

To all shareholders:

During this reporting period, all members of the Supervisory Committee 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 Articles of Association of Sinopec Corp.

During this reporting period, the Supervisory Committee convened two meetings. At the tenth meeting of the first session of the Supervisory Committee held on March 28, 2002, the members of the Supervisory Committee were reported on the explanations on the operating performance and financial position of Sinopec Corp. in 2001 and on the relevant matters concerning KPMG's audit report. The Committee reviewed and passed the 2001 Financial Statements of Sinopec Corp. and the 2001 Report of the Supervisory Committee of Sinopec Corp., and reviewed and approved the 2001 Annual Report of Sinopec Corp. and the 2002 Financial Budget Report of Sinopec Corp. The relevant resolutions approving the same were passed. At the eleventh meeting of the first session of the Supervisory Committee held on August 16, 2002, the members of the Supervisory Committee were reported on the operating performance and financial position of Sinopec Corp. in the first half of 2002 and the explanations on KPMG's audit report. The Committee reviewed and passed the 2002 Interim Financial Statements of Sinopec Corp. and the 2002 Interim Report of Sinopec Corp. The relevant resolutions approving the same were passed.

In 2002, by reviewing of the Company's financial statements and carrying out investigation and inspections, the Supervisory Committee effectively supervised the Company's financial position and the senior executives' performance of their duties. In the opinion of the Supervisory Committee, in 2002, Sinopec Corp. abided by the operation principles of standardization, precision and integrity and



Mr. Yu Qingbo, Chairman of the Supervisory Committee

carried out operations in strict compliance with the relevant law and regulations; the Company's economic benefits achieved stable growth; and the Company's overall strength was further enhanced.

First, the financial statements for 2002 have been prepared in compliance with the PRC Accounting Rules and Regulations and IFRS, and the accounting policy has been consistent. The figures in the statements truly and fairly reflect the financial position and operating performance of Sinopec Corp. In 2002, Sinopec Corp. overcame many unfavorable factors such as the decrease in oil prices in the early part of the year and the appearance of more

uncertainties in the market, implemented the operating strategy of "expanding resources, expanding markets, reducing costs, disciplining investments" and realized the goals of both operation and economic benefit. The costs of all the four segments, namely, exploration and production, refining, chemicals and marketing and distribution have been controlled within the budgets. Under the PRC Accounting Rules and Regulations, the Company achieved a sales revenue of RMB324.184 billion and the net profit of RMB14.121 billion from its principal operations. Under IFRS, the Company's sales revenue and net profit were RMB340.042 billion and RMB16.080 billion, respectively.

Secondly, the Company's asset reorganization and capital operation were in conformity with the relevant regulations and effective. By taking such measures as asset reorganization, Sinopec Corp. further optimized its upstream oil and gas resources and enhanced the integration of asset resources, production and marketing of its lubricating oil subsidiaries. The use of proceeds raised did not exceed the boundary of what the Company had promised. Sound capital operation further clarified the relationship between Sinopec Corp. and its subsidiaries. As for the transactions such as the transfer of the state-owned shares of Hubei Xinghua Co., Ltd. and the redemption of the said company's core petrochemical assets, the Supervisory Committee is of the opinion that the pricing of transfer and redemption are fair and reasonable, and neither the shareholders' interests were infringed nor it caused a reduction of the assets of Sinopec Corp.

Thirdly, the Company's internal management was further strengthened. In respect of production and marketing, the Company established a mechanism of co-ordination and centralized decision-making, strengthened the linking of industrial chain which gave full play to the advantages of the integration of the upstream, midstream and downstream businesses, adjusted its marketing strategy, flexibly adapted itself to changes in the market and realized the maximum overall efficiency. The Company also made progress in the pilot program in refining and marketing subsidiaries for management hierarchy reduction and specialization. In respect of financial management, the Company emphatically strengthened budget management, centralized

cash management and cost control. In respect of materials procurement management, the Company newly promulgated regulations such as the Detailed Rules for the Implementation of Centralized Materials Procurement by the Headquarters of Sinopec Corp., which further standardized the behavior of materials procurement and achieved progress in centralized management by dedicated departments, centralized procurement and online procurement.

Fourthly, the operation of connected transactions was in conformity with the relevant regulations. The Supervisory Committee is of the opinion that all connected transactions between the Company and Sinopec Group Company were in conformity with the relevant regulations of the Hong Kong Stock Exchange and Shanghai Stock Exchange, and that the pricing of the connected transaction of assets swap that happened was reasonable, fair and in compliance with the principle of "fairness, justness and openness". Neither the interests of the non-connected shareholders nor Sinopec Corp. were found infringed.

Fifthly, the senior management including the Directors and the President of Sinopec Corp. adhered to the principles of diligence and integrity, and faithfully carried out business operations aiming at maximizing the interests of the Company. The Supervisory Committee was not aware of any violation of laws, regulations and the Articles of Association of Sinopec Corp., or any infringement of the shareholders' interests by the above personnel during the discharge of their duties in this reporting period.

In the year ahead, the Supervisory Committee will focus on the research and investigations on the execution of the fixed asset investment plan, asset acquisition or swap, the operation of connected transactions, the improvement and implementation of internal control and the execution of financial budget. The Supervisory Committee will further strengthen its supervision and investigation on the Company's financial conditions and, based on the principle of moving ahead in an aggressive spirit and of integrity, perform its supervisory functions thoroughly promoting the growth of the Company's profit in 2003 and safeguarding the shareholders' interests.

Yu Qingbo

Chairman of the Supervisory Committee

Beijing, the PRC, March 28, 2003