THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sino Union Petroleum & Chemical International Limited**, you should at once hand this circular together with the enclosed form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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)

PROPOSAL INVOLVING (1) GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES OF THE COMPANY AND (2) PROPOSED AMENDMENTS TO BYE-LAWS OF THE COMPANY

A notice convening the annual general meeting of Sino Union Petroleum & Chemical International Limited to be held at Rooms 4605-7, 46th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 9 September 2005, at 11:00 a.m. is set out on pages 11 to 16 of this circular. If you do not intend to attend the annual general meeting, please complete and return the enclosed form of proxy and return the same to the Company's branch share registrar in Hong Kong, Tengis Limited at Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong as soon as possible and in any event not less than forty-eight hours before the time appointed for holding the annual general meeting. Completion and return of the proxy will not preclude you from attending and voting at the annual general meeting or any adjourned meetings should you so wish.

Hong Kong, 15 August 2005

* *For identification purpose only*

CONTENTS

In this circular, unless the context otherwise requires, the following expressions have the following meanings:

"AGM"	the annual general meeting of the Company to be held at Rooms 4605-7, 46th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 9 September 2005, at 11:00 a.m. notice of which is set out on pages 11 to 16 of this circular;
"Board" / "Directors"	the directors of the Company;
"Bye-laws"	the bye-laws of the Company as may be amended from time to time;
"Company"	Sino Union Petroleum & Chemical International Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China;
"Latest Practicable Date"	12 August 2005, being the latest practicable date prior to the printing of this circular for inclusion of certain information herein;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"Repurchase Proposal"	the proposal to give a general mandate to the Directors to exercise the powers of the Company to repurchase during the period as set out in the Repurchase Resolution fully paid Shares up to a maximum of 10% of the issued share capital of the Company as at the date of the Repurchase Resolution;
"Repurchase Resolution"	the proposed ordinary resolution as referred to in resolution 5 of the notice of the AGM;
"SFO"	the Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong);

"Share(s)"	share(s) of nominal value of HK$0.02 each in the share capital of the Company;
"Share Repurchase Rules"	the relevant rules set out in the Listing Rules to regulate the repurchase by companies with primary listing on the Stock Exchange of their own securities on the Stock Exchange;
"Shareholder(s)"	holder(s) of the Shares(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Takeovers Code"	the Hong Kong code on Takeovers and Mergers; and
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

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(Stock Code: 346)

Directors:
Dr. Hui Chi Ming *(Chairman)*
Mr. Chen Hua
Dr. Chui Say Hoe
Mr. Tsang Kwok Man
Mr. Cheung Shing

Non-executive Director:
Mr. Chow Charn Ki Kenneth

Independent Non-executive Directors:
Mr. Chan Wai Dune
Dr. Yu Sun Say
Mr. Ng Wing Ka

Registered Office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Office:
Room 4605-7, 46th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

15 August 2005

To the shareholders

Dear Sir or Madam,

PROPOSAL INVOLVING (1) GENERAL MANDATES TO REPURCHASE SHARES AND TO ISSUE NEW SHARES OF THE COMPANY AND (2) PROPOSED AMENDMENTS TO BYE-LAWS OF THE COMPANY

INTRODUCTION

The Purpose of this circular is to provided you with information regarding certain ordinary and special resolutions to be proposed at the AGM to enable you to make an informed decision on whether to vote for or against those resolutions.

* *For identification purpose only*

At the AGM, amongst others, (i) ordinary resolutions will be proposed that the Directors be granted a general and unconditional mandate to exercise all powers of the Company to issue, allot and deal with new shares and to repurchase issued and fully paid shares of the Company and (ii) special resolution will be proposed that the amendments to the Bye-laws to align with the amended Listing Rules which came into effect on 1 January 2005.

AMENDMENTS TO THE BYE-LAWS

The Stock Exchange has revised the Listing Rules concerning various corporate governance issues and the amended Listing Rules came into effect on 1st January, 2005. The Board therefore proposes to make certain amendments to the Bye-laws in compliance with the amended Listing Rules. In this respect, Bye-law 87 will be amended to the effect that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

In addition, the Directors also take this opportunity to amend Bye-law 45 so as to allow the Company a greater flexibility in fixing the record dates for payment of dividends or other distribution to Shareholders. Bye-laws 66 and 68 will also be amended.

GENERAL MANDATE TO ISSUE SHARES AND REPURCHASE SHARES

At the AGM, separate ordinary resolutions will be proposed that the Directors be given a general and unconditional mandate to (i) exercise all powers of the Company to repurchase issued shares of the Company on the Stock Exchange up to a maximum of 10% of the aggregate nominal amount of the issued share capital of the Company at the date of the passing of the resolution; and (ii) allot and issue and otherwise deal with new shares of the Company not exceeding 20% of the aggregate nominal amount of the issued share capital of the Company at the date of passing of the resolution.

The Company's authority is restricted to purchases made on the Stock Exchange and otherwise in accordance with the Listing Rules. As at the Latest Practicable Date, there were in issue an aggregate of 1,197,000,000 shares of HK$0.02 each in the Company. The mandate allows the Company to make or agree to make purchases only during the period ending on the earliest of the date of the next annual general meeting, the date by which the next annual general meeting of the Company is required to be held by law or its bye-laws or the date upon which such authority is revoked or varied by an ordinary resolution of the Shareholders in a general meeting of the Company.

SHARE CAPITAL

As at the Latest Practicable Date, the issued share capital of the Company comprised of 1,197,000,000 Shares. As at the Latest Practicable Date, there were outstanding share options granted under the option scheme entitling holders thereof to subscribe for an aggregate of 73,000,000 Shares at exercise price of HK$ 0.1324 per Share.

On the basis that none of the outstanding share options are exercised prior to the Annual General Meeting and subject to the passing of the relevant ordinary resolution approving the Repurchase Proposal, exercise in full of the mandate on the basis that no further Shares are issued or repurchased prior to the date of the Annual General Meeting, the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 119,700,000 Shares.

Assuming that all the outstanding share options are exercised in full prior to the Annual General Meeting, the issued share capital of the Company will be comprised of 1,389,700,000 Shares and the Company would be allowed under the Repurchase Proposal to repurchase a maximum of 138,970,000 Shares on such basis.

REASONS FOR REPURCHASES SHARES

The directors have no present intention to repurchase any Shares but consider that the mandate will provide the Company the flexibility to make such repurchases as and when appropriate and beneficial to the Company. Such repurchases may enhance the net asset value of the Company and/or earnings per Share. As compared with the financial position of the Company as at 31 March 2005 (being the date to which the latest audited financial statements of the Company have been made up).

FUNDING OF THE REPURCHASES

Repurchase of the Shares of the Company will be funded entirely from the Company's available cash flow or working capital facilities, and will, in any event, be made out of funds legally available for the repurchase in accordance with the bye-laws of the Company and the applicable laws of Bermuda. Under the laws of Bermuda, the repurchased shares will be cancelled and the company's issued share capital will be reduced by the nominal value of those repurchases shares accordingly. However, the aggregate amount of the company's authorized share capital will not be reduced.

POSSIBLE MATERIAL ADVERSE IMPACT

There might be an adverse impact on the working capital or gearing position of the Company as compared with the position disclosed in the audited financial statements contained in the annual report for the year ended 31 March 2005 in the event that the power to repurchase Shares pursuant to the Repurchase Proposal was to be carried out in full at any time during the proposed repurchase period. However, the Directors do not propose to exercise the power to repurchase Shares pursuant to the Repurchase Proposal to such extent as would, in the circumstances have a material adverse impact on the working capital requirements of the Company or gearing levels which in the opinion of the Directors are from time to time appropriate for the Company.

CONNECTED PERSONS

None of the directors nor, to the best of the knowledge and belief of the directors having made all reasonable enquiries, any of the associates of any of the directors has any present intention, in the event that the proposal is approved by shareholders, to sell Shares to the Company.

No connected person of the Company (as defined in the Listing Rules) has notified the Company that he/she has a present intention to sell Shares to the Company nor has he/she undertaken not to sell any of the Shares held by him/her to the Company in the event that the Company is authorised to make repurchased of Shares.

UNDERTAKING OF THE DIRECTORS

The directors have undertaken to the Stock Exchange to exercise the power of the Company to make repurchases pursuant to the proposed resolution in accordance with the Listing Rules and all applicable laws of Bermuda, and in accordance with the regulations set out in the memorandum of association and bye-laws of the Company.

EFFECT OF TAKEOVERS CODE

A repurchase of Shares by the Company may result in an increase in the proportionate interests of a substantial shareholder of the Company in the voting rights of the Company, which could give rise to an obligation to make a mandatory offer in accordance with Rule 26 of the Hong Kong Code on Takeovers and Mergers.

As at the Latest Practicable Date, to the best of the knowledge and belief of the Company, Wisdom On Holdings Limited, held approximately 62.66% of the issued share capital of the Company. Assuming that none of the outstanding Options are exercised prior to the AGM, in the event that the directors should exercise in full the power to repurchase Shares which is proposed to be granted pursuant to the resolution, the shareholding of Wisdom On Holdings Limited would be increased to approximately 69.63% of the issued share capital of the Company. The Directors consider that such increase would give rise to an obligation on the part of Wisdom On Holdings Limited to make a mandatory offer under Rule 26 of the Code and reduce the amount of Shares held by the public to less than 25%. The Directors will exercise the powers conferred by the Repurchase Mandate to repurchase Shares in circumstances which they deemed appropriate for the benefits of the Company and the Shareholders as a whole. However, the directors have no intention to repurchase Shares to such an extent which will result in the amount of Shares held by the public being reduced to less than 25%.

SHARE REPURCHASE MADE BY THE COMPANY

The Company had not repurchased any of the Shares during the previous six months immediately preceding the Latest Practicable Date.

SHARE PRICE

During each of the previous 12 months to the month preceding the Latest Practicable Date, the highest and lowest prices at which the Shares have traded on the Stock Exchange were as follow:–

	Per Share	
	Highest	**Lowest**
Month	*HK$*	*HK$*
2004		
August	0.245	0.196
September	0.230	0.171
October	0.190	0.122
November	0.226	0.124
December	0.226	0.201
2005		
January	0.330	0.195
February	0.320	0.245
March	0.300	0.250
April	0.275	0.235
May	0.265	0.220
June	0.238	0.200
July	0.230	0.183
August (up to Latest Practical Date)	0.200	0.161

RECOMMENDATION

The directors consider that the granting of the mandate to repurchase Shares of the Company is in the interest of the Company and so recommend you to vote in favour of the relevant resolution at the forthcoming annual general meeting.

Yours faithfully,
Chui Say Hoe
Executive Director

The followings are the particulars of the Directors proposed to be re-elected at the AGM in accordance with the Bye-laws:–

Dr. Chui Say Hoe, aged 56, was appointed as an executive director of the Company since 5 October 2004. He has been the executive director and general manager of Sun Hoe Company Limited, a company engaged in medicine distribution and trading business, since 1978 up to present. Before joining Sun Hoe Company Limited, Dr. Chui worked in a commercial bank in Hong Kong for about 5 years. Dr. Chui has more than 20 years of experience in commerce and general business management. Dr. Chui obtained a Diploma from Technologie, Universite de Paris XIII, Paris, France in 1990. He was granted Honorary Doctorate of Management from Morrison University, Nevada, U.S.A. on 8th January 2005. Dr. Chui does not have any relationship with any Directors, senior management or substantial Shareholders of the Company. Dr. Chui has a service contract with the Company which can be terminated by either party giving three months' notice in writing to the other party. Between 5 October 2004 and 31 March 2005 Dr Chui received a total sum of HK$293,548 from the Company as emoluments or director's fee. Dr Chui's emoluments are determined by the Board of Directors with reference to the Company's performance. As at the Latest Practicable Date Dr. Chui does not have any interest in Shares of the Company within the meaning of Part XV of the SFO.

Mr. Tsang Kwok Man, aged 60, was appointed as an executive director of the Company since 23 February 2005. He has been the deputy general manager of the Company since November 2004. He is also the finance manager of Gahood Holding Co. Ltd. and Join Wisdom Group International Ltd. since September 2004. Mr. Tsang has about 28 years of experiences in the banking industry and was the manager in commercial and corporate banking for the last few years of his career in the banking industry. Mr. Tsang does not have any relationship with any Directors, senior management or substantial Shareholders of the Company. Mr. Tsang has a service contract with the Company which can be terminated by either party giving three months' notice in writing to the other party. Between 23 February 2005 and 31 March 2005, Mr. Tsang received a total sum of HK$80,000 from the Company as emoluments or director's fee. Mr. Tsang's emoluments are determined by the Board of Directors with reference to the Company's performance. As at the Latest Practicable Date, Mr. Tsang holds share options entitling him to subscribe for 11,000,000 Shares at exercise price of HK$0.1324 per Share. Save as disclosed above, Mr. Tsang does not have any other interest in Shares of the Company within the meaning of Part XV of the SFO.

Mr. Cheung Shing, aged 52, was appointed as an executive director of the Company since 23 February 2005. He has been the deputy executive officer of the Company since February 2004 and is now the vice-chairman of Liaoning Xinmin Petrochemical Company Limited (遼寧新民石油化工有限公司), a wholly-owned subsidiary of the Company, since October 2004. He has been the chairman of 河南省盛華石油化工有限公司 during the period between 1998 and 2003 and the chairman of Liaoning Xinmin Petrochemical Company Limited during the period between May 2004 and September 2004. Mr. Cheung is now a petrochemical management economist (石油化工管理經濟師). Mr. Cheung does not have any relationship with any Directors, senior management or substantial Shareholders of the Company. Mr. Cheung has a service contract with the Company which can be terminated by either party giving three months' notice in writing to the other party. Between 23 February 2005 and 31 March 2005, Mr. Cheung received a total sum of HK$120,000 from the Company as emoluments or director's fee. Mr. Cheung's emoluments are determined by the Board of Directors with reference to the Company's performance. As at the Latest Practicable Date Mr. Cheung does not have any interest in Shares of the Company within the meaning of Part XV of the SFO.

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(Incorporated in Bermuda with limited liability)

(Stock Code: 346)

Notice is hereby given that the annual general meeting of the abovenamed company (the "Company") will be held at Rooms 4605-7, 46th Floor, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong on Friday, 9 September 2005, at 11:00 a.m. for the following purposes:–

1. To receive and consider the audited consolidated financial statements and the Reports of the Directors and Auditors for the year ended 31 March 2005.

2. To re-elect Directors and to authorise the board of directors to fix their remuneration.

3. To re-appoint Auditors and to authorise the board of directors to fix their remuneration.

4. As special business, to consider and, if thought fit, pass with or without amendments, the following resolutions as Ordinary Resolutions:–

   "**THAT**:–

   (a) subject to paragraph (c), the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all the powers of the Company to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such power be and is hereby generally and unconditionally approved;

   (b) the approval in paragraph (a) shall authorise the directors of the Company during the Relevant Period (as hereinafter defined) to make or grant offers, agreements and options which might require the exercise of such power after the end of the Relevant Period (as hereinafter defined);

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(c) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company pursuant to the approval in paragraph (a), otherwise than pursuant to a Rights Issue (as hereinafter defined) or scrip dividend scheme of the Company or the exercise of the subscription rights under the share option scheme of the Company shall not exceed 20 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(d) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

iii. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting; and

"Rights Issue" means an offer of shares open for a period fixed by the directors of the Company to the holders of shares on the register of members of the Company on a fixed record date in proportion to their then holdings of such shares (subject to such exclusion or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong)."

5. As special business, to consider and, if thought fit, pass the following resolution as an ordinary resolution:

"**THAT**:–

(a) the exercise by the directors of the Company during the Relevant Period (as hereinafter defined) of all powers of the Company to purchase its own shares, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of shares of the Company purchased by the Company pursuant to the approval in paragraph (a) during the Relevant Period (as hereinafter defined) shall not exceed 10 per cent of the aggregate nominal amount of the share capital of the Company in issue as at the date of this resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this resolution:–

"Relevant Period" means the period from the passing of this resolution until whichever is the earliest of:–

i. the conclusion of the next annual general meeting of the Company;

ii. the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law to be held; and

iii. the revocation or variation of this resolution by an ordinary resolution of the shareholders of the Company in general meeting."

6. As special business, to consider and, if thought fit, with or without amendments, the following resolution as an ordinary resolution:

"**THAT** conditional upon resolution no. 5 above being passed, the aggregate nominal amount of the number of shares in the capital of the Company which are repurchased by the Company under the authority granted to the directors of the Company as mentioned in resolution no. 5 above shall be added to the aggregate nominal amount of share capital that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to resolution no. 4 above."

7. To consider as special business and, if thought fit, pass, with or without amendments, the following resolution as a Special Resolution:

"**THAT** the existing Bye-laws of the Company be and are hereby amended as follows:

(a) by deleting the words "and such record date may be on, or at any time not more than thirty (30) days before of after, any date on which such dividend, distribution, allotment or issue is declared, paid or made" in Bye-law 45(a);

(b) by inserting the words "voting by way of a poll is required by the rules of the Designated Stock Exchange or" after the words "a show of hands unless" in Bye-law 66;

(c) by deleting the word "or" at the end of the existing bye-law 66(c), deleting the full-stop at the end of existing Bye-law 66(d) and replacing therewith a semicolon and the word "or" and inserting the following new Bye-law 66(e):–

"(e) if required by the rules of the Designated Stock Exchange, by any Director or Directors who, individually or collectively, hold proxies in respect of shares representing five per cent. or more of the total voting rights of all the members having the right to vote at the meeting."

(d) by deleting the existing Bye-law 68 in its entirety and substituting therefor the following:

"68. If a poll is duly demanded the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Company shall only be required to disclose the voting figures on a poll if such disclosure is required by the rules of the Designated Stock Exchange."

(e) by deleting the existing Bye-law 87 in its entirety and substituting therefore the following:

"87. (1) Notwithstanding any other provisions in the Bye-laws, at each annual general meeting one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at least once every three years.

(2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed pursuant to Bye-law 86(2) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.""

By order of the Board
Fu Wing Kwok Ewing
Company Secretary

Hong Kong, 15 August 2005

Principal Office:
Room 4605-7, 46th Floor
Far East Finance Centre
16 Harcourt Road
Admiralty
Hong Kong

Notes:–

(1) A member entitled to attend and vote at the meeting convened by the above notice is entitled to appoint proxies to attend and, in the event of a poll, vote in his stead. A proxy need not be a member of the Company.

(2) In order to be valid, the form of proxy must be lodged with the Company's share registrar in Hong Kong, Tengis Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power or authority, not less than 48 hours before the time for holding the meeting or adjourned meeting.

(3) With reference to ordinary resolution 5 of the above notice, the director of the Company wish to state that they have no immediate plans to repurchase any existing shares or to issue any new shares of the Company.