



Mr. Wang Zuoran, Chairman of the Supervisory Board

To all shareholders:

During this reporting period, all members of the Supervisory Board observed the principle of good faith and duly fulfilled their supervisory duties in accordance with the Company Law of the PRC and the relevant provisions of 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 Board held four meetings.

At the seventh meeting of the Second Session of the Supervisory Board held on 31 March 2006, the Supervisory Board reviewed the report submitted by the Department of Finance on Operating Results and Financial Positions for

Year 2005 and the Explanatory notes on the audit submitted by KPMG Huazhen and KPMG. It also considered and approved the Financial Statements for Year 2005, Annual Report for Year 2005, the Proposal on Profit Appropriations for Year 2005 and Report of the Supervisory Board for Year 2005; discussed and approved the Summary Report of the Second Session of the Supervisory Board, and also notified in writing investigation and inspection of Guangzhou Branch, Guangdong Petroleum Branch and Hainan Petroleum Branch undertaken by the independent supervisors and the relevant resolutions were passed at the meeting.

At the first meeting of the Third Session of the Supervisory Board held on 24 May of the same

year, Mr. Wang Zuoran was elected as the Chairman of the Third Session of the Supervisory Board and Zhang Youcai as the Vice Chairman.

At the second meeting of the Third Session of the Supervisory Board held on 25 August of the same year, the Interim Financial Report of 2006, the Interim Report of 2006 and the Profit Appropriations Plan for the first half of 2006 were reviewed and approved.

At the third meeting of the Third Session of the Supervisory Board held on 27 October of the same year, the Third Quarterly Report of Year 2006 of the Company was reviewed and approved.

In addition, the Supervisory Board exercised supervision over the duty performance of the senior management of the Company, the major decisions of the Company and the implementation of decisions, such as production operations, capital operations, asset restructuring, major investments, connected transactions and dividend distribution, by attending meetings of the Board of Directors and carrying out investigations and inspections.

Through its diligent performance of supervisory and oversight duties, the Supervisory Board believes that: in 2006, Sinopec Corp. has abided by the principles of standardisation, precision and integrity in its operation. Confronted with international oil price fluctuations, continuing material losses in the refining segment, tight control of domestic refined oil product prices, difficulties in production and operation and great pressure in ensuring sufficient supply to oil product market, Sinopec Corp. strengthened the implementation of resource strategy, elaborately organised the refinery production, ensured the production steadiness, safety and the market supply, reinforced the internal management and continued to deepen the reform and restructuring, firmly focused on the energy saving and reduction of consumption and cost, with new improvements achieved in production quality and economic benefits, operational cash flow further increased, and ratio of assets to liabilities controlled within reasonable level.

Firstly, the Board of Directors diligently performed its obligations and exercised its rights under the PRC Company Law and the Articles of Association of Sinopec Corp., fully implemented the resolutions of the general meetings of shareholders and the meetings of Board of Directors and made decisions in a timely manner over material affairs including the capital operations, production and operating plans and development goals. The senior management officers operated in compliant with laws, regulations and standards, made new achievements in the oil and gas exploration and production. The refining segment achieved full load operation and ensured market supply; chemical production witnessed increases in gross production and gained preponderance in centralised sale; sales volume of refined oil products increased steadily and the quality further improved; the key construction project

proceeded successfully; the investment structure further optimised; the new progress made in application of technology and information; reform in system and mechanism advanced solidly; A-Share Reform completed smoothly; the effect of the internal control system further improved; and the foundation of Company's corporate governance reinforced.

Secondly, the annual financial report of the Company 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 status 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 was RMB 1,044.579 billion, representing an increase of 30.7% as compared with RMB 799.115 billion of last year; profit before taxation were RMB 73.252 billion, representing an increase of 19.1% as compared with RMB 61.482 billion of last year; the net profits were RMB 50.664 billion, representing an increase of 28.1% as compared with RMB 39.558 billion of last year. According to the financial data prepared in accordance with the IFRS, the turnover, other operating revenues and other income was RMB 1,076.402 billion, representing an increase of 29.3% comparing with RMB 832.687 billion of last year; profit before tax was RMB 78.923 billion, representing an increase of 22.1% comparing with RMB 64.656 billion of last year; profit attributable to shareholders was RMB 53.912 billion, representing an increase of 30.0% comparing with RMB 41.455 billion, and those increases were mainly attributed to the following aspects: the production of natural gas got significant increases; the processing volume of crude oil, the output of refined oil products and the output of chemical products reached a historical high level; the percentage of terminal sales volume of refined oil products continuously increased; meanwhile, the reduction of cost and improvement of efficiency, energy saving and consumption decrease played a continuous important role in the overall profitability.

Thirdly, all connected transactions were compliant with related regulations. All

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

Fourthly, the preparation of the annual report and approval procedures were in conformity with the various provision of the law, regulations, Articles of Association and internal management system, in compliant with provisions of China Securities Regulatory Commission and stock exchanges in form and substance, and no breach of confidentiality provisions by any person participated in the preparation or approval is found.

In the year ahead, the Supervisory Board will further develop its focus on operation, carry out balanced development with emphasis on the implementation of internal control systems, major capital expenditures and asset swap, application of information methods, conformity of connected transactions and implementation of new accounting principles and budget, aspects of safety and environment protection and reduction of cost and expenses. The Committee will strengthen its supervision and investigation of the Company based on the principle of honesty and good faith to continue to carefully perform its supervising duties to promote the overall competitiveness and sustaining profitability of the Company, and to safeguard the interests of shareholders and the Company.

Wang Zuoran
Chairman of the Supervisory Board

Beijing China,
6 April 2007