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)

ANNUAL RESULTS FOR YEAR ENDED 31 MARCH 2006

The board of directors (the "Board") of Sino Union Petroleum & Chemical International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 March 2006, together with the comparative figures for the year ended 31 March 2005 as follows:

CONSOLIDATED INCOME STATEMENT
For the year ended 31 March 2006

	Notes	2006 HK$'000	2005 HK$'000 (Restated)
Turnover	4		
Continuing operation		**577,729**	652,717
Discontinued operation	9	**40,979**	231,630
		618,708	884,347
Cost of sales		**(592,478)**	(845,668)
Gross profit		**26,230**	38,679
Other revenue	4	**7**	2,345
Other income	4	**810**	80
Selling and distribution costs		**(1,720)**	(945)
Administrative expenses		**(22,426)**	(31,165)
Profit from operating activities	5	**2,901**	8,994
Gain on disposal of subsidiaries	8	**18,638**	112
Finance costs	6	**(3,591)**	(6,012)
Profit before taxation			
Continuing operation		**2,986**	8,717
Discontinued operation	9	**14,962**	(5,623)
		17,948	3,094
Taxation	7		
Continuing operation		**(2,381)**	(4,445)
Discontinued operation		**–**	–
		(2,381)	(4,445)
Net profit/(loss) attributable to equity holders of the Company			
Continuing operation		**605**	4,272
Discontinued operation	9	**14,962**	(5,623)
		15,567	(1,351)

	Note	2006	2005
Earnings/(loss) per share	*10*		
From continuing and discontinued operation			
Basic		**HK1.30 cents**	(HK0.11 cents)
Diluted		**HK1.14 cents**	N/A
From continuing operation			
Basic		**HK0.05 cents**	HK0.36 cents
Diluted		**N/A**	N/A

CONSOLIDATED BALANCE SHEET
For the year ended 31 March 2006

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
ASSETS		
Non-current assets		
Property, plant and equipment	**541**	141,570
Land use rights	**–**	11,587
Goodwill	**–**	16,511
	541	169,668
Current assets		
Inventories	**9,121**	41,308
Financial assets at fair value through profit or loss	**–**	7,967
Trade receivables	**158,684**	152,322
Prepayments, deposits and other receivables	**57,468**	55,736
Cash and bank balances	**6,028**	6,246
	231,301	263,579
Total assets	**231,842**	433,247
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Share capital	**23,940**	23,940
Reserves	**152,500**	138,950
Total equity	**176,440**	162,890
LIABILITIES		
Current liabilities		
Trade and bills payables	**15,758**	32,699
Tax payable	**28,411**	47,833
Other payables and accruals	**5,916**	56,803
Amount due to a holding company	**5,234**	12,406
Bank borrowings	**–**	93,623
Obligations under finance leases – due within one year	**–**	669
	55,319	244,033
Non-current liabilities		
Convertible bond	**–**	25,054
Obligations under finance leases – due after one year	**–**	1,187
Deferred taxation	**83**	83
	83	26,324
Total liabilities	**55,402**	270,357
Total equity and liabilities	**231,842**	433,247
Net current assets	**175,982**	19,546
Total assets less current liabilities	**176,523**	189,214

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was incorporated in Bermuda on 5 January 2001 as an exempted company with limited liability under the Companies Act 1981 of Bermuda. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company in Hong Kong is located at Units 10-12, 19/F., China Merchants Tower, Shun Tak Centre, 168-200 Connuaght Road Central, Sheung Wan, Hong Kong.

The Company acts as an investment holding company while its subsidiaries are engaged in the trading of Polyurethane materials.

The directors consider the ultimate holding company to be Wisdom On Holdings Limited, a company incorporated in the British Virgin Islands.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of Sino Union Petroleum & Chemical International Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term that includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and interpretation (Ints) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Group's books and records are maintained in Hong Kong Dollar ("HK$"), the currency in which the majority of the Group's transactions is denominated.

The preparation of financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement basis used in the preparation of the financial statements is historical cost convention and modified by the revaluation of certain financial assets at fair value through profit or loss.

Changes in accounting policies

In 2006, the Group adopted the new/revised standards and interpretations of HKFRSs below, which are relevant to its operations. The 2005 comparatives have been amended and restated as required, in accordance with the relevant requirements.

A summary of significant accounting policies followed by the Group and the Company in the preparation of the financial statements is set out below:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HKFRS 5	Non-current Assets Held for Sale and Discontinued Operations

The adoption of new/revised HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 27, 33, 37, 38 and HKFRS 5 did not result in substantial changes to the Group's accounting policies. In summary:

– HKAS 1 has affected the presentation of minority interest, share of net after-tax results of associates and other disclosures.

– HKASs 2, 7, 8, 10, 12, 14, 16, 18, 19, 23, 27, 33 and 37 had no material effect on the Group's policies.

– HKAS 21 had no material effect on the Group's policy. The functional currency of each of the consolidated entities has been re-evaluated based on the guidance to the revised standard. All of the Group entities have the same functional currency as the presentation currency for respective entity financial statements.

– HKAS 24 has affected the identification of related parties and some other related-party disclosures.

The adoption of the above HKFRSs has no material impact on the accounting polices and the results and financial position of the Group, except for HKAS 17, HKAS 32, HKAS 36, HKAS 38, HKAS 39, HKFRS 3 and HKFRS 5, details of which are set in Note 2 to the financial statements in the annual report.

Effect on the consolidated assets and liabilities as at 31 March 2005 and 31 March 2006

	HKAS 17 Leases	**HKAS 39 Financial Instruments**	**HKFRS 3 Business Combinations**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2005				
Decrease in other investments	–	(7,967)	–	(7,967)
Increase in financial assets at fair value through profit or loss	–	7,967	–	7,967
Decrease in property, plant and equipment	11,587	–	–	11,587
Increase in interest in land use rights	(11,587)	–	–	(11,587)
Decrease in accumulated amortisation	–	–	(1,179)	(1,179)
Decrease in goodwill	–	–	1,179	1,179
Decrease in convertible bond	–	(1,759)	–	(1,759)
Increase in convertible bond interest payable	–	71	–	71
	–	(1,688)	–	(1,688)
At 31 March 2006				
Increase in convertible bond interest payable	–	1,252	–	1,252
	–	1,252	–	1,252

Effect on the balance of equity as at 1 April 2005

	HKAS 39 Financial Instruments
	HK$'000
Increase in convertible bond reserve	2,017

There is no effect on the balance of equity as at 1 April 2004.

Effect on the consolidated income statement for the year ended 31 March 2005 and 2006

Year ended 31 March 2005

	HKAS 39 Financial Instruments
	HK$'000
Increase in finance costs	329
Increase in basic loss per share	HK0.03 cents
Decrease in diluted loss per share	N/A
Year ended 31 March 2006	
Increase in finance costs	923
Decrease in basic earnings per share	HK0.08 cents
Decrease in diluted earnings per share	HK0.14 cents

3. **SEGMENT INFORMATION**

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the polyurethane ("PU") materials segment involves the trading of PU materials, such as isocyanate, polyols and various kinds of PU catalysts.

(b) the petrochemical products segment involves the manufacture and sales of petrochemical fuel products, which was discontinued during the year ended 31 March 2006, details of which are set out in Note 25 to the financial statements of the annual report.

In determining the Group's geographical segments, revenue and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments.

	Continuing Operation		**Discontinued Operation**			
	PU materials		**Petrochemical products**		**Consolidated**	
	2006	2005	**2006**	2005	**2006**	2005
	HK$'000	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)	***HK$'000***	*HK$'000* (Restated)
Segment revenue:						
Sales to external customers	**577,729**	652,717	**40,979**	231,630	**618,708**	884,347
Total revenue	**577,729**	652,717	**40,979**	231,630	**618,708**	884,347
Segment results	**4,515**	10,061	**(1,008)**	(240)	**3,507**	9,821
Interest income					**7**	2
Unallocated expenses					**(613)**	(829)
Profit from operating activities					**2,901**	8,994
Gain on disposal of subsidiaries	**–**	112	**18,638**	–	**18,638**	112
Profit from operation	**3,909**	9,257	**17,630**	(151)	**21,539**	9,106
Finance costs	**(923)**	(540)	**(2,668)**	(5,472)	**(3,591)**	(6,012)
Profit before tax	**2,986**	8,717	**14,962**	(5,623)	**17,948**	3,094
Tax	**(2,381)**	(4,445)	**–**	–	**(2,381)**	(4,445)
Net profit/(loss) from ordinary activities attributable to equity holders of the Company					**15,567**	(1,351)
Segment assets	**231,842**	231,678	**–**	201,569	**231,842**	433,247
Total assets					**231,842**	433,247
Segment liabilities	**55,402**	88,109	**–**	182,248	**55,402**	270,357
Total liabilities					**55,402**	270,357
Other segment information:						
Depreciation	**1,083**	1,346	**1,034**	4,668	**2,117**	6,014
Other non-cash expenses	**–**	1,179	**–**	–	**–**	1,179
Capital expenditure	**33**	1,674	**–**	40,352	**33**	42,026

4. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. All significant intercompany transactions have been eliminated on consolidation.

An analysis of the Group's turnover, other revenue and other income are as follows:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Turnover		
Continuing		
Sale of goods	**577,729**	652,717
Discontinued		
Sale of goods	**40,979**	231,630
	618,708	884,347
Other revenue		
Bank interest income	**7**	2
Others	**–**	2,343
	7	2,345
Other income		
Gain on disposal of property, plant and equipment	**772**	62
Exchange gain	**38**	18
	810	80

5. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Cost of inventories sold	**588,773**	828,488
Auditors' remuneration	**400**	400
Depreciation	**2,117**	6,014
Amortisation of goodwill	**–**	1,179
Provision on impairment loss of trade receivables	**–**	3,773
Minimum lease payments under operating leases in respect of rented premises	**1,320**	1,691
Staff costs (including Directors' remuneration)		
Salaries and wages	**6,049**	10,270
Mandatory provident fund contributions	**124**	148
and after crediting:		
Gain on disposal of property, plant and equipment	**772**	62
Gain on disposal of subsidiaries	**18,638**	112
Exchange gain, net	**38**	18

The cost of inventories sold includes HK$2,618,000 (2005: HK$5,699,000) relating to staff costs and depreciation, which are also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. FINANCE COSTS

	2006	2005
	HK$'000	*HK$'000*
		(Restated)
Interest on bank loans wholly repayable within five years	**2,668**	5,472
Interest on trust receipt loans wholly repayable within five years	**–**	151
Interest on convertible bond	**923**	329
Finance charges on obligations under finance leases	**–**	60
	3,591	6,012

7. TAXATION

Taxation in the consolidated income statement represents:

	2006	2005
	HK$'000	*HK$'000*
Current year provision:		
Hong Kong	**–**	–
Overseas	**2,381**	4,445
Tax charge for the year	**2,381**	4,445

No provision for Hong Kong profits tax has been made as the Group did not have assessable profits for the year (2005: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

8. DISPOSAL OF SUBSIDIARIES

On 13 July 2005, the Group entered into a sale and purchase agreement to dispose of its 100% equity interest in Liaohe Energy Limited ("Liabohe Energy") to independent third party together with its 100% equity interest in Liaoning Xinmin Petrochemical Company Limited ("Lianoning Xinmin"), for a cash consideration of HK$51,000,000. The operation of Liaohe Energy and Liaoning Xinmin is reported in the financial statements as a discontinued operation (note 9). Summary of the effects of the disposal of subsidiaries are as follows:

	2006	2005
	HK$'000	*HK$'000*
Net assets disposed of:		
Property, plant and equipment	**137,861**	240
Land use rights	**11,587**	–
Inventories	**26,115**	–
Financial assets at fair value through profit or loss	**8,120**	–
Trade receivables	**943**	753
Prepayments, deposits and other receivables	**2,905**	–
Cash and bank balances	**284**	28
Trade and bills payables	**(19,055)**	–
Other payables and accruals	**(36,880)**	(1,133)
Tax payable	**(19,886)**	–
Bank borrowings	**(95,423)**	–
	16,571	(112)
Goodwill	**16,511**	–
Exchange reserve	**(720)**	–
Gain on disposal of subsidiaries	**18,638**	112
	51,000	–

Satisfied by:		
Cash consideration	**51,000**	–
Net cash inflow/(outflow) arising on disposal:		
Cash consideration	**51,000**	–
Cash and bank balances disposed of	**(284)**	(28)
	50,716	(28)

For the period from 1 April 2005 to the respective date of disposal, the above subsidiaries were engaged in manufacture and sales of petrochemical fuel products and contributed approximately HK$41 million to the Group's turnover and approximately a loss of HK$3.7 million to the Group's profit before taxation.

9. DISCONTINUED OPERATION

In additions to Note 8, the profit for the year from the discontinued operation which has been included in the consolidated income statement is analysed as follows:

	2006	2005
	HK$'000	*HK$'000*
Loss on petrochemical products operation	**(3,676)**	(5,623)
Gain on disposal of petrochemical products operation	**18,638**	–
	14,962	(5,623)
Basic earnings/(loss) per share from discontinued operation	**HK1.25 cents**	(HK0.47 cents)
Diluted earnings/(loss) per share from discontinued operation	**HK1.03 cents**	N/A

The results of petrochemical products operation for the period from 1 April 2005 to 13 July 2005 which has been included in the consolidated income statement were as follows:

	HK$'000
Turnover	40,979
Cost of sales	(37,759)
Administrative expenses	(4,228)
Loss from operation	(1,008)
Finance costs	(2,668)
Loss before taxation	(3,676)
Taxation	–
Loss after taxation	(3,676)

The net assets of the discounted operation at 13 July 2005 (date of disposal) have been presented in Note 8 to the financial statements.

The net cash flow of the discounted operation for the period from 1 April 2005 to 13 July 2005 was as follows:

	HK$'000
Net operating cash inflow	1,193
Net investing cash flow	–
Net financing cash outflow	(2,668)
Total net cash outflow	(1,475)

10. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Earnings/(loss) attributable to equity holders of the Company	**15,567**	(1,351)
Attributable to:		
Continuing operation	**605**	4,272
Discontinued operation	**14,962**	(5,623)
	15,567	(1,351)

	No. of shares *'000*	No. of shares *'000*
Weighted average number of ordinary shares in issue	**1,197,000**	1,197,000
Basic earnings/(loss) per share		
– for profit/(loss) for the year	**HK1.30 cents**	(HK0.11 cents)
– for profit from continuing operation	**HK0.05 cents**	HK0.36 cents
– for profit/(loss) from discontinued operation	**HK1.25 cents**	(HK0.47 cents)

(b) Diluted earnings/(loss) per share

(i) Profit attributable to ordinary equity holders of the Company – diluted

	2006 *HK$'000*	2005 *HK$'000* (Restated)
Profit/(loss) attributable to equity holders	**15,567**	(1,351)
Effective interest on liability component of convertible bond	**923**	329
Profit/(loss) attributable to equity holders	**16,490**	(1,022)

(ii) Weighted average number of ordinary shares – diluted

	2006 No. of shares *'000*	2005 No. of shares *'000* (Restated)
Weighted average number of ordinary shares at 31 March	**1,197,000**	1,197,000
Adjustments for – assumed conversion of convertible bond	**239,402**	74,772
– assumed exercise of share options	**14,413**	15,684
Weighted average number of ordinary shares at 31 March	**1,450,815**	1,287,456
Diluted earnings/(loss) per share		
– for profit for the year	**HK1.14 cents**	N/A
– for profit from continuing operation	**N/A**	N/A
– for profit from discontinued operation	**HK1.03 cents**	N/A

FINANCIAL REVIEW

For the financial year ended 31 March 2006, the Group recorded a turnover of approximately HK$618,708,000 (2005: HK$884,347,000) down 30% compared to the previous year. Profit attributable to shareholders was HK$15,567,000 (2005: loss of HK$1,351,000 as restated). Given the uncertainty faced by the Group during the year, we strived to sustain our results by implementation of stringent cost control and adoption of discriminative pricing approach in accepting sales order of the PU materials. Moreover, the Group had disposed its petrochemical manufacturing division because the Board considered the profitability of the petrochemical manufacturing division is not promising. For details, please refer to the following paragraph with headline "MATERIAL ACQUISITIONS AND DISPOSALS". Earnings per share from continuing and discontinued operation is HK1.30 cents (2005: loss per share of HK0.11 cents as restated) per share.

OPERATIONAL REVIEW

During the year under review, approximately 93% (2005: 74%) of the Group's revenue derived from distribution of PU materials and approximately 7% of the Group's revenue derived from manufacturing of petrochemical products (2005: 26%) and the principal market of the Group was PRC, accounted for approximately 100% (2005: 95%) of the Group's turnover. No revenue derived from Hong Kong (2005: 5%).

Distribution of PU materials

During the year under review, revenue from the distribution of PU materials was approximately HK$577,729,000 (2005: HK$652,717,000), representing decrease of approximately 11% compared to previous year. The distribution of PU materials contributed approximately HK$3.9 million (2005: HK$10 million) to the Group's profit from operating activities for the year, representing a decrease of 61% compared to previous year. The market of the PU materials became increasingly competitive during the second half of the financial year and the demand of PU materials showed a decreasing trend during the second half of the financial year. The Group had scale down the revenue in order to deal with the risks coupling with such a competitive environment.

Manufacturing business

During the year under review, the Group's business of manufacture and sale of petrochemical fuel products contributed an operating loss of approximately HK$3.7 million to the Group's net profit for the year. On 13 July 2005, the Group as vendor entered into a sale and purchase agreement to dispose the manufacturing division, Liaoning Xinmin Petrochemical Company Limited. Please refer to the following paragraph with headline "MATERIAL ACQUISITIONS AND DISPOSALS".

DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 March 2006 (2005: Nil).

LIQUIDITY AND FINANCIAL RESOURCES

During the year, a convertible bond issued by the Company of HK$26,813,000 had been fully redeemed. As at 31 March 2006, the Group did not have any outstanding bank borrowings (2005: HK$93.6 million) and cash and bank balances approximately HK$6,028,000 (2005: HK$6,246,000).

With the available resources and the proceeds from the sale of the Group's subsidiaries subsequent to the balance sheet date, the Group has adequate working capital to finance its business operations.

As at 31 March 2006, the current ratio (current assets divided by current liabilities) was 4.18 times (2005: 1.08 times) and the gearing ratio (bank borrowing, convertible bond and finance lease payables divided by shareholders' equity) was zero (2005: 74%).

CHARGE ON ASSETS

As at 31 March 2006, none of the Group's asset was pledged.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES AND RELATED HEDGES

As the Group's transactions are mostly settled by Hong Kong dollars, Renminbi or Hong Kong dollars pegged currencies, the exposure to foreign exchange fluctuation is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

As at 31 March 2006, the Group did not have any foreign currency investments which has been hedged by currency borrowings and other hedging instruments.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As at 31 March 2006, the Group did not have any capital commitment and contingent liabilities.

MATERIAL ACQUISITIONS AND DISPOSALS

In July 2005, the Group entered into a sale and purchase agreement to dispose its 100% equity interest in Liaohe Energy Limited, the sole asset of Liaohe Energy Limited is its 100% equity interest in Liaoning Xinmin Petrochemical Company Limited which is principally engaged in the manufacture and sale of petrochemical products in Shenyang, Liaoning Province, the PRC. The consideration of the disposal was HK$51 million and the Group recognised a profit of approximately HK$19 million. For further details, please refer to the circular dated 7 September 2005.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 March 2006, the Group's total number of staff was 18 (2005: 742). Salaries of employees are maintained at a competitive level. The Group has not encountered any problem with the recruitment of its employees. None of the companies in the Group has experienced any labour disputes during the year and the Directors of the Company consider that the Group has maintained an excellent employment relationship.

The Group remunerates its employees largely based on industry practice. Remuneration packages comprised salaries, commissions and bonuses based on individual performance.

SUBSEQUENT EVENT

Details of the significant subsequent event of the Group are set out in Note 39 to the financial statements of the annual report.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the directors, the Company complied with the Code on Corporate Governance Practices (the "Code") as set out in Appendix 14 of the Listing Rules during the year ended 31 March 2006, except that the independent non-executive directors of the Company are not appointed for a specific term as required by A.4.1 of the Code, but are subject to retirement by rotation and re-election at the annual general meeting in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules as its Code of Ethics and Securities Transactions by directors of the Company.

Having made specific enquiry of all directors of the Company, they have complied with the required standards set out in the Model Code for the year ended 31 March 2006.

AUDIT COMMITTEE

The Company has an Audit Committee which was established for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The written term of reference which describes the authority and duties of the Audit Committee was prepared and adopted with reference to "A Guide for The Formation of An Audit Committee" and "A Guide for Effective Audit Committee" published by the Hong Kong Institute of Certified Public Accountants, and was amended in accordance with the Appendix 14 of the Listing Rules. The Audit Committee, comprises three INEDs, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka met regularly during the financial year. During the meetings, the Audit Committee reviewed the accounting principles and practices adopted by the Group, the interim and annual reports of the Group and discussed with management the auditing, internal control and financial reporting matters including the review of these unaudited interim results for the six months ended 30 September 2005 and the audited results for the twelve months ended 31 March 2006. There were two meetings during the period under review and all INEDs attended all the two meetings.

REMUNERATION COMMITTEE

The Remuneration Committee was established for the purposes of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The written term of reference which describes the authority and duties of the Remuneration Committee was prepared and adopted. The Remuneration Committee comprises two INEDs namely Dr. Yu Sun Say and Mr. Chan Wai Dune, and an executive director, Dr. Chui Say Hoe. The Remuneration Committee has not been met during the period.

NOMINATION COMMITTEE

The Nomination Committee was established for the purposes of reviewing the structure, size and composition of the board as well as identifying individuals suitable and qualified to become board members. The written term of reference which describes the authority and duties of the Nomination Committee was prepared and adopted. The Nomination Committee comprises two INEDs, Dr. Yu Sun Say and Mr. Ng Wing Ka and an executive director, Mr. Chui Say Hoe. The Nomination Committee had not held any meeting during the period from 1 April 2005 to 31 March 2006.

FINANCE COMMITTEE

The Finance Committee was established for the purpose of reviewing and approving banking facilities and financial instruments to be granted or issued by the Company for the Group's needs, the financial assistance of the Company and the provision of financing to third parties. The written term of reference which describes the authority and duties of the Finance Committee was prepared and adopted. The Finance Committee comprises two INEDs, Mr. Chan Wai Dune and Mr. Ng Wing Ka, and an executive director, Mr. Tsang Kwok Man. The Finance Committee had not held any meeting during the period from 1 April 2005 to 31 March 2006.

PURCHASE, SALE AND REDEPTION OF SHARES

For the year ended 31 March 2006, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of Company's shares.

PUBLICATION OF DETAILED RESULTS ANNOUNCEMENT AND ANNUAL REPORT ON THE WEBSITE OF THE STOCK EXCHANGE

All information required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be published on both the websites of the Stock Exchange in due course.

By Order of the board of
Sino Union Petroleum & Chemical International Limited
Chui Say Hoe
Executive Director

Hong Kong, 28 July 2006

As at the date of this announcement, the Board comprises of (1) Executive Directors: Dr. Hui Chi Ming, Mr. Chen Hua, Dr. Chui Say Hoe, Mr. Tsang Kwok Man, Mr. Cui Yeng Xu, Dr. Wang Tao and Mr. Cheung Shing; (2) Non-Executive Directors: Mr. Chow Charn Ki Kenneth; and (3) Independent Non-Executive Directors: Mr. Chan Wai Dune, Dr. Yun Sun Say and Mr. Ng Wing Ka.

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