SUNPEC 中聯石化

SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED
中聯石油化工國際有限公司*

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 346)**

# LETTER OF INTENT FOR INVESTMENT AND ESTABLISHMENT OF A PETROCHEMICAL PROJECT COMPANY IN REPUBLIC OF MADAGASCAR EXCEPTIONAL PRICE AND TRADE VOLUME MOVEMENTS

On 13 January 2005, Liaohe Energy and The Government of Republic of Madagascar entered into a non-legally binding letter of intent, pursuant to which Liaohe Energy agrees, and the Government agrees Liaohe Energy, to invest and establish a petrochemical project company in Madagascar with a view to engaging in the business of oil exploration with exclusive right on oil exploitation, production and processing, the construction and operation of oil refinery and other relevant petrochemical facilities, oil storage facilities, oil ports, oil transportation facilities, petrol stations and the relevant accessory facilities.

The Directors have noted the recent increase in the price and trade volume of the shares of the Company and wish to state that, save as disclosed in this announcement and in the announcement of the Company dated 14 January 2005 in relation to the entry into of a management contract, (1) the Directors are not aware of any reasons for such increase; and (2) the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price sensitive nature.

**Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.**

## THE LETTER OF INTENT

On 13 January 2005, Liaohe Energy and the Government of Madagascar entered into a non-legally binding letter of intent, pursuant to which Liaohe Energy agrees, and the Government agrees Liaohe Energy, to invest and establish a petrochemical project company in Madagascar with a view to engaging in the business of oil exploration with exclusive right on oil exploitation, production and processing, the construction and operation of oil refinery and other relevant petrochemical facilities, oil storage facilities, oil ports, oil transportation facilities, petrol stations and the relevant accessory facilities.

### Term

The duration of operation will be for a period of 50 years.

### Undertaking of the Government

The Government agrees to provide most favoured policies treatments to Liaohe Energy during the Operation Period, and tax-free treatment in respect of all taxes and duties during the first 20 years and preferential tax treatment in respect thereof during the 30 years thereafter. The Government will also be responsible for handling all permits necessary for the establishment of the Businesses. At the same time, the Government shall provide Liaohe Energy with necessary business environment conditions and factors and accessory facilities relating to the implementation of the Businesses (including but not limited to land, water and electricity supply, traffic arrangement, communication system, etc.).

### Formal Joint Venture Agreement

The Government and Liaohe Energy agree that a formal joint venture agreement will be entered into within 50 business days after the signing of the letter of intent.

The Government and Liaohe Energy shall base on the letter of intent and formulate the implementation plan of the Businesses and sign the formal joint venture agreement in order to implement the Businesses as soon as possible. The letter of intent is not legally binding. The Government and Liaohe Energy shall not bear any legal liability under the letter of intent and they agree that they will not take any legal action or claims under the letter of intent.

Further announcement will be made upon signing of the formal joint venture agreement.

## REASONS FOR ENTERING INTO THE LETTER OF INTENT

The Group is principally engaged in (i) the sale and distribution of polyurethane materials, PU foams and PU foam products (molded and unmolded) and (ii) the manufacture and sale of petrochemical fuel products in the PRC.

The Directors consider that the investment and establishment of the petrochemical project company contemplated in the letter of intent (if a formal joint venture agreement is entered into) will contribute business and earning potentials in the medium and long term and capture commercial opportunities in Madagascar in the area of petrochemical industry.

## EXCEPTIONAL PRICE AND TRADE VOLUME MOVEMENTS

This statement is made at the request of the Stock Exchange under Rule 13.10 of the Listing Rules.

The Directors have noted the recent increase in the price and trade volume of the shares of the Company and wish to state that, save as disclosed in this announcement and in the announcement of the Company dated 14 January 2005 in relation to the entry into of a management contract, (1) the Directors are not aware of any reasons for such increase; and (2) the Directors confirm that there are no negotiations or agreements relating to intended acquisitions or realisations which are discloseable under Rule 13.23, neither are the Directors aware of any matter discloseable under the general obligation imposed by Rule 13.09, which is or may be of a price sensitive nature.

## GENERAL

**Shareholders of the Company and investors should exercise caution when dealing in the shares of the Company.**

As at the date of this announcement, the Board comprises of (1) Executive Directors: Dr. Hui Chi Ming, Mr. Chen Hua, Mr. Chui Say Hoe, Mr. Cheung Wai Yin Wilson; (2) Non-Executive Directors: Mr. Chow Charn Ki Kenneth; and (3) Independent Non-Executive Directors: Mr. Chan Wai Dune, Dr. Yu Sun Say, Mr. Wong Hing Tat and Mr. Kwong Chi Ho and Mr. Ng Wing Ka.

## TERMS USED IN THIS ANNOUNCEMENT

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| "Businesses" | the business of oil exploration with exclusive right on oil exploitation, production and processing, the construction and operation of oil refinery and other relevant petrochemical facilities, oil storage facilities, oil ports, oil transportation facilities, petrol stations and the relevant accessory facilities |
| "Company" | Sino Union Petroleum & Chemical International Limited, a company incorporated in Bermuda whose shares are listed on the Stock Exchange |
| "Directors" | the directors of the Company |
| "Government" | The Government of Madagascar |
| "Group" | the Company and its subsidiaries |
| "Liaohe Energy" | Liaohe Energy Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |
| "Madagascar" | Republic of Madagascar |

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| "Operation Period" | the period during which the Government agrees Liaohe Energy to operate the Businesses in Madagascar, i.e. 50 years |
| "PRC" | the People's Republic of China |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |

By Order of the Board of
**SINO UNION PETROLEUM & CHEMICAL INTERNATIONAL LIMITED**
**Chui Say Hoe**
*Executive Director*

Hong Kong, 17 January 2005

* *For identification purpose*

"Please also refer to the published version of this announcement in The Standard."