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)

CONNECTED SHARE TRANSACTION REGARDING THE ACQUISITION OF A PROPERTY AND THE BUSINESS OF PETROLEUM IMPORT, TRANSPORTATION AND DISTRIBUTION IN MADAGASCAR

Financial adviser to Sino Union Petroleum & Chemical International Limited

Hercules

Hercules Capital Limited

On 5 September 2007, the Company entered into the Agreement with the Vendor to acquire the entire equity interests in Madagascar Energy and Dolaway and their respective shareholder's loans for a total consideration of HK$260 million, which shall be satisfied by the payment of cash of HK$60 million and the issue of 138,888,889 Consideration Shares at an issue price of HK$1.44 per Consideration Share.

The Acquisition constitutes a share transaction for the Company under Rule 14.06 of the Listing Rules. As Dr. Hui, the beneficial owner of the Vendor, is a connected person of the Company under the Listing Rules, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Agreement is subject to the approval of the Independent Shareholders at the SGM, by way of poll. Dr. Hui together with his associates, will abstain from voting for the approval of the Acquisition at the SGM. An independent board committee will be formed to advise the Independent Shareholders on the Acquisition and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders on the Acquisition.

* *For identification purpose only*

A circular containing, among other things, an independent valuation report on Madagascar Energy and Dolaway, further details of the Acquisition and other disclosures in connection with the Acquisition required under the Listing Rules, the advices from the independent board committee and independent financial adviser, together with a notice of the SGM will be dispatched to the Shareholders in due course.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 6 September 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 13 September 2007.

Reference is made to the Company's announcement dated 8 June 2007. Subsequent to the entering into of the Option Deed on 8 June 2007, the Company and the Vendor entered into the Agreement, details of which are set out below, to acquire the entire equity interests and shareholder's loans in Madagascar Energy and Dolaway.

THE AGREEMENT

Date: 5 September 2007

Parties:

Purchaser: the Company

Vendor: Good Progress Group Limited, an investment holding company beneficially owned by Dr. Hui, who is the Chairman and an executive Director of the Company. Dr. Hui beneficially owns as to 73.69% of the issued share capital of the Company.

Assets to be acquired

(a) The ME Sale Shares, being 500 ordinary shares of 20,000 Ariary each in the share capital of Madagascar Energy which represents the entire issued share capital of Madagascar Energy, and ME Shareholder's Loan; and

(b) The Dolaway Sale Shares, being 100 ordinary shares of US$1.00 each in the share capital of Dolaway which represents the entire issued share capital of Dolaway, and Dolaway Shareholder's Loan.

Consideration

The consideration for the ME Sale Shares and ME Shareholder's Loan is HK$200 million while the consideration for the Dolaway Sale Shares and Dolaway Shareholder's Loan is HK$60 million. The total consideration of HK$260 million shall be settled by the Company in the following manner upon completion of the Agreement:

(i) HK$60 million shall be paid in cash; and

(ii) HK$200 million shall be satisfied by the issue of 138,888,889 new Shares at HK$1.44 per Consideration Share.

The consideration was determined after arm's length negotiation between the Company and the Vendor with reference to (i) the total value of Madagascar Energy and Dolaway of approximately HK$260 million estimated by the Vendor; and (ii) the business potential of petroleum import, transportation and distribution business in Madagascar. The Directors (other than Dr. Hui) have performed an assessment, and are optimistic, about the future outlook of the industry of petroleum import, transportation and distribution business in Madagascar. Given the fact that the Acquisition is conditional upon the valuation of Madagascar Energy and Dolaway, to be valued by an independent professional valuer, being not less than HK$260 million, the Directors consider that the consideration is fair and reasonable. The Company intends to finance the cash consideration with internal financial resources.

The issue price of HK$1.44 per Consideration Share represents (i) a premium of approximately 6.7% to the closing price of HK$1.350 per Share as quoted on the Stock Exchange on the Last Trading Day; (ii) a premium of approximately 5.4% to the average closing price of approximately HK$1.366 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day; and (iii) a premium of approximately 4.6% to the average closing price of approximately HK$1.377 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day. The total market value of the Consideration Shares amounted to approximately HK$187.5 million based on the closing price of HK$1.350 per Share as quoted on the Stock Exchange on the Last Trading Day.

The issue price of the Consideration Shares was determined after arm's length negotiation between the Company and the Vendor with reference to the Company's share price performance during the period of negotiation between the Company and the Vendor. The Directors consider that the total consideration and the issue price of the Consideration Shares are fair and reasonable to the Independent Shareholders and in normal commercial terms.

Consideration Shares

The Consideration Shares represent approximately 3.2% and 3.1% of the Company's existing share capital and enlarged share capital immediately after the Completion respectively.

The issue of the Consideration Shares shall be subject to the Independent Shareholders' approval at the SGM. An application will be made to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares, which will rank pari passu in all respects with the then existing Shares save for any dividend or other distribution declared, made or paid by the Company by reference to a record date falling before the date of issue of the Consideration Shares.

Other Terms

The Vendor is negotiating with an independent third party for the sale of its entire equity interest in Madagascar Petroleum. The Vendor has agreed to distribute 50% of the profit arising from the sale of Madagascar Petroleum to the Company at no consideration.

Madagascar Petroleum has been granted with the licence to carry on business of import, transportation and distribution of petorleum in Madagascar for seven years since 25 January 2007. It has also the right to establish 250 petroleum and gas stations in Madagascar. Save for the license to carry on the business of import, transportation and distribution of petroleum in Madagascar, Madagascar Petroleum does not have any other material assets as at the date of this announcement.

As at the date of this announcement, no concrete terms for the sale of Madagascar Petroleum have been finalized and the value of the potential gain arising from the sale of Madagascar Petroleum cannot be ascertained at the moment. Further details regarding the sharing of profit from the sale of Madagascar Petroleum will be announced by the Company as and when appropriate.

Conditions Precedent

Completion of the Agreement shall be conditional upon fulfillment of the following conditions:

(i) the total value of Madagascar Energy and Dolaway, to be valued by an independent professional valuer appointed by the Company, being not less than HK$260 million;

(ii) the Company, being satisfied, at its absolute discretion, with the results of the due diligence conducted by the Company on Madagascar Energy and Dolaway;

(iii) the passing of the relevant resolutions at the SGM by the Independent Shareholders for approving the Agreement and transactions contemplated therein; and

(iv) the listing of and permission to deal in the Consideration Shares having been granted by the Stock Exchange.

Neither party to the Agreement shall have the right to waive any of the conditions set out above. In the event that the conditions set out above are not fulfilled on or before 9 November 2007 (or such other date as the Company and the Vendor may agree in writing), none of the parties to the Agreement shall be bound to proceed with the Acquisition. The Agreement shall be automatically terminated and ceased, and neither party to the Agreement shall have any claim under the Agreement against the other save in respect of any antecedent breaches of the Agreement.

INFORMATION ON MADAGASCAR ENERGY AND DOLAWAY

Madagascar Energy was incorporated in Madagascar on 28 November 2006 with total registered capital of 10 million Ariary. Madagascar Energy has been granted with the license to carry on the business of import, transportation and distribution of petroleum in Madagascar for a period of seven years since 25 January 2007. The license can be renewed for another seven years by paying a renewal fee of US$90,000 and subject to the compliance with all relevant licensing requirements under the license and relevant laws in Madagascar. The Directors are not aware of any expected impediment with respect to the renewal of the license and consider that the possibility of failing in license renewal is remote. Madagascar Energy has also the right to establish 250 petroleum and gas stations in Madagascar. Save for the license to carry on the business of import, transportation and distribution of petroleum in Madagascar, Madagascar Energy does not have any other material assets as at the date of this announcement.

Based on the management accounts of Madagascar Energy, which has been prepared in accordance with accounting principles generally accepted in Hong Kong, Madagascar Energy had unaudited net loss before and after taxation of approximately HK$10,000 and HK$10,000 respectively for the period from 28 November 2006 (its incorporation date) to 31 December 2006 (the latest year end date). As at 31 December 2006, Madagascar Energy had net assets of approximately HK$32,000. The Vendor founded Madagascar Energy in November 2006 and obtained the petroleum-related business license in January 2007 with a total cost of approximately HK$2.0 million.

Dolaway was incorporated in the British Virgin Islands on 16 August 2007 with total issued share capital of US$100. Dolaway is an investment holding company and its major asset is the land use right for a site of approximately 6,951 m^2 located at Vilia NY Ambaniandro Prosper Emphyteose, Antananarivo, the capital city of Madagascar. The site is designated for commercial use with land use term of 99 years, commencing from 28 October 2005. Save for the aforementioned land use right, Dolaway does not have any other material assets as at the date of this announcement.

Based on the management accounts of Dolaway, which has been prepared in accordance with accounting principles generally accepted in Hong Kong, Dolaway had unaudited net loss before and after taxation of approximately HK$8,500 and HK$8,500 respectively for the period from 16 August 2007 (its incorporation date) to 31 August 2007 (the latest accounting period end date). As at 31 August 2007, Dolaway had net liabilities of approximately HK$8,000. The Vendor founded Dolaway in August 2007 and acquired the land use right of the site in August 2007 with a total cost of approximately HK$5.5 million.

REASONS FOR THE ACQUISITION

The Group is principally engaged in the trading of petroleum fuel products and polyurethane materials and exploration and exploitation of oil and gas in Madagascar.

Dr. Hui was first aware of the investment opportunity in the business of petroleum import, transportation and distribution in Madagascar through his capacity of Consulate of Madagascar in Hong Kong and the largest foreign individual investor and contributor in Madagascar. The business license was granted to Dr. Hui with the special approval by the President of Madagascar in January 2007 in recognition of Dr. Hui's contribution to Madagascar. Dr. Hui nominated his private companies as the license holders as the Company neither have any experience in managing petroleum-related business nor having sufficient financial resources for the development of such business at the time of the license application. Moreover, at the time of license application, the Company was mainly engaged in the business of sale and distribution of polyurethane materials in the PRC and had not acquired the 3113 Oilfield in Madagascar. Therefore, it was not in the interests of the Company to engage in the gas station business in Madagascar at that time. Having considered the financial position and business development focus of the Group at the time of license application, Dr. Hui had not referred such opportunity to the Company at that time. Given the inability and inappropriateness of the Company for applying the license and land use right by its own, Dr. Hui considers that his application for such license and land use right has no adverse implication to his compliance with Rule 3.08 of the Listing Rules.

On the other hand, after the completion of the acquisition by the Company of the 3113 Oilfield in Madagascar and the fund raising exercises carried out by the Company during the past eight months, the Company's financial position was significantly improved and the engagement in gas station business would create synergy to the Group's oil exploration and exploitation business in Madagascar. Therefore, Dr. Hui referred such business opportunity to the Company in September 2007.

The Directors consider that the engagement in petroleum import, transportation and distribution business in Madagascar will create synergy to the Group's oil exploration and exploitation business in the oilfield block 3113 in Madagascar by providing an extensive distribution network for the wholesale and retail of the Group's petroleum products. Moreover, the obtaining of the license will enable the Group to tap into the potential lucrative oil distribution business in Madagascar, where the economy is experiencing a steady growth and there is ever increasing demand in petroleum products.

The Company endeavored to apply for the license to carry on the business of import, transportation and distribution of petroleum in Madagascar directly from the relevant government authorities in Madagascar instead of acquiring the same from the Vendor. However, the Company was advised by the government officials in Madagascar that the government would highly unlikely grant a license in similar nature to the Company or any other entity related to Dr. Hui given that the Company has no track records in the relevant industry and such license has already been granted to two companies related to Dr. Hui with the special approval by the President of Madagascar. The Company had not formally applied for the business license after taking the advice from the relevant government officials. The Directors consider that it may jeopardize the relationship between the Company and the government of Madagascar if the Company insists on making the application by ignoring the advice from the government officials. Therefore, the Directors consider that the acquisition of Madagascar Energy is currently the best alternative available for the Company to secure the license.

Given that (i) the chance of obtaining the license directly from the Government of Madagascar by the Company is low; (ii) the Acquisition provides an alternative means for the Group to engage in such regulated business; (iii) the interests of Dr. Hui in the transaction is fully disclosed to the Board and the Shareholders; and (iv) the Acquisition is subject to, *inter alia*, the approval by the Independent Shareholders and the valuation to be performed by an independent professional valuer, Dr. Hui considered that it would be beneficial for the Company to put forward the resolution for the Independent Shareholders' consideration for approving the Acquisition at the SGM and he has fully discharged his fiduciary duty under Rule 3.08 in the transaction.

Furthermore, as the Acquisition is subject to the valuation of the assets of not less than the total consideration for the Acquisition, the Directors consider that they have taken appropriate actions to secure a fair market value for the Acquisition and have exercised due care under Rule 3.08 of the Listing Rules in protecting the interests of the Company and the Shareholders as a whole.

To cope with the Group's increased business activities in Madagascar, the Group is planning to establish a branch office in Madagascar to monitor the progress of the oil exploration and exploitation business in the oilfield block 3113 and to further expand the business network in the region. The Directors consider that the acquisition of Dolaway shall provide a suitable site for the establishment of the Company's office in Madagascar. According to the preliminary plan of the Company, a commercial building with total gross floor area of not less than 60,000 m^2 will be established in the site owned by Dolaway. The Directors expect that the office premises of the commercial building not occupied by the Group shall contribute rental income to the Group.

Given that (i) the site is suitable for the establishment of the Company's branch office; (ii) it would take a longer time to search for a new site and apply for the land use right; and (iii) the Company is in need of such office in the short- to medium-term to facilitate the Group's business development in Madagascar, the Directors consider that it is appropriate for the Company to acquire the site from the Vendor.

In light of the above and the fact that the Acquisition shall also bring in the side benefit of 50% of the potential gain arising from the sale of Madagascar Petroleum at no cost, the Directors are of the view that the entering into of the Agreement is in the interests of the Company and the Independent Shareholders as a whole and the terms of the Agreement are fair and reasonable to the Independent Shareholders.

CHANGE IN THE SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming no further Shares are issued before Completion, the shareholding structures of the Company as at the date of this announcement and immediately after Completion are shown as follows:

	Shareholding structure as at the date of this announcement		**Shareholding structure upon the issue of Consideration Shares**	
	No. of Shares	*%*	*No. of Shares*	*%*
Wisdom On Holdings Limited *(Note)*	750,080,000	17.43	750,080,000	16.89
Golden Nova Holdings Limited *(Note)*	2,372,526,666	55.14	2,372,526,666	53.41
Barta Holdings Limited *(Note)*	48,340,000	1.12	48,340,000	1.09
The Vendor *(Note)*	–	–	138,888,889	3.13
Subtotal of shareholdings held by Dr. Hui and his concert parties	3,170,946,666	73.69	3,309,835,555	74.52
Public Shareholders	1,131,920,000	26.31	1,131,920,000	25.48
Total	**4,302,866,666**	**100.00**	**4,441,755,555**	**100.00**

Note: These companies are wholly-owned by Dr. Hui.

GENERAL

The Acquisition constitutes a share transaction for the Company under Rule 14.06 of the Listing Rules. As Dr. Hui, the beneficial owner of the Vendor, is a connected person of the Company under the Listing Rules, the entering into of the Agreement also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Agreement is subject to approval of the Independent Shareholders, by way of poll, at the SGM, which will be held to consider, and if thought fit, passing the resolutions to approve the Agreement and transactions contemplated therein. Dr. Hui together with his associates will abstain from voting for the approval of the Acquisition at the SGM. An independent board committee will be formed to advise the Independent Shareholders on the Acquisition and an independent financial adviser will be appointed to advise the independent board committee and the Independent Shareholders on the Acquisition.

A circular containing, among other things, an independent valuation report on Madagascar Energy and Dolaway, further details of the Acquisition and other disclosures in connection with the Acquisition required pursuant to the Listing Rules, the advices from the independent board committee and independent financial adviser, together with a notice of the SGM will be dispatched to the Shareholders in due course.

At the request of the Company, trading in Shares on the Stock Exchange was suspended from 9:30 a.m. on 6 September 2007 pending the release of this announcement. Application has been made by the Company to the Stock Exchange for the resumption of trading in Shares on the Stock Exchange with effect from 9:30 a.m. on 13 September 2007.

DEFINITIONS

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

"Acquisition"	the acquisition of equity interests and shareholder's loans in Madagascar Energy and Dolaway
"Agreement"	the conditional sale and purchase agreement dated 5 September 2007 entered into between the Company and the Vendor for the sale and purchase of the ME Sale Shares, ME Shareholder's Loan, Dolaway Sale Shares and Dolaway Shareholder's Loan
"Ariary"	the lawful currency of Madagascar. According to the exchange rate quoted from Bloomberg on 4 September 2007, 1,000 Ariary is equivalent to approximately HK$4.2
"associates"	has the meaning ascribed thereto in the Listing Rules
"Board"	the board of directors of the Company
"Company"	Sino Union Petroleum & Chemical International Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
"Completion"	completion of the Acquisition Agreement
"Consideration Shares"	138,888,889 new Shares to be issued to the Vendor, as part of the consideration for the Acquisition, upon Completion
"Dolaway"	Dolaway Group Limited, a company incorporated in the British Virgin Islands and wholly-owned by Dr. Hui
"Dolaway Sale Shares"	100 ordinary shares of US$1.00 each in the share capital of Dolaway, representing the entire issued share capital of Dolaway
"Dolaway Shareholder's Loan"	the shareholder's loan, which is interest-free and has no security and fixed repayment term, owed by Dolaway to the Vendor as at Completion
"Directors"	the directors of the Company
"Dr. Hui"	Dr. Hui Chi Ming, the Chairman and an executive director of the Company
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Independent Shareholders"	Shareholders other than Dr. Hui and his associates
"Last Trading Day"	5 September 2007, being the last trading day before the publication of this announcement
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Madagascar Energy"	Madagascar Energy International Gas Station Group Ltd., a company incorporated in Madagascar and wholly-owned by Dr. Hui
"Madagascar Petroleum"	Madagascar Petroleum International Gas Station Group Ltd., a company incorporated in Madagascar and wholly-owned by Dr. Hui
"ME Sale Shares"	500 ordinary shares of 20,000 Ariary each in the share capital of Madagascar Energy, representing the entire issued share capital of Madagascar Energy
"ME Shareholder's Loan"	the shareholder's loan, which is interest-free and has no security and fixed repayment term, owed by Madagascar Energy to the Vendor as at Completion
"Option Deed"	the option deed dated 8 June 2007 entered into between the Company and Dr. Hui in respect of the grant of the call option by Dr. Hui to the Company for the acquisition of equity interests in Madagascar Energy and Madagascar Petroleum
"SGM"	the special general meeting of the Company to be convened to approve the Agreement and transactions contemplated therein
"Share(s)"	the share(s) of HK$0.02 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Vendor"	Good Progress Group Limited, an investment holding company beneficially owned by Dr. Hui

Made by the order of the Board
Sino Union Petroleum & Chemical International Limited
Chui Say Hoe
Executive Director

Hong Kong, 12 September 2007

As at the date of this announcement, the Board comprises six executive Directors, namely Dr. Wang Tao, Dr. Hui Chi Ming, Dr. Chui Say Hoe, Mr. Tsang Kwok Man, Mr. Cheung Shing and Mr. Cui Yeng Xu; one non-executive Director, namely Mr. Chow Charn Ki Kenneth; and three independent non-executive Directors, namely Mr. Chan Wai Dune, Dr. Yu Sun Say and Mr. Ng Wing Ka.