

To all shareholders:

During this reporting period, all members of the Supervisory Committee, observing the principle of good faith, duly fulfilled their supervising duties to safeguard the rights of Sinopec Corp.'s shareholders and the interest of the Company 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 held five meetings. At the twelfth meeting of the first session of the Supervisory Committee held on 20 January 2003 by way of written resolutions, the Committee reviewed and approved the "Amended Rules of Procedures for the Supervisory Committee of Sinopec Corp.", and agreed to submit the above rules to the first Extraordinary General Meeting of Year 2003 for approval. At the thirteenth meeting of the first session of the Supervisory Committee held on 22 January 2003, the Committee reviewed and approved the "Working Report of the First Session of the Supervisory Committee of Sinopec Corp.", and agreed to report to the first Extraordinary General Meeting for the Year 2003; and issued the notification of the investigation report for four significant investment projects and the review meeting of the Supervisory Committee of Sinopec Corp. At the fourteenth meeting of the first session of the Supervisory Committee held on 28 March 2003, the Committee heard the "Report on the Operating Business and Financial Position of Sinopec Corp. for the Year 2002" prepared by the Finance Department and the explanation about KPMG's audit report, examined and approved the "Annual Financial Statements of Sinopec Corp. for the Year 2002", the "Annual Report of Sinopec Corp. for the Year 2002" and the "Annual Report of the Supervisory Committee for the Year 2002", and passed the relevant resolutions. At the first meeting of the second session of the Supervisory Committee held on 22 April 2003, the Committee elected its new chairman and passed the resolution. At the second meeting of the second session of the Supervisory Committee held on 22 August 2003, the Committee heard the "Report on the Operating Business and Financial Positions of Sinopec Corp. in the first half of 2003" prepared by the Finance Department and the explanation about KPMG's audit report, examined and approved the "Interim Report of Sinopec Corp. for the Year 2003", the "Proposal for Issuance of



Mr. Wang Zuoran, Chairman of the Supervisory Committee

Corporate Bond of Sinopec Corp." and the "Proposal for Lease of Additional Land Use Rights from Sinopec Group Company", and passed the relevant resolutions.

In 2003, through reviewing the Company's financial reports and carrying out investigation and examination, the Supervisory Committee effectively supervised the Company's financial positions and the senior executives' performance of their duties. In the opinion of the Supervisory Committee, Sinopec Corp. abided by the operation principles of standardization, precision and integrity and carried out operations according to law. The Company overcame many unfavorable factors affecting its production and management such as the sharp fluctuation of oil price in international market and outbreak of SARS, implemented the operating strategy of "expanding resources and market, reducing cost

and disciplining investment" and reached the goals of both business operation and economic benefit, so the Company's economic benefits increased significantly and its actual strength was further enhanced.

Firstly, the financial statement for Year 2003 has been prepared respectively in accordance with the PRC Accounting Rules and Regulations and the IFRS. The principle of consistency has been followed in financial reporting, and the reported data truly and fairly reflect the Company's financial positions and operating performance. The income from principal operations and net profits in accordance with the PRC Accounting Rules and Regulations were RMB 417.191 billion and RMB 19.011 billion respectively. The operating incomes and profit attributable to shareholders in accordance with the IFRS were RMB 443.136 billion and RMB 21.593 billion respectively.

Secondly, the Company utilized the funds from previous years' financing activities of RMB 4.787 billion in conformity with its undertakings for projects. As of 31 December 2003, there were no balanced proceeds from the H Shares' issuance while a balance of RMB 1.672 billion from the proceeds of A Shares issuance remained unused.

Thirdly, the Company's asset reorganization and capital operation were in conformity with the relevant regulations and were effective. During the reporting period, the Company reorganised and set up an Acrylic Fiber Sales Division; the Company purchased Maoming Ethylene, Xi'an Petrochemicals and Tahe Petrochemicals from Sinopec Group at reasonable prices, and there were no problems that were detrimental to the shareholders' interests and led to Sinopec Corp.'s loss of assets. By taking such measure as asset reorganization, Sinopec Corp. speeded up its structural adjustment, strengthened and expanded its principal business and enhanced its market competitiveness, thus achieving its strategic goal of sustainable growth.

Fourthly, the Company's standardized internal control rules was established. In this year, the Company enhanced its fundamental management tasks, formulated and issued "Internal Control Manual", whereby it established a unified internal control principle, business flow control system and guidelines of restrictions on internal authorization ranging from investment, production, operation, finance and supervisory inspection, etc. These have enhanced the unification of each control system of the Company and further facilitated the standardization of management for the benefit of the Company's healthy development.

Fifthly, the operation of connected transactions was in conformity with the relevant regulations. All connected transactions between the Company and Sinopec Group were in conformity with the relevant regulations of the Stock Exchange of Hong Kong and the Shanghai Stock Exchange. The connected transaction were reasonable and fair in price and abided by the principle of "fair, justified and open", and no problems which were detrimental to the non-connected shareholders and the Company's benefits were discovered.

Sixthly, the Board of Directors assumed carefully the rights and obligations stipulated by the Company Law of People's Republic of China and the Articles of Association of Sinopec Corp., and comprehensively carried out the resolutions passed at the General Meetings of Shareholders. The policy-making on significant issues, such as the Company's production and business objectives, sustainable development measures, legitimate and standardized operation, etc, were performed in conformity with lawful procedures and in a timely manner. The Directors, President and the other senior management officers of Sinopec Corp. adhered to the principles of diligence, integrity and good faith in carrying out business operations with an aim to maximize the interests of the Company. There was no infringement of the relevant laws, regulations and Articles of Association and no harm to the shareholders' interests was caused by the above personnel during the discharge of their duties during the reporting period.

In the year ahead, the Supervisory Committee will further carry out investigation and examination with the focus on improvement and implementation of internal control rules, execution of the fixed asset investment plan, asset acquisition or swap, the flow of connected transactions and the execution of financial budget. The Supervisory Committee will further strengthen its supervision and investigation of the Company's financial conditions and, based on the principle of aggressing in an honest and bona fides manner, will perform its supervisory functions thoroughly to promote the growth of the Company's profit in 2004 and safeguard the shareholders' interests.

**Wang Zuoran**

Chairman of the Supervisory Committee

Beijing, PRC, 26 March 2004