

In 2005, the Supervisory Committee of the Company conscientiously discharged its supervisory duties in accordance with the Company Law and relevant legislations, the Company's Articles of Association and the Rules of Procedure for Supervisory Committee Meeting, thus helping preserve and increase the asset value of the Company, ensuring a standardized operation and safeguarding the shareholders' lawful interests.

Five meetings of the Supervisory Committee were convened during the reporting period

- (i) The thirteenth meeting of the fourth session of the Supervisory Committee was convened on 11 March 2005 at the Company's office, and the following was considered and approved:
 - (a) the work report of the Supervisory Committee for the year 2004;
 - (b) the Supervisory Committee's comments and recommendations on the Company's operating results for the year 2004;
- (ii) The fourteenth meeting of the fourth session of the Supervisory Committee was convened on 27 April 2005 at the Company's office, and the following was considered and approved:
 - (a) the 2005 first quarterly report of the Company;
 - (b) the proposal on the nomination of candidates for the supervisors of the fifth session of the Supervisory Committee.
- (iii) The first meeting of the fifth session of the Supervisory Committee was convened on 28 June 2005 at Jinshan Hotel, and the following was considered and approved:
 - (a) to elect Mr. Dai Shuming as chairman of the Supervisory Committee;
 - (b) to appoint Mr. Zhang Chenghua and Mr. Zhang Yuhua as director and deputy director of the office of the Supervisory Committee respectively;
- (iv) The second meeting of the fifth session of the Supervisory Committee was convened on 24 August 2005 at the Company's office, and the following was considered and approved:
 - (a) the 2005 interim report of the Company;
 - (b) the Supervisory Committee's analysis and recommendations on the Company's 2005 interim operating results;
 - (c) the connected transactions between Sinopec Corp. and the Company regarding petrochemical agency services.
- (v) The third meeting of the fifth session of the Supervisory Committee was convened on 26 October 2005 by means of correspondence, and the 2005 third quarterly report of the Company was considered and approved.

Work carried out by the Supervisory Committee during the reporting period

During the reporting period, members of the Supervisory Committee discharged their duties diligently, conducted meetings on a regular basis, focused on improving quality discussions, attended Board meetings and promptly furnished comments or suggestions on the operation and management of the Company. In discharging their routine monitoring duties, regular meetings of the Supervisory Committee Office were convened and the Company's monthly reports were analyzed monthly. The main aspects of the Supervisory Committee's work were as follow: First, relevant units (departments/offices) were requested to provide explanations on any specific unusual financial data so as to clarify, analyze and resolve the problem. Secondly, recommendations were made on improving the weaknesses existing in production, operation and management. Thirdly, the Supervisory Committee carried out research into the basic level, familiarized itself with the operation of each segment, raised operation quantity and enhanced supervision and management with specific respect to ERP upper line as well as changes in the sales system and the implementation of financial audit at the primary level. The Supervisory Committee, in conjunction with the supervisory office and other functional departments, monitored performance and inspected specific items. In accordance with the rules of the China Securities Regulatory Commission, it carried out verification of the bad debts written-off, provisions for various impairments and disposal of assets at the end of the year.

During 2006, the Supervisory Committee will, in accordance with the newly published Company Law, discharge their supervisory duties diligently and promote a more regulatory corporate governance structure. With specific respect to the Company's sales and management system reform program, the regulating of external investments, the reform program for auxiliary businesses, system change and new development projects, they will step up their supervision of the Company's operation and management as well as the implementation of the Company's internal controls. Such work is aimed to ensure the preservation of value of the Company's assets and to safeguard the lawful interests of the entire shareholders of the Company.

Company's operation in compliance with legislation

During the reporting period, a check-and-balance mechanism was set up and enhanced by the Supervisory Committee in accordance with the Company Law, Corporate Governance Standards for Listed Companies and other legislations and the corporate governance structure was promoted and regulated. The Supervisory Committee discharged their duties and authorities diligently by supervising the management's enforcement of the Company Law, Corporate Governance Standards for Listed Companies and other legislations as well as the execution of resolutions made at the shareholders' meetings and board meetings. No acts of the Board, general management team or its senior management staff in discharging their duties, were found to have been in breach of the legislation of China or the Company's Articles of Association or in prejudice to public or shareholders' interests. The Supervisory Committee believed that under the adverse impact of rising international crude oil prices, strict price controls over Chinese domestic petroleum products and the attack by typhoon Matsa during 2005, the Company had been able to closely observe changes taking place in the market, strengthen internal management, intensify internal reform programs and overcome unfavourable factors so that production and operation remained stable and smooth and major technical and economic indicators such as crude oil processing volume, ethylene output and sales revenue set historic highs.

Supervisory Committee's comments on the Board's analysis of the reasons for the significant fall in operating results for the year

The explanation of three main reasons for the significant fall in operating results for the year has been provided in the Report of the Directors which the Supervisory Committee believes is true, objective and consistent with the actual situation.