

### To all shareholders:

During this reporting period, all members of the Supervisory Committee observed the principle of good faith and duly fulfilled their supervising duties in accordance with the Company Law of the PRC and the Articles of Association of Sinopec Corp. to safeguard the rights of the shareholders and the interest of the Company.

During this reporting period, the Supervisory Committee held two meetings.

At the third meeting of the Second Session of the Supervisory Committee held on 26 March 2004, the Committee heard the Report on the operating business and financial position of Sinopec Corp. for the year 2003 prepared by the Finance Department and the explanation note on the auditor's report prepared by KPMG. It also considered and approved the Annual Financial Report of Sinopec Corp. for the year 2003, the Annual Report of Sinopec Corp. for the year 2003 and its relevant summary, the Proposal on profit appropriation for the year 2003 and Resolutions on drawing and writing off eight impairment of assets for the year of 2003. The Committee discussed and approved the Annual Report of the Supervisory Committee for the year 2003 and the Working plan of the Supervisory Committee for the year 2004 and notified in writing to certain supervisors that they were to attend the premises of Guizhou Petroleum Company and Southwest pipeline for investigations and inspections. The relevant resolutions were passed in the meeting.

At the fourth meeting of the Second Session of the Supervisory Committee held on 27 August 2004, the Committee considered and approved the Interim Financial Report of Sinopec Corp. for the year 2004, the Interim Report of Sinopec Corp. for the year 2004 and the Interim Proposal on profit appropriation for the year 2004. The Committee also notified certain supervisors in writing to go overseas to investigate the internal management of the Company, and resolved that some of the supervisors to go to the Jinling branch company and Jiangsu Petroleum branch company for inspection of the development of ERP systems. The relevant resolutions were passed.



Mr. Wang Zuoran, Chairman of the Supervisory Committee

The Supervisory Committee, which has effectively performed its duties of investigation and examination in 2004, opined that Sinopec Corp. has abided by the principles of standardization, precision and integrity in its operation and the operations were carried out according to the law. In view of the rapid growth in the national economy of China, the robust market demand and the sustained high international oil price, the Company seized the opportunities and adopted a down-to-earth and flexible approach in its strategies, Sinopec Corp. overcame problems of sourcing difficulties, transportation shortage and controlled price of refined oil products. Basing

on the principle of scientific development, the Company insisted on the strategy of "increasing resources, expanding market, reducing costs and disciplining investment". Due to the above, the Company achieved a production and operating results of a historically high level, with the stable moving steps in reforms, the structural adjustment also progressed significantly. With the sustained development in science and technology, the Company's earnings increased significantly, and the Company has achieved the highest level of production and operation since the Company's establishment.

Firstly, the Board of Directors duly observed the rights and obligations stipulated by the Company Law of the PRC and the Articles of Association of Sinopec Corp. The Directors made decisions on important issues concerning capital operation, production and operating plans and development objectives in a timely manner, and implemented the resolutions passed at general meetings of Shareholders and meetings of the Board of Directors. The operation of the Company was carried out in a legitimate and standardized manner. The Internal Control Manual of Sinopec Corp (revised in 2004) was considered and approved by the Board of Directors in the twelfth meeting of the Second Session of the Board of Directors, and will be effective on 1 January 2005. The Directors, President and other officers of senior management of Sinopec Corp. adhered to the principles of diligence, integrity and good faith, and acted in the best interests of the Company. During the reporting period, there was no infringement by the above personnel of the relevant laws, regulations and the Articles of Association, or any action(s) harming the shareholders' interests in their discharge of duties.

Secondly, the financial statement for the year 2004 has been prepared in accordance with the PRC Accounting Rules and Regulations and the IFRS respectively. The principle of consistency has been adopted in preparing the financial reports, and the reported data truly and fairly reflect the Company's financial position and operating performance. According to the financial data prepared in accordance with the PRC Accounting Rules and Regulations, the income from the Company's principal operations and net profits were RMB 590.632 billion and RMB 32.275 billion respectively. According to the financial data prepared in accordance with the IFRS, the turnover and other operating

revenues, and profit attributable to shareholders were RMB 619.783 billion and RMB 36.019 billion respectively.

Thirdly, the Company utilized RMB 1.06 billion from funds of previous years' financing activities, this is in conformity with the Company's undertakings for projects. As of 31 December 2004, out of the RMB 11.648 billion aggregate of financing funds from the proceeds of A share issuance, RMB 11.037 billion was used. The balanced proceeds in the end of 2004 was RMB 611 million.

Fourthly, the Company's asset acquisition and swap transactions were in conformity with the relevant regulations and laws. During the reporting period, the Company acquired of chemical, catalyst and petrol stations assets from China Petrochemical Corp., 100% shareholding of Jinzhi Company, 40.5% shareholding of Qingdao Qirun and 10.61% shareholding of China Gas. Also, the Company sold its downhole operation assets. In relation to the above, there were no issues of insider dealings, and nothing in the transactions were found to be detrimental to the shareholders' interests and/or led to a loss of assets of the Company.

Fifthly, connected transactions were in conformity with the relevant regulations. All connected transactions between the Company and the Sinopec Group were in conformity with the relevant rules and regulations of the Hong Kong Stock Exchange and the Shanghai Stock Exchange. The connected transaction were conducted on the basis of fair and reasonable price and abided by the principle of "fair, justified and open". Nothing in these transactions were found to be detrimental to the non-connected shareholders and/or the Company's benefits.

Sixthly, according to the financial data prepared in accordance with the PRC Accounting Rules and Regulations, the aggregate profit was RMB 53.535 billion, there was an increase of 78.36% compared with RMB 30.015 billion in 2003. According to the financial data prepared in accordance with the IFRS, the profit before taxation was RMB 59.606 billion, there was an increase of 70.10% compared with RMB 35.041 billion in 2003. The principal reasons for the increase were the rapid growth of the economy of China, the rising cyclical trend in the industry in which the Company is operating, the robust demand in domestic market, the flexible adjustment of operating strategies, the expansion of capacity, strengthening of corporate governance, reduction of costs, and the efforts of implementing the policies of "Reform, Adjustment, Innovation, and Development" over the years.

In the year ahead, the Supervisory Committee will further develop its focus on operation, carry out scientific development comprehensively with a focus on the improvement and implementation of internal control rules. In addition, the Committee will work on aspects including the execution of the fixed asset investment plan, asset acquisition or swap connected transactions, and financial budget. The Committee will strengthen its supervision and investigation of the Company based on the principle of honesty and good faith. The Committee will perform its supervisory functions thoroughly to promote the growth of the Company's profit in 2005 and to safeguard the shareholders' interests.

**Wang Zuoran**

Chairman of the Supervisory Committee

Beijing, PRC, 25 March 2005