

In 2006, the Supervisory Committee of the Company conscientiously discharged its supervisory duties in accordance with the "Company Law" and the relevant legislations, the "Articles of Association of Sinopec Shanghai Petrochemical Company Limited" and the "Rules of Procedure for Supervisory Committee Meeting of Sinopec Shanghai Petrochemical Company Limited", 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 fourth meeting of the fifth session of the Supervisory Committee was convened on 23 March 2006 at the Company's office, and the following was considered and approved:
 - (a) the work report of the Supervisory Committee for the year 2005;
 - (b) the annual report of the Company for the year 2005;
 - (c) the Supervisory Committee's comments and recommendations on the Company's operating results for the year 2005;
- (ii) The fifth meeting of the fifth session of the Supervisory Committee was convened on 25 April 2006 at the Company's office, and the following was considered and approved:
 - (a) the 2006 first quarterly report of the Company;
 - (b) the proposal on the membership changes of the fifth session of the Supervisory Committee.
- (iii) The sixth meeting of the fifth session of the Supervisory Committee was convened on 15 June 2006 at Jinshan Hotel, and the following was considered and approved:
 - (a) to elect Mr. Gao Jinping as chairman of the Supervisory Committee;
- (iv) The seventh meeting of the fifth session of the Supervisory Committee was convened on 28 August 2006 at the Company's office, and the following was considered and approved:
 - (a) the 2006 interim report of the Company;
 - (b) the Supervisory Committee's analysis and recommendations on the Company's 2006 interim report;
- (v) The eighth meeting of the fifth session of the Supervisory Committee was convened on 25 October 2006 at the Company's office, and the following was considered and approved:
 - the 2006 third quarterly report of the Company.

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 the quality of meeting deliberation, attended Board meetings; and promptly furnished comments or suggestions on the operation management of the Company. Major recommendations made to the Company in 2006 were: (i) further strengthen its management to raise the receivable recovery ratio and reduce receivables; (ii) pay more attention to new issues and new problems about product sales as a result of the change in the sales system, so as to enhance and improve the weaknesses in the connection between centralized product sales and specialized companies; (iii) further strengthen the management to lower the Company's on-trip crude oil loss rate in maritime shipment and crude oil loss rate in processing; (iv) further enhance measures to effectively reduce receivables for auxiliary businesses, particularly clearing up receivables of three years or above, while striving for the reduction of receivables for the core businesses; (v) further strengthen the management and application of inventories, reducing inventories' hold on capital; and (vi) further strengthen its management to emphasize economic and technical indicators, in order to control resource and energy consumption, enhance site management quality, and raise the planned target of overall refining yield of petroleum products.

In discharging their routine monitoring duties, regular meetings of the Supervisory Committee Office were convened and the Company's quarterly reports were analyzed quarterly. The main aspects of the Supervisory Committee's work were as follows: First, relevant units (departments/offices) were requested to provide explanations on any specific unusual financial data for clarifying, analyzing and resolving 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 and enhanced supervision and made recommendations on the enhancement of management and supervision with specific respect to changes in the sales system and the implementation of financial audit at the primary level. The Supervisory Committee, in conjunction with the Company's supervisory departments, monitored performance and inspected specific items. In accordance with the rules of the China Securities Regulatory Commission in respect of annual report disclosures, during 2006 the Supervisory Committee carried out verification of the bad debts written-off, provisions for bad debts and impairment of inventories, disposal of materials which have stayed inactive for three years, guarantee for and trusting of capital and acquisitions and disposals of assets in auxiliary businesses, and so forth.

During 2007, the Supervisory Committee will, in accordance with the newly published Company Law, discharge their supervisory duties diligently and promote a more regulated corporate governance structure. In accordance with the Company's need of implementing the low-cost strategy, the Supervisory Committee will further strengthen inspection and research on problems regarding financial, operation and construction management in line with production operation targets and the full commencement of the structural adjustment program. It will further strengthen the reform and transformation program of the Company's auxiliary businesses, and the supervision and checking of the execution of governance structure and operating system of enterprises remaining after the clean-up and shake-up investment at subsidiary level. The Supervisory Committee will also further strengthen the supervision and checking of the execution of the Company's internal control system. Through supervision and checking, the preservation and value enhancement of the Company's assets can be ensured and the lawful interests of all shareholders of the Company can be safeguarded.

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 monitoring 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. The Supervisory Committee also monitored the board of directors' decision-making procedures and the execution of the internal control system. 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 laws and regulations of China or the Company's Articles of Association or in prejudice to the Company's or shareholders' interests. The Supervisory Committee believes that in 2006, in light of the volatile rise of international crude oil prices to high levels and reaching record highs, the Company was able to: follow the working plans of Sinopec and Sinopec Corp.; establish the low-cost strategy; effectively ensure long-cycle, safe and stable operation of production facilities; gradually carry out professional centralized management, reforms of auxiliary businesses and clean-up and shake-up investment at subsidiary level; and effectively strengthen internal management of the enterprise. Production operations remained steady in general, with positive progress reported for work in various aspects.