

CHAIRMAN'S STATEMENT



Mr. Chen Tonghai, Chairman

To all shareholders,

On behalf of the Board of Directors of Sinopec Corp., I would like to extend my sincere gratitude for your continuous attention and support for the Company.

The year 2004 witnessed impressive progress in Sinopec Corp.'s reform and development. Looking back at 2004, the Company adjusted its operating strategy and carefully organized its production operations in response to the complex and ever-changing domestic and international market situations. In addition, by means of reform, structural adjustment and restructuring, the Company improved its internal management

system and optimized its asset structure. These measures have laid a solid foundation for the Company's sustainable and effective growth. The Company's total production volume, profit and asset efficiency all increased significantly in 2004. According to the PRC Accounting Rules and Regulations, the Company's net profit was RMB 32.275 billion in 2004, up by 69.8% compared with that in 2003. According to International Financial Reporting Standards (IFRS), the Company's net profit was RMB 36.019 billion, representing an increase of 60.6% compared with that in 2003, and the return on capital employed rose to 12.84% after years of successive increases, up by 383 basis points over that in

2003. Looking at the Company's integrated operations, all business segments experienced growth scenario. The Chemical Segment has, in particular, achieved record high results. Such results were achieved through facility expansion and structural adjustments during the trough of the business cycle in the past few years and capturing the increase of margin in the global chemical business during the last year. This achievement has made the overall advantage of having an integrated operation more prominent.

The rapid growth of the Chinese economy and the recovery of the market have contributed to our sound performance. It was also a result of our persistence in adhering to our development strategy, our ability to accurately evaluate market trends and conditions, our responsiveness in capturing growth opportunities and our perseverance in carrying out the policy of "reform, adjustment, innovation and advancement". The hard-working, pioneering and innovative spirits of the Company's management and all staff have no doubt contributed towards our achievements. On behalf of the Board of Directors, I would like to extend our sincere thanks to them for their consistent efforts.

Considering the Company's earnings in 2004 and the need for longer-term sustainable development, the Board of Directors proposed a dividend distribution of RMB 0.12 per share for the full year of 2004. After deducting the interim dividend of RMB 0.04 per share that had been distributed, the final dividend for the year 2004 will be RMB 0.08 per share, which is equivalent to RMB 8.00 per ADS.

In 2004, Sinopec Corp. further strengthened its corporate governance. Pursuant to the regulatory requirements and the Company's management practice, the Company promptly made necessary amendments to the relevant provisions of its Articles of Association with an aim to minimise operational risks and ensure proper operation of the Company. In addition, the Company amended and improved its internal control system after a year of trial operation. The internal control system has been approved by the Board of Directors and will be officially rolled out across the entire organisation in 2005.

In 2004, the Company steadily implemented various reforms. By continuing to reduce the size of its work force through reassignments,

flattening managerial hierarchies, simplifying management systems and restructuring the organisations, the Company has downsized its worked force by 11,000 persons including 1,200 mid-level management personnel. To consolidate the value chain, achieve integrated management and increase efficiency in resource allocation, we have implemented a buy-back program for the Mao Lian Convertible Bonds. The Board of Directors has approved the privatisation of Beijing Yanhua. The privatization was also approved by the shareholders of Beijing Yanhua. Moreover, the Company undertook to further reform its marketing system. Following the formation of Acrylic Fibre Sales Company and Lubricate Oil Company, another two professional companies for asphalt and catalysts were established, making a good preparation for future larger reforms in the chemical marketing system.

In 2004, structural adjustment of the Company was intensified. On the one hand, in response to the changes in the market demand and considering the Company's long-term development goals, the Company has promptly invested more capital in the Refining and Marketing Segments. As a result, our market shares have increased, and our ability to sustain risks and maintain sustainable growth has been significantly enhanced. Such initiative has obtained recognition and support from our shareholders. On the other hand, based on the principle of "giving prominence to the core business", the Company has acquired certain assets consisting of petrochemicals, catalysts and petrol stations from its controlling shareholder, Sinopec Group Company and its subsidiaries (excluding the Company) ("Sinopec Group"), and has disposed of the downhole operation assets of the Company. Furthermore, the Company has disposed of, or made provisions for impairment to losses on certain less competitive and efficient assets and as a result, the Company's overall asset quality has improved.

In 2004, the Company made great efforts on promoting the overall "Sinopec" corporate image. By landing the exclusive naming right of F1 Sinopec Chinese Grand Prix race and acting as the petrochemical partner of Beijing 2008 Olympic Games, the Company has greatly promoted the value of the Sinopec brand.

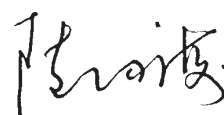
Whilst upholding the operation tenet of "maximizing profits of the company as well as returns to shareholders", the Company also attached great importance to the fulfillment of its social responsibilities, including saving resources and protecting environment. By upgrading existing production facilities, the Company has improved the quality of its products. In addition, the Company took great initiative to participate in public welfare undertakings by sponsoring educational projects financing the education of girls in the areas of poverty, and by providing support for constructions in those disaster-stricken areas such as those Southeastern Asia countries affected by the recent tsunami and Xinjiang Autonomy Region struck by the snow storm.

Talents are the primary resource for corporate development. Sinopec Corp. has made great efforts to develop a talented work force and has established long-term incentive measures to bring out the vigor, creativity and loyalty of its talents. The Company has also introduced a market-rate mechanism in order to further its compensation system reform to motivate staff's initiative spirit and creativity.

Looking to the future in 2005, Sinopec Corp. will still be at its strategic development stage, facing precious opportunities as well as huge challenges and hardships for its effective development. Guided by its belief in pursuing a practical and scientific development approach and adhering to the Company's principle of "Reform, Adjustment, Innovation and Advancement", the Company strives to assess its market environment accurately and make scientifically sound decisions. Great efforts will be put into the following action items: first of all, reinforce safe production and keep up with the growth trend of its production and operation; second, further and deepen the reforms in various areas, including accelerating the reform of the chemicals marketing system to capture the growth opportunities in the chemical industry, advancing the integration of the Company's various operations, improving of the refined oil product marketing system and the foreign trade system, flattening the management hierarchy, downsizing the workforce and optimizing of the internal compensation system; third, reinforce structure

adjustment starting from the investment structure and use new investments to optimise the existing assets structure; fourth, better the internal control system to improve corporate governance and safeguard the Company's and shareholders' interests; finally, build up a capable workforce consisting of management personnel, professional personnel of various types and technicians of various types, and encourage their initiative spirit and creativity.

In 2005, the Board of Directors, corporate management and all the staff, despite of potential difficulties, are determined to capture various opportunities, act in unity and be endeavored to achieve more splendid results in order to reward our shareholders, employees, customers and the society with the long-term and sustainable growth of the Company.



Chen Tonghai
Chairman

Beijing, PRC 25 March 2005