

Having reviewed the results in year 2002, the Board of Directors rationally realized that certain aspects of the Company's operations require further improvement. Firstly, though we have laid down a fundamental framework of modern corporate structure system, we have to reinforce our internal organizational coherence and centralized management. Secondly, the integration of our industrial chain of upstream, midstream and downstream businesses could be further improved and the industrial structure could be further optimized. Thirdly, the intensity of reform and restructure could be further enhanced. The Board of Directors intends to improve upon these areas.

Looking into year 2003, the global economy begins to show signs of recovery. Crude oil prices and refining margin are expected to remain at a relatively high level and the chemical cycle has started turning up since the second half of last year. The combination of these factors would make it possible for the Company to increase downstream profitability while maintaining profits in the upstream businesses. Domestically, China's economy will keep growing at a healthy speed, with an estimated GDP growth rate of above 7%. Such growth certainly would push up domestic demands for petroleum and petrochemical products, hence allowing the Company to increase both its production and sales. At the same time, the Company will continue its cooperation with other domestic refined oil products market participants to improve the market conditions. In addition, the Company will also benefit from the achievements of its own reform and development, the additional production capacity gained through revamping and newly constructed facilities, as well as the development and the application of new technologies. These factors will be conducive to cost reduction and will support the growth of the Company's profitability. We have also considered the unfavorable factors and certain challenges. First, the uneasy situation in the Middle East and the war in Iraq may cause huge fluctuations of crude oil prices, which will have a direct impact on the operating conditions of the Company; second, the war may delay the recovery of the world economy and uncertainties still exist about whether the chemical cycle could pick up its recovery speed as previously expected; third, year 2003 is the second year after China's WTO accession and China will further reduce tariffs and open domestic market, which would bring even more competition to the market. Therefore, we should more closely examine those adverse factors and try to adopt proactive countermeasures.

Considering the above-mentioned characteristics of the macro environment in 2003, the Company will continue to carry out its existing development strategy with emphasis on the following areas:

- The expansion of crude oil and natural gas resources will always be one of our strategic priorities. The Company will maintain stable operations in the existing oil fields in eastern China, and expedite its developments in western China. We will make efforts to keep and even increase our production output of crude oil and natural gas; maintain the replacement ratio over 100%; and improve the reserve composite structure of our resources, thus to facilitate our continued business expansion in the future. In addition, we will make full use of our resources at home and abroad to ensure the safety of resources.

- Expanding the markets to increase throughput and sales volume is the pivotal point of our marketing strategy. We will seize the increasing domestic demands, optimize our production elements in a comprehensive way, adjust our product mix, expand the market, reinforce and improve the competitiveness and dominant market position of the Company's refined oil products and chemical products. The Company will endeavor to increase the capacity and utilization of refining and chemical facilities to improve the efficiency.

- Marketing of refined oil products is not only our competitive strength but also a driving force for the Company's profit growth. In the marketing and distribution segment, we will not only strive for increasing the total domestic sales volume, but also endeavor to improve and expand our marketing network. Aiming to push up domestic sales volume and export volume of refined oil products, and in particular, to increase retail and direct distribution volume, so as to maintain our dominant market share and sustained profitability. In respect of the sales of chemicals, we will further reform and optimize our marketing network and mechanism with a view to leading our competition through better prices, better quality and better service.

- The Company will continue implementing its cost-cutting strategy, with emphasis on crude oil and raw material procurement, energy-saving and expenses control. The Company will keep carrying out measures to reduce cost and, enhance assets efficiency and overall competitiveness. For 2003, the Company plans to cut costs by RMB 2.5 billion.

- We will concentrate our R&D efforts around our core technologies and proprietary technologies, and expedite implementation of technology achievements. Furthermore, through more extensive use of information technology, the Company intends to enhance its production and operation management, improve market competitiveness, and reinforce internal control and improve efficiency.

- The Company will continue to adhere to the existing investment policy, and will constantly optimize investment plan to strive for increasing investment returns. For 2003, the Company planned its capital expenditure to be approximately RMB 37.6 billion, so as to ensure the long-term corporate development strategy could be implemented.

Year 2003 is the first year since the Chinese government launches the drive for building an all round well-off society. The Company will seize this historical development opportunity and cling to the principle of "new idea for better strategies, new breakthrough for further reform, new measures for better performance and continued growth for sustained profitability" through "team work, motivation, innovation and delivery" to embrace even better operating results. In the meantime, the Company will further optimize its development plan for the 10th Five-Year Plan Period to identify and formulate the medium- and long-term development plans and strategic positioning. All these efforts should aim at increasing the Company's global competitiveness and maximizing profit for the shareholders.

Li Yizhong
Chairman

March 28, 2003
Beijing, China